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Where Your Revenues Come From in 2014

Swiss Entertainment and Media Outlook
2010–2014

*Revenues, trends
and developments in
the Swiss entertainment
and media industry.*



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Editorial

To our clients and friends both in and beyond the entertainment and media industry:

Welcome to the first annual edition of PwCs' Swiss Entertainment and Media Outlook, covering the forecast period of 2010–2014. The Swiss country edition is complementary to the Global Entertainment and Media Outlook, which was published in June 2010 for the 11th consecutive time, and provides you with further insights into the technological, political, social and economical trends and developments driving revenues in the Swiss entertainment and media market. Our forecasts and analyses for this first Swiss edition comprise 11 major entertainment and media (E&M) industry segments:

1. Internet access spending: wired and mobile
2. Internet advertising: wired and mobile
3. Television subscription and license fees
4. Television advertising
5. Recorded music
6. Filmed entertainment
7. Video games
8. Radio
9. Out-of-home advertising
10. Consumer magazine publishing
11. Newspaper publishing

The uncertain economic background has done nothing to slow the pace of change. According to our research, digital technologies will on the contrary continue to increase their impact progressively across all segments of entertainment and media over the next five years as digital transformation continues to expand and is even accelerated by the financial crisis. It is clear that the consumer is firmly in the driving seat of these changes.

Some other key developments include the rising power of mobile devices, the growing dominance of the Internet experience over all content consumption as well as the increased engagement and readiness of consumers to pay for quality content. Newspapers will not disappear. On the contrary, besides the traditional media offerings they have the ability to engage with consumers via an ever-increasing number of screens, specifically addressing fragmented audiences needs. But beware; new global players are on the verge of entering the Swiss arena.

These are only a few of the findings of the first Swiss Entertainment and Media Outlook from PwC.

As a key input to this survey, a series of interviews with Swiss leaders of entertainment and media companies were conducted, each sharing their thoughts and knowledge on the underlying trends and developments that drive revenues in the Swiss E&M market. We would very much like to thank these leaders who have made themselves available to share their valuable time and input with us. The Swiss Entertainment and Media Outlook was produced by our Swiss team of entertainment and media experts. Please refer to the acknowledgement section for contact details.

We wish you exciting and interesting reading.



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Executive Summary

Toward 2014: the search for position in the digital value chain

The coming four years will see digital technologies progressively increase their dominance across all segments of entertainment and media as the digital transformation continues to expand and to escalate. While the industry has a long history of experimenting and fragmenting in response to change, the current advances in technologies and consumer behaviour are unprecedented in both their speed and their simultaneous impact across all segments.

To many organisations, no clear and sustainable path to success in this changed environment has yet emerged. Companies across the industry, both in Switzerland and abroad, are in the process of embedding digital strategies and skills into their organisations, and many providers of comparable services are pursuing widely differing revenue models.

In this industry overview, we aim to define the context for the detailed forecasts in the outlook.

In **part one**, we summarise our projections for all Swiss entertainment and media industry segments covered and compare these against projections for Western Europe.

In **part two**, we outline three key issues at the heart of industry developments: the accelerating pace of digital transformation, increased fragmentation, and the need to sustain non-digital revenues. These issues all point to the major driver currently emerging as companies' core focus: ongoing developments in consumer behaviour.

In **part three** of this overview, we examine three themes through which consumer change is making itself felt: the rising power of mobility and mobile devices, the growing dominance of the Internet experience over all content consumption and the increasing engagement and readiness of consumers to pay for content.

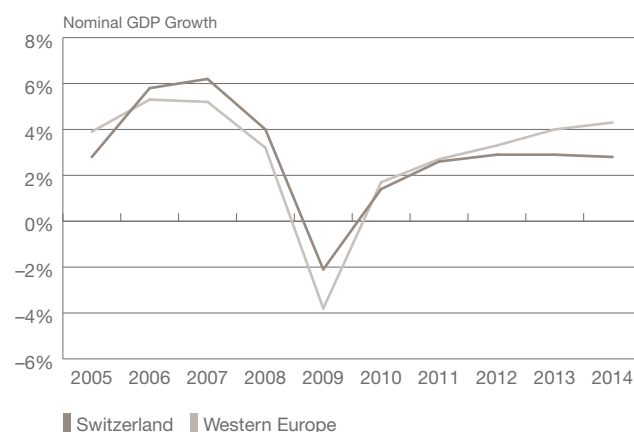
In **part four**, we summarize the impact of changing consumer behaviour and lay out seven success factors we believe will facilitate each organisation's transition to its optimal place in the new digital value chain.

Part one: Swiss entertainment and media industry revenues

With some notable exceptions, particularly China and India, in most countries the severe recession led to declines in gross domestic product (GDP), which in turn led to steep declines in advertising globally as spending on advertising highly correlates with fluctuations in GDP. On a global level, advertising spending fell by 11.8 percent in 2009, compared to the previous year.

In 2009, the Swiss economy was not as affected as some of the surrounding countries; nominal GDP declined by 2.1 percent against an average 3.8 percent decline in Western Europe.

However, Western Europe is expected to show a more intensive rebound than Switzerland, with an average annual growth rate of 3.2 percent against 2.5 percent for Switzerland over the period 2010–2014.



Source: SECO, KOF, PricewaterhouseCoopers, Wilkofsky Gruen Associates

In Switzerland, several sectors continued to show strong growth, despite a decline in nominal GDP and advertising spending. Total spending on **wired and mobile Internet access** increased by 4.8 percent in 2009, and is expected to continue to grow by 5.3 percent annually until 2014. Spending on Internet access reached CHF 2.0 billion in 2009, which corresponds to 18.9 percent of total entertainment and media spending in 2009. Stimulated by spending on broadband and mobile Internet access, the relative share is expected to increase to 20.4 percent in 2014, reaching revenues of CHF 2.6 billion. In 2011, spending on wired and mobile Internet access will take over the leading position in Swiss entertainment and media revenues from newspaper publishing.

In Switzerland, the traditionally strongest segment, **newspaper publishing**, felt the decline of advertising spending: total newspaper print advertising spending in 2009 decreased by 21.9 percent and circulation spending declined by 0.4 percent in 2009. Overall, the newspaper publishing market achieved revenues of CHF 2.1 billion, 15 percent down from the 2008 level of CHF 2.5 billion. Still, we expect the overall newspaper publishing sector to grow by an average rate of 0.8 percent and to reach revenues of CHF 2.2 billion in 2014. Even though Switzerland will remain a country with an extraordinary appetite for print press products, publishing companies will need to adapt to substantially lower revenues from print advertising as we do not expect these revenues to reach previous levels anytime soon. However, revenue increases from digital advertising cannot compensate for these losses. Publishing companies are thus investigating and investing in new sources of revenue, preferably away from cyclical advertising spending.

Spending on **television subscriptions and license fees** is expected to continue to show growth. The sector achieved revenues of CHF 1.8 billion in 2009, which corresponds to 16.9 percent of total spending. Stimulated by consumer spending on digital television subscriptions and video-on-demand services, we expect the sector to reach revenues of CHF 2.1 billion by 2014, a compound annual growth rate of 2.7 percent. The relative share of television and license fees spending is expected to decline to 16.1 percent of total spending in 2014.

We expect the Swiss **consumer magazine** market to increase from CHF 1.1 billion in 2009 to CHF 1.2 billion in 2014, a 1.5 percent compound annual growth rate. Improved economic conditions are expected to increase spending for advertising and circulation. Despite the trend to digital advertising, print advertising will remain the main source of income during the next years. Competition from the Internet is expected to cut into circulation. Smartphone and tablet PC applications, especially, may substitute print subscriptions and readership but, at the same time, new formats, integrating text, video and sound, also provide opportunities to attract new readers. One of the challenges, however, will be to find a balance between free and paid-for online and mobile content.

Out-of-home advertising remains a strong sector in Swiss entertainment and media spending. Driven by continued strong spending in billboard advertising, the physical out-of-home segment is expected to continue to increase at a moderate

annual growth rate of 1.2 percent, from CHF 0.6 billion in 2009 to CHF 0.7 billion in 2014. The digital out-of-home (DOOH) segment is expected to grow at a stunning average annual growth rate of 50.2 percent. Nevertheless, according to our projections, the increased spending in digital ad-screens and digital billboards is not expected to exceed 10 percent of total out-of-home advertising spending by 2014, despite the rapidly decreasing cost of installing a DOOH infrastructure due to high vendor attention.

The economic downturn reduced Swiss **television advertising** spending by 4.4 percent in 2009, as many advertisers cut back on their budget, but it is expected to bounce back in 2010 with an expected growth rate of 5.1 percent. Growth will average 4.2 percent over the 2010–2014 period, as advertisers will continue to focus on the brand-building aspects of television advertising. Therefore, we project the Swiss net television advertising market to increase from CHF 0.6 billion in 2009 to CHF 0.8 billion in 2014. Increasing investment in broadband infrastructure and mobile and wired bandwidth capacity will further spur investments in mobile and online television media offerings, as well as consumer spending on such media, including the necessary hardware, such as smartphones and tablet PCs. The introduction of web-enabled TV sets and the expansion of online streaming will fuel online television advertising. Mobile TV rollouts and the shift from subscriber-supported to advertiser-supported services, or a hybrid form, is expected to expand the mobile television advertising market. However, this growth is considered fragile, as it is highly dependent upon flat-rate 3G/4G or innovative WiFi data traffic tariff plans, as offered by the mobile operators.

Driven by strong increases in search and mobile advertising spending, both as a catch-up effect of a late start in Internet advertising, and by the high adoption rate of smartphones and other mobile devices and a high broadband penetration rate, the Swiss **Internet advertising** sector is expected to leap forward over the coming years. We expect total Internet advertising revenues to almost double from CHF 0.6 billion in 2009 to CHF 1.2 billion in 2014, an average annual growth rate of 15.7 percent. The share of Internet advertising spending compared to total spending is expected to jump from 5.5 percent in 2009 to 9.5 percent in 2014, reflecting the trend towards digitalisation.

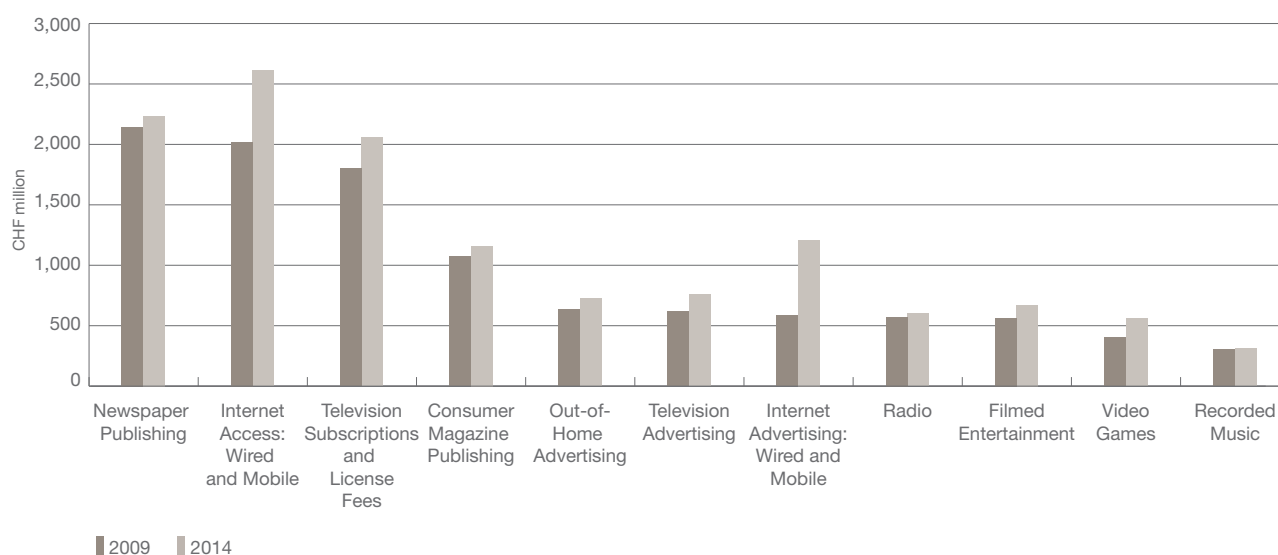
The Swiss **radio** market is projected to increase from CHF 0.57 billion in 2009 to CHF 0.60 billion in 2014. This means a rather moderate average annual growth rate of 1.1 percent. In 2009, the share of radio license fees in the total radio market accounted for approximately 76 percent, while advertising and sponsoring revenue generated the balance of 24 percent. Hence, the influence and importance of regulatory decisions on this market is significant. The share of digital radio (DAB, DAB+, HD Radio) in Switzerland continues to be marginal compared to analogue broadcasting. However, we are observing a move by the majority of radio stations to strongly expand into digital technology.

We project the Swiss **filmed entertainment** market to increase at a compound annual growth rate of 3.5 percent from CHF 0.56 billion in 2009 to CHF 0.67 billion in 2014. Box office spending will be enhanced by growth in 3D screens and 3D releases, especially those from European film production houses. The growing penetration of high-definition television sets (HDTV) will fuel demand for HD videos, stimulating the sell-through market. 3D is also expected to spark the Blu-ray (BD) sell-through market. Increasing broadband penetration and faster speeds will support online streaming and online video subscriptions as soon as sufficiently attractive online offerings are available in the Swiss market. In-store and kiosk rentals will slowly be replaced by video-on-demand, online rental and digital download spending. Key factors affecting the market in any given year are the quality and attractiveness of individual releases, a development we cannot predict.

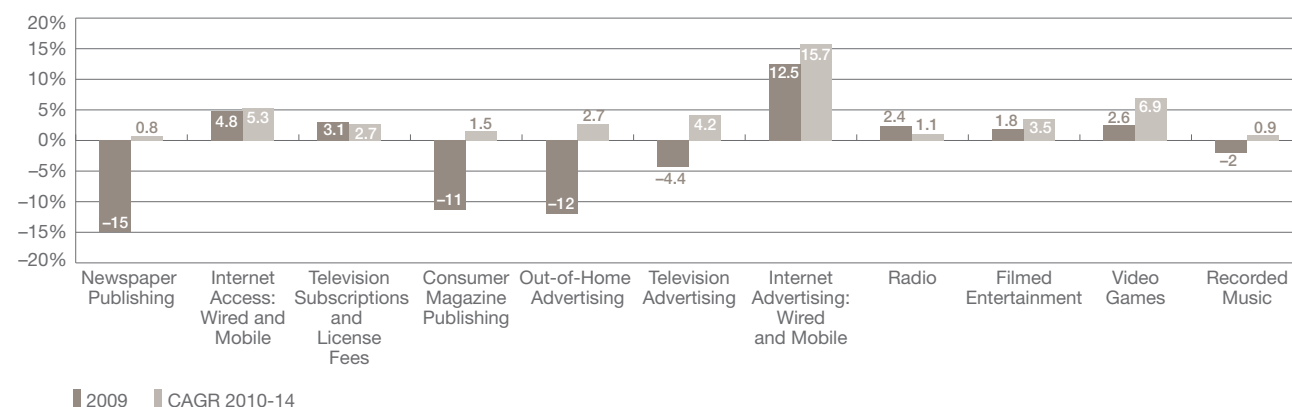
Another sector to benefit strongly from both the trend towards digitalisation and an increase in broadband and mobile Internet access is **video games**. We expect the Swiss video game sector to increase by an average of 6.9 percent a year between 2009 and 2014, growing from CHF 0.4 billion to almost CHF 0.6 billion. Following Internet advertising, the video games market is one of the most dynamic segments in the Swiss entertainment and media industry. Spending on video games represented 3.8 percent in 2009 and will increase to 4.4 percent of overall Swiss entertainment and media spending in 2014.

Swiss **recorded music** revenues are projected to increase by an average 0.9 percent a year between 2010 and 2014, from CHF 0.29 billion in 2009 to CHF 0.31 billion in 2014. The outlook for recorded music in Switzerland can be split into two trends. Up until 2011, the decline experienced since 2005 will continue, albeit at a slower pace. Starting in 2012, the

Swiss Entertainment and Media Market



Swiss Entertainment and Media Market Growth

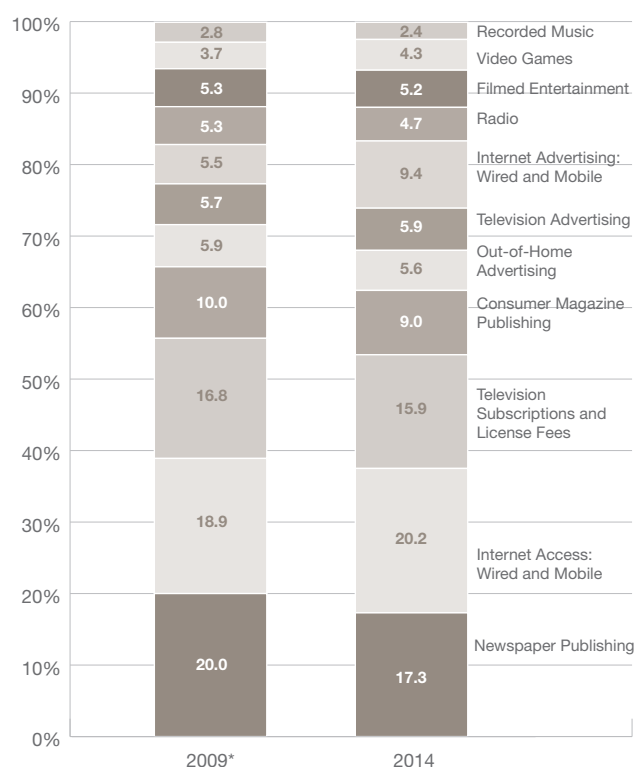


Source: PricewaterhouseCoopers, Wilkofsky Gruen Associates

overall market will recover and grow again. This growth will be mainly driven by digital music sales offsetting the continuous decline in physical distribution. Consequently, we expect digital music sales to overtake physical distribution by 2012.

Overall, we project the **Swiss entertainment and media market** to grow by an average of 3.7 percent over the period 2010–2014. Total spending is expected to increase from CHF 10.7 billion in 2009 to CHF 12.9 billion in 2014.

Relative Share of Swiss Entertainment and Media Market per Sector (percent)



Source: PricewaterhouseCoopers, Wilkofsky Gruen Associates

In comparison with Western Europe, some Swiss sectors outpace Western European growth rates substantially. Especially in Internet advertising, Switzerland is currently experiencing a catch-up phase. In the past Internet advertising had been less aggressively pushed by large advertising agencies and less actively pursued by publishing companies. With one of the highest broadband penetration rates in the world and substantial investments made in mobile broadband access, we expect the market to develop more intensively over the coming years.

The high broadband penetration rate and the relatively high share of smartphones in Switzerland – we estimate the share of smartphones at currently between 25 and 30 percent of all active mobile handsets – will also stimulate spending on video games. With an average annual growth rate of 6.9 percent, Switzerland is expected to grow above the Western European average of 6.2 percent until 2014.

That same high broadband penetration rate also explains why we expect the Swiss Internet access market to grow at a slower pace than the Western European average. Switzerland’s upside potential for wired broadband access is limited. Growth is mainly expected from mobile broadband access and triple play packages, of which Internet access is a key component. Hence, we expect the market to develop less dynamically and show a compound annual growth rate of 5.3 percent, against 8.3 percent for Western Europe.

Even though Swiss growth in television advertising is substantially higher than the Western European average, the relative share of television advertising in Switzerland ranks behind Western Europe. In Switzerland, spending in newspaper publishing, Internet access, television subscriptions and license fees, out-of-home advertising and consumer magazine publishing exceeded spending on television advertising in 2009. By 2014, television advertising will have overtaken out-of-home advertising (2011), whereas Internet advertising will have overtaken television advertising (2010), similar to developments in other European countries (e.g., the UK). Within Western Europe, consumer magazine publishing and out-of-home advertising both generate lower revenues than television advertising.

Growth in both newspaper publishing and consumer magazine publishing reflects the special status of print in Switzerland, which is unprecedented in Western Europe. Together with the Nordic countries of Finland, Iceland, Norway, Sweden and the Netherlands, Switzerland was ranked first as a country with the highest press freedom by Reporters without Borders in October 2010, indicating high appreciation for journalistic efforts in the form of press articles, blogs and other media.

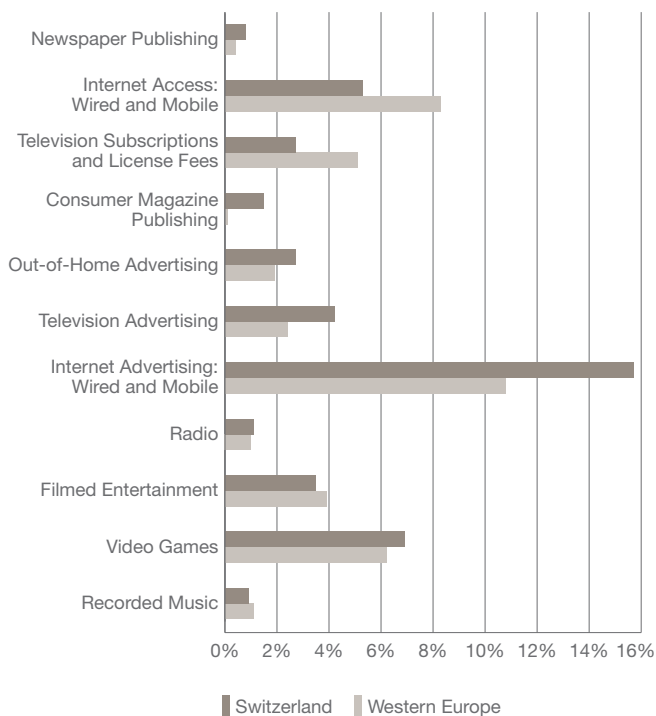
Part two: Developments at the heart of the industry

We identified three key issues at the heart of entertainment and media industry developments: the accelerating pace of digital transformation, increased fragmentation, and the need to sustain non-digital revenues.

1. The accelerating pace of digital transformation

In times of recession, many industries review their current offerings and seek ways to reduce cost, anticipating or reacting to reduced consumer spending. Product innovations are put on hold, spending on research and development constrained. Not so in the entertainment and media industry, or at least not in those areas that add to the digital experience. For example, at the very beginning of the financial crisis, telcos and utility companies announced their plans to invest billions in optical fibre networks, resulting in over a million homes being

Swiss vs. Western Europe Entertainment and Media Sectors' Compound Annual Growth Rates 2010–14



Source: PricewaterhouseCoopers, Wilkofsky Gruen Associates

connected with Fibre-to-the-Home or DOCSIS 3.0 by 2015, or roughly one-third of all Swiss households by 2015. Developments in the filmed entertainment industry, with appealing 3D movie offerings and a continuing flow of innovative products in the home electronics area, ranging from higher resolution screens to embedded Internet access to 3D enabled television sets, and the incredible success of smartphones, netbooks and, since January 2010, also of tablet PCs all contributed to the increasing pace of digital transformation.

2. Increased fragmentation

The rapidly advancing digital transformation is driving industry and audience fragmentations to levels not previously seen. Entertainment and media has always tended to fragment under the impact of shifts in technology and consumption habits. However, the current wave of change is of a different magnitude from previous ones, in both its speed and its simultaneous impact across all segments. For example, in recent decades, television has progressed from a handful of analogue channels to a multiplicity of niche and themed channels, fragmenting the audience in the process. Even though our research indicated that, today, the vast majority of Swiss television consumers watch the same digital television channels as they did with their previous analogue subscription, we believe that under the influence of the Internet generation, television consumption in Switzerland will also develop towards a more fragmented market. For

example, the youth television channel joiz, which will launch on 1 February 2011, aims at becoming the new media home for teenage media users in Switzerland by combining classic TV with online and mobile offerings and social media.

As illustrated in the example above, with digitisation, niche content experiences are becoming available across a widening array of platforms and devices, driving audience fragmentation both further and faster. This fragmentation and corresponding measuring of audiences will become increasingly crucial for entertainment and media companies in order to be able to successfully address advertisers' needs. Some advertising companies address this need by pursuing a total audience approach: integrated measuring of audiences across all media through one system.

Another aspect of the fragmentation: consumers' media consumption and purchasing decisions differ widely at different times in different markets. In every segment there are regional and country variations in current market size and future growth, reflecting local factors concerning infrastructure, access availability, legislation and consumer behaviour. For example, the mobile Internet explosion has already happened in Japan, where in 2009 mobile Internet access accounted for some 63 percent of total Internet access spending. In Switzerland however, the share of mobile Internet access compared to the total Swiss Internet access market is expected to almost double from 6.6 percent in 2009 to 11.1 percent in 2014. A remarkable growth, but still far away from Japanese levels.

In the field of content, Switzerland has the advantage that it has only one legal body, Suissemage (Swiss Authors' Rights Cooperative for Audiovisual Works), through which all content for linear television can be licensed, irrespective of device. In other countries, licenses for television channels often need to be negotiated on an individual basis. Swiss online television offerings benefit from this circumstance.

While perceived by many as a threat, the inevitable and ongoing fragmentation will need to be seized upon as an opportunity: creative partnerships and innovative products, from advertising companies and content providers will be required to cater to the evolving audiences.

3. The need to sustain non-digital revenues

Digital technologies are now effectively a given in all segments. Unsurprisingly, digital services will provide most of the future growth in Swiss entertainment and media. But it is vital to remember that legacy off-line revenue streams are still significantly larger than digital revenues and will remain so throughout the five-year forecast period. This means the industry needs to ensure it embraces digital not as a competitor to traditional analogue services but as a complement.

Entertainment and media companies need to strike the right balance between old and new, by nurturing and sustaining their cash-generating traditional offerings while using these revenues to identify and seize the right role and positioning for their businesses within the emerging digital value chains.

In many cases digital revenues are also relatively small, compared to the traditional offerings. For example, the top five segments that are expected to show the highest relative growth, ranging from an average 91.1 percent to 32.4 percent over the period 2010-2014, are expected to generate an estimated CHF 154 million in additional revenues and a combined total of CHF 187.3 million in 2014. Even though we forecast newspaper print advertising to show only a moderate growth rate of 0.9 percent over the same period, this growth still accounts for CHF 61 million and adds to the expected total of CHF 1,370 million in 2014. This example clearly illustrates the fact that for most entertainment and media companies, growth in digital revenues, even though occurring at astonishing rates, needs to be financed out of traditional media offerings.

Part three: Changing consumer behaviour

1. The rising power of mobility and mobile devices

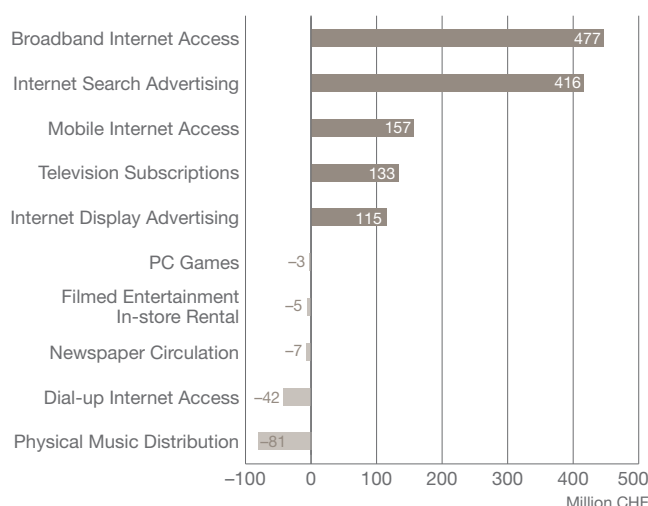
The use of smartphones is on the rise in Switzerland. Swisscom, which serves approximately 62 percent of total Swiss mobile subscribers, estimated that in March 2010, 25 percent of all active mobile handsets in Switzerland were smartphones. Continuous innovation by smartphone manufacturers will continue to drive smartphone penetration. Driven by fierce competition in mobile devices and operating systems, extensive 3G/4G network coverage, high per-capita income and a wide range of available content, this number may very well have doubled by 2014, outpacing growth in surrounding countries, such as Germany, which expects a penetration rate of 40 percent in 2014. After the stunning developments in smartphone sales, the tablet PC market is now further accelerating the use of mobile computing. Since the Swiss launch in August 2010, an estimated 80,000 iPads have been sold in Switzerland. Worldwide, Apple Inc. reported that as per September 2010, some 7.5 million iPads were sold since launch in January 2010. Samsung was one of the first mobile device makers to follow, with the introduction of the Galaxy tablet PC and RIM launched the BlackBerry PlayBook in October 2010. Other manufacturers are expected to launch tablet PCs as well, or position themselves between smartphone and tablet PCs, such as the Dell Streak, which was launched in May 2010.

Applications for smartphones, and in some cases also for tablet PCs, are available in the manufacturers' application stores. Apple's AppStore at present features some 250,000 applications for iPhone and 200,000 for iPad. Other device makers are competing for their share of the applications market through their own application stores, such as Research in Motion's BlackBerry App World, Google's Android Market, Nokia's OVI Store, LG's Application Store and Palm's Software Store.

However, developments in mobile devices are not limited to smartphones, notebooks, netbooks or tablet PCs. Amazon recently launched its new Kindle eReader. In its American Kindle Store, Amazon has more than 720,000 books available for download. Over 1.8 million free, out-of-copyright, pre-1923 books are also available to read on Kindle. Through Amazon's Kindle App, which is available for most smartphones and tablet PCs, readers can download books and seamlessly switch between devices.

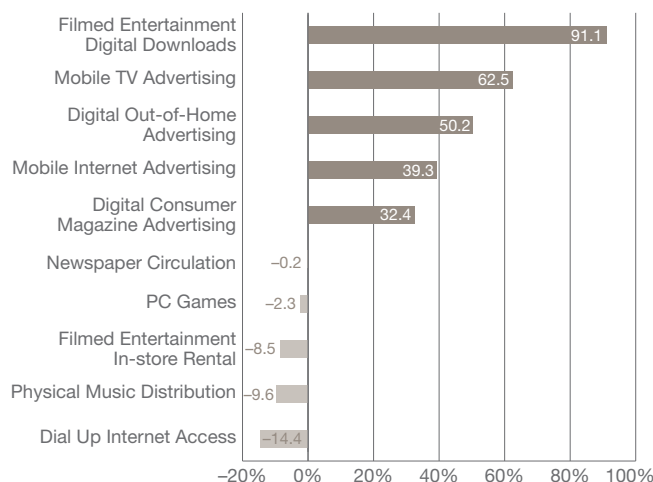
TomTom, a provider of location and navigation solutions, and HTC Corporation, a smartphone manufacturer, announced they would jointly deliver navigation and location solutions on HTC smartphones, dubbed HTC Locations. HTC Locations comes preloaded with TomTom's location-rich maps, and aims at an enhanced navigation experience for the user.

Top and Bottom 5 Segments by 2010–2014 Change in Size



Source: PricewaterhouseCoopers, Wilkofsky Gruen Associates

Top and Bottom 5 Segments by 2010–2014 CAGR



Source: PricewaterhouseCoopers, Wilkofsky Gruen Associates

The above-mentioned examples demonstrate that overall, and on a global level, the electronic devices markets are characterized by frequent product introductions and rapid technological advances. These have substantially increased the capabilities and use of personal computers, mobile communication and media devices, and other digital electronic devices, and support the rising power of mobility and mobile devices.

2. The growing dominance of the Internet experience over all content consumption

Internet usage is all around us. The promise of Internet – what I want when I want it – is enhanced by a further factor: how I want it. With improvements in usability and the increased attention of manufacturers and suppliers of Internet-enabled services and products to consumers' criticisms, the resulting customer experience is in many cases evolving positively.

Together with extensive investments in Switzerland in wired and wireless broadband infrastructure by carriers, utility companies and cable operators, further digital services will start to emerge. We project, for example, strong growth in the digital out-of-home advertising and digital signage sectors. First, the cost of installing a digital out-of-home infrastructure is rapidly decreasing due to high vendor attention. Second, digital signage networks offer a wide range of opportunities to reach consumers where other media do not always have access (e.g., hotel rooms or lobbies, shopping malls, point-of-sale solutions, lavatories, lifts, etc.) and allow for joint use of infrastructure by different advertising content providers. Furthermore, new technologies, such as 3D or interactive advertising, will help generate a higher degree of attention and impact among consumers.

Therefore, the digital-out-of-home segment will grow strongly as a result of more cost-efficient infrastructure (networks, video screens, etc.) and digital signage solutions of optimised quality combined with enhanced measurability of advertising impact. Still, even in 2014, the relative market share will not exceed 10 percent of the total out-of-home advertising market, reflecting the above-mentioned need to sustain non-digital revenues.

With Internet-enhanced television gaining momentum and with television and the Internet being used together in a growing number of contexts, Internet and television are becoming complementary rather than competitive or substitutional. Many of the people watching television are simultaneously online and access content or participate in social networks related to the programmes they are viewing. Television is also one of the most popular online topics, generating active discussions among fans of specific programmes. Essentially, the Internet has created a "virtual watercooler" around which people gather to chat with each other about television. Further pointers to the future of Internet-enhanced television are TV widget services, which allow viewers to select from a growing base of movies and television series through their Internet-connected television set.

The increasing number of broadband households, the expansion of digital distribution of content, and the growth of the current generation of consoles that promote online experience are spurring the growth of online games. Within this segment, Massively Multi Player Games (MMOGs) are able to reach critical mass and generate strong revenues. Online casual games also continue to attract consumer spending. As a side effect, the shift towards online is also driving the in-game advertising segment via dynamic ads in online games.

The ongoing digitalisation of cinemas and films is expected to have a sustainable impact on most elements of the filmed entertainment value chain as digital distribution of movies to cinemas and to consumers is becoming cheaper and more convenient for film distributors.

3. The increasing engagement and readiness of consumers to pay for content

With regard to digital downloads, the Swiss legal framework is not as strong as in other European countries (e.g., downloading copyrighted content for personal purpose is not illegal per se, whereas France and the UK have enacted new regulations to fight piracy). This framework is not expected to significantly change in the next few years. In that context, the collaboration with Internet service providers appears key but has yet to be proven as a sustainable mechanism to deter piracy. In September 2010, the Swiss Federal Court ruled that it was illegal for private companies mandated by copyright associations to monitor and identify fraudulent peer-to-peer downloads of copyrighted content. An enhanced customer experience thus becomes increasingly important in Switzerland in order to be able to successfully sell recorded music.

Driven by platforms such as iTunes, consumers are getting used to faster and on-demand paid-for consumption of media through the Internet. Now, they are increasingly interested in compelling offers from the motion picture industry as well. Platforms, such as hulu.com in the USA, have proven to be highly popular. However, the digital download market depends largely on the availability of digital download offerings. The underlying driver for this is primarily the availability of a critical mass of content rights. In Switzerland the major IPTV and digital cable operators offer video-on-demand services via the Internet; various organisations offer digital download services, in some cases even as an embedded service in the television set.

Generally however, we expect consumers to show an increased willingness to pay for content that is perceived as valuable and convenient. The increasing amount of relatively low-priced application content offered at the smartphone and tablet PC application stores clearly illustrates this trend. Usually, content offerings are priced between CHF 1.10 and CHF 5.50, with many offerings hovering around CHF 2.20.

A parallel trend around engagement is the growing resocialisation of the media consumption experience. Reading books or newspapers has historically been something people do alone. Television has headed the same way in recent years. But now the combination of digital access, mobility, and social networking is seeing consumption of all forms of media migrate from being solo activities toward being social experiences, as viewers discuss and share content via their social networks and mobile devices as well as in physical groups. Going forward, this activity will increasingly take place on a single device, such as a web-enabled television set. In addition, other media will gain similar social interaction capabilities. Video games' dedicated core audience has already made this leap. With the right secure-payment models, currently being studied in Switzerland by a number of providers ranging from MasterCard to SIX Group to Ringier, such content as movies and books will be shared, consumed, and discussed simultaneously via online communities by people in different locations. Magazines and newspapers –which will increasingly offer online video as part of their experience – can also build strong social networks, with consumers interacting and discussing within the context of the content.

Part four: Achieving a position in the digital value chain

While desirable content, a cohesive strategy, and rigorous execution will always be important, based on our results with global entertainment and media organisations, we have identified seven success factors we believe will facilitate each organisation's transition to its optimal place in the new digital value chain. None of these seven success factors are stand-alone solutions. On the contrary, they all interrelate to each other. In times of growing global competition, with a growing number of new entrants to the market place, organisations need to be prepared for competition by seeking and exploiting the potential for organisational excellence.

1. Strategic flexibility

In practice, the ability to identify and realise opportunities for diversifying revenue whether by service, model, customer, geographic market, and/or maturity of proposition is critical for success. This implies, for example, detailed customer segmentation know-how, in-depth understanding of customer needs and values, product lifecycle, consumer willingness to spend and the translation of this knowledge into compelling products and services.

2. Delivery of engagement and relationship with the customer through the consumption experience

A relationship defined around experience with content across platforms, combined with a strong usability of the

offering, tailored to the medium (e.g., smartphone, tablet PC, PC/Mac, television screen, widescreen) needs to be developed. Furthermore, continuous interaction with consumers through, for example, social media should help assure product accuracy and support an optimum marketing mix.

3. Economies of scale and scope

Synergies between different activities in conglomerates and using digital standards to exploit scale need to be driven hard.

4. Speed in decision making and execution, with the appetite to experiment and fail

This means reducing time-to-market by inspiring, empowering and encouraging individuals, devolving more accountability, and streamlining governance to accelerate decisions whilst allowing for failure. An important overarching dimension is embedding a “need for speed” mindset so an entire organisation is willing and able to quickly react to changes and to seize them as opportunities.

5. Agility in talent management

It is essential to attract and retain key talent and then align and provide individuals with incentives to deliver the strategy using objective setting, rewards, and performance management.

6. Ability to monetise brand and/or rights across platforms

Some examples of this are music labels that monetise music events, independent producers who diversify into talent management, and broadcasters who go into Web TV, leveraging the expertise, branding, and customer data they own and/or can collect.

7. Strong capabilities in partnership structuring and mergers and acquisitions targeting and integration

As partnering becomes of much greater importance, organisations find themselves in greater competition for strategic assets than ever before. Therefore, it is crucial to quickly recognize and act upon trends and developments in the industry in order to maintain a competitive advantage.

Entertainment and media companies inside and outside of Switzerland are all exploring paths to sustainable digital revenues. At the same time, organisations from outside the traditional boundaries of the entertainment and media industry, such as the information technology, telecommunications or consumer electronics sectors, are increasingly putting their focus on end-user services. Therefore, the entertainment and media industry is currently at a defining moment of reevaluation and redefinition of its business models in ways that will ultimately redraw the value chain. Organisations that identify their optimal place in that value chain by actively implementing the above-mentioned seven success factors will be well placed to succeed.

1 Internet Access Spending: Wired and Mobile

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1.1 Executive Summary

Definition

- Wired and mobile Internet access revenue consists of fees paid by consumers to Internet service providers (ISPs) and to wireless carriers for Internet access via wireless devices, whether the access is provided as a stand-alone service or as part of a service bundle whose Internet component is estimated. Figures do not include either (1) purchasing such content as music or (2) spending on entertainment content either downloaded over the Internet or via mobile devices, both of which are included in the respective content chapters. Access fees for phones provided by corporations for workers to access the corporate network are not included. Internet access is a key driver of entertainment and media spending in most segments.

Market size and growth in Switzerland

- We project the Swiss wired and mobile Internet access market to increase at a compound annual growth rate of 5.3 percent from CHF 2.0 billion in 2009 to CHF 2.6 billion in 2014.
- In comparison, the Western European market will grow by a projected 8.3 percent compounded annually. Western European revenues will increase from CHF 67.5 billion in 2009 to CHF 101.0 billion in 2014.

Market size and growth by component

- The principal component driving wired and mobile Internet access in Switzerland is continued growth in broadband access. Broadband spending will achieve revenues of CHF 2.3 billion in 2014, or 87.5 percent of total wired and mobile Internet access spending.
- The fastest growth is expected from mobile access spending, with an average yearly growth of 16.8 percent from CHF 134 million in 2009 to CHF 291 million in 2014.
- Dial-up Internet access is expected to decline by 14.4 percent annually until 2014, to a mere 36 million from 78 million in 2009.

Principal drivers

- The economic downturn reduced growth in Swiss Internet access spending to just 1.6 percent in 2010. Growth will quickly pick up from that level and will reach an average growth rate of 5.3 percent over the 2010–2014 period.

- Penetration of broadband infrastructure into underserved areas will expand the broadband household base and lead to faster declines in dial-up.
- Broadband pricing will be affected by opposing trends, notably increased competition through triple play packages, which leads to lower prices and proliferation of high-speed broadband options at premium fees, which leads to higher prices. On balance, the rate of broadband price declines will moderate.
- At the same time, heavy investment in optical fibre networks will further stimulate growth in broadband households.
- Demand for mobile Internet access will be stimulated by wireless network upgrades, the further rollout of enhanced 3G and launch of 4G cellular wireless services, and increased penetration of smartphones, netbooks and tablet PCs, despite all requiring individual subscriptions.

1.2 Market Overview

- Infrastructure investment and expansion into underserved areas will boost broadband penetration.
- Higher speeds and migration from dial-up to broadband will increase average monthly access spending and fuel overall access spending growth.
- Wireless upgrades, 3G and 4G rollouts, and smartphones (especially the Apple iPhone, RIM BlackBerry and Google Android operating systems) will drive mobile Internet access.
- We project the Swiss wired and mobile Internet access market to increase at a compound annual growth rate of 5.3 percent, moving from CHF 2.0 billion in 2009 to CHF 2.6 billion in 2014. In comparison, the Western European market will grow by a projected 8.3 percent compounded annually, whereas growth in the entire EMEA region will reach a compound annual growth rate of 10.9 percent. Western Europe will increase revenues from CHF 67.5 billion in 2009 to CHF 100.5 billion in 2014.
- In Switzerland, the Universal Service Obligation (USO), which came into effect in 2008, includes broadband access. This means that Swisscom, as the current holder of the USO, is obliged to provide broadband services for all households, including those in remote rural areas. Because some of these are out of the range of cable and DSL, Internet access is provided via satellite. The substantially lower compounded annual growth rate of the Swiss wired and mobile Internet access market reflects the maturity of the Swiss market.

- Switzerland's decentralised political structure has resulted in more than 700 utility companies, many of which are actively deploying optical fibre networks. Swisscom has agreed to build the FTTH network jointly with the larger utility companies via a model whereby each household will be connected through four fibres: one for the incumbent and the rest for alternative service providers. This "four-fibre model" is now considered standard in Switzerland.
- By 2015, Swisscom will invest approximately CHF 2 billion to be able to connect 1 million households with FTTH, or roughly one-third of the country's population. By 2017, around 90 percent of Swiss households will be able to connect with speeds exceeding 100 Mbps. As of July 2010, Swisscom had already concluded deployment agreements with the cities of Basel, Berne, Fribourg, Geneva, Lausanne, St. Gallen and Zurich. In some cases these agreements are subject to formal approval by the vote of the population (e.g., Zurich).
- Cablecom, the country's leading cable television provider, is currently investing in the upgrading of its network with EuroDOCSIS 3.0 as an alternative to FTTH. In 2009, 91.9 percent of all Swiss households had a cable connection. Deployment of EuroDOCSIS 3.0 is less expensive than FTTH, and does not require formal approval by a vote by the population. This could potentially provide Cablecom with a head start vis-à-vis Swisscom.
- On April 22, 2010, the planned merger of Orange Communications SA (the Swiss subsidiary of France's France Télécom) and Sunrise Communications AG (the Swiss subsidiary of Denmark's TDC), the countries' number 3 and 2 telecom operators respectively, was stopped by Comco, Switzerland's competition commission.
- In its ruling, Comco concluded that two remaining telecom operators with their own networks merging into one single company would result in anti-competitive behavior. Furthermore, it concluded there was no substantial benefit for customers with respect to anticipated synergy effects. With three operators, Comco believes there will be more room for innovation and competition. Together, the two companies hold 37.7 percent market share (as a percentage of the number of users), whereas Swisscom holds the remaining 62.3 percent. In comparison: the average market share of incumbents in 27 European countries is 37.8 percent. Both companies decided not to appeal the ruling.
- In September 2010 CVC Capital Partners and TDC, the parent company of Sunrise announced the closing of an agreement on the takeover of Sunrise by CVC.

Internet Access Market: Wired and Mobile by Component (CHF millions)											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Wired Internet Access											
Dial-up	144	126	110	94	78	67	61	55	46	36	-14.4
Broadband	1,287	1,484	1,621	1,705	1,808	1,844	1,981	2,074	2,177	2,285	4.8
Total Wired Internet Access	1,431	1,610	1,731	1,799	1,886	1,911	2,042	2,129	2,223	2,321	4.2
Mobile Access	34	69	105	129	134	142	161	196	247	291	16.8
Total Internet and Mobile Access	1,465	1,679	1,836	1,928	2,020	2,053	2,203	2,325	2,470	2,612	5.3

Sources: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates

Internet Access Market Growth: Wired and Mobile by Component (%)											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Internet Access											
Dial-up	-5.0%	-12.5%	-12.7%	-14.5%	-17.0%	-14.1%	-9.0%	-9.8%	-16.4%	-21.7%	-14.4%
Broadband	38.2%	15.3%	9.2%	5.2%	6.0%	2.0%	7.4%	4.7%	5.0%	5.0%	4.8%
Total Internet Access	32.2%	12.5%	7.5%	3.9%	4.8%	1.3%	6.9%	4.3%	4.4%	4.4%	4.2%
Mobile Access	47.6%	102.9%	52.2%	22.9%	3.9%	6.0%	13.4%	21.7%	26.0%	17.8%	16.8%
Total Internet and Mobile Access	32.5	14.6%	9.4%	5.0%	4.8%	1.6%	7.3%	5.5%	6.2%	5.7%	5.3%

Sources: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates

1.3 Wired Internet Access Households and Spending

- Overall, dial-up and broadband Internet access spending will increase at a compound annual growth rate of 4.2 percent, progressing from CHF 1.9 billion in 2009 to CHF 2.3 billion in 2014.
- Dial-up Internet access spending will decrease by a compound annual rate of -14.4 percent to CHF 36 million in 2014, down from CHF 78 million in 2009.
- In 2014, 120,000 households will be connected through dial-up Internet access, a penetration rate of 3.4 percent.
- Broadband Internet access spending will grow by a compound annual growth rate of 4.8 percent and will reach CHF 2.3 billion in 2014, up from CHF 1.8 billion in 2009.
- By 2014, 3.4 million households will have broadband Internet access. This corresponds to a penetration rate of 95.2 percent. Today's penetration rate is 84.3 percent.

Internet Access Market: Wired by Component (CHF millions)											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010-14 CAGR
Wired Internet Access											
Dial-Up	144	126	110	94	78	67	61	55	46	36	-14.4
Broadband	1,287	1,484	1,621	1,705	1,808	1,844	1,981	2,074	2,177	2,285	4.8
Total Wired Internet Access	1,431	1,610	1,731	1,799	1,886	1,911	2,042	2,129	2,223	2,321	4.2

Sources: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates

Internet Access Market: Wired by Households											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010-14 CAGR
Dial-up Households (millions)	0.45	0.40	0.35	0.30	0.25	0.22	0.20	0.18	0.15	0.12	-13.7
Dial-up Penetration (%)	13.8	12.2	10.5	8.9	7.4	6.4	5.8	5.1	4.2	3.4	-14.4
Broadband Households (millions)	1.49	1.86	2.29	2.56	2.79	2.90	3.10	3.20	3.30	3.40	4.0
Broadband Penetration (%)	45.8	56.5	69.0	76.2	82.1	84.3	89.3	91.2	93.2	95.2	3.0

Sources: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates

1.3.1 Wired Internet Dial-up Households and Spending

- In December 2009, Switzerland still had approximately 250,000 dial-up households. This represents a household penetration rate of 7.4 percent. We expect this form of connection to completely disappear from the Swiss market by 2015. It will be replaced by more convenient forms of Internet access, such as broadband and mobile Internet access.
- At the same time, in total, Switzerland had 453,424 narrowband households. These households are connected with speeds above 144 Kbps and below 2Mbps.
- Swisscom's lowest bandwidth offering without a permanent connection is its DSL Start offering, which lets a user connect to the world at 300 kbps.
- Through VTX, Swiss consumers can still order dial-up connections. Orange, Sunrise and Cablecom no longer actively sell dial-up products.

Dial-up											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Households (millions)	0.45	0.40	0.35	0.30	0.25	0.22	0.20	0.18	0.15	0.12	-13.7
Penetration (%)	13.8	12.2	10.5	8.9	7.4	6.4	5.8	5.1	4.2	3.4	-14.4
Spending (CHF millions)	144	126	110	94	78	67	61	55	46	36	-14.4

Sources: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates

1.3.2 Wired Internet Broadband Households and Spending

- In December 2009, Switzerland had 2,780,050 broadband households. This represents a broadband household penetration of 82.1 percent, which is the highest in Western Europe. Denmark comes second, with 81.0 percent, followed by Finland, with 77.8 percent.
- Of all Swiss broadband households, 1,955,750 households, or 70.3 percent, are connected through Digital Subscriber Line (DSL) and 824,300 households, or 29.7 percent, by other technologies (mainly cable modem).
- For several years now, in Switzerland DSL has been able to attract more new broadband subscribers than cable modem. In 2009, for example, DSL broadband connections increased by 9.5 percent versus 2.1 percent for cable modem. Over the period 2008–2009, cable modem was able to increase new subscribers by 14.4 percent. The decline can be attributed to the combination of a damaged reputation based on the quality of customer service at the largest cable operator, Cablecom, and the offering of compelling triple play packages (fixed line telephony, broadband Internet access and television) by Swisscom that have been well received by the Swiss public. In response to these developments, Cablecom launched its triple play services in October 2009 and in 2011 it will conclude its rebranding to UPC. In 2009, Cablecom counted 487,400 subscribers for its broadband Internet offering, or roughly half of the total number of Swiss cable broadband connections.
- The vast majority of DSL subscribers are direct customers of Swisscom. Swisscom in 2009 counted 1,472,000 broad-

band subscribers, which represents 75.3 percent of the total DSL subscriber base. Through Swisscom wholesale, another 331,000 broadband subscribers indirectly use the Swisscom network. A mere 152,750 broadband subscribers make use of fully unbundled local loops or other Providers of Telecommunication Services (PTS) networks. Sunrise Communications, the second-largest Swiss PTS after incumbent Swisscom, has most of these Internet subscribers: 360,000. The third largest operator in Switzerland, Orange Communications, does not maintain its own fixed network, instead they focus on collaborating with utility companies and Internet Service Providers (ISPs) such as green.ch, Netstream or VTX.

- In December 2009, Switzerland counted 22,700 out of a potential of 120,000 households that were connected through Fibre-to-the-Home (FTTH). The main barriers to a higher adoption rate are the relatively high price of fibre connections compared to the current 20 to 50 Mbps offerings, and the number of available services that currently require very high bandwidth. However, this number is set to increase rapidly, as Swisscom will be investing an estimated CHF 2 billion up until 2015 to connect 1,000,000 households via FTTH, or at 29.5 percent, almost one-third of all households. By 2017, around 90 percent of Swiss households will be able to connect with speeds exceeding 100 Mbps. As of July 2010, it has already concluded deployment agreements with the main utility companies of the cities of Basel, Berne, Fribourg, Geneva, Lausanne, St. Gallen and Zurich. In some cases these agreements are subject to formal approval by a vote by the population (e.g., Zurich). In total, Switzerland counts more than 700 utility companies, which is due to its unique political system of direct democracy, where most political, financial and economical decisions are taken at local (community) or regional (cantonal) level.

Broadband											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Households (millions)	1.49	1.86	2.29	2.56	2.79	2.90	3.10	3.20	3.30	3.40	4.0
Penetration (%)	45.8	56.5	69.0	76.2	82.1	84.3	89.3	91.2	93.2	95.2	3.0
Spending (CHF millions)	1,287	1,484	1,621	1,705	1,808	1,844	1,981	2,074	2,177	2,285	4.8

Sources: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates

1.4 Mobile Internet Access Spending

- In December 2000, the Communications Commission awarded 4 UMTS licenses to 4 mobile operators: Swisscom Mobile, Orange, TDC Switzerland (Sunrise) and 3G Mobile (Telefónica). Swiss UMTS operators were obliged by their license conditions to achieve a 3G network population coverage of 50 percent in Switzerland before the end of 2004. 3G Mobile (Telefónica) did not meet this condition. As a result, today three mobile operators maintain their own 3G networks in Switzerland. A 2G license was recently awarded to In&Phone, a provider of telecommunication services to the business customer segment only. Of the big four European mobile operators (Vodafone, Deutsche Telekom, Telefónica and France Telecom), only France Telecom (Orange) has a presence in Switzerland today.
- The ratio between postpaid and prepaid mobile subscribers in Switzerland is 43 percent prepaid versus 57 percent postpaid. This is almost the opposite of the average ratio of the 25 member states of the European Union (EU25) of 55.3 percent for prepaid and 44.7 percent postpaid.
- As a result, the average revenue per user (ARPU) in Switzerland was the highest in Europe at CHF 765¹ (EUR 482) in 2008. Second was France at CHF 671 (EUR 423). Ireland was in third place at CHF 619 (EUR 390). The European average was CHF 513 (EUR 323).
- Swisscom, which had approximately 62.3 percent mobile market share in 2009 with 5.61 million mobile subscribers, reported an ARPU for 2009 of CHF 600, down from CHF 636 in 2008, a decrease of 5.7 percent. The lower than Swiss average ARPU can be attributed to the fact that Swisscom reports on the basis of the total number of active SIM cards. This also includes its SIM card offering for mobile data services only, that often reach a lower ARPU.
- Swisscom's mobile unlimited data flat rate subscription, allowing for unlimited data traffic in Switzerland, currently retails at CHF 59 per month, whereas individually paid daily use varies between CHF 4.50 and CHF 7.50 per day, depending on whether a base subscription fee of CHF 10 per month is paid or not. For the Internet generation (those below the age of 26), Swisscom offers a special subscription, limiting data traffic to 5GB per month, which retails at CHF 39 per month.
- Orange had 1.56 million mobile subscribers in 2009, a market share of 17.2 percent. Orange offers various subscriptions for mobile Internet access. In August 2010, Orange replaced its Optima Surf, X-treme Surf, Maxima Surf and Optima Pro Surf subscription services with the modular OrangeMe service, where subscribers can compose their own subscription, depending on whether a subscriber prefers to talk, text or surf. In the case of mobile Internet access, subscribers can choose to either exclude or include 1GB of monthly data traffic. For its international customers, Orange launched Travel Data Daily, which retails at CHF 4 or CHF 10 per day and includes 2MB or 10MB of data traffic. CHF 2 is charged for each additional MB. This tariff, however, is valid for a large number of Western European countries, including Belgium, Denmark, Germany, France, Italy, Spain and the United Kingdom. Orange launched a subscription specially designed for parents and their children, Prima Surf, which includes 100 MB of monthly data traffic, and monthly limits of CHF 12, CHF 22 or CHF 32, with the possibility of blocking the 0906 adult content numbers and SMS and MMS adult content services.
- In 2009, Sunrise had 1.86 million mobile subscribers, which corresponds to a market share of 20.5 percent. Sunrise offers 4 basic mobile Internet access subscriptions: Sunrise mini surf includes 250MB per month and retails at CHF 20, Sunrise flat basic surf includes 500MB and retails at CHF 20 (without a mobile device) or CHF 35 (including a subsidised handset) and including free calls to the Sunrise mobile network. Sunrise flat classic surf includes 1GB and retails at CHF 40 or CHF 60, depending on whether a handset is included or not. The offer includes free calls within the Sunrise network and Swiss fixed telephony network. Its flagship offering is Sunrise flat relax surf, for CHF 105 (without handset) or CHF 125 (including handset) per month, which includes unlimited termination on all Swiss networks and unlimited data traffic up to 2GB per month. If a subscriber generates more than 2GB of data traffic per month, the available bandwidth will be reduced. All offerings except Sunrise flat relax surf, charge CHF 0.10 per additionally consumed MB.

1 Reporting numbers were in EUR. The average exchange rate EUR-CHF in 2008 was 1.58742

- According to Swisscom, demand for bandwidth in the mobile network doubles every 7 months, due to the increasing use of smartphones, netbooks, notebooks and tablet PCs, compared with 18 months in the fixed network. Therefore, all operators are upgrading their networks to cope with this increasing demand.
- Swisscom began upgrading its mobile network to HSPA+ as of September 2009. HSPA+ enables transmission speeds of up to 28.8 Mbps. Swisscom plans to start tests with 3.9G Long Term Evolution (LTE) in 2011. LTE is expected to enable download transmission speeds of up to 100 Mbps and 50 Mbps for upload. The first 4G LTE product is known as LTE Advanced.
- Orange is investing over CHF 700 million into the modernisation and further development of the mobile network (HSPA, HSPA+ and LTE). The 3G network coverage will be further optimised by upgrading the entire 3G network to HSUPA by the end of 2010 with upload speeds up to 2 Mbps, a simultaneous 33 percent reduction in reaction times and download speeds up to 7.2 Mbps. At highly frequented locations in cities this will be up to 14.4 Mbps. Orange plans to create an LTE demo platform for customers and partners in 2010 and expects to have detailed planning for LTE in 2011.
- Sunrise will be investing some CHF 500 million over the next three years to expand and modernise the mobile network. Currently, the mobile network is based on GSM, EDGE, UMTS and HSDPA technologies, and allows for available bandwidth throughout Switzerland of 7.2 Mbps.
- Besides their own brands, all mobile operators provide services to other Mobile Virtual Network Operators (MVNOs). Swisscom is the MVNO partner of Migros (M-Budget), Orange operates as MVNO partner for Coop (Coop Mobile) and the yallo brand (focusing on international calls), Aldi Talk makes use of the Sunrise network. At the end of October 2009 Sunrise announced a partnership with Red Bull. Red Bull MOBILE is focused on the lifestyle customer segment and is distributed exclusively through 1,800 Swiss post offices. Although many MVNO offerings focus on voice, it is expected that mobile Internet access will become a standard part of the MVNO offering.
- In Switzerland approximately 25 percent of all active postpaid handsets are smartphones. Apple's iPhone (on offer at all three mobile operators) proved to be a popular device, with an estimated 7–8 percent of the Swiss population owning such a device. This corresponds to 620,000 iPhones. In Switzerland, tethering is allowed, which means the iPhone can be used as a modem to access the Internet via a notebook or netbook.

Mobile											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Mobile Internet Subscribers (millions)	0.21	0.45	0.73	0.93	1.01	1.13	1.34	1.72	2.30	2.86	23.1
Penetration (%)	2.5	5.2	8.4	10.5	11.2	12.4	14.4	18.3	24.1	29.5	21.4
Spending (CHF millions)	34	69	105	129	134	142	161	196	247	291	16.8

Sources: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates

1.5 The Swiss Wired and Mobile Internet Access Market Compared to Western Europe

- In 2009, the entire Western Europe wired and mobile Internet access market amounted to CHF 67.5 billion. The largest contributors were Germany with CHF 12.6 billion, France with CHF 11.4 billion, United Kingdom with CHF 10 billion and Italy with CHF 8.6 billion.
- We project the Western European wired and mobile Internet market to grow at an 8.4 percent compound annual growth rate, to reach revenues of CHF 101 billion in 2014. Compound annual growth rates range from 3.7 percent in Austria to 14.8 percent in Spain. Switzerland's total contribution to the Western European wired and mobile Internet access market is minor and its compound annual growth rate of 5.3 percent is clearly below the Western European average. This reflects the fact that broadband Internet access is already widespread in Switzerland today.
- Since the revised Swiss Telecommunications Act, which obliges a market dominant operator to unbundle the local loop at cost-based prices, entered into force on 1 April 2007, Switzerland is no longer the exception on the European continent. However, there are a few differences between Switzerland and the European Union in terms of the prescribed forms of access. Under Swiss legislation, market-dominant providers are obliged to provide

fast bitstream access under regulated conditions. In fact, Switzerland's legislation does not lay down an obligation to provide shared access to the local loop. The fast bitstream service has been on offer since the fourth quarter of 2009. In principle, the legal obligation to provide bitstream access is limited to four years.

- Currently, Swisscom has connected 120,000 households with fibre, and expects to connect roughly one-third of the country households with fibre by 2015. This speed of deployment, combined with the efforts of the cable operators with EuroDOCSIS 3.0 technology, assures Switzerland will take a leading position in broadband access compared to Western Europe or even worldwide.
- Switzerland was late to pick up the concept of triple play bundles (television, Internet access and telephony) in comparison to many Western European countries. However, intense competition between the major telecommunications providers and Cablecom, as the country's leading cable television provider, currently characterises the Swiss market. This is particularly of interest, as many households today are switching from analogue television signals to digital TV. In Switzerland, 7 out of 10 households select the Swisscom triple play offering instead of Cablecom's. However, it appears Cablecom was able to stop the downward trend and has now launched a 3-for-2 offering (the cheapest triple play component is free) which appears to be perceived as an attractive offering by Swiss customers.
- Switzerland's compound annual growth rate of 23.1 percent in mobile Internet access subscribers is slightly above the Western European average of 21.8 percent. This can be linked to the higher penetration of smartphones in the Swiss market.

Internet Access Market: Wired and Mobile by Country (CHF millions)

Western Europe	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Austria	1,368	1,692	2,015	2,129	2,163	2,217	2,272	2,389	2,529	2,594	3.7
Belgium	1,438	1,627	1,846	2,050	2,174	2,269	2,365	2,515	2,705	2,865	5.7
France	6,824	8,088	9,579	10,695	11,387	12,167	12,777	13,817	15,316	16,292	7.4
Germany	8,633	9,827	10,640	11,404	12,561	14,070	15,465	16,991	18,513	19,939	9.7
Italy	6,389	6,999	7,748	8,190	8,551	8,969	9,592	10,362	11,336	12,307	7.6
Spain	3,700	4,538	5,304	5,962	6,553	7,287	8,685	10,022	11,543	13,044	14.8
Switzerland	1,465	1,679	1,836	1,929	2,020	2,094	2,202	2,326	2,471	2,612	5.3
United Kingdom	7,226	7,972	8,753	9,445	9,996	10,391	11,130	12,161	13,331	14,267	7.4
Western Europe Total	45,070	51,479	58,081	63,255	67,470	72,196	78,003	85,117	93,593	101,010	8.4

Sources: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates

2 Internet Advertising

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2.1 Executive Summary

Definition

- Internet advertising – wired and mobile – consists of spending by advertisers on paid search, display, classified, video, and other online formats as well as advertising delivered to mobile phones via formats designed for mobile handset displays.

Market size and growth in Switzerland

- The Internet advertising market demonstrated its resiliency during the recent economic recession. Despite declines in other advertising channels, Internet advertising managed to grow 12.5 percent from 2008 to 2009. Growth of 13.2 percent is expected in 2010.
- We expect the Swiss Internet advertising market will increase at a compound annual growth rate of 15.7 percent, from CHF 584 million in 2009 to CHF 1.2 billion in 2014. Search and display advertising will drive this growth. The affiliate Internet advertising and mobile Internet advertising segments are still relatively immature compared to other segments.
- In comparison, we expect the Western European market will grow by 10.8 percent annually. Western Europe will advance from revenues of CHF 19.3 billion in 2009 to CHF 32.2 billion in 2014.

Market size and growth by component

- Total wired Internet advertising is expected to develop at a 15.1 percent compound annual growth rate from CHF 575 million in 2009 up to CHF 1,163 million in 2014.
- Wired Internet advertising's main component – search advertising – will increase at a compound annual growth rate of 18.5 percent, from CHF 312 million in 2009 to CHF 727 million in 2014.
- The second largest contributor to total wired Internet advertising – display advertising – is expected to increase at a 14.6 percent compound annual growth rate, from CHF 118 million in 2009 to CHF 233 million in 2014.
- Classified advertising will grow at a 6 percent compound annual rate from CHF 136 million in 2009 to CHF 182 million in 2014.
- The strong trend towards performance marketing will drive affiliate advertising at a 17.9 percent compound annual growth rate from CHF 9 million in 2009 to CHF 20 million in 2014.

- Mobile advertising will increase at a 39.3 percent compound annual growth rate from almost CHF 9 million in 2009 to an estimated CHF 46 million in 2014, albeit from a small base.

Principal drivers

- Constantly increasing bandwidth of Swiss Internet access, especially through increased deployment of Fibre-to-the-Home (FTTH) and EuroDOCSIS 3.0, is expected to substantially drive wired Internet advertising over the coming years.
- Mobile access growth, especially through increased HSPA+ network upgrades, deployment of LTE, and increased smartphone penetration will drive mobile Internet advertising.
- The continuing change in consumer behavior influenced by generations growing up with the Internet will further increase Internet advertising's importance and market size.
- A shift from research-online/purchase-offline towards research-online/purchase-online will further stimulate Internet advertising and will increase the measurability of marketing effectiveness and efficiency.

2.2 Market Overview

- Developments in behavioural targeting and intention-based advertising will drive all segments of Internet advertising in the next years.
- In 2010, search advertising spending in Switzerland accounted for 55.9 percent of the total Swiss Internet advertising market. By 2014, this share will increase to 60 percent.
- Increasing broadband penetration has substantially driven rich media display advertising with its sophisticated animation and video content. These features explain a large portion of display advertising's recent growth and will continue to attract advertisers to this format.
- Furthermore, a continuing increase in advertiser's demand for higher marketing efficiency and effectiveness, combined with technological advances in media consumption devices will stimulate demand for display advertising, especially for rich media on mobile devices.

“Social aspects could have an important influence on media consumption in the future. People increasingly want to interact and share their media consumption experience (e.g., virtually connected TV consumption with friends).”

Hans-Georg Bardohl, Head OMD Digital

- Use of smartphones is on the rise in Switzerland. Swisscom, which serves approximately 62 percent of total Swiss mobile subscribers, estimated that in March 2010, 25 percent of all active mobile handsets in Switzerland were smartphones. Continuous innovation by smartphone manufacturers will continue to drive smartphone penetration and the mobile Internet advertising market.
- Pioneered by online advertising, the quantitative measurement of the performance and effectiveness of advertising will be expanded to mobile Internet advertising. Consumers and their behaviour can be identified and tracked better via mobile devices than on traditional PCs as typically there is one consumer per device, which can be located with respect to time, place and usage. Further, a mobile phone usually accompanies its owner, making it a truly personal device.
- Media consumption is increasingly driven by social interaction. Internet advertising is affected as it offers targeted advertising through social interaction in social media and communities. Complex targeting mechanisms have the potential to increase marketing efficiency and effectiveness.
- Swiss data privacy regulation is less strict than in the European Union. This provides additional freedom for search providers and advertisers. However, harmonisation with EU legislation on data privacy is expected. Changes in regulations could have significant impact on the Internet advertising market and should be monitored carefully.

Internet Advertising: Wired and Mobile by Component											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Wired (CHF millions)											
Search	108.5	158.5	220.4	283.3	311.6	369.2	437.4	518.2	614.0	727.4	18.5
Classified	52.8	77.0	120.1	136.9	136.4	139.1	144.7	153.4	165.6	182.2	6.0
Display	36.4	47.0	52.2	86.0	118.1	129.9	145.5	167.3	197.4	233.0	14.6
Affiliate	0.0	5.0	7.5	8.3	8.8	9.7	11.0	13.9	16.4	20.0	17.9
Total Wired (CHF millions)	197.7	287.5	400.2	514.5	574.9	647.9	738.7	852.8	993.5	1'162.6	15.1
Growth (%)	48.1	45.4	39.2	28.6	11.7	12.7	14.0	15.5	16.5	17.0	15.1
Mobile (CHF millions)											
Mobile	0.0	1.1	2.2	4.3	8.7	13.0	19.5	25.0	34.7	45.6	39.3
Total Mobile (CHF millions)	0.0	1.1	2.2	4.3	8.7	13.0	19.5	25.0	34.7	45.6	39.3
Growth (%)	0.0	100.0	100.0	95.5	102.3	49.4	50.0	28.2	38.8	31.4	39.3
Total Wired and Mobile (CHF millions)	197.7	288.6	402.4	518.8	583.6	660.9	758.2	877.8	1,028.2	1,208.2	15.7
Growth (%)	47.9	46.0	39.4	28.9	12.5	13.2	14.7	15.8	17.1	17.5	15.7
Western Europe											
Total Western Europe (CHF millions)	6,700	10,969	15,385	18,429	19,276	21,013	23,227	26,021	28,973	32,200	10.8
Growth (%)	65.4	63.7	40.3	19.8	4.6	9.0	10.5	12.0	11.3	11.1	10.8

Sources: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates, Media Focus

2.3 Wired Internet Advertising

2.3.1 Search Advertising

- Search advertising spend in Switzerland reached CHF 311.6 million in 2009. This is 53.4 percent of the total Swiss Internet advertising market and by far the largest Internet advertising sub-sector.
- The financial crisis has increased advertisers focus on the performance measurement of advertising campaigns. Search engines typically provide a performance-related advertising cost scheme (e.g., Cost-per-Click). This was one of the reasons why search advertising could continue to grow during the recession.
- Google is the clear market leader for search advertising with an estimated 80–95 percent market share in Switzerland, followed by search.ch.
- Unlike in other Western European countries, Yahoo! and Microsoft’s search engine Bing only play minor roles in

Switzerland. We expect Yahoo! and Microsoft will try to challenge Google’s dominant position in the Swiss market.

- On the basis of 7.6 million inhabitants, in 2009, per capita spending on search advertising in Switzerland was approximately CHF 41. This is substantially higher than the Western European average of approximately CHF 25. We expect advertisers to show an increased focus on return on investment, leading to enhanced price competition in the Swiss search advertising market.
- Traditionally, search advertising has been considered to be most interesting for small to medium enterprises (SMEs) with little known brands. This is because they can profit from smart keyword choices and advertising texts, as customers usually use genre/category terms instead of brand names for their searches.
- However, large companies with well-known brands are tending to increase their budget for search advertising and search engine optimisation. The reason is that search engines such as Google increasingly assume the role of primary entry point for Internet users, even if they actually know the brand they are looking for.

Search Advertising											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Search (CHF millions)	108.5	158.5	220.4	283.3	311.6	369.2	437.4	518.2	614.0	727.4	18.5
Growth (%)	52.8	46.0	39.0	28.6	10.0	18.5	18.5	18.5	18.5	18.5	18.5

Sources: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates, Media Focus

2.3.2 Classified Advertising

- The continuing growth in classified Internet advertising spending between 2004 and mid-2008 came to a halt by the end of 2008 as a result of the weakening economy, resulting in a decline in spending in 2009 of CHF 0.5 million. Nevertheless this represented 23.4 percent of the total Internet advertising market in Switzerland.
- For the period 2010–2014, we expect a compound annual growth rate of 6 percent, leading to a market size of CHF 182.2 million in 2014.

- Growth in classified Internet advertising has been driven by a migration from classified print advertising. Those categories that allow users to create their own personal and distinct queries have proven to be especially appealing online. Examples are job sites, automotive sites, real estate offerings and auction platforms for personal items. Furthermore, focused niche players and local platforms will benefit from the digital migration.
- As the Internet generation grows up and increases its wealth, classified Internet advertising will continuously increase its market share.

Classified Advertising											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Classified (CHF millions)	52.8	77.0	120.1	136.9	136.4	139.1	144.7	153.4	165.6	182.2	6.0
Growth (%)	42.7	45.8	56.0	14.0	-0.4	2.0	4.0	6.0	8.0	10.0	6.0

Sources: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates, Media Focus

2.3.3 Display Advertising

- Display advertising spending reached CHF 118.1 million in 2009, representing 20.2 percent of the total Internet advertising market in Switzerland
- Display advertising spending growth peaked at 65 percent in 2008. This growth slowed down due to a general cutback in advertising resulting in reduced growth of 37 percent in 2009 and of 10 percent in 2010 to CHF 129.9 million.
- Between 2010 and 2014, a compound annual growth rate of 14.6 percent is expected, with increasing annual growth rates over the forecast horizon. However, display advertising has proven to be subject to cutbacks during economic slow-downs when advertisers tend to stay with more established high-reach, brand-building advertising media,

such as television, or more focused Internet advertising media, such as keyword search.

- Advertisers using classical display advertising increasingly tend to demand performance-related advertising strategies in order to link display spending directly to its targeted success. This leads to a shift from Cost-per-Mille (CPM) cost models to more performance-oriented cost models, such as Cost-per-Customer (CPC) or Cost-per-Action (CPA). Since classical display advertising can be structured with performance-oriented cost models or combined with other forms of Internet advertising, it tends to benefit from this development.
- Internet platforms increasingly offer advertisers display advertising based on the location of Internet users. This fosters country-wide competition between suppliers of display advertising space and increases the available inventory for Swiss advertisers.

Display Advertising											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Display (CHF millions)	36.4	47.0	52.2	86.0	118.1	129.9	145.5	167.3	197.4	233.0	14.6
Growth (%)	28.5	29.1	11.1	64.8	37.3	10.0	12.0	15.0	18.0	18.0	14.6

Sources: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates, Media Focus

2.3.4 Affiliate Advertising

- The affiliate advertising industry has four core players: the merchant (also known as the “retailer” or the “brand”), the network, the publisher (also known as ‘the affiliate’) and the customer.
- We expect the practice of affiliate marketing to continue growing. A business rewards one or more affiliates for each visitor or customer brought by the affiliate’s marketing efforts with cash or gifts for the completion of an offer

and the referral of others to the site. Growth will occur as advertisers seek to differentiate themselves from the vast Internet advertising inventory.

- Despite an overlap with other forms of Internet advertising (i.e., display and search), affiliate Internet advertising spending showed strong growth (20.7 percent compound annually) over the past 3 years and reached CHF 8.8 million in 2009, representing 1.5 percent of the total Internet advertising market in Switzerland. It is expected to continue to grow by 17.9 percent annually and to reach CHF 20 million in 2014.

Affiliate Advertising											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Affiliate (CHF millions)	0.0	5.0	7.5	8.3	8.8	9.7	11.0	13.9	16.4	20.0	17.9
Growth (%)	5.0	45.8	50.0	10.7	6.0	10.0	14.0	26.0	18.0	22.0	17.9

Sources: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates, Media Focus

2.4 Mobile Internet Advertising

- Mobile Internet advertising spending showed strong growth – 100 percent compound annually – in the last 3 years and reached CHF 8.7 million in 2009, representing 1.5 percent of the total Internet advertising market in Switzerland.
- By 2014, mobile Internet advertising will reach CHF 45.6 million, a 39.3 percent compound annual growth rate.
- Mobile Internet advertising is becoming an integrated part of Swiss media agencies advertising and communication mix. Mobile applications, especially, are considered attractive for Swiss media agencies and, to a slightly lesser extent, Swiss advertisers. We therefore expect substantial growth in mobile Internet advertising during the coming years.
- We expect that the introduction of Apple’s iAdd concept for iPhone products and the launch of its newest generation iPhone 4, followed by similar developments from other operating systems, such as Android, will further boost the growth of the mobile Internet advertising market.
- Although the current development of mobile end-user devices holds great potential for the mobile Internet advertising market in general, platform providers, such as Apple or Google, will profit most, rather than content providers such as the media industry.
- The current development of mobile end devices, combined with the high degree of interconnectivity of electronic devices, and the storage of personal information in the Internet (in the cloud), will define the path to a more direct and personalised way of advertising, also known as “intention-based advertising”. For example, environmental data registered via GPS or other sensors, and preferences from social network sites, could enable advertising to be tailored to not only the target person, but also to the current situation.
- On the other hand, there are fears these technological advancements in the area of mobile internet advertising could be viewed by the general public as an intrusion on their privacy, as a further form of information overload, being generally annoying, or even disruptive. This could eventually lead to negative reactions within the target audience against the presented product, service or brand. This is a risk that should be considered by agencies, content owners and advertisers.
- Wide-screen mobile devices such as the iPad or the Samsung Galaxy Tab have a substantially higher potential as advertising platforms as they are better able to communicate emotions due to their screen size and rich media features.

Mobile Internet Advertising											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Mobile (CHF millions)	0.0	1.1	2.2	4.3	8.7	13.0	19.5	25.0	34.7	45.6	39.3
Growth (%)	0.0	100.0	100.0	95.5	102.3	49.4	50.0	28.2	38.8	31.4	39.3

Sources: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates, Media Focus

“We believe that smartphones, with their relatively small screens can only communicate advertising messages to a limited extent. Advertising means emotions. Tablet PCs are much more suited to create emotions through rich media content and also due to the fact that the consumer’s exposure time is typically higher on larger screens. This implies a higher advertising impact.”

Pascal Urscheler, Managing Partner Publicis

“Apple will continue to strengthen its influence on marketing and distribution by the increase in sales of various Apple devices.”

Hans-Georg Bardohl, Head of OMD Digital

2.5 The Swiss Internet Advertising Market Compared to Western Europe

- Internet advertising growth in Switzerland is expected to outpace that in Western Europe due to the influence of the Internet generation. The reason for this is that up until now Internet advertising has been less aggressively pushed by large advertising agencies and less actively pursued by dominant press companies. Thanks to the influence of the Internet generation, we expect Switzerland to more than close the gap to Western Europe over the coming years.
- The Swiss search advertising market is expected to continue its growth path with an annual growth rate of 18.5 percent by 2014, compared to 11.8 percent for Western Europe.
- While Swiss display advertising could still grow in 2009, Western Europe’s display advertising market as a whole declined in 2009 by an estimated 3 percent.
- Compared to other Western European countries, from 2010 to 2014, Switzerland is expected to show the fourth largest compound annual growth rate for mobile Internet advertising at 36 percent. Highest growth is expected from Greece and Portugal; both are expected to grow at 58.5 percent compound annually followed by Germany with an expected compound annual growth rate of 42.5 percent.

Internet Advertising Market: Wired and Mobile by Country (CHF millions)											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Western Europe											
Austria	68	150	213	309	309	342	383	416	454	492	9.7
Belgium	113	276	381	434	441	499	551	604	650	694	9.5
France	818	1,105	1,514	1,749	1,857	2,049	2,300	2,565	2,781	2,981	9.9
Germany	1,362	2,653	3,789	4,540	4,837	5,335	5,887	6,583	7,311	8,185	11.1
Italy	517	728	1,016	1,178	1,193	1,342	1,564	1,824	2,079	2,342	14.4
Spain	244	470	734	941	1,001	1,080	1,140	1,279	1,429	1,651	10.5
Switzerland	198	287	402	519	584	661	758	878	1,028	1,208	15.7
United Kingdom	2,320	3,425	4,791	5,808	6,113	6,594	7,259	8,083	9,066	10,049	10.5
Western Europe Total	6,700	10,969	15,385	18,429	19,276	21,013	23,227	26,021	28,973	32,200	10.8

Sources: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates, Media Focus

3 TV Subscriptions and License Fees

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3.1 Executive Summary

Definition

- The TV subscriptions and license fees market consists of consumer spending on subscriptions to basic and premium channels accessed from cable operators, satellite providers, telephone companies, and other multichannel distributors, video-on-demand (VOD), pay-per-view (PPV), and television distributed to mobile phones on a subscription basis. In Switzerland, mandatory public TV license fees are also included.

Market size and growth in Switzerland

- We project the Swiss TV subscription and license fees market to increase from CHF 1.8 billion in 2009 to CHF 2.1 billion in 2014, a compound annual growth rate of 2.7 percent.
- In comparison, the Western European market will grow by a projected 5.1 percent compounded annually. From CHF 66.9 billion in 2009, Western Europe will reach revenues of CHF 85.7 billion in 2014.

Market size and growth by component

- Subscription spending is the principal component of the market with revenues of CHF 919 million in 2009 which represented 51 percent of all spending on television subscriptions and license fees. We project an increase at a 2.7 percent compound annual growth rate to CHF 1.1 billion in 2014.
- Public TV license fees, the second largest component with a market share of 45 percent, is expected to grow by 1.0 percent, in accordance with the overall household development. We project revenues to increase from CHF 810 million in 2009 to CHF 851 million in 2014.
- Video-on-Demand (VOD) will rise at an 18.7 percent compound annual increase from CHF 58 million in 2009 to CHF 136 million in 2014.
- Pay-per-View (PPV) is rather insignificant in Switzerland and is projected to remain at a constant level of CHF 3 million through 2014.

- Mobile TV subscription spending will grow at a 6.3 percent compound annual rate after a significant revenue drop in 2010 due to price reductions, reaching CHF 16 million in 2014 with a tendency towards an advertisement-based financing strategy.

Principal drivers

- Improved economic conditions, enhanced premium services and the migration to digital will fuel spending on premium services and VOD after 2011.
- Increased availability of mobile TV will stimulate the subscriber base.
- Internet protocol television (IPTV), which contributes to subscription spending and VOD, will be the fastestgrowing subscription technology in Switzerland.

3.2 Market Overview

- Subscription household penetration is defined as the relation between cable, IPTV, DTT and satellite subscription households compared to total TV households in Switzerland. TV subscription households in Switzerland will increase at a 1.4 percent compound annual growth rate of 1.4 percent, from 3.23 million in 2009 to an estimated CHF 3.46 million by 2014.
- Subscription TV household penetration increased significantly over the past years and will remain stable at around 100 percent of all TV households in Switzerland.
- Since 2008, the subscription TV market has been hurt by a deteriorating economy, which slowed the take-up rate for subscription TV services. After growing at 8.5 percent in 2008, the development slowed down to 2.5 percent in 2009. We expect the weak economy to continue to depress growth in 2010. Thereafter, improved economic conditions and rising discretionary income on the one hand and more attractive premium packages and more HD channels on the other hand will command additional fees. We project a compound annual growth rate of 2.7 percent until 2014 in subscription TV spending.
- In general, triple play packages are making subscription television more appealing by combining it with broadband and telephone at an implicit discount for each component when purchased together.

- The public TV license fee rate for TV households will remain stable over the next years. A modest 1.0 percent growth in public TV license fee revenues is expected, resulting from an overall increase in TV households and an improved collection process.
- An expanding digital household universe will drive the VOD market. VOD in Switzerland will more than double

from CHF 58 million in 2009 to CHF 136 million in 2014, an 18.7 percent compound annual increase.

- Technology upgrades, such as HSPA+ network upgrades as currently conducted by Swisscom, will lead to increased spending on mobile TV subscriptions even with a tendency to an advertisement-based financing strategy. Mobile TV subscription spending will total an estimated CHF 16 million in 2014.

TV Subscriptions and License Fees Market by Component (CHF millions)											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Subscriptions	785	802	827	897	919	952	970	993	1,020	1,052	2.7
Public TV License Fees	746	748	782	791	810	820	827	836	843	851	1.0
Video-on-Demand	0	0	31	47	58	58	65	86	117	136	18.7
Pay-per-View	2	3	3	3	3	3	3	3	3	3	0.0
Mobile TV	0	0	0	10	12	7	9	11	13	16	6.3
Total Subscriptions and License Fees	1,533	1,554	1,644	1,748	1,802	1,840	1,874	1,929	1,997	2,058	2.7

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, BILLAG, SRG SSR idée suisse, Swisscable, Swisscom, Cablecom, 022 Télégenève, Swiss Federal Statistical Office

TV Subscriptions and License Fees Market Growth by Component (%)											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Subscriptions	2.0	2.2	3.1	8.5	2.5	3.6	1.9	2.3	2.7	3.2	2.7
Public TV License Fees	0.3	0.3	4.5	1.2	2.4	1.2	0.9	1.2	0.9	0.8	1.0
Video-on-Demand	0.0	0.0	100.0	48.3	23.3	0.0	13.2	31.7	36.7	15.7	18.7
Pay-per-View	50.0	50.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mobile TV	0.0	0.0	0.0	100.0	21.7	-38.1	21.7	21.7	21.7	21.7	6.3
Total Subscriptions and License Fees	1.2	1.4	5.8	6.3	3.1	2.1	1.8	2.9	3.5	3.1	2.7

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, BILLAG, SRG SSR idée suisse, Swisscable, Swisscom, Cablecom, 022 Télégenève, Swiss Federal Statistical Office

3.3 Subscription Households and Spending

- The subscription market in Switzerland competes with free multichannel services, including free digital terrestrial television (DTT) and especially with free-to-air (FTA) satellite services. However, the availability of a large selection of channels on free services does not hold down subscription penetration. Nevertheless, even when the

economy improves, free multichannel services will remain a competitive threat to subscription services. To combat competition from free services, cable and IPTV providers are enhancing their offerings with HD channels, thematic and/or linguistic packages and an increasing base of video-on-demand offerings.

- Combined with subscription TV household growth, TV subscription spending in Switzerland will grow at 2.7 percent compounded annually for the forecast period 2010–2014. TV subscription spending will rise from CHF 919 million in 2009 to CHF 1.1 billion in 2014.

TV Subscriptions											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Spending (CHF millions)	785	802	827	897	919	952	970	993	1,020	1,052	2.7
Households (millions)	2.84	2.90	2.97	3.17	3.23	3.33	3.35	3.38	3.42	3.46	1.4
Penetration (%)	92.8	95.9	96.5	101.3	98.3	100.1	100.0	99.7	99.9	100.3	0.4

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, BILLAG, SRG SSR idée suisse, Swisscable, Swisscom, Cablecom, 022 Télégenève, Swiss Federal Statistical Office

TV Subscriptions Growth											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Spending (%)	2.0	2.2	3.1	8.5	2.5	3.6	1.9	2.3	2.7	3.2	2.7
Households (%)	2.0	2.1	2.4	6.7	1.9	3.1	0.7	0.9	1.1	1.3	1.4
Penetration (%)	0.5	3.4	0.6	5.0	-3.0	1.9	-0.2	-0.3	0.2	0.4	0.4

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, BILLAG, SRG SSR idée suisse, Swisscable, Swisscom, Cablecom, 022 Télégenève, Swiss Federal Statistical Office

3.3.1 Cable/Subscription DTT Households

- The cable TV subscription market is facing competition from IPTV as well as from a moderately growing subscription satellite and free DTT subscriber base. In Switzerland, we therefore expect to see a compound annual growth rate of -0.7 percent. We expect the cable universe to decline from 3.0 million in 2009 to a projected 2.9 million households in 2014.
- In contrast to the 1.4 percent total subscription TV household growth, cable penetration will fall from 91.3 percent of total TV households in 2009 to 84 percent in 2014, mainly due to growth of IPTV. At present, an estimated 60–70 percent of all households that migrate from analogue TV to digital TV choose the Swisscom IPTV product, rather than Cablecom's digital TV or other cable operators' offering.
- Overall, the cable TV subscription market growth in Switzerland will average 1.3 percent compounded annually and progress from CHF 867 million in 2009 to reach CHF 924 million in 2014.

Cable Subscriptions											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Spending (CHF millions)	785	798	806	863	867	872	881	891	906	924	1.3
Households (millions)	2.84	2.88	2.88	3.02	3.00	2.98	2.96	2.94	2.92	2.90	-0.7
Penetration (%)	92.8	95.3	93.6	96.5	91.3	89.6	88.2	86.6	85.3	84.0	-1.7

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, BILLAG, SRG SSR idée suisse, Swisscable, Swisscom, Cablecom, 022 Télégenève, Swiss Federal Statistical Office

Cable Subscriptions' Growth											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Spending (%)	2.0	1.7	1.0	7.1	0.5	0.6	1.0	1.1	1.7	2.0	1.3
Households (%)	2.0	1.4	0.0	4.9	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7
Penetration (%)	0.5	2.7	-1.8	3.1	-5.4	-1.9	-1.6	-1.8	-1.5	-1.5	-1.7

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, BILLAG, SRG SSR idée suisse, Swisscable, Swisscom, Cablecom, 022 Télégenève, Swiss Federal Statistical Office

3.3.2 IPTV Households

- Providers of Telecommunication Services (PTS) are using their broadband infrastructure to offer IPTV in triple play packages that combine television with broadband and voice. The IPTV packages feature VOD to help attract subscribers from cable.
- During the next five years, IPTV will be driven principally by expanded availability of bandwidth and the appeal of, and customer satisfaction with, these triple play package services.
- We anticipate the IPTV households in Switzerland to almost double over the forecasted period. By 2014, there will be a 19.7 percent compound annual increase from 232,000 in 2009 to an estimated 560,000 IPTV households in Switzerland.
- IPTV will generate almost two-thirds (CHF 77 million) of the entire TV subscription revenue growth in Switzerland over the next five years. Compared to 7 percent in 2009, by 2014 IPTV will account for 16.4 percent of all TV households in Switzerland.
- Furthermore, we anticipate the IPTV market in Switzerland to more than double revenues. Compared to CHF 52 million in 2009, in 2014 the IPTV market in Switzerland is estimated to generate revenues of CHF 129 million.

IPTV Subscriptions											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Spending (CHF millions)	0	5	21	34	52	80	90	101	114	129	19.7
Households (millions)	0.00	0.02	0.09	0.15	0.23	0.35	0.39	0.44	0.50	0.56	19.7
Penetration (%)	0.0	0.7	2.9	4.8	7.0	10.5	11.8	13.1	14.7	16.4	19.4

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, BILLAG, SRG SSR idée suisse, Swisscable, Swisscom, Cablecom, 022 Télégenève, Swiss Federal Statistical Office

IPTV Subscriptions Growth											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Spending (%)	2.0	100.0	320.0	61.9	52.9	53.8	12.5	12.2	12.9	13.2	19.7
Households (%)	0.0	100.0	350.0	66.7	53.3	52.2	11.4	12.8	13.6	12.0	19.7
Penetration (%)	0.0	100.0	314.3	65.6	45.8	50.0	12.4	11.0	12.2	11.6	19.4

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, BILLAG, SRG SSR idée suisse, Swisscable, Swisscom, Cablecom, 022 Télégenève, Swiss Federal Statistical Office

3.3.3 Subscription Satellite Households

- It is of note that satellite TV in Switzerland predominantly exists through FTA services. Satellite TV households acquire the necessary equipment once and aside from the mandatory public TV license fee they do not incur recurring expenses. Satellite TV subscriptions are insignificant in the Swiss market.
- We project the number of satellite households to increase moderately at a 0.7 percent compound annual growth rate from 530,000 in 2009 to 550,000 in 2014. Therefore, the satellite TV household penetration will remain at a fairly constant level of around 16 percent through 2014.

Satellite Subscriptions											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Spending (CHF millions)	0	0	0	0	0	0	0	0	0	0	0.0
Households, incl. free-to-air (millions)	0.22	0.27	0.34	0.42	0.53	0.53	0.54	0.54	0.55	0.55	0.7
Penetration (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, BILLAG, SRG SSR idée suisse, Swisscable, Swisscom, Cablecom, 022 Télégenève, Swiss Federal Statistical Office

Satellite Subscriptions' Growth											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Spending (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Households, incl. free-to-air (%)	15.6	22.7	25.9	23.5	26.2	0.0	1.9	0.0	1.9	0.0	0.7
Penetration (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, BILLAG, SRG SSR idée suisse, Swisscable, Swisscom, Cablecom, 022 Télégenève, Swiss Federal Statistical Office

3.4 Video-on-Demand (VOD) and Pay-per-View (PPV)

- VOD is available in digital cable households and IPTV households. VOD is not available on satellite. Growth in the IPTV universe is expanding the potential market.
- Growth in the underlying VOD household base will expand the potential market for VOD over the next five years. There were 820,000 households in Switzerland capable of accessing VOD in 2009. We expect that total to

more than double at a 15.7 percent compound annual rate during the next five years to 1.7 million in 2014.

- We project the VOD market in Switzerland to increase at an 18.7 percent compound annual growth rate from CHF 58 million in 2009 to CHF 136 million in 2014.
- In general, the expanding digital subscriber base, i.e., digital cable, plus digital satellite, plus IPTV, will expand the PPV market. However, as cable and IPTV providers market their VOD services more heavily than PPV, we do not expect further growth in the Swiss PPV market.
- We therefore project the PPV market in Switzerland to remain stable at CHF 3 million annually through 2014.

Video-on-Demand and Pay-per-View											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Digital Households (millions)	0.25	0.35	0.46	0.62	0.82	0.95	1.19	1.33	1.56	1.70	15.7
Video-on-Demand Spending (CHF millions)	0	0	31	47	58	58	65	86	117	136	18.7
Pay-per-View Spending (CHF millions)	2	3	3	3	3	3	3	3	3	3	0.0

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, BILLAG, SRG SSR idée suisse, Swisscable, Swisscom, Cablecom, 022 Télégenève, Swiss Federal Statistical Office

Video-on-Demand and Pay-per-View Growth											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Digital Households (%)	0.0	40.0	31.4	34.8	32.3	15.9	25.3	11.8	17.3	9.0	15.7
Video-on-Demand Spending (%)	0.0	0.0	100.0	51.6	23.4	0.0	12.1	32.3	36.0	16.2	18.7
Pay-per-View Spending (%)	40.0	50.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, BILLAG, SRG SSR idée suisse, Swisscable, Swisscom, Cablecom, 022 Télégenève, Swiss Federal Statistical Office

3.5 Mobile TV

- Mobile TV was originally envisioned as a subscription-based service through which new revenues in a saturated market could be generated. However, low take-up rates have led some providers to shift to an advertiser-supported model. In essence, people are looking to access FTA programming on their mobile phones.
- While we expect most mobile TV users to access the service for free, we believe a specialised premium market

exists for sports, movies and other premium programming that people will be willing to pay for.

- Although penetration will continue to be limited, the increased availability of mobile TV will expand the potential subscription market. We expect the number of mobile TV subscribers to increase from 60,000 in 2009 to 150,000 in 2014.
- Mobile TV subscription spending totaled CHF 12 million in 2009. Price reductions in 2010 led to a decrease in short-term revenue. We project spending to rise to CHF 16 million by 2014, a 6.3 percent compound annual increase.

Mobile TV											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Subscribers (millions)	0.00	0.00	0.00	0.05	0.06	0.07	0.08	0.10	0.12	0.15	19.3
Spending (CHF millions)	0	0	0	10	12	7	9	11	13	16	6.3

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, BILLAG, SRG SSR idée suisse, Swisscable, Swisscom, Cablecom, 022 Télégenève, Swiss Federal Statistical Office

Mobile TV Growth											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Subscribers (%)	0.0	0.0	0.0	100.0	20.0	16.7	14.3	25.0	20.0	25.0	19.3
Spending (%)	0.0	0.0	0.0	100.0	20.0	-41.7	28.6	22.2	18.2	23.1	6.3

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, BILLAG, SRG SSR idée suisse, Swisscable, Swisscom, Cablecom, 022 Télégenève, Swiss Federal Statistical Office

3.6 Public TV License Fees

- Public TV license fees are the second largest component in the market. On behalf of the Swiss federal administration, BILLAG executes the collection process of the radio and television levy. Annually, BILLAG sends around 12 million invoices to over three million households in Switzerland. The number of reminders annually is one million. Furthermore, around 70,000 prosecutions are initiated yearly. The aim of the public TV license fee is to support and finance public and private TV channels.
- The public TV license fees are subject to Swiss VAT, currently at 2.4 percent. Nevertheless, the stated amounts are net of VAT, as such taxes do not necessarily fund public TV offerings. Total revenues amounted to CHF 810 million (excluding VAT) in 2009.
- License fees for private TV households in September 2010 total CHF 462 per year, of which CHF 169 is for radio and CHF 293 for private television use. Companies are charged between CHF 611.80 and CHF 1,407.20 per year, depending on the number of radio and television sets. Radio fees vary from CHF 223.60 to CHF 514.40 per year, television license fees range from CHF 388.20 to CHF 892.80 per year for companies.
- On June 18, 2010, the Swiss federal government decided not to further increase the public TV license fee for the financing period 2011–2014. Future revenue growth is based on the increase in total TV households as a result of overall household development and an improved fee collection process for businesses.
- We project public TV license fees in Switzerland to increase at a 1.0 percent compound annual rate, corresponding to the expected overall household development, to CHF 851 million (excluding VAT) in 2014.

Public TV License Fees											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Public TV License Fees (CHF millions, excl. VAT)	746	748	782	791	810	820	827	836	843	851	1.0
Growth (%)	0.3	0.3	4.5	1.2	2.4	1.2	0.9	1.1	0.8	0.9	1.0

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, BILLAG, SRG SSR idée suisse, Swissscable, Swisscom, Cablecom, 022 Télégenève, Swiss Federal Statistical Office

3.7 The Swiss TV Subscriptions and License Fees Market Compared to Western Europe

- In 2009 the entire Western Europe TV subscription and license fees market amounted to CHF 66.9 billion. The largest contributors were Germany at CHF 13.2 billion, the United Kingdom at CHF 12.3 billion, and France at CHF 10.7 billion. We project the market to grow at a 5.1 percent compound annual rate to reach revenues of CHF 85.7 billion in 2014. Compound annual growth rates range from 2.7 percent in Germany to 7.9 and 8.3 percent in Spain and Portugal respectively. Switzerland's total contribution is minor and its compound annual growth rate of 2.7 percent is at the lower end of the Western European spectrum.
- The Swiss compound annual growth rate 2010–2014 of 1.4 percent, with regard to subscription TV households, is lower than the Western European average of 3.1 percent which can be explained by the high Swiss subscription TV household penetration of around 100 percent of total TV households. Lower rates are also noted in the Netherlands (0.8 percent) Austria and Denmark (each at 1.2 percent). Not surprisingly, all countries show high levels of penetration (Netherlands 104.7 percent, Austria 98.3 percent, Denmark 97.6 percent). The highest growth rate is predicted for Greece, despite the current economic woes, at 10.2 percent annually, but with penetration climbing to just 17.6 percent in 2014.
- The Swiss compound annual growth rate with regard to cable subscription TV households of –0.7 percent contrasts with the Western European average of 0.5 percent. This can be explained by the increasing competition from IPTV service providers. The entire Western European picture is quite heterogeneous with growth rates from as low as –2.4 percent in the UK to as high as 11.8 percent in Greece. In Germany, the UK and the Netherlands, the cable universe has declined in recent years. Declines in 2009 for these countries offset gains in other countries, most notably a 5.5 percent increase in Spain.
- We note and project a continuous trend towards IPTV in Western Europe as well as in Switzerland. At a compound annual growth rate of 16.6 percent the total IPTV households in Western Europe will more than double, from 8.3 million in 2009 to 18 million in 2014. The Swiss growth rate of 19.7 percent is higher than the Western European average.
- In Western Europe, the subscription satellite market has outperformed the cable market in recent years because of enhanced services such as HD, attractive sports packages, more channels, and more premium services. The Western European subscription satellite universe rose by 0.4 percent in 2008 and 3.8 percent in 2009.
- Of 28.1 million subscription satellite TV households in Western Europe in 2009, the UK accounted for 9.5 million followed by Italy with 4.8 million, and France with 4.3 million.
- Switzerland accounts for 530,000 satellite TV households in 2009 and we project a rather insignificant increase to 550,000 by 2014. These households do not qualify as subscription satellite TV households as there are almost no recurring service fees in Switzerland compared to other Western European countries. Once the initial equipment (i.e., satellite dish and set-top box) is acquired, and a one-time payment of CHF 60 has been made in order to receive a decoder chip for Swiss TV programmes, the consumer is able to watch TV content without further payments (except for public TV license fees).

- The Swiss compound annual growth rate of 15.7 percent with regard to VOD households is slightly higher than the Western European average of 13.1 percent. The Western European picture is quite heterogeneous with compound annual growth rates ranging from as low as 1.7 percent in the UK to as high as 45.4 percent in Greece. Moreover, the development in the VOD households seems to be positively correlated with the development in digital cable TV and IPTV households in Western Europe. Of 28.3 million VOD households in Western Europe in 2009, Germany accounted for 5.6 million followed by France with 4 million, and the UK with 3.6 million.
- The Western European market for PPV services is highly inconsistent. In 2009, at CHF 792.4 million, Italy accounted for more than half of the entire Western European market of CHF 1.5 billion. We project a compound annual growth rate for Italy of 10 percent for 2010–2014. Spain and the UK will slightly increase with rates of 1.6 percent and 2.0 percent respectively. PPV in France is projected to decline by 18.3 percent annually. Neither Switzerland, nor any other country in Western Europe, other than Italy, shows significant PPV market activity.
- The mobile TV subscription market is not yet fully developed. In 2009, Western Europe accounted for 2.5 million subscribers with 1.3 million from Italy, 0.6 million from France, and 0.4 million from Spain. All countries with an active market project a double-digit compound annual growth rate up until 2014. The Swiss growth rate of 19.3 percent remains below the European average growth rate of 35.4 percent.
- As in Switzerland, all Western European countries except Spain levy a public TV license fee. Usually, revenue development correlates with the TV household development. The Western European average compound annual growth rate is at 1.1 percent, not significantly higher than the projected growth rate of 1.0 percent in Switzerland. Portugal introduced its public TV license fee in 2004 and is still catching up, which explains the projected growth rate of 9.3 percent at the upper end of the Western European spectrum. Germany's decline of -0.4 percent represents the lower end. France, Germany, and the UK together accounted for almost two thirds of the total fee revenues of CHF 24.1 billion in 2009.

TV Subscriptions and License Fees Market by Country (CHF millions)											
Western Europe	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Austria	1,714	1,845	2,036	2,166	2,192	2,271	2,360	2,476	2,630	2,768	4.8
Belgium	1,590	1,712	1,884	2,059	2,103	2,166	2,316	2,506	2,701	2,900	6.6
Denmark	1,748	1,820	1,928	2,024	2,108	2,217	2,282	2,365	2,513	2,601	4.3
Finland	688	721	763	749	809	831	869	910	973	1,029	4.9
France	7,463	8,106	9,374	10,084	10,743	11,084	11,798	12,509	13,258	13,870	5.2
Germany	11,690	12,127	12,408	12,807	13,171	13,449	13,737	14,204	14,834	15,058	2.7
Greece	485	513	563	587	597	618	662	718	782	838	7.0
Ireland	617	657	697	742	766	790	835	903	983	1,075	7.0
Italy	4,426	5,333	6,650	7,448	7,594	7,811	8,226	8,972	9,788	10,679	7.1
Netherlands	3,091	3,326	3,617	3,868	3,975	4,145	4,481	4,842	5,199	5,576	7.0
Norway	1,211	1,332	1,525	1,719	1,799	1,917	2,054	2,193	2,365	2,503	6.8
Portugal	1,036	1,160	1,278	1,434	1,498	1,572	1,699	1,883	2,069	2,235	8.3
Spain	2,699	2,848	2,998	3,131	3,307	3,463	3,712	4,013	4,420	4,842	7.9
Sweden	1,699	1,780	1,952	2,047	2,094	2,168	2,250	2,338	2,440	2,549	4.0
Switzerland	1,533	1,554	1,644	1,748	1,802	1,840	1,874	1,929	1,997	2,058	2.7
United Kingdom	10,650	11,024	11,717	12,115	12,339	12,654	13,279	13,795	14,369	14,922	3.9
Western Europe Total	52,338	55,860	61,034	64,728	66,896	68,995	72,434	76,556	81,321	85,504	5.1

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, BILLAG, SRG SSR idée suisse, Swisscable, Swisscom, Cablecom, 022 Télégèneve, Swiss Federal Statistical Office

4 Television Advertising

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4.1 Executive Summary

Definition

- The television advertising market consists of advertiser spending on both terrestrial and multichannel television, on TV web sites, on programmes streamed from TV web-sites, and mobile TV. Gross television advertising figures consist of total advertising spending including agency commissions and discounts. For net television advertising figures agency commissions and discounts are deducted from the total advertising revenues.

Market size and growth in Switzerland

- We project the Swiss net television advertising market to increase from CHF 616 million in 2009 to CHF 757 million in 2014, a compound annual growth rate of 4.2 percent.
- In comparison, the Western European market will grow by a projected compound annual growth rate of 2.4 percent. Western Europe will reach revenues of CHF 34.1 billion in 2014 up from CHF 30.3 billion in 2009.

Market size and growth by component

- The principal component of television advertising in Switzerland, broadcast television advertising, will reach revenues of CHF 630 million in 2014, or 83.2 percent of total television advertising spending.
- Broadcast television sponsoring is expected to increase by 4.7 percent annually, from CHF 54 million in 2009 to CHF 68 million in 2014.
- The fastest growth is expected from mobile television advertising spending, with an average yearly growth of 62.5 percent from a very low base of CHF 0.9 million in 2009 to CHF 10.2 million in 2014.
- Online television advertising spending is expected to increase 20.1 percent annually up from CHF 19.5 million in 2009 to CHF 48.8 million in 2014.
- Combined, the online and mobile television universe in Switzerland is expected to increase from CHF 20.4 million in 2009 to CHF 59 million in 2014, a compound annual growth rate of 23.6 percent.

Principal drivers

- During the economic downturn, many advertisers cut back on their budgets. However, the impact on television advertising was not as severe as other traditional media such as print advertising.

- The economic downturn reduced Swiss television advertising spending by –4.4 percent in 2009, but it is expected to bounce back in 2010 with an expected growth rate of 5.1 percent. Growth will average 4.2 percent over the 2010–2014 period, as advertisers will continue to focus on the brand-building aspects of television advertising
- Increasing investment in broadband infrastructure, mobile and wired bandwidth capacity will further spur investments in mobile and online television media offerings, as well as consumer spending on such media, including the necessary hardware, such as smartphones and tablet PCs.
- The introduction of Web-enabled TV sets and the expansion of online streaming in Western Europe will fuel online television advertising.
- Mobile TV rollouts and the shift from subscriber-supported to advertiser-supported services will expand the mobile television advertising market. However, this growth is fragile, as it is highly dependent upon flat-rate 3G/4G or innovative WiFi data traffic tariff plans, as offered by the mobile operators.

4.2 Market Overview

- The Swiss television advertising market is mainly dominated by Publisuisse, a subsidiary of national broadcaster SRG SSR idée Suisse, and IP Multimedia, a subsidiary of Goldbach Media Group. In 2009, Publisuisse had a market share of 43.7 percent, versus IP Multimedia's 27.7 percent.
- Other television advertising sales houses are Publicitas Cinecom, a subsidiary of PubliGroupe SA, Belcom, and Covermedia.
- Popular, foreign, free TV stations, such as ZDF, ARD, TF1, France 2 and Rai Uno do not operate separate television advertising windows for Switzerland.
- Increased investment in broadband infrastructure, mobile and wired bandwidth capacity will further spur investments in mobile and online television media offerings, as well as consumer spending on such media, including the necessary hardware, such as smartphones and tablet PCs, both of which have proven to be highly popular in Switzerland.
- The introduction of web-enabled TV sets and the expansion of online streaming in Western Europe will likely fuel online television advertising.
- In Switzerland, the only platforms that broadcast live television online are Zattoo.com, Nello.tv and Wilmaa.com. All companies are domiciled in Switzerland.

Television Advertising and Sponsoring by Component											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Broadcast Advertising and Sponsoring											
Broadcast Advertising – net (CHF millions)	545	560	581	565	542	565	580	605	613	630	3.1
Broadcast Sponsoring – net (CHF millions)	43	54	56	63	54	58	60	63	65	68	4.7
Total Advertising and Sponsoring – net (CHF millions)	588	614	637	628	596	623	640	668	678	698	3.2
Online and Mobile Television Advertising											
Online TV Advertising (CHF millions)	0.0	4.3	7.6	16.3	19.5	23.9	29.3	34.7	41.2	48.8	20.1
Mobile TV Advertising (CHF millions)	0.0	0.0	0.0	0.5	0.9	1.1	1.5	2.2	4.4	10.2	62.5
Total Online and Mobile TV Advertising	0.0	4.3	7.6	16.8	20.4	25.0	30.8	36.9	45.6	59.0	23.6
Total Switzerland (CHF millions)	588	618	645	645	616	648	671	705	724	757	4.2
Growth (%)	3.0	5.2	4.3	0.0	–4.4	5.1	3.5	5.1	2.7	4.6	4.2
Western Europe											
Total Western Europe (CHF millions)	33,028	34,226	35,789	34,899	30,275	30,411	30,660	31,444	32,539	34,051	2.4
Growth (%)	3.0	3.6	4.6	–2.5	–13.2	0.4	0.8	2.6	3.5	4.6	2.4

Sources: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates, Stiftung Werbestatistik Schweiz, Media Focus, Publisuisse, Goldbach Media

- Swiss start-up company Acetrax is a provider of online streaming services, accessible via widgets on TV sets from, for example, Samsung or Panasonic.
- Swisscom offers regular mobile TV viewing under the Swisscom TV Air brand and, since June 3, 2010, Orange will also offer mobile TV viewing under the Orange TV brand. Pure advertising-based video feeds are offered by Dailyme.de. At both Swisscom and Orange, the necessary data traffic is included in the monthly subscription fee.
- The mobile TV universe is expected to increase due to mobile TV rollouts and the shift from subscriber-supported to advertiser-supported services. However, this growth is fragile, as it is highly dependent upon flat-rate 3G/4G or innovative WiFi data traffic tariff plans, as offered by the mobile operators.
- In comparison with Western Europe, the substantially higher compound annual growth rate for television advertising in Switzerland is attributable to the availability and use of online and mobile TV. Noteworthy, with respect to the advertising mix, television advertising is gaining market share at the cost of print advertising.

4.3 Television Advertising and Sponsoring

4.3.1 Broadcast Television Advertising

- After a decline in 2009, broadcast gross television advertising is expected to grow from CHF 1,061 million in 2009 to CHF 1,230 million in 2014, a 3.0 percent compound annual growth rate.
- However, net television advertising (i.e., television advertising spending minus agency commissions and discounts) is only expected to increase from CHF 542 million in 2009 to CHF 630 million in 2014, a compound annual growth rate of 3.1 percent.
- Even though the average growth rate in net advertising revenue is expected to be slightly above gross advertising revenue growth, the gross-to-net gap in absolute numbers will continue to increase, from CHF 519 million in 2009 to CHF 600 million in 2014. The gap will remain stable at around 50 percent of the gross television advertising market.

Broadcast Television Advertising											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Spending – gross (CHF millions)	798.0	880.0	1,044.0	1,116.0	1,061.0	1,080.0	1,100.0	1,150.0	1,175.0	1,230.0	3.0
Growth (%)	8.3	10.3	18.6	6.9	-4.9	1.8	1.9	4.5	2.2	4.7	3.0
Spending – net (CHF millions)	545.0	560.0	581.0	565.0	542.0	565.0	580.0	605.0	613.0	630.0	3.1
Growth (%)	3.0	2.8	3.8	-2.8	-4.1	4.2	2.7	4.3	1.3	2.8	3.1
Δ (CHF millions)	253.0	320.0	463.0	551.0	519.0	515.0	520.0	545.0	562.0	600.0	2.9
Δ (%)	31.7	36.4	44.3	49.4	48.9	47.7	47.3	47.4	47.8	48.8	

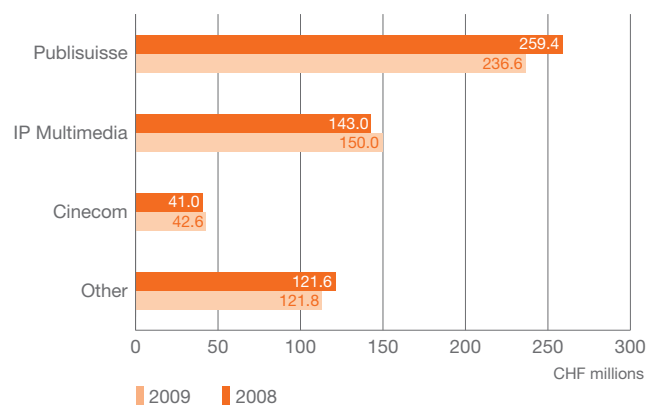
Sources: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates, Stiftung Werbestatistik Schweiz, Media Focus, Publisuisse, Goldbach Media

- In Switzerland, two companies dominate the television advertising market: Publisuisse and IP Multimedia.
 - Publisuisse is exclusively responsible for the positioning and commercialisation of all channels of its owner, i.e., Schweizer Fernsehen (SF), with SF 1, SF zwei and SF Info in the German-speaking part of Switzerland, Télévision Suisse Romande (TSR), with TSR1 and TSR2 in the French-speaking part, Radiotelevisione svizzera (RSI), with RSI La 1 and RSI La 2 for the Italian-speaking part of Switzerland and Televisiun Rumantscha (TvR) for the fourth official language: Romansh. Furthermore, with HD Suisse, the SRG SSR idée Suisse created a common platform for the distribution of HDTV in all linguistic regions of Switzerland.
 - Publisuisse also non-exclusively markets television advertising in the form of two regional packages, Tele Regio Combi and Tele Romandie Combi. Tele Regio Combi covers the regional television stations in the cantons of Basel (Telebasel), Berne/Freiburg/Solothurn (TeleBärn), Lucerne/Nidwalden/Obwalden/Schwyz/Uri/Zug (Tele Tell), Zurich (TeleZürri), Appenzell Innerrhoden/Appenzell Ausserrhoden/St. Gallen/Thurgau/Fürstentum Liechtenstein (Tele Ostschweiz) and Aargau/Solothurn (Tele M1). Tele Romandie Combi covers Valais (Canal 9), Neuchâtel/Jura (Canal Alpha), Fribourg/Vaud (La Télé), Geneva (Léman Bleu) and the region around the city of Biel/Bienne (TeleBielingue).
 - IP Multimedia is exclusively responsible for the positioning and commercialisation of Pro7 as a major advertiser in the 15-to-34-year-old target audience. Starting January 1, 2011, IP Multimedia will also be responsible for marketing Sat.1 and kabel eins. Further exclusive market contracts exist for MTV, Viva Schweiz, TVM3, M6, RTL, RTL II, RTL 9, super-RTL, Cartoon Network, Vox, Nick, Nickelodeon and Schweizer Sportfernsehen.
 - IP Multimedia also non-exclusively markets television advertising for the regional television stations in the cantons of Basel (Telebasel), Berne/Freiburg/Solothurn (TeleBärn), Zurich (TeleZürri), Appenzell Inner-

rhoden/Appenzell Ausserrhoden/St. Gallen/Thurgau/Fürstentum Liechtenstein (Tele Ostschweiz) and Aargau/Solothurn (Tele M1, Tele Top), Lucerne/Nidwalden/Obwalden/Schwyz/Uri/Zug, Schaffhausen/Thurgau/Zurich (Tele 1) and Fribourg/Vaud (La Télé), Geneva (Léman Bleu), Ticino (TeleTicino), and Graubünden (TeleSüdostschweiz).

- Other television advertising sales houses include Publicitas Cinecom, Belcom, and Covermedia.
 - Publicitas Cinecom is exclusively responsible for the positioning and commercialisation of 3+, and, up until 1. January 2011, for Sat.1 and kabel eins. Furthermore, it markets Rouge TV, a regional television station that can be received through the Naxoo cable operator in Valais and Geneva as well as through the local cable network operator in 79 municipalities in the Romandie.
 - Belcom markets TeleZürri non-exclusively, as well as Tele Regio Combi
 - Cover Media non-exclusively markets individual stations as well as the Tele Regio Combi and the Tele Romandie Combi.

Net advertising revenues – Switzerland



Source: PricewaterhouseCoopers AG; SRG SSR idée Suisse; Goldbach Media

- Popular, foreign free-TV stations, such as ZDF, ARD, TF1, France 2 and Rai Uno do not operate separate television advertising windows for Switzerland.
- In 2009, Publisuisse had a market share of 43.7 percent, versus 27.7 percent for IP Multimedia and 7.9 percent for Publicitas Cinecom.

4.3.2 Broadcast Television Sponsoring

- Broadcast net television sponsoring is expected to increase from CHF 54 million in 2009 to CHF 68 million in 2014, a 4.7 percent compound annual growth rate.
- Television sponsoring growth is increasingly outpacing general television advertising growth as it has proven to be a valuable brand enhancement instrument.

Broadcast Television Sponsoring											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Spending – net (CHF millions)	43.0	54.0	56.0	63.0	54.0	58.0	60.0	63.0	65.0	68.0	4.7
Growth (%)	2.4	2.6	3.7	12.5	-14.3	7.4	3.4	5.0	3.2	4.6	4.7

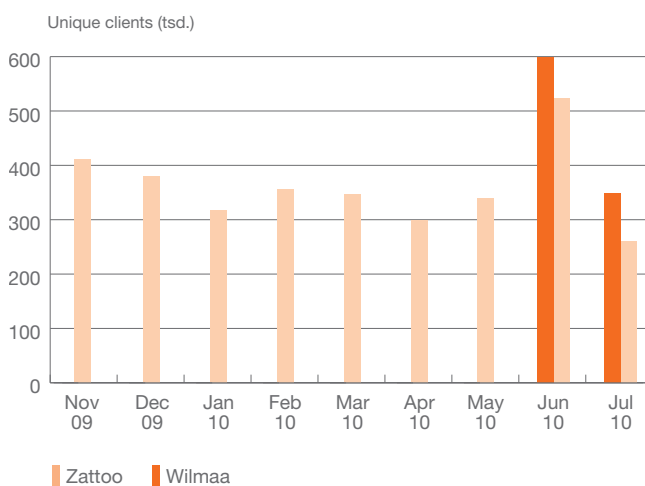
Sources: PricewaterhouseCoopers AG, Stiftung Werbestatistik Schweiz, Publisuisse

4.3.3 Online Television Advertising

- In Switzerland, the only platforms that broadcast live television online are Zattoo.com, Nello.tv and Wilmaa.com. All companies are domiciled in Switzerland. Zattoo.com was launched in June 2006, Nello.tv was launched in June 2008, as the follow-up product of ADSL.tv, and Wilmaa.com was launched in December 2008. Nello.tv is the only platform financed via subscriptions. Zattoo.com and Wilmaa.com are financed through advertising. Goldbach Media is the online television advertising marketing partner responsible for both platforms. In January 2009, Goldbach Media acquired a 50 percent stake in Wilmaa.com.
- Typical advertising formats for online television are welcome ad TV spots, when a user logs in to the platform. This welcome ad usually is the equivalent of a regular TV spot of a maximum of 30 seconds. The effect can be enhanced through wallpapers or by offering an extra-long welcome ad. Here, however, users have the possibility to skip the ad after 30 seconds.
- Other forms of online TV advertising are channel switch ads, where an advertisement of a maximum of 15 seconds is shown between the switching of one online TV channel to another. In Switzerland, Zattoo.com was the first to introduce this form of advertising.
- As with most forms of online advertising, interactivity between advertiser and user is one of the attractive features.
- Only Wilmaa.com advertisers can exclusively use the welcome ad and the channel switch ad advertising options in the form of a branding day.

- Internet television proves to be highly attractive to Swiss consumers during major sports-events, such as the 2010 Olympic Winter Games in Vancouver, Canada, or the 2010 FIFA World Cup in South Africa. The chart below clearly illustrates this, as the total number of unique visitors rose significantly during these events, especially during the FIFA World Cup in South Africa in June 2010.
- Furthermore, Internet television appears to be creating a new “prime-time”, during midday, when many Swiss consumers are on lunch break and use this time to watch television online. No additional software needs to be installed, which means easy access from a corporate environment.

Unique Clients (tsd.) per month Zattoo.com and Wilmaa.com (as of June 2010)



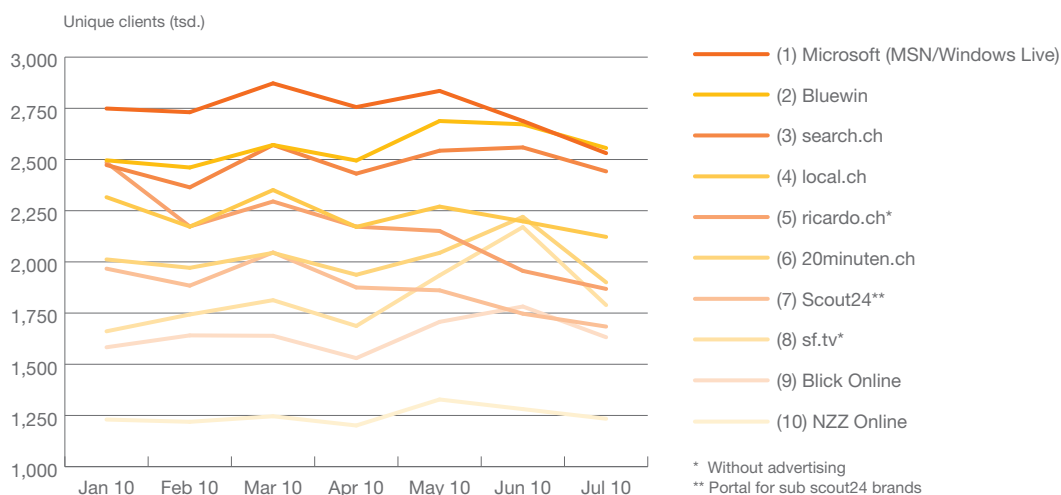
Source: NET-Matrix August 2010

- SF.tv, the television portal of Swiss national broadcaster SRG SSR idée Suisse, with an average of 1,828,000 unique visitors per month over the period from January 2010 to July 2010, has approximately five times more unique visitors per month than Zattoo.com, with an average of 349,000 unique visitors over the same period. For Wilmaa.com, Internet usage statistics are only available as of June 2010, but it can be assumed the average number of visitors is slightly above those of Zattoo.com.
- On SF.tv, visitors can read news, use catch-up services for SRG SSR idée Suisse productions and read blogs, etc. However, as the Swiss national broadcaster benefits

from public license fees, it is restricted from using online advertising as a further source of income. Based on the total number of unique visitors per month, the potential would be significant. We have compared the top 10 Swiss websites and portals over the period January 2010–July 2010. The following graph shows that SF.tv is one of the best-visited platforms in Switzerland over that period and is currently ranked 8 of 10.

- We expect online television advertising to increase from CHF 19.5 million in 2009 to CHF 48.8 million in 2014, a compound annual growth rate of 20.1 percent

Top 10 Web sites in Switzerland



Sources: NET-Metrix August 2010

Online Television Advertising											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Spending (CHF millions)	0.0	4.3	7.6	16.3	19.5	23.9	29.3	34.7	41.2	48.8	20.1
Growth (%)	0.0	100.0	75.0	114.3	20.0	22.2	22.7	18.5	18.8	18.4	20.1

Sources: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates

4.3.4 Mobile Television Advertising

- In Switzerland, Swisscom offers regular TV programming under the Swisscom TV air brand and, since June 3, 2010, Orange has also offered regular TV programming under the Orange TV brand. In addition to offering regular TV programming, Swisscom is experimenting with special interest TV feeds, such as the Freeride World Tour of March 2010. An interesting feature of both the Swisscom and Orange offerings is that subscribers do not pay in addition for data traffic.
- Pure advertising-based video feeds are offered by Dailyme.de. Here, a subscriber registers by downloading or installing a mobile application. Users can then select their

favourite programmes. The mobile application automatically updates local content storage via WLAN/UMTS push and allows users to watch their favourite series, trailers or other content from a current offering of 600 TV shows, irrespective of whether a local wireless Internet connection could be established or not. Subscribers are advised to conclude flat rate subscriptions for mobile data traffic, as the cost of the constant video data feed can be substantial.

- Other providers are entering the arena, amongst which are Blick TV and 20Minuten TV from Swiss publishing houses Ringier and Tamedia. We believe mobile television advertising will increase from a very small market in 2009 of CHF 0.9 million to CHF 10.2 million in 2014, a compound annual growth rate of 62.5 percent. The growth rate of mobile TV users outpaces growth in advertising spending, resulting in 1.7 million mobile TV users in 2014.

Mobile Television Advertising											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Mobile TV Users (millions)	0.00	0.00	0.00	0.06	0.08	0.12	0.21	0.41	0.83	1.70	83.0
Growth (%)	0.0	0.0	0.0	100.0	50.0	50.0	66.7	100.0	100.0	105.0	83.0
Spending (CHF millions)	0.0	0.0	0.0	0.5	0.9	1.1	1.5	2.2	4.4	10.2	62.5
Growth (%)	0.0	0.0	0.0	100.0	80.0	20.6	35.0	50.0	100.0	133.0	62.5

Sources: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates

4.4. Television Usage Measurement and Ranking

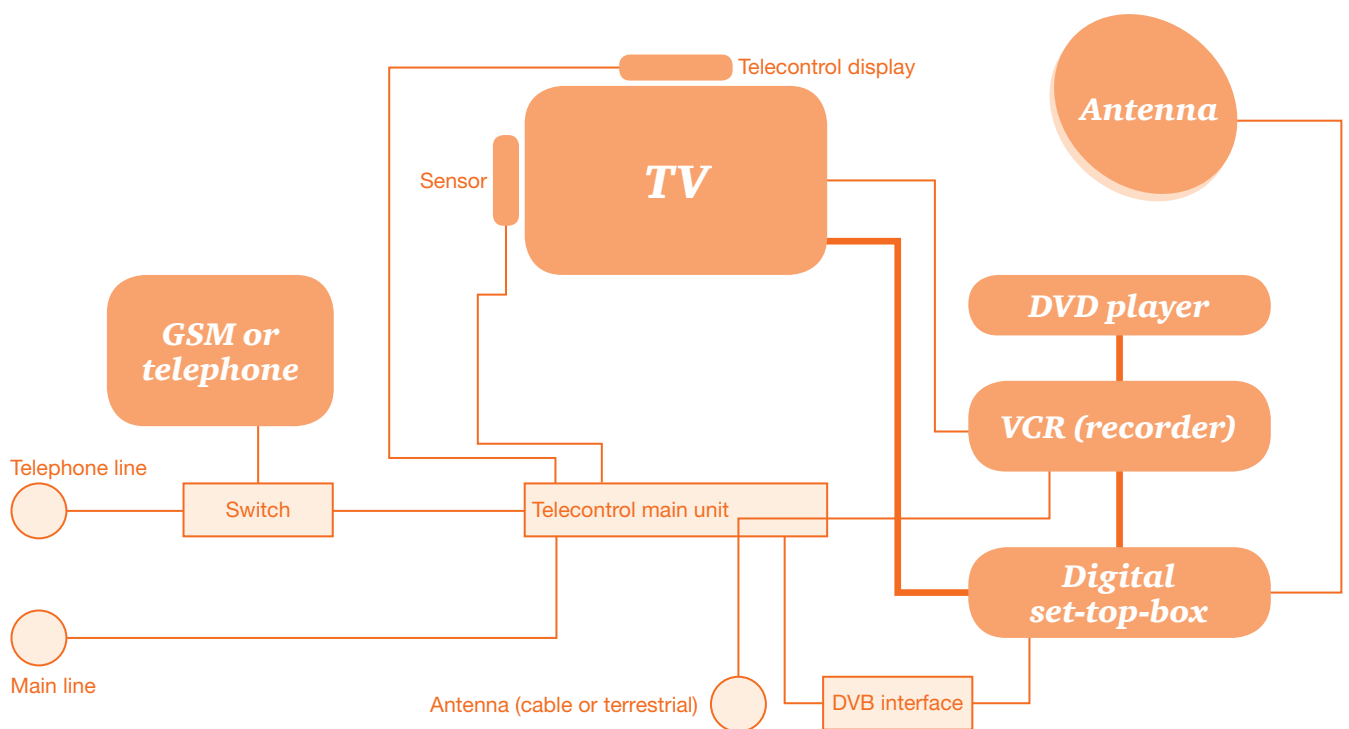
4.4.1 Television Usage Measurement

- In Switzerland, the television audience measurement system in use is “Telecontrol”. The first generation of Telecontrol was originally developed by GfK Telecontrol AG, a company founded and domiciled in Switzerland in 1981. The Telecontrol System was first introduced in Germany in 1985, followed by Switzerland in the same year. As of 1985, Swiss national broadcaster SRG SSR idée Suisse was the first broadcaster in Switzerland to make use of the Telecontrol television audience measurement system. Today, the Telecontrol television audience measurement system is used to collect TV usage data in 15 countries

around the world, including Austria, Germany, France, the United States and Mexico.

- Telecontrol is an electronic viewer measuring system. The Telecontrol device, which is connected to the TV, registers and stores the presence of the viewer, the selected channel and the viewer’s assessment of the programmes. The entire range of screen use is covered, that is, in addition to analogue and digital TV consumption, the use of videos, DVD, video games, teletext, satellite TV, etc. The measuring procedure involves a representative TV audience that is linked to the Telecontrol system and whose viewing habits are registered anonymously and comprehensively; none of this entails any work input or costs on the part of panel members. The latest version of the Telecontrol System is Telecontrol VIII, which exists in two forms: Telecontrol VIII and Telecontrol VIII Standard, where the “Standard” version is a reduced version of the Telecontrol VIII device, used for markets where not all features of Telecontrol VIII are required.

- As it was difficult for existing measurement instruments to capture video and audio streaming, GfK Telecontrol AG developed a new measurement device, the Internet meter USX. USX is a miniature measurement device in the form of a USB memory stick. To measure streaming content, USX uses audio matching and/or in the future watermarking, two methods similarly applied in Mediawatch and UMX. USX is totally independent of the Internet browser or media player used to consume the media content. The Internet meter USX was launched in Switzerland in June 2010.
- Now in its third generation on the market, Telecontrol's Mediawatch is a wristwatch with an integral microphone. This registers the radio and TV programs the wearer is listening to either at home, at work or on the move. The samples registered are then coded in the watch and stored in heavily compressed form. This makes reconstruction tampering impossible. At the same time, the stations to be measured are recorded at central locations for the relevant TV and radio market.



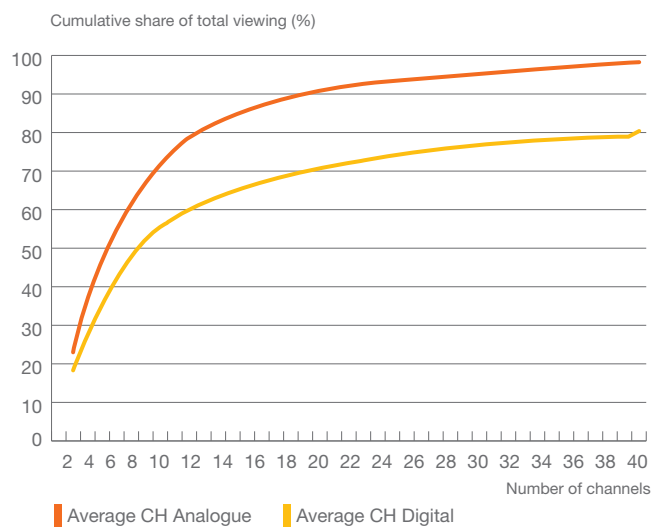
Source: Telecontrol

4.4.2. Ranking of TV Viewing by Station

- In 2009, SF1 was by far the most viewed in Swiss households in the German-speaking part of Switzerland and had a market share of 21.6 percent, followed by SF2 with 8.6 percent and RTL with 6.7 percent.
- In the Romandie, TSR 1 had market share of 21.6 percent, followed by M6 with 9.2 percent and TSR 2 with 7.1 percent.
- In the Italian-speaking part of Switzerland, RSI La 1 had 22.5 percent, followed by RSI La 2 with 6.5 percent and TeleTicino with 1.7 percent.
- The share of digital TV households compared to all TV households in Q1 2010 was 22 percent in the German-speaking part of Switzerland, 25 percent in the French-speaking part and 31 percent in the Italian-speaking part of Switzerland.
- The increased digitalization of TV households is relevant to TV advertising because digital TV subscribers tend to disperse their viewing time among more channels than analogue subscribers. However, of all digital TV households, 60 percent to 73 percent still watch analogue channels. This usually implies a second television set, as multi-room DVRs are currently not widespread in Switzerland. Many other viewers use their PC or Mac, iPhone or iPad as a second TV set and watch online television channels such as Wilmaa.com or Zattoo.com.

- Interestingly, though, most viewers watch the same channels, irrespective of technology. Therefore, the additional number of channels available has not resulted in a substantial shift in viewing behaviour. Viewing behaviour is most stable in the German-speaking part of Switzerland, due to the high number of (foreign) free-TV channels available (ZDF, ARD, ARTE, ORF, 3Sat, etc.).

Analogue vs. digital viewing habits re. number of channels in Switzerland



Source: PricewaterhouseCoopers AG, Mediapulse

4.5. The Swiss Television Advertising Market Compared to Western Europe

- In the past decade, the traditionally strong position of the newspaper and magazine publishing sectors with respect to advertising spend has started to erode. New media, such as online advertising, but also brand-enhancing media, such as TV advertising, have been able to benefit from the shift of advertising spend. A proportion of online advertising spending flows to online TV platforms, as they are widely available in Switzerland via three online television providers.
- Therefore, in comparison with Western Europe, the substantially higher compound annual growth rate for television advertising in Switzerland of 4.2 percent versus 2.4 percent for Western Europe is attributable to the availability and use of online and mobile TV, but the regular broadcast television advertising growth rate of 3.1 percent is also higher than the Western European trend of 1.9 percent.
- In 2009 the entire Western European broadcast net television advertising market amounted to CHF 32.5 billion. The largest contributors were Italy and Germany with CHF 5.4 billion and the United Kingdom with CHF 5.2 billion.
- We project the Western European net broadcast television advertising market to grow at a compound annual growth rate of 1.9 percent, achieving revenues of CHF 32.5 billion in 2014. Compound annual growth rates range from -0.2 percent in Italy to 3.7 percent in the United Kingdom. Switzerland's total contribution to the Western European wired and mobile Internet access market is minor, but its compound annual growth rate of 3.1 percent is clearly above the Western European average.
- As in Western Europe, in Switzerland total television viewing time continues to increase. This is due, in particular, to an enhanced viewing experience, with more channels in HD and experiments with 3D on the one hand, and proven international formats on the other. Television advertising spending benefits from this trend. Many people tend to watch digital channels similar to those they watched when using analogue technology. Most of the channels have separate Swiss advertising blocks.

Total Broadcast Television Advertising Market (CHF millions)											
Western Europe	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010-14 CAGR
Austria	456	491	536	558	468	480	492	509	523	544	3.1
Belgium	875	951	1,026	1,049	902	898	920	943	966	1,004	2.2
France	4,150	4,339	4,505	4,303	3,580	3,590	3,637	3,735	3,773	3,840	1.4
Germany	5,931	6,209	6,272	6,091	5,357	5,410	5,553	5,735	5,908	6,172	2.9
Italy	5,863	5,939	5,986	5,929	5,372	5,229	5,093	5,101	5,169	5,328	-0.2
Spain	3,976	4,312	4,690	4,183	3,355	3,170	3,144	3,124	3,245	3,392	0.2
Switzerland	545	560	581	565	542	565	580	605	613	630	3.1
United Kingdom	6,120	5,862	6,054	5,877	5,215	5,654	5,663	5,832	6,035	6,264	3.7
Western Europe Total	33,034	34,030	35,474	34,331	29,667	29,740	29,859	30,487	31,320	32,528	1.9

Sources: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates, Stiftung Werbestatistik Schweiz, Media Focus, Publisuisse, Goldbach Media

5 Recorded Music

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5.1 Executive Summary

Definition

- The recorded music market consists of consumer spending on physical formats – albums, single sound recordings, and music videos – as well as digital distribution. Digital distribution consists of music distributed to mobile phones and music downloaded from the Internet through licensed services or app stores. Revenues from streaming services financed by subscriptions or advertising also are included.
- The recorded music market does not include subscription fees paid to satellite radio providers. Neither does it include music publishing, live performance or merchandising revenues, which have become significant components of the market.
- Spending is measured at retail, which can be substantially higher than wholesale or trade value revenues.

Market size and growth in Switzerland

- We expect the Swiss recorded music industry to increase by an average 0.9 percent a year between 2010 and 2014, growing from CHF 294 million to CHF 314 million.
- In comparison, we expect the Western European market to grow by 1.1 percent compounded annually. Western European revenues will increase from CHF 8.9 billion in 2009 to CHF 9.4 billion in 2014.

Market size and growth by component

- We expect digital distribution to grow at an average 14.7 percent a year between 2010 and 2014, effectively increasing by CHF 15–20 million every year to reach CHF 190 million in 2014. Even though yearly growth will slow down in that period compared to 2005–2009, double-digit yearly growth is expected.
- By 2014, spending on physical formats will be down by 62 percent compared to 2005, reaching CHF 124 million.
- However, the decline will slow down (7 percent decrease in 2014 opposed to 12 percent in 2010) as the physical distribution market begins to approach its basic level.

Principal drivers

Key drivers for the evolution of the Swiss recorded music market are influenced by:

- A successful battle against piracy, which remains an issue.
- Changes in business models and related technical innovations, e.g., streaming music rather than buying units (songs) for personal storage, continuous improvement in the usability of digital stores and the evolution of unit prices, to meet changing consumer behaviour.
- The strategic commitment of the “Big Four” major record companies (Universal, Sony, EMI and Warner) to promote their catalogues in Switzerland and to support the promotion of local Swiss artists.

5.2 Market Overview

- The outlook for recorded music in Switzerland can be split into two trends. Up until 2011, the decline experienced since 2005 will continue, albeit at a slower pace. From 2012, the overall market will recover and grow again. This growth is mainly driven by digital music sales offsetting the continuous decline in physical distribution. In 2012 we expect digital music sales to overtake physical distribution.
- With regard to downloads, the Swiss legal framework is not as strong as in other European countries (e.g., downloading copyrighted content for personal purpose is not illegal as long as it is not offered for upload at the same time, whereas France and the UK have enacted new regulations to fight piracy). This framework is not expected to significantly change in the next few years. In that context, the collaboration with Internet service providers (ISPs) appears key but has yet to be proven as a sustainable mechanism to deter piracy. In September 2010, the Swiss Federal Court ruled that it was illegal for private companies mandated by copyright associations to monitor and identify fraudulent peer-to-peer downloads of copyrighted content.

- Piracy impacts repertoires in a different way. World music, Swiss folk music or classical music have been less affected to date. The audience for these genres is typically more senior. These customers prefer buying physical units. This, however, may change over time as younger generations enter this segment.
- The future evolution of competition in digital distribution is unclear. The success of download stores (e.g. Apple iTunes) has been such that it makes it difficult for competition to take root in a market where margins are tight and critical mass is a key success factor.

Recorded Music Market by Component (CHF millions)											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Physical Distribution	328	295	261	230	205	180	160	145	134	124	-9.6
Digital Distribution	25	39	58	77	96	114	130	150	170	190	14.7
Total Recorded Music	353	334	319	307	301	294	290	295	304	314	0.9

Source: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates

Recorded Music Market Growth by Component (%)											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Physical Distribution	-10.0	-10.1	-11.5	-11.9	-10.9	-12.2	-11.1	-9.4	-7.6	-7.5	-9.6
Digital Distribution	48.0	56.0	48.7	32.8	24.7	18.8	14.0	15.4	13.3	11.8	14.7
Total Recorded Music	-7.4	-5.4	-4.5	-3.8	-2.0	-2.3	-1.4	1.7	3.1	3.3	0.9

Source: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates

5.3 Digital Distribution

- Digital distribution consists of music distributed to mobile phones and music downloaded or streamed from the Internet. With the growing ability to connect to the Internet via mobile devices, and the ability to side load music from the computer to mobile devices the distinction between these segments is disappearing.
- We expect digital distribution to grow at an average of 14.7 percent a year between 2010 and 2014, effectively increasing by CHF 15–20 million every year.
- By 2012, digital sales will have overtaken physical sales. Digital sales will have doubled compared to 2009, reaching CHF 190 million by 2014.
- The Internet is the main digital sales channel. In 2009 Internet downloads represented 78 percent of digital sales, mobile phone packages 12 percent, mobile downloads 7 percent, with 3 percent falling in the “other” category.
- Downloaded albums and single tracks each represent more than a third of overall download sales (39 percent and 37 percent in 2009, respectively), the rest is split between subscriptions (12 percent) and other types of revenue (12 percent). We expect downloads of single tracks and subscription-based models to rise sharply as patterns of usage evolve.

- The number of actors in the market is unlikely to increase significantly. Margins on digital titles are small and therefore require large volume to be profitable, making it difficult for new platforms to emerge if not done on a large scale. The current 13 approved legitimate downloading platforms in Switzerland are backed by companies with the ability to fund and promote such platforms, e.g., telecom operators (Swisscom-Napster, Orange-Citidisc, Sunrise Musicworld), international players (Apple iTunes, Sony Ericsson PlayNow arena, Microsoft MSN, Vivendi Nokia Ovi) or retailers (Ex Libris, Migros).
- We expect the market to move from downloading of tracks and albums to a market focused on streaming services distribution (to online and mobile subscribers).
- Although it is technically possible to bundle download and streaming services (e.g., iTunes, Spotify and Internet radio stations), further innovation in digital distribution models will depend on the maturing of business and licensing models.
- Internet radio, including live streaming, audio streaming and podcasting will further expand. However, the funding model and scalability remains a challenge for streaming providers.
- Niche Internet radios without advertising will remain but often have limited reach and a limited audience. Those that want to grow in size will need to find ways to finance a scale-up regarding staffing and quality.
- For many Internet radios, the alignment of its audience with advertising messages remains an issue. SwissGroove for example, one of 30 authorised Web radios in Switzerland, gets 90 percent of its listeners from other countries.
- Ring tones sales are stagnating and have attracted only limited interest from producers and majors. The sustainability of the business model and its profitability will most probably come under revenue pressure.

Digital Distribution											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Spending (CHF millions)	25	39	58	77	96	114	130	150	170	190	14.7
Growth (%)	48.0	56.0	48.7	32.8	24.7	18.8	14.0	15.4	13.3	11.8	14.7

Source: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates

5.4 Physical distribution

- The physical distribution segment includes distribution via physical formats such as CD, music video DVD and VHS, tape and vinyl, the latter formats having almost disappeared from the Swiss market.
- Physical distribution will continue its decline due to competition from legitimate digital distribution and from piracy.
- By 2014, spending on physical formats will be down by 62 percent compared to 2005.
- However, decline will slow down (decreasing 7 percent in 2014 compared to 12 percent in 2010) as the market begins to approach a base level. Many people in the expanding over 45-year-old demographic still prefer music in a physical format.
- A key driver for the physical distribution market will be the attitude of retailers. Some major physical retailers are MediaMarket, Ex-Libris, FNAC, Manor and Citidisc. Incidentally, a number of these key players have opened online download shops (e.g., Ex-Libris/Migros, Orange/Citydisc, FNAC). Smaller retailers of physical units remain focused on niches (e.g., Jecklin & Co. in Zurich). The expectation is that the number of retailers will not further decrease.
- The physical market has largely abandoned singles – the most popular digital format. Physical distribution is also much more expensive than digital distribution, which puts the physical market at a long-term disadvantage.

Physical Distribution											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Spending (CHF millions)	328	295	261	230	205	180	160	145	134	124	–9.6
Growth (%)	–10.0	–10.1	–11.5	–11.9	–10.9	–12.2	–11.1	–9.4	–7.6	–7.5	–9.6

Source: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates

5.5 The Swiss Recorded Music Market Compared to Western Europe

- Switzerland represents 3.4 percent of the overall Western European recorded music market. This share is expected to slightly decline until 2014.
- Recorded music sales have better resilience in Switzerland than in the rest of Western Europe. Between 2005 and 2009 the Swiss market declined by an average of 3.1 percent annually, whereas the Western European market was collapsing at an average of 6.5 percent a year.
- Moving forward, the growth of the Western European market will be slightly above the Swiss market, with 1.1 percent average annual growth versus 0.9 percent. Western Europe will remain the largest and fastest growing outside of Asia-Pacific.
- The switchover between physical and digital music sales will happen sooner in Switzerland than in the rest of Western Europe (2012 in Switzerland as opposed to 2015 for Western Europe).
- This is mainly because a faster decline is expected in the Swiss physical distribution market (–9.6 percent a year on average, versus –7.7 percent for Western Europe) because Switzerland has a well established fixed and mobile broadband infrastructure.
- The digital music market is expected to grow more slowly in Switzerland than in the rest of Europe.
- Two key factors explain this. The first relates to the legal framework, mentioned earlier, which is not as strong a deterrent in Switzerland as it is in other countries. The adoption of graduated-response systems in the UK or France – e.g., Internet services providers issuing warnings to file sharers that escalate in severity, with the ultimate threat of disconnecting a person's Internet access – is proving to be a significant deterrent to piracy in the countries in which such measures have been implemented. In the absence of such systems, piracy is expected to erode Swiss digital sales growth compared to other countries.

- The second factor is market size. Despite excellent Internet connectivity and household penetration, the relatively small size of the Swiss market (3.4 percent of the Western European market) does not attract innovators seeking to introduce new digital business models.
- Prices for recorded music in Switzerland are moderate to low compared to other countries, particularly given the buying power of Swiss households. We therefore do not expect prices will get any lower moving forward.
- Swiss music production is rather small and segmented by its languages, although artists from one linguistic area can be popular in another area (e.g., rap artist Stress sings in French but is also popular in the German-speaking part of Switzerland).
- Swiss artists singing in English, German or French can also gain access to a wider audience. Marc Sway and Stephanie Heizmann, for instance, have signed contracts with majors. The dominant markets in Europe are the United Kingdom, Germany and France. Together, these countries comprised two-thirds of the overall CHF 8.9 billion recorded music spending in Western Europe in 2009. However, the competition in the international market is fierce.
- Swiss folk music labels are well established and have been less affected by piracy than other genres. They favour physical distribution modes due to their audience. However, these labels will also have to adapt their business model to the digital era if they are to maintain their level of audience/buyers.

Recorded Music											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Western Europe (CHF millions)	12,467	11,588	10,308	9,177	8,903	8,771	8,752	8,880	9,101	9,422	1.1
Western Europe Growth (%)	-8.8	-7.1	-11.0	-11.0	-3.0	-1.5	-0.2	1.5	2.5	3.5	1.1
Switzerland (CHF millions)	353	334	319	307	301	294	290	295	304	314	0.9
Switzerland Growth (%)	-7.4	-5.4	-4.5	-3.8	-2.0	-2.3	-1.4	1.7	3.1	3.3	0.9
Switzerland as a % of Western Europe	2.8	2.9	3.1	3.3	3.4	3.4	3.3	3.3	3.3	3.3	
Digital Distribution											
Western Europe (CHF millions)	355	622	947	1,293	1,648	2,102	2,620	3,198	3,798	4,433	21.9
Western Europe Growth (%)	63.4	75.2	52.3	36.5	27.5	27.5	24.6	22.1	18.8	16.7	21.9
Switzerland (CHF millions)	25	39	58	77	96	114	130	150	170	190	14.7
Switzerland Growth (%)	48.0	56.0	48.7	32.8	24.7	18.8	14.0	15.4	13.3	11.8	14.7
Physical Distribution											
Western Europe (CHF millions)	12,112	10,966	9,361	7,884	7,255	6,669	6,132	5,683	5,303	4,989	-7.2
Western Europe Growth (%)	-10.0	-9.5	-14.6	-15.8	-8.0	-8.1	-8.1	-7.3	-6.7	-5.9	-7.2
Switzerland (CHF millions)	328	295	261	230	205	180	160	145	134	124	-9.6
Switzerland Growth (%)	-10.0	-10.1	-11.5	-11.9	-10.9	-12.2	-11.1	-9.4	-7.6	-7.5	-9.6

Source: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates

6 *Filmed Entertainment*

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6.1 Executive Summary

Definition

- The filmed entertainment market consists of consumer spending at the box office for motion pictures, spending on rentals of videos at stores and other retail outlets (the in-store rental market) and the purchase of home video products in retail outlets and through online stores (the sell-through market). It also includes online film rental subscription services, such as those whereby physical Blu-ray Discs (BDs) and DVDs are delivered via mail, and streaming services whereby films are downloaded via a broadband Internet connection.
- The figures do not include music videos (which are counted in the “Recorded Music” chapter) Video-on-Demand, Pay-per-View, or movie distribution by cable, satellite or telecommunications providers (which are covered in the “Television Subscription and License Fees” chapter).
- Also excluded are ancillary revenues earned by cinemas, such as cinema advertising and sales of beverages and refreshments, as well as accessory sales (such as 3D glasses).

Market size and growth in Switzerland

- We project the Swiss filmed entertainment market in Switzerland to increase at a compound annual growth rate of 3.5 percent from CHF 564 million in 2009 to CHF 671 million in 2014.
- In comparison, the Western European market will grow by a projected 3.9 percent compounded annually. Western European revenues will increase from CHF 23.9 billion in 2009 to CHF 28.8 billion in 2014.

Market size and growth by component

- The principal component of filmed entertainment in Switzerland, the physical sell-through of DVDs and BDs, is expected to increase at a compound annual growth rate of 2.7 percent from CHF 326 million in 2009 to CHF 361 million in 2014.
- The second largest component of filmed entertainment spending – box office spending – is expected to grow by 4.4 percent annually from CHF 230 million in 2009 to CHF 284 million in 2014.
- In-store rentals are expected to sharply decrease by 8.5 percent compounded annually from CHF 15.2 million in 2009 to CHF 9.8 million in 2014.

- Fastest growth is expected from digital download spending, with an average yearly growth of a stunning 91.1 percent from a virtually non-existing market of CHF 0.4 million in 2009 to CHF 10.2 million in 2014, partially substituting both physical sell-through and in-store rental spending.
- Online rentals are expected to grow by 7.4 percent compounded annually from CHF 3.8 million in 2009 to CHF 5.4 million in 2014.

Principal drivers

- Box office spending will be enhanced by growth in 3D screens and 3D releases, especially those from European film production houses.
- The growing penetration of high-definition television sets (HDTV) will fuel demand for HD videos, stimulating the sell-through market.
- 3D is also expected to spark the Blu-ray (BD) sell-through market.
- Increasing broadband penetration and faster speeds will support online streaming and online video subscriptions as soon as sufficiently attractive online offerings are available in the Swiss market.
- In-store and kiosk rentals will slowly be replaced by video-on-demand, online rental and digital download spending.
- Key factors affecting the market in any given year are the quality and attractiveness of individual releases, a development we cannot predict.

6.2 Market Overview

- The digitization of films has an influence on the entire industry and value chain: film producers and distributors have to change production equipment, develop new distribution models and adapt release windows; cinema operators have to upgrade their equipment and the home-entertainment market has to adapt distribution media and models to new consumer behaviours and technical standards.
- Due to the high number of 3D film releases, 2009 was the first year since 2000 where the Swiss box office market outperformed the home video market.

- Films in 3D did very well in Switzerland, despite the fact that relatively few 3D screens were available. So far, mainly multiplex cinema groups such as Pathé and Kitag were able to upgrade their infrastructure to digital or even 3D. It is expected that 3D penetration of cinema screens will continue to increase.
- Due to digital distribution channels, movie launches at cinemas are expected to become more harmonised over time within countries and in some cases also across borders. This is relevant to Switzerland as sometimes the Swiss launch of a motion picture in a certain linguistic region is similar to that of its larger neighbouring countries France, Germany or Italy.
- At the same time, home entertainment release windows are expected to become shorter because film distributors try to use synergies in marketing budgets between cinema and home video releases. Additionally, it has become evident that shorter and globally more harmonised release windows help to reduce illegal downloading.
- Higher volumes offset steep declines in the prices of DVD and Blu-ray discs. Total sell-through revenues increased by 2.7 percent to CHF 316 million, as 800,000 more discs were sold in 2009.
- The conversion of the television infrastructure from analogue to digital is driving the sale of Blu-ray discs, because customers are becoming accustomed to watching television in HD quality and are starting to perceive the standard DVD experience as insufficient. The superior picture quality of Blu-ray discs compared to DVD will increase the sale of Blu-ray discs, aided by the growing penetration of HDTVs. At the same time, Blu-ray player prices are decreasing. In 2009, a Blu-ray player could be purchased for CHF 250. The Blu-ray market grew by 242 percent in 2009 and contributed 7 percent to the overall spending. We expect this market share to increase to 20 percent by the end of 2010.
- The trend to digital is accompanied by the gain in share of blockbuster movies. Over the last five years the number of US movies shown in Switzerland has constantly grown, from 58 percent in 2005 to 68 percent in 2009.
- The ongoing digitalisation of cinemas and films is expected to have a sustainable impact on most elements of the filmed entertainment value chain as digital distribution of movies to cinemas and to consumers is becoming cheaper and more convenient for film distributors.

Filmed Entertainment Market by Component (CHF millions)											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Box Office (Cinema)	214.3	238.0	201.1	208.4	229.5	233.6	243.7	256.9	270.1	284.3	4.4
Home Video											
Physical Sell-through	379.9	360.0	323.9	307.2	315.5	317.1	321.2	327.6	340.5	361.0	2.7
In-store Rental	19.5	19.5	17.4	16.3	15.2	14.1	13.0	11.9	10.9	9.8	-8.5
Digital Downloads	0.0	0.0	0.0	0.0	0.4	0.7	1.9	4.1	6.8	10.2	91.1
Online Rental	1.1	1.5	2.2	3.3	3.8	4.3	4.6	4.8	5.1	5.4	7.4
Total Home Video	400.5	381.0	343.4	326.7	334.9	336.3	340.7	348.4	363.3	386.4	2.9
Total	614.8	619.0	544.5	535.1	564.4	569.9	584.5	605.3	633.4	670.7	3.5

Source: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates, Swiss Federal Statistical Office, Screen Digest, Swiss Videogram Association

Filmed Entertainment Market Growth by Component (%)											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Box Office (Cinema)	10.5	11.1	-15.5	3.6	10.1	1.8	4.3	5.4	5.1	5.3	4.4
Home Video											
Physical Sell-through	-3.1	-5.2	-10.0	-5.2	2.7	0.5	1.3	2.0	3.9	6.0	2.7
In-store Rental	1.2	0.0	-11.1	-6.3	-6.7	-7.1	-7.7	-8.3	-9.1	-10.0	-8.5
Digital Downloads	0.0	0.0	0.0	0.0	100.0	75.0	171.4	115.8	65.9	50.0	91.1
Online Rental	22.3	38.2	44.7	50.0	16.7	14.3	5.9	4.3	6.3	6.4	7.4
Total Home Video	-2.8	-4.9	-9.9	-4.9	2.5	0.4	1.3	2.3	4.3	6.4	2.9
Total	1.6	0.6	-12.2	-1.3	1.8	-0.9	0.3	0.9	1.0	1.3	3.5

Source: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates, Swiss Federal Statistical Office, Screen Digest, Swiss Videogram Association

- Consumers are getting used to faster and on-demand consumption of media through the Internet and are interested in compelling offers from the motion picture industry. Platforms, such as hulu.com in the USA, have proven to be highly popular. So far, no such platform has been launched for the Swiss market.
- The digital download market depends largely on the availability of digital download offerings (e.g., film download in Apple's iTunes Store) similar to other countries like UK and US (Netflix, Hulu). The underlying driver for this is primarily the availability of a critical mass of content rights.

6.3 Box Office/Cinema

- Of 302 cinemas in Switzerland, 214 exhibit on a single screen. Only 30 cinemas run 4 screens or more. For the majority of the smaller cinemas the investment in the required digital and 3D equipment can be a high cost burden (CHF 150,000–200,000 per screen) since cinemas have to be equipped with digital cinema projectors and equipment. The Federal Office for Culture (BAK) has established a support fund for cinema operators aiming to upgrade their theatres with digital equipment. Under certain circumstances, a subsidy can be awarded. But according to market participants such subsidies have not yet been awarded. Failure to obtain support from institutions such as the BAK, may lead to a further consolidation in the cinema operator space. At the same time the number of screens is expected to be stable.
- Cinemas that already had the equipment stood to benefit from selling tickets at a premium approximately 10–15 percent higher than regular tickets and from selling special 3D glasses.
- Going digital, from a logistical point of view, also reduces the importance of national borders. It may therefore be expected that there will be increasing pressure on Swiss law to no longer require distributors to have a Swiss subsidiary. Centralization within the region of a predominant language, e.g., the German part of Switzerland, Germany and Austria, may become a realistic scenario for distributors.

“Centralisation of cinemas will continue over the next years and we will see an ongoing consolidation to multiplex cinemas in Switzerland.”

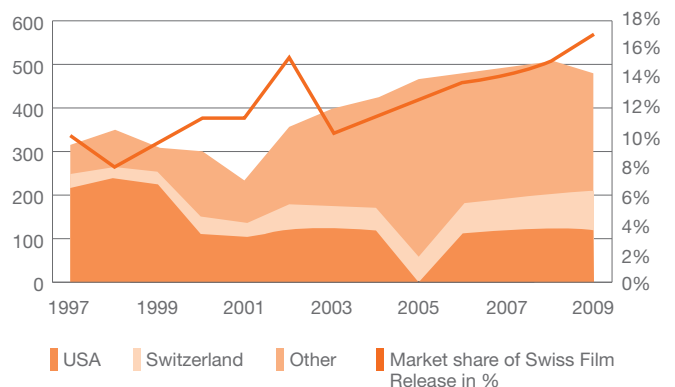
Peter Sterk, owner of Sterk Cine AG

- Upcoming business models for cinemas, empowered by digitalization, will include alternative content distribution of live sport events or operas. This will allow the cinemas not only to increase their utilisation but also to come up with more comprehensive offers for a new target audience.

6.3.1 Admissions

- Admissions rose 6.6 percent from 14.3 million in 2008 to 15.3 million in 2009.
- In 2009, 10.2 millions admissions were registered in the German-speaking part of Switzerland, which represents 67.1 percent of the overall admissions. The French-speaking part of Switzerland registered 4.5 million and the Italian-speaking part 0.5 million admissions.
- In 2009, 21 of the 25 most successful movies in Switzerland came from the USA. Top ranked was “Ice Age 3”, that attracted more than 1 million admissions, second was “Harry Potter 6: The Half-Blood Prince” with 479,000 admissions and third “Slumdog Millionaire” from the UK with 464,000 admissions.
- There was no Swiss movie among the top 10 in 2009. The most successful Swiss film in 2009 was “Giulias Verschwinden” by Christoph Schaub, based on a novel by Martin Suter. The film attracted approximately 180,000 admissions. Until today, the most successful Swiss film was “Die Schweizermacher” which was released in 1978. It attracted approximately 940,000 admissions.
- Over the next five years we expect admissions to increase at a compound annual growth rate of 2.3 percent.

Film Release in Switzerland by Film Origin

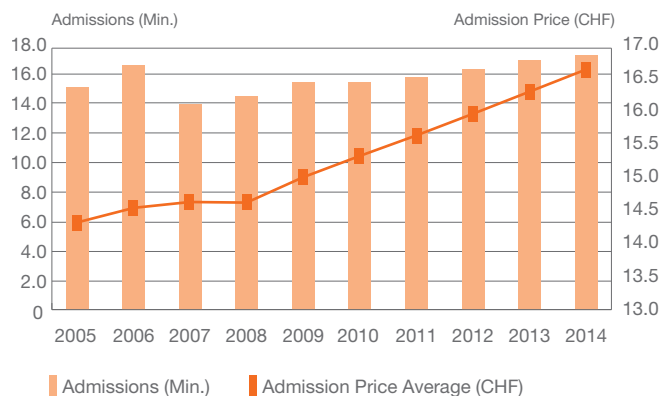


Source: PricewaterhouseCoopers AG, Screen Digest

6.3.2 Admission Prices

- 2009 average admission prices in Switzerland amounted to CHF 15.00, compared to CHF 9.24 in Western Europe and CHF 8.15 in the EMEA countries.
- In 2009, average admission prices increased by 2.7 percent, after having been stable in 2008 with moderate yearly increases of 0.7 percent over the period 2005–2007. The increase in price reflects the switch to digital and to 3D, which generates higher admission prices.
- We expect average prices to continue growing by 2 percent yearly on average until 2014.

Development of Admissions and Admission Prices in Switzerland



Source: PricewaterhouseCoopers AG, Federal Statistical Office

6.3.3 Swiss Film

- In the last 13 years the number of Swiss films released per year did not increase substantially. In 1997, 32 Swiss films were released compared to 31 Swiss films in 2009.
- The Swiss Federal Office for Culture (BAK) has a priority focus on Swiss film and strongly promotes Switzerland as a country of film production and culture. Yearly, it invests almost one quarter of its budget in the promotion and sponsorship of Swiss film. In 2009 approximately CHF 45 million was used for these purposes. Approximately CHF 19 million was used for the support of Swiss Film production. Other amounts were awarded for promotion and film distribution, education and the Swiss film archive.
- BAK has two basic lines of support for film producers: first selective support of film producers and second success-based awards to film producers.
- To receive selective support, a film producer has to submit a request for support, which is evaluated by BAK. If the evaluation is positive, support in the form of a percentage of total production costs is granted. Film producers who can demonstrate prior successes have an advantage in receiving monetary support from the BAK.
- Success-based film support is solely based on a film's cinema success. If a film is successful in terms of box office spending, both the exhibiting cinema and the film producer are rewarded. This also incentivizes cinema operators to show Swiss films as they can benefit from this additional reward if they are successful.
- The majority of Swiss film funding, however, is awarded by individual cantons and cities, such as Zurich, Solothurn and Locarno, and private investors and sponsors.

Box Office (Cinema)											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Spending (CHF millions)	214.3	238.0	201.1	208.4	229.5	233.6	243.7	256.9	270.1	284.3	4.4
Growth (%)	10.5	11.1	-15.5	3.6	10.1	1.8	4.3	5.4	5.1	5.3	4.4

Source: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates, Swiss Federal Statistical Office, Screen Digest, Swiss Videogram Association

6.4 Home Video Spending

6.4.1 Physical Sell-Through

- The combined sales of DVD and Blu-ray discs increased by 6.3 percent from 13.3 million discs in 2008 to 14.1 million discs in 2009, the first increase since 2006. Consumers bought about 800,000 more discs than in 2008. DVD disc sales increased by 3.9 percent to 13.5 million discs, whereas Blu-ray disc sales more than tripled, from 190,000 discs in 2008 to 650,000 discs in 2009, an increase of astonishing 242 percent. Even though the sales of Blu-ray discs are not yet significant, the growth rate shows the public's strong interest in this format. Growing interest in Blu-ray discs was also reported by major retail stores for DVD and Blu-ray discs (amongst which are Media Markt, Interdiscount and Melectronics) in Switzerland, which had to increase their Blu-ray assortment to meet customer demand.
- Combined DVD and Blu-ray unit sales were 9.6 million units in the German-speaking area, 4.17 million units in the French-speaking area and 0.37 million units in the Italian-speaking area.
- The average DVD price in 2009 was CHF 21.80 (-5.5 percent from 2008) and the average price for a Blu-ray disc was CHF 33.50 (-18.7 percent from 2008). We expect that the price for Blu-ray discs will further decrease in the coming years, which will have a positive impact on the sales volume of Blu-ray discs.
- The most popular DVD in 2009 was "Ice Age 3: Dawn of the Dinosaurs", followed by "Hangover" and "James Bond:

Quantum of Solace". A Swiss film was not listed in the top 10 DVDs of 2009.

- In the next years we expect two major changes regarding release windows for home videos. First, it is likely today's multitude of release windows (i.e., differences between DVD rental, DVD sell-through, VoD) will be harmonised in the future. We expect there will be two release windows – one for box office and one for home entertainment. Second, it can be expected that the box office release window will shorten from 16 to 12 weeks or even to 8 weeks in a few years. Such tendencies can already be observed in the US.
- Shorter release windows between the box office and home video release will have a positive impact on sell-through because the marketing effort associated with the box office release will help market the same title when it reaches home video. The shortening of the release windows will not have a negative impact on the box office market. Empirical evidence shows that enthusiastic movie audiences also consume many DVD or Blu-ray discs. This is also illustrated in Switzerland, in that "Ice Age 3" ranked in top position both in cinema admissions as well as in BD/DVD sales. Additionally, more than 80 percent of box office revenues are usually generated in the first three weeks of a film's cinema release.
- However, exhibitors are resisting the trend toward shorter home video windows and in some cases are refusing to screen movies that will soon be released in home video. We expect that exhibitors will demand and will likely get a higher share of box office receipts during the early weeks of a release as compensation for a shorter window.
- The main challenges of the physical sell-through market are the competition with the digital download market. The launch of an iTunes movie store in Switzerland is expected to lead to a decrease in the physical sell-through market. Whether and when such a launch takes place is currently unknown.

“Under the influence of the Internet, the industry is currently discussing something that was considered sacred in the past: the shortening of the release window between Out-of-Home (Cinema) and At-Home (DVD/BD) from 16 weeks to 12 or even 8 weeks over the coming years.”

Roger Crotti, Managing Director of The Walt Disney Studios (Schweiz) GmbH

Physical Sell-through											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Spending (CHF millions)	379.9	360.0	323.9	307.2	315.5	317.1	321.2	327.6	340.5	361.0	2.7
Growth	-3.1	-5.2	-10.0	-5.2	2.7	0.5	1.3	2.0	3.9	6.0	2.7

Source: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates, Swiss Federal Statistical Office, Screen Digest, Swiss Videogram Association

6.4.2 In-Store Rental

- As of July 2010, Switzerland counted approximately 146 video rental stores. In addition to these stores, a large number of kiosks are spread across Switzerland: Videothek24h for example operates 39 kiosks, mostly located near Landi supermarkets or petrol stations in smaller cities and villages.
- There is currently no indication that Blu-ray will support the rental market the way it is doing in the sell-through market. At the same time, growing competition from online rental subscriptions (e.g., DVDfly or Netmovie) and digital download services (e.g., Acetrax) continuously take market share from in-store rentals.
- We expect the Swiss in-store rental market to continue to decline by 8.5 percent compounded annually to CHF 9.8 million in 2014.

In-store Rental											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Spending (CHF millions)	19.5	19.5	17.4	16.3	15.2	14.1	13.0	11.9	10.9	9.8	-8.5
Growth	1.2	0.0	-11.1	-6.3	-6.7	-7.1	-7.7	-8.3	-9.1	-10.0	-8.5

Source: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates, Swiss Federal Statistical Office, Screen Digest, Swiss Videogram Association

6.4.3 Digital Downloads

- In Switzerland, spending on digital downloads did not increase significantly over the last years. However, we expect the market to increase by a compound annual growth rate of an astonishing 91.1 percent from CHF 0.4 million in 2009 to CHF 10.2 million in 2014.
- The anticipated market size is both triggered and highly dependent upon the availability of faster download speeds, the household penetration of web-enabled TV sets, the emergence of download services and the launch of movie downloads via iTunes services. We also expect that the iPad, which was launched in Switzerland in August 2010, and other tablet PCs will have a positive impact on the digital download market.
- A Swiss start-up company, Acetrax, has developed an online movie base. The offerings include productions of several major studios, such as Walt Disney Pictures and Universal Studios. Currently, over 2,000 films are available. In addition, a substantial number of local Swiss and European productions are on offer. It is expected that these productions will account for 30–60 percent of the

total offering. The cost per film varies between CHF 1.95 and CHF 6.95. Download-to-Own is offered at prices between CHF 10 and CHF 20. An Acetrax customer is allowed to view his private library on up to 4 devices (TV, PC/Mac, mobile or Blu-ray player). This service is available without paying basic fees.

- The Acetrax service can be used directly on TV sets through pre-installed widgets. TV sets from Samsung have been equipped with the Acetrax service. Panasonic and other manufacturers are expected to follow. TV set makers are very interested in this service as the revenue sharing model behind it allows them to tap directly into consumer spending. Acetrax plans to install similar services on Asus and Toshiba PCs.
- As arthouse movies are well esteemed in Switzerland, platform operators such as arthouse.ch try to tap into the digital download potential for this film segment. However, to be able to watch the movies, a programme must first be downloaded (“Filmkey Player”). The film can then be watched using the Filmkey Player. The rental period is 72 hours, starting immediately after payment.
- The Swiss digital download market, however, faces a few challenges, such as Switzerland’s relatively small market

size divided into three main linguistic areas. One of the difficult aspects, therefore, is the acquisition of a critical mass of movie rights to be able to provide an attractive inventory to consumers.

- A further potential impediment to expansion of the digital download market is the existence of incompatible standards. The digital Entertainment Content Ecosystem is an attempt by studios to develop a system that will allow any film to be played on any device. In this system, films would be stored in an online digital rights locker and could be accessed by showing proof of purchase.
- Disney is introducing a similar system with “Keychest”, a new subscription service that allows subscribers to access a movie through any device from any location. Using the principle of cloud computing, subscribers will have permanent access to any film they purchase, but those films will not be downloaded to a particular device. Using a password or digital key, subscribers can view any film they purchased on a PC, via a mobile phone, TV set, or video game platform. The launch of Keychest is currently delayed due to legal challenges.

Digital Download											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Spending (CHF millions)	0.0	0.0	0.0	0.0	0.4	0.7	1.9	4.1	6.8	10.2	91.1
Growth	0.0	0.0	0.0	0.0	100.0	75.0	171.4	115.8	65.9	50.0	91.1

Source: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates, Swiss Federal Statistical Office, Screen Digest, Swiss Videogram Association

6.4.4 Online Rental

- In Switzerland, online subscription rental, whereby subscribers order films online for delivery via the post are becoming an important component of the video rental market. We expect the market to increase by a compound annual growth rate of 7.4 percent from CHF 3.8 million in 2009 to CHF 5.4 million in 2014.
- The online rental market increasingly competes with the digital download market as faster download speeds, new devices and download services and the ability to watch downloaded films on a TV set are adding additional convenience for consumers.
- Currently in Switzerland, most online rental stores maintain a one-week rental period for DVDs and Blu-ray Discs (BDs). As of July 2010, there are 8 providers. Prices vary widely from CHF 0.90 to CHF 9.50 per film depending on provider, content type and release date. For a certain number of DVDs, usually between 2 and 4, mailing expenses are free and includes the pre-paid return envelope for the rental items. Discounts are provided for early returns (within 5 days) or in case of pre-charging of accounts (e.g., DVDONE.ch offers a 10 percent rebate on every pre-charged amount).
- In addition to item-based online rental offerings, some providers also offer subscriptions. For a monthly flat rate of CHF 15 to CHF 59, consumers can order as many DVDs as desired and up to 4 DVDs per order. New DVDs, however, can only be ordered after returning the old ones. For example, DVDfly.ch, an Omnicom Group brand, charges CHF 349 per year for unlimited rentals. In contrast, DVDONE offers a yearly subscription of CHF 299, which entitles the customer to a 50 percent discount on all DVDs. 1ADVD.ch also offers flat rate subscriptions. Annual subscription prices start at CHF 396 per year.
- As a result of the high broadband penetration rate and fierce competition between DSL providers and cable operators, available bandwidth is expected to rise significantly over the coming years, allowing for an increase in Video-on-Demand and streaming services. In 2010, all of the above mentioned providers already offer VoD services.

Online Rental											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Spending (CHF millions)	1.1	1.5	2.2	3.3	3.8	4.3	4.6	4.8	5.1	5.4	7.4
Growth	22.3	38.2	44.7	50.0	16.7	14.3	5.9	4.3	6.3	6.4	7.4

Source: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates, Swiss Federal Statistical Office, Screen Digest, Swiss Videogram Association

6.5 The Swiss Filmed Entertainment Market Compared to Western Europe

- The Swiss filmed entertainment market is relatively small compared to the rest of Western Europe. With 3.5 percent annual growth up until 2014 it lags behind average Western European annual growth of 3.9 percent.
- The highest growth, of 5.0 percent annually up until 2014, is expected in the United Kingdom, traditionally a strong

producer and consumer of filmed entertainment. Strong filmed entertainment countries such as France, Germany and Italy demonstrate growth rates above the Swiss average.

- Switzerland participated in the global box office boom in 2009. Box office spending increased by 10.1 percent from CHF 208.4 million in 2008 to CHF 229.5 million in 2009. Box office spending growth, however, did not reach the Western European average of 12.6 percent.
- In contrast to our surrounding countries, films in Switzerland are usually released in their original language versions, with subtitles.

Filmed Entertainment Market by Country (CHF millions)											
Western Europe	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Austria	316	331	317	323	331	330	339	353	371	392	3.4
Belgium	694	711	699	713	706	714	735	764	807	849	3.8
Denmark	457	475	449	465	481	488	508	531	553	577	3.7
Finland	181	207	212	224	219	220	224	232	242	254	3.0
France	4,521	4,439	4,038	3,951	4,085	4,132	4,255	4,414	4,634	4,866	3.6
Germany	3,673	3,634	3,573	3,559	3,958	4,009	4,177	4,367	4,576	4,788	3.9
Greece	189	195	208	216	264	230	241	256	270	287	1.7
Ireland	480	571	593	598	598	602	623	644	668	690	2.9
Italy	2,531	2,514	2,567	2,273	2,265	2,281	2,366	2,466	2,598	2,743	3.9
Netherlands	873	889	899	886	913	886	916	957	1,006	1,064	3.1
Norway	572	623	610	587	589	581	608	637	676	719	4.0
Portugal	259	279	293	281	281	279	282	294	310	318	2.5
Spain	2,064	1,980	1,901	1,737	1,832	1,736	1,798	1,890	1,994	2,100	2.8
Sweden	621	699	765	714	740	723	739	761	795	828	2.3
Switzerland	594	598	525	518	528	523	525	529	535	542	3.5
United Kingdom	5,950	5,674	5,946	5,879	6,078	6,205	6,506	6,922	7,356	7,771	5.0
Western Europe Total	23,975	23,820	23,596	22,925	23,868	23,939	24,842	26,018	27,391	28,788	3.9

Source: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates, Swiss Federal Statistical Office, Screen Digest, Swiss Videogram Association

7 Video Games

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7.1 Executive Summary

Definition

- The video games market consists of consumer spending on console games (including hand-held games), personal computer ('PC') games, online games, wireless games as well as video game advertising.
- The category excludes spending on the hardware and accessories used to play the games. Retail purchases of a game are included in either the PC or console game categories. If these games are played online for a subscription fee, the subscription fee is counted in the online game category.

Market size and growth in Switzerland

- We expect the Swiss video game industry to increase by an average of 6.9 percent a year between 2009 and 2014, growing from CHF 401 million to CHF 561 million. This makes video games one of the most dynamic segments in the Swiss entertainment and media industry.
- In comparison, the Western European market will grow by a projected 6.2 percent compounded annually. Western European revenues will increase from CHF 16.7 billion in 2009 to CHF 22.6 billion in 2014.

Market size and growth by component

- Console/handheld games will continue to be the largest segment of the market, increasing by 4.4 percent compounded annually from CHF 204 million in 2009 to CHF 253 million in 2014.
- We expect the second largest segment – online games – to grow at an average yearly rate of 11.8 percent from CHF 114 million in 2009 to CHF 199 million in 2014.
- Fastest growth is expected from video game advertising, with an average yearly growth of 13.4 percent. Video game advertising spending will grow from CHF 17 million in 2009 to CHF 33 million in 2014.
- Wireless games will increase at 7.7 percent compounded annually from CHF 31 million in 2009 to CHF 46 million by 2014.
- PC games sales will continue their sharp fall from previous years and decrease from CHF 34 million to CHF 31 million, at a –2.3 percent compound annual rate.

Principal drivers

- The first driver concerns technological and content innovations and their related pricing strategies. These also notably impact the console/handheld and wireless game segments.
- The second driver is piracy, which is driving innovation to protect content and the move to new business models. Piracy has decimated the PC game segment and is now having an impact on the console/handheld segment.
- The third driver concerns the evolution of broadband and mobile connectivity in Switzerland, which will have an impact on the speed of uptake of online gaming.
- The fourth driver concerns changing consumer behaviour. More than a third of people with an Internet connection in Switzerland have a Facebook account. Social media gaming constitutes an important growth opportunity.
- Lastly, external factors such as hot and sunny weather or major sport competitions (Olympics, football) broadcasted on TV have a substantial negative impact on sales.

7.2 Market Overview

- The increasing number of broadband households, the expansion of digital distribution of content, and the growth of the current generation of consoles that promote online experience are spurring the growth of online games. Within this segment, Massively Multi Player Games (MMOGs) that are able to reach critical mass, generate strong revenues. Online casual games also continue to attract consumer spending.
- As a side effect, the shift towards online is also driving the in-game advertising segment via dynamic ads in online games.
- Sales of traditional PC games have stagnated due to the shift towards online and piracy. Piracy is a key issue and is driving the adoption of new business models, e.g., game-on-demand models where the customer is no longer buying a physical unit, but plays the game online.
- Technologically advanced smartphones and their associated application stores are enticing gamers to download more games, thereby increasing the wireless game market.

Video Games Market by Component (CHF millions)											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Console/Handheld Games	136	148	172	209	204	206	214	225	236	253	4.4
Online Games	46	59	77	100	114	129	144	162	183	199	11.8
Wireless Games	12	15	22	29	31	35	38	40	43	46	7.7
PC Games	39	42	40	37	34	36	35	34	32	31	-2.3
Video Games Advertising	2	8	11	15	17	22	25	28	30	33	13.4
Total Video Games	234	271	321	391	401	427	456	489	525	561	6.9

Source: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates, SIEA

Video Games Market Growth by Component (%)											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Console/Handheld Games	7.3	8.8	16.2	21.5	-2.4	1.0	3.9	5.1	4.9	7.2	4.4
Online Games	24.2	28.3	30.5	29.9	14.0	13.2	11.6	12.5	13.0	8.7	11.8
Wireless Games	33.2	25.0	46.7	31.8	6.9	12.9	8.6	5.3	7.5	7.0	7.7
PC Games	8.3	7.7	-4.8	-7.5	-8.1	5.9	-2.8	-2.9	-5.9	-3.1	-2.3
Video Games Advertising	180.0	300.0	37.5	36.4	13.3	29.4	13.6	12.0	7.1	10.0	13.4
Total Video Games	11.7	15.8	18.5	21.8	2.6	6.5	6.8	7.2	7.4	6.9	6.9

Source: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates, SIEA

7.3 Console/Handheld Game Market

- Overall we expect the console/handheld game market to grow at an average compound rate of 4.4 percent. This rate is, however, highly dependent on the timing of the introduction of innovations by hardware providers (e.g., new consoles or accessories) and on related pricing strategies.

Console hardware

- Although some innovation is expected in the last semester of 2010, the current cycle of consoles is maturing. Microsoft XBOX 360 was introduced in 2005, Nintendo Wii in 2006 and Sony's Playstation in 2007. Only minor upgrades were released in the last two years, most notably the Playstation Slim in 2009, priced at CHF 450 for the 120Mb version and Microsoft XBOX 360 S, which retailed at CHF 370 mid-2010.
- In November 2010, Microsoft will release the Kinect hands-free control system for the XBOX 360, priced at CHF 219. The other innovation in the console/handheld market expected in the short term is Sony's Move, a remote controller for Playstation similar to Nintendo's Wii controller. Although Move represents less of a break-

through than Kinect, the moderate pricing – CHF 120 for the Move controller and its Eye camera – may drive demand.

- Sony is also betting on 3-dimensional games, a focus consistent with its 3D TV strategy. Playstation 3 is already 3D-enabled. Sony has announced that more than 20 games will be 3D-enabled by March, 2011.
- Overall, the Wii continues to outsell its competitors in Switzerland. The Wii is the fastest-selling console in European history, at over 20 million units in the three years since its launch. This success may be attributed to the usability of the Wii and the moderate pricing of the console – it currently retails as a bundle with “Wii sports resort” for CHF 299 and this includes the Wii Motion Plus controller. This has allowed Nintendo to capture the ever-expanding social gamer population: 48 percent of all consoles sold in Switzerland in early 2010 were Wii.

Handheld devices

- Nintendo's DS is the most popular handheld device across Switzerland in 2010 – more than two-thirds of the consoles sold in Switzerland in the first quarter of 2010 were a DS or DSi. Since its introduction, the DS has sold more than 40 million units throughout Europe, making it the best selling game machine of all time. The DS expanded

the demographics of gamers, as women and older people who appreciate the diversity of its games and its new gaming experience have flocked to the device. Nintendo has announced the release of the 3DS for 2011. This device will be the first 3D-enabled device, allowing users to play 3D games and watch 3D movies without the need for special glasses.

- The other significant competitor in the market is Sony's Playstation Portable (PSP), introduced by Sony in Europe in 2005. This model used a proprietary optical "Universal Media Disc" (UMD). In 2009, Sony introduced the PSP Go, the first device to use digital distribution as the exclusive source for content. As compatibility between the two iterations of this device was not ensured, owners of prior PSP models with games on UMDs cannot use them on the new device.

Console/Handheld Games

- The console/handheld market was highly affected by the financial crisis and decreased by 2.4 percent in 2009 after an increase of 21.5 percent in 2008.
- 2010 started with a similar negative trend. The introduction of Kinect, Move and the release of sequels of block buster games expected for the last part of 2010 – "Donkey Kong Country Returns", "Zelda Skyward Sword", "Mario Sport Mix" (Nintendo) or "Grand Turismo 5" (Playstation) – should help reverse that trend.

- Although Kinect represents a clear breakthrough in terms of enhancing user experience, we believe the uptake will be moderate and Kinect-enabled game sales will be only start to become substantial in late 2011 and into 2012.
- Overall, we expect a slight upturn in 2010 with a 1 percent increase in sales, accelerating from 2011 onwards as new platforms are introduced.
- Console game sales far outweigh handheld game sales: in Switzerland in 2008, 2 console games were sold for each handheld game sold. In the first quarter of 2010, this had moved to a factor of 3 to 1. We anticipate this trend to accelerate for two main reasons: first, as mobile devices become more and more user friendly, i.e., with bigger screens, we expect wireless gaming to substitute a share of the handheld console segment. Second and most important Nintendo DS, the main handheld device, is threatened by widespread piracy. The R4 cartridge and other similar flash card devices allow DS owners to run third-party software and copied games. Nintendo has blamed these for a 50 percent drop in sales in Europe. Following Spain, Italy and France, Switzerland has also been affected.
- In terms of content we expect the trend towards casual gaming to continue to grow in step with improved usability and user experience brought on by new accessories. 43 percent of games sold in Switzerland in the first quarter of 2010 were available to all audiences. Hard-core gamers are increasingly turning to massive multiplayer online (role-playing) games (MMO(RP)Gs).

Console/Handheld Games											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Spending (CHF millions)	136	148	172	209	204	206	214	225	236	253	4.4
Growth (%)	7.3	8.8	16.2	21.5	-2.4	1.0	3.9	5.1	4.9	7.2	4.4

Source: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates, SIEA

7.4 Online Games

- With an average yearly growth of 11.8 percent, we expect the online game segment to be the biggest contributor to the video games market growth. The segment is expected to move from 28 percent growth in 2009 to 35 percent and CHF 199 million by 2014.
- In 2002, Sony and Microsoft introduced online capabilities for their consoles. Each of the consoles in the current generation has an online environment from which to download content to enable competitive play over the Internet.
- Digital distribution of content is emerging as an important segment of the market. The most dramatic impact is the collapse of the retail market for PC games in favour

of digital distribution, which is shifting sales from the PC category to the online category.

- The online game market is composed of several segments. Massive multiplayer online (role-playing) games (MMO(RP)Gs) are usually role-playing games that take place in fantasy worlds or medieval worlds and can be played over long periods of time. After purchasing copies of the game at retail stores or downloading the PC client from the Internet, players pay monthly fees to participate and can make additional purchases of online equipment and accessories. Micro-transactions associated with MMO(RP)Gs are major drivers of online gaming revenue growth. Currently, these games are played primarily from a PC. "World of Warcraft", with 11.5 million subscribers worldwide, is also the leading MMO(RP)G in Switzerland. The release in July 2010 of "StarCraft II", the sequel to Blizzard Entertainment's 1998 hit "StarCraft" is also

expected to drive online game growth. Battle.net, Blizzard Entertainment’s gaming service has also been redesigned with several enhancements and new features, such as voice communication, cloud file storage, player matching functionality and integration with Facebook, linking the online gaming platform with the popular social network.

- Blizzard Entertainment is not the only one to bet on social networks as channels for growth. The biggest evolution in the online game segment relates to social media gaming. In Switzerland, 38 percent of people who have Internet access also have a Facebook account. Online game editors are naturally turning to this new, large audience. Social games are viral, monetisable with virtual currency and have the potential to scale. As the business model of social gaming is based on a free platform with revenue generated through sales of virtual accessories, traditional game editors are taking time to adapt. The market is there, however: in 2010 revenues generated through virtual goods sales are expected to reach 1.6 billion dollars worldwide. Zynga, the leading company in this segment generated revenue of USD 460 million in 2009 and is valued at USD 5 billion. Electronic Arts bought its main competitor, Playfish, in late 2009 for USD 400 million. Playdom, the third biggest actor in this market (“Social City”, “Mobsters”) attracts 39 million players every month.
- Driven by the increased mobility of users and by the fight against piracy, editors are moving to rental business or pay-per-use models for online versions of their games. Ubisoft will be offering an online extension of its best-seller, “Splinter Cell”. Similarly, Electronic Arts has developed

an Online Pass. Every console or PC game will come with a game-specific, one-time use registration code with each unit sold new at retail. With the Online Pass, the user has access to multiplayer online play, user-created content, and downloadable bonus content. If the original access code has been redeemed and fans wish to get access to the online content they can access a free 7-day trial or purchase additional Online Passes at CHF 10.

- Cloud gaming – or gaming on demand – goes even further. Companies such as OnLive, StreamMyGame, Gaikai and Steam Cloud stream console-quality games to users over the Internet much like YouTube streams videos, without the need to install the games on a PC, Macintosh or game console. Nearly all of the processing power is handled by powerful computers in Internet-connected data centres. This also allows the latest games to be played in high definition on devices such as netbooks, smartphones and tablets such as Apple’s iPad, which have less computing power than gaming PCs or consoles. Subscriptions for unlimited play range from USD 5 to USD 60 a month.
- We expect cloud gaming to boost online game revenues. However, excellent broadband connectivity is required. In this respect, the uptake in Switzerland will be driven by broadband penetration. With 2.7 million broadband subscribers in 2009, Switzerland is well placed; however, prices for broadband remain high compared to neighbouring countries. The speed of deployment of broadband Internet infrastructures such as Fibre-to-the-Home (FTTH) by the providers of telecommunications services and utility companies and EuroDOCSIS 3.0 by cable operators throughout Switzerland will be a key driver for cloud gaming.

Online Games											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Spending (CHF millions)	46.0	59.0	77.0	100.0	114.0	129.0	144.0	162.0	183.0	199.0	11.8
Growth (%)	24.2	28.3	30.5	29.9	14.0	13.2	11.6	12.5	13.0	8.7	11.8

Source: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates, SIEA

7.5 Wireless Games

- We expect sales of wireless games to grow at an average yearly rate of 7.7 percent in the period, with a strong start in 2010–2011 and then a softening as the market matures. Overall, we expect the wireless game segment to move from 35 million in 2010 to CHF 46 million by 2014.
- With a strong wireless telephone subscriber base, the availability of high-speed wireless data technology in most parts of the country and one of the highest per

capita rates of iPhone users in the world, we expect strong take-up of wireless games in Switzerland.

- The roll-out of high-speed wireless networks and the introduction of new wireless handsets that are designed to facilitate video games will allow more sophisticated wireless games to be downloaded, which should continue to fuel growth. As wireless subscribers become more familiar with the downloading process, there will be an increase in the number of users.
- Although more advanced games are being developed for wireless, casual games still dominate the market. Tetris continues to be the most popular game in many countries.

Wireless games in Switzerland are distributed by such carriers as Orange and Swisscom as well as the new application stores from major handset manufacturers such as Apple and Research in Motion (Blackberry). For instance, Orange sells downloadable games for CHF 8 a piece.

- Other revenue streams have emerged, including subscription fees to continue playing games or micro-transactions to purchase virtual goods and services to enhance the gaming experience. For example, in late 2009 Apple relaxed some of its restrictions that had previously prohibited micro-transactions. Game developers can now sell virtual goods. This allows free social games that rely on micro-transactions for revenues to be distributed on the iPhone and iPod Touch, a development that we expect will drive supply of wireless games.
- Apple Inc. will drive a significant portion of the growth. The App Store, for example, has more than 20,000 games available for download.
- iPad, Apple's tablet computer released in 2010, can run all iPhone applications, including games. With its enhanced graphic capabilities and its large touch screen, we expect the iPad to drive the growth of wireless gaming from 2011 onwards.
- Augmented reality combines computer-generated graphics with real video, and is a promising wireless game technology. Real video makes a game more realistic, while the augmented-reality component allows any scenario to be played out in a game situation. The technology is available on the Apple iPhone, Google Android and Nokia Symbian smartphone operating systems and has the potential to expand the wireless game market.
- A newer generation of wireless games is being developed to take advantage of the unique benefits of cell phones, such as location awareness and social interaction. MMO(RP)Gs are being developed for the wireless market to take advantage of the speed of advanced wireless networks.

7.6 PC Games

- PC game revenues reflect the retail sales of packaged PC games and do not include online distribution of game content or subscription fees to play PC games online, both of which are covered in online games.
- Revenues for PC games declined in 2009 by 7 percent to CHF 34 million, reflecting the migration to digital distribution. Although 2010 will see positive growth in PC game sales, the segment is expected to continue its long-term decline, decreasing to CHF 31 million in 2014, a 2.3 percent compound annual decrease.
- By 2014, PC games will only represent 5.5 percent of overall video game sales in Switzerland.
- PC Game sales are a prime target for piracy. This has led a number of game developers specialised in this segment (e.g., Epic, Id Software, Rockstar, Infinity Wards) to move away from PC Games and focus on consoles. PC game offerings are, therefore, becoming less attractive.
- The growth in popularity of MMO(RP)Gs, many of which are PC game titles, partially offsets the movement to console games. The most popular PC games in 2009 include "World of Warcraft (WoW)" and "WoW: Wrath of the Lich King", the second expansion pack of the original WoW. In order to play many of the MMOGs, gamers must first buy a retail copy of the game.
- PC gaming also retains some of its hard-core gamer audience. PCs represent a better platform for hard-core gamers to play complicated games because the mouse and keyboard provide a more usable interface for complex commands than console controllers do. Furthermore, a series of accessories can be easily connected through USB connections.

Wireless Games											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Spending (CHF millions)	12.0	15.0	22.0	29.0	31.0	35.0	38.0	40.0	43.0	46.0	7.7
Growth (%)	33.2	25.0	46.7	31.8	6.9	12.9	8.6	5.3	7.5	7.0	7.7

Source: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates, SIEA

PC Games											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Spending (CHF millions)	39.0	42.0	40.0	37.0	34.0	36.0	35.0	34.0	32.0	31.0	-2.3
Growth (%)	8.3	7.7	-4.8	-7.5	-8.1	5.9	-2.8	-2.9	-5.9	-3.1	-2.3

Source: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates, SIEA

7.7 Video Game Advertising

- We expect revenue from game advertising to grow steadily, at an average 13.4 percent annual compound rate. In 2014 revenues will have doubled compared to 2009, reaching CHF 33 million. By 2014, more revenue will be generated through game advertising than through PC game sales.
- The buzz created by US President Barack Obama running electoral campaigns in the game “Burnout Paradise” during his presidential campaign in 2008, is a good example of the effectiveness of advertising within a game to raise awareness of a service or product.
- There are two kinds of advertising within a game: in-game advertising (brand placement in the game) and advergaming (a game designed for/around a brand). In-game ads have become increasingly popular in the last decade. Advertisers have rushed to book a space for themselves in PC games or consoles not just because of the reach but also because of the strong brand engagement video games offer.
- With the advent of the Internet and online gaming, it is now possible to insert ads in games and have them updated dynamically as the situation warrants. For example, a billboard advertising a movie can be updated every few weeks when new titles hit the box office. A number of companies – including Massive, which was acquired by Microsoft; IGA

International; and Double Fusion – have all developed the technology to dynamically place ads in video games. IGA signed exclusive deals with game producers. Electronic Arts has decided to deliver in game advertising in house. The placement of these ads takes place while the games are developed, but the actual ads can be changed via the Internet.

- Advertisers that can get their products to be integral parts of games reap additional benefits. For example, a character in the game may drive a certain type of car, drink a certain brand of soda, or talk on a certain type of phone.
- We expect in-game advertising and, more specifically, dynamic in-game advertising, to gain in importance over time as more games are played online. It represents a revenue stream for free or cheap games.
- Regarding other media, in-game advertising is limited by how disruptive it can be for players. Hard-core gamers tend to react quite strongly if an ad does not enhance the gaming experience. As a consequence, companies such as Ubisoft have adopted a policy that all revenue generated by in-game advertising is directly reinvested into game research and development.
- In addition to in-game advertising, marketers are developing advergaming, or games used to promote a specific brand. For example, Peugeot engaged Serious Factory, a game editor specialised in interactive 3D games, for the launch of its new 308 GTI. The resulting game offers a 3D racing game that integrates with Facebook, allowing players to challenge their friends.

Video Game Advertising											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Spending (CHF millions)	2.0	8.0	11.0	15.0	17.0	22.0	25.0	28.0	30.0	33.0	13.4
Growth (%)	180.0	300.0	37.5	36.4	13.3	29.4	13.6	12.0	7.1	10.0	13.4

Source: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates, SIEA

7.8 The Swiss Video Games Market Compared to Western Europe

- Switzerland represents 2.4 percent of the overall Western European video game market. This share is expected to remain stable until 2014.
- The Swiss market will grow at a faster pace, 6.9 percent average annual growth, than the rest of the Western European market, which will grow at 6.2 percent. Asia Pacific, with three of the top four countries in the world, is the

largest region and is projected to be the fastest-growing region during the next five years, increasing at a 16.3 percent compound annual rate.

- In Europe, Switzerland, due to high purchasing power per capita, is still one of the countries where the number of games per console is high.
- This purchasing power also shows in editors’ pricing strategy. Games are more expensive in Switzerland than in other European countries.
- Another specific characteristic of the Swiss market relates to linguistic and cultural differences across the German,

French and Italian-speaking areas. These differences can result in different sales patterns. What works in the Romandie might not work in Zurich and vice versa. For example, Ubisoft's game, "Just Dance" has been as great a success in the French and Italian parts of Switzerland as it has been in France. However, it has not performed well in the German-speaking part of Switzerland. It also did not do well in Germany. This shows consumers' tastes are not harmonised across the country.

- Orange has launched a pilot project "World of Entertainment", where all distribution channels are offered (in-store sales as well as an online portal and wireless downloads). This experiment is being watched closely by other European telecommunication providers and might result in the Swiss market being reshaped faster than other territories with respect to the provision of video games by providers of telecommunications services.

Video Games											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Western Europe (CHF millions)	10,499	11,702	14,463	17,075	16,738	17,949	18,907	20,028	21,250	22,584	6.2
Western Europe Growth (%)	10	11	24	18	-2	7	5	6	6	6	6.2
Switzerland (CHF millions)	234	271	321	391	401	427	456	489	525	561	6.9
Switzerland Growth (%)	12	16	18	22	3	6	7	7	7	7	6.9
Switzerland as a % of Western Europe	2.2	2.3	2.2	2.3	2.4	2.4	2.4	2.4	2.5	2.5	
Console/Handheld Games											
Western Europe (CHF millions)	6,702	7,147	9,206	11,100	10,341	11,059	11,550	12,090	12,689	13,464	5.4
Western Europe Growth (%)	6	7	29	21	-7	7	4	5	5	6	5.4
Switzerland (CHF millions)	136	148	172	209	204	206	214	225	236	253	4.4
Switzerland Growth (%)	7	9	16	22	-2	1	4	5	5	7	4.4
Online Games											
Western Europe (CHF millions)	1,053	1,415	1,857	2,375	2,695	2,967	3,223	3,604	4,028	4,393	10.3
Western Europe Growth (%)	30	34	31	28	13	10	9	12	12	9	10.3
Switzerland (CHF millions)	46	59	77	100	114	129	144	162	183	199	11.8
Switzerland Growth (%)	24	28	31	30	14	13	12	13	13	9	11.8
Wireless Games											
Western Europe (CHF millions)	594	822	1,028	1,282	1,446	1,613	1,769	1,927	2,102	2,271	9.4
Western Europe Growth (%)	34	38	25	25	13	12	10	9	9	8	9.4
Switzerland (CHF millions)	12	15	22	29	31	35	38	40	43	46	7.7
Switzerland Growth (%)	33	25	47	32	7	13	9	5	8	7	7.7
PC Games											
Western Europe (CHF millions)	2,112	2,122	2,083	1,942	1,825	1,793	1,758	1,719	1,683	1,643	-2.1
Western Europe Growth (%)	3	0	-2	-7	-6	-2	-2	-2	-2	-2	-2.1
Switzerland (CHF millions)	39	42	40	37	34	36	35	34	32	31	-2.3
Switzerland Growth (%)	8	-8	-5	-8	-7	4	-3	-3	-4	-5	-2.3
Video Game Advertising											
Western Europe (CHF millions)	38	195	289	376	431	517	607	688	748	812	13.5
Western Europe Growth (%)	231	414	48	30	15	20	17	13	9	9	13.5
Switzerland (CHF millions)	2	8	11	15	17	22	25	28	30	33	13.4
Switzerland Growth (%)	180	250	43	40	14	25	15	13	8	7	13.4

Source: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates, SIEA

8 Radio

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8.1 Executive Summary

Definition

- The radio market consists of advertiser spending on radio stations, radio networks and public radio license fees. Advertising spending is net of agency commissions.

Market size and growth in Switzerland

- We expect the radio market to increase from CHF 571 million in 2009 to CHF 603 million in 2014. This means a rather moderate average annual growth rate of 1.1 percent. In 2009, the share of radio reception fees in the total radio market accounted for some 76 percent, while advertising and sponsoring revenue generated the balance of 24 percent.

Market size and growth by component

- The share of digital radio (DAB, DAB+, HD Radio) in Switzerland continues to be marginal compared to analogue broadcasting. However, we are observing a move by the majority of radio stations to strongly expand into digital technology.

Principle drivers

- On June 18, 2010, the Swiss government announced a moratorium on radio and TV reception fees for the period 2011–2014. As a result, additional revenue from this source will be achieved by natural growth in the number of households and a stronger focus on fee collection, in particular from companies that are obliged to pay reception fees.
- The traditional drivers in the radio advertising market are music, information and presentation geared towards a clearly defined target audience. A radio station with a clear profile featuring a mix of well-chosen components has considerable appeal for advertisers and allows for positioning of advertising messages geared towards specific target groups.
- As far as accelerated conversion to digital radio is concerned, the key drivers are availability and penetration of low-cost reception devices and adoption of the technology by the automotive industry. Installation of digital radios as a standard feature in cars might provide a strong boost to DAB+ or HD radio. However, there is very little indication of a move in this direction by the automotive industry.

8.2 Market Overview

- The Swiss radio market is based on a dual broadcasting system marked by competition between a public-service broadcasting institution and private stations. SRG SSR idée suisse (SRG), the public-service provider, operates fourteen general programme services and three speciality stations across all language regions plus an English-language service called World Radio Switzerland. The private market consists of more than 50 radio stations with a local or regional focus. More often than not, leading or regional publishing companies hold majority stakes in, or are in full control of, local radio stations. Most of them broadcast on the FM band, cable or the Internet. In addition, a limited number of national radio stations offer web-based reception only.
- The radio market is to a large extent governed by the Swiss federal act on radio and television (hereinafter-TVA). Among other things, this act specifies that, in order to broadcast their programmes, radio stations must either be registered with the Federal Office of Communications (OFCOM) or hold a licence. These stations are subject to the requirements and service specifications laid down in the RTVA. Licensed radio stations are allocated funds from the pool of radio reception fees. They have underlying guidelines with regard to advertising and sponsoring, including regulations governing programme-interrupting commercials and advertisements for alcoholic products. Switzerland is divided into 34 licensing territories, with licences awarded by OFCOM.
- In all of the large language regions of Switzerland, radio continues to be the most frequently used electronic medium. In the German-speaking region, 89.2 percent of people aged 15 or older listen to the radio for an average of 130 minutes a day. Both reach and consumption of the medium are slightly lower in the other language regions: 86.6 percent of people in the French-speaking territory listen to the radio for about 121 minutes a day while 87.5 percent of those aged 15 or older consume some 120 minutes of radio per day in the Italian-speaking region.
- At between 3.5 percent and 4 percent, radio's relative market share of advertising expenditure is rather small, but it has tended to be stable even in economically difficult periods compared to other advertising markets. We expect moderate growth for the advertising and sponsoring market of some 1.3 percent by 2014, taking into account the regulatory setting radio broadcasters are faced with.

Radio Advertising Market by Component (CHF millions)											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Advertising and Sponsoring Spending	142.0	138.0	136.0	131.0	135.0	135.7	137.7	139.8	141.9	144.0	1.3
Public Radio License Fees	413.0	413.0	404.0	406.0	415.0	419.2	423.3	427.6	431.9	436.2	1.0
Private Radio License Fees	8.0	8.0	17.0	21.0	21.4	21.6	21.9	22.1	22.3	22.5	1.0
Total Radio Market	563.0	559.0	557.0	558.0	571.4	576.5	582.9	589.4	596.0	602.7	1.1

Source: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates

Radio Advertising Market Growth by Component (%)											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Advertising and Sponsoring Spending	6.8	-2.8	-1.4	-3.7	3.1	0.5	1.5	1.5	1.5	1.5	1.3
Public Radio License Fees	0.0	0.0	-2.2	0.5	2.2	1.0	1.0	1.0	1.0	1.0	1.0
Private Radio License Fees	0.0	0.0	112.5	23.5	2.0	1.0	1.0	1.0	1.0	1.0	1.0
Total Radio Market	6.8	-0.7	-0.4	0.2	2.4	0.9	1.1	1.1	1.1	1.1	1.1

Source: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates

- At a projected annual growth rate of 1 percent, revenue from fees will remain stable in the years to come. The increase in fee revenue is primarily attributable to assumptions of a positive development of the number of households, enhanced coverage of companies obliged to pay fees, and neutral evolution of the number of private households exempt from fee payment.
- In terms of funding, the Swiss radio market is fed primarily by contributions from license fee revenue. The revenue from radio reception fees amounted to CHF 459 million in 2009, of which SRG SSR idée suisse (SRG), the public-service provider, received CHF 415 million (90 percent). Licensed private radio stations obtained a share of CHF 21 million (some 4.5 percent). Another CHF 21 million was paid to Billag AG as compensation for its fee-collection assignment, while OFCOM received CHF 2 million to cover the management and monitoring of frequencies as well as the tracking of fee dodgers. Further sources of revenue are divided into advertising and sponsoring and account for 24 percent of the aggregate funds flowing into the radio market.
- Private radio stations use Internet platforms to boost their financial situation. For instance, they sell music downloads and club memberships with access to privileged services (such as amenities, newsletters or even participation in programming), operate banner advertising and web shops, etc.

- Private radio stations include Energy Zürich, Radio Zürisee and Radio 24 (Zurich), Radio Basel and Radio Basilisk (Basel), Radio BeO, Energy Bern and Capital FM (Bern), Radio Fribourg (Fribourg), Radio Pilatus, Radio Sunshine (Lucerne), Radio Top (Eastern Switzerland), Radio Argovia (Aargau), Radio 32 (Solothurn), Radio Rottu (Valais), Radio Emme (Emmental) as well as Radio Grischa (Grisons). There is a group of non-commercial regional stations primarily offering rich cultural and music programmes, which counterbalance the mostly commercial content provided by private radio stations. The members of this group, known by the name of UNIKOM, (a German acronym for “Union of Non-commercially-driven Local Radio Stations”), are Radio LoRa (Zurich), Radio 3fach (Lucerne), Radio RaBe (Bern), Kanal K (Aarau), Radio X (Basel), Radio RaSa (Schaffhausen), toxic.fm (St. Gallen), iischers radio (Valais) and Radio Cité (Geneva).
- In the greater Zurich area, Radio 24 strengthened its number-one position in the first half year period of 2010. From Monday through Friday each week, the number of listeners choosing Radio 24 clearly exceeded 300,000. Daily consumption of Radio 24 was more than one hour, 61.0 minutes, a 10 percent increase on the same period in the previous year.
- Energy Zürich had 264,000 listeners daily in German-speaking Switzerland in the first half year period of 2010 (Monday through Friday, round-the-clock). Although its broadcasting territory was reduced by one third from the beginning of the year, Energy Zürich lost only a minor number of listeners compared to the same semester in 2009. This put Energy Zürich right behind Radio 24 (311,000 listeners) and in front of Radio Zürisee (230,000 listeners), with Radio 1 clearly trailing (113,000 listeners).
- In Berne, Energy Bern is in the lead, followed by Capital FM. According to statistics for the first semester of 2010, Energy Bern had 109,000 listeners every day. Radio Basilisk managed to increase its number of listeners considerably compared to the same semester in the previous year. Basilisk’s daily net reach was 119,200 listeners in the first semester of 2010. On weekdays, 123,400 listeners tuned in to Basilisk’s programme every day while Radio Basel reached 86,000 listeners daily within eight month of its launch.
- The Swiss frequently listen to foreign radio stations such as SWR3, Radio Regenbogen, Radio 7 and Ö3 as well as various French and Italian stations. These stations are received on FM in border regions or through cable or the Internet across Switzerland.
- There is a continuing trend towards concentration and convergence. In many cases, a single significant publishing house in a region owns both the local radio station and a majority stake in the local TV station covering the region (e.g., Südostschweiz Medien in the Grisons owning Radio Grischa and Tele Südostschweiz) and exploits these stations for a cross-media strategy.
- Concentration of ownership is also driven horizontally, with certain press publishers holding stakes in private radio stations in various regions. These stations join forces as combinations or advertising pools, which gives them a competitive edge over interregional radio stations for advertising contracts across the nation or in language regions.
- The NRJ Group of France holds the highest non-Swiss stake in private radio stations in Switzerland (Energy Zürich/Bern/Léman and Radio Basel). No foreign company holds a majority stake to date.

8.3 Digital Radio

- Medium-term substitution of analogue radio by digital is not to be expected given that penetration of reception devices is still rather low. Nonetheless, the vast majority of radio stations are upgrading their technology for digital broadcasting. However, there is at present no agreement about a national standard. SRG and various private radio stations are currently distributing some twenty services through Digital Audio Broadcasting (DAB/DAB+) and more of them are planned for launch in the course of 2010. DAB+ is estimated to fully substitute DAB by the end of 2012. To ensure a smooth transition parallel operation of both technologies will be ensured up until the end of 2015.
- Considering the high initial investment for DAB/DAB+, smaller private radio stations tend to prefer the cheaper option of HD radio. The question of which technology will eventually gain the upper hand is yet to be answered. Furthermore, digital radio is faced with competition from increasing consumption of cable and mobile web radio.
- The Swiss DAB/DAB+ radio market has reached a high level of technical sophistication by international standards. At the end of 2009, coverage was around 90 percent, which is similar to FM. As a development following up on DAB technology, DAB+ enables broadcasting of a higher number of programmes while using the same capacity. It largely eliminates the current shortage of frequencies on the FM band.
- In the process of launching digital radio for terrestrial reception, regional radio stations have chosen HD radio, a system more suited to the use of existing infrastructure and FM frequency capacity and thus a more cost-efficient alternative to DAB. Currently, HD radio is widely used primarily in the U.S.
- Five private radio stations in Switzerland originally scheduled the launch of HD radios on September 1, 2010. The five are Radio 24 (Zurich area), Radio Argovia (Aargau/Swiss plateau), Radio Basel (Northern Switzerland), Capital FM (Bern area) and Radio Sunshine (Central Switzerland). However, the launch date has been postponed for economic reasons.

8.4 The Swiss Radio Market Compared to Western Europe

- In 2009, the aggregate volume of the radio market in the territory of Western Europe amounted to CHF 16.3 billion. The biggest contributors were Germany (some CHF 5.1 billion), France (CHF 2.1 billion), the United Kingdom (CHF 2 billion) and Italy (CHF 1.9 billion). We expect very moderate average market growth of around 1 percent by 2014, resulting in a market volume of CHF 17.2 billion. The highest growth rates will be attained by Portugal (5.6 percent), Norway and Denmark (around 3 percent each) and Austria (2.4 percent) while Greece (-1.1 percent) and Ireland (-0.3 percent) are expected to post negative growth.
- At an average annual growth rate of 1.1 percent, Switzerland will be around the Western European average.
- Across the territory of Europe, the picture for digital radio is mixed. The leader in digital broadcasting is the U.K., where digital listening has grown disproportionately, exceeding the 20 percent threshold by 1 percent. More than 10 million digital radios have been sold in the U.K. and about one third of households are receiving DAB. The BBC is currently installing new transmitters, and expects to reach 90 percent coverage by 2012.
- The U.K. is the only country to have introduced DAB as a standard. Many countries in Western Europe prefer DAB+. France is experimenting with a different standard called 'terrestrial digital multimedia broadcasting' while others intend to use DRM (Digital Radio Mondiale).

Swiss Radio Market Compared to Western Europe (CHF millions)											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Switzerland	563.0	559.0	557.0	558.0	571.4	576.5	582.9	589.4	596.0	602.7	1.1
Western Europe	16,152.7	16,496.7	17,051.3	17,012.2	16,345.9	16,351.3	16,438.1	16,616.1	17,000.3	17,216.2	1.0

Source: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates

9 *Out-of-Home Advertising*

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9.1 Executive Summary

Definition

- The out-of-home (OOH) market comprises the net advertising expenditure (excluding agency cost) for OOH media such as poster advertising (paper placards of various formats), neon installations, advertising on public transport (leaflet holders, lettering and painting of rolling stock, banners, etc.) sports and stadium advertising as well as ad screens and large electronic advertising boards.

Market size and growth in Switzerland

- For the OOH market, we expect moderate growth of around 2.7 percent by 2014. In absolute terms, this amounts to a rise in advertising expenditure from CHF 636 million in 2009 to CHF 725 million in 2014.

Market size and growth by component

- The physical out-of-home segment continues to increase at a moderate annual growth rate of 1.2 percent, from CHF 628 million in 2009 to CHF 666 million in 2014.
- The digital out-of-home segment (DOOH), for which we expect average annual growth of 50.2 percent, is a substantial contributor to growth and, up from CHF 8 million in 2009, will reach revenues of CHF 60 million in 2014. This represents a modest market share of 8.3 percent of the total out-of-home market.

Principal drivers

- Following a significant decline by 12 percent in 2009, the Swiss OOH market will make a comeback in the wake of general economic recovery.
- Constantly increasing mobility among the population will boost the appeal of OOH media.

- The cost of installing a DOOH infrastructure is rapidly decreasing due to high vendor attention. Therefore, the DOOH segment will grow strongly as a result of more cost-efficient infrastructure (networks, video screens, etc.) and digital signage solutions of optimised quality combined with enhanced measurability of advertising impact. Still, even in 2014, the relative market share will not exceed 10 percent.
- Digital signage networks offer a wide range of opportunities to reach consumers where other media do not always have access (e.g., hotel rooms or lobbies, shopping malls, point-of-sale solutions, lavatories, lifts, etc.) and allow for joint use of infrastructure by different advertising content, quick set-up and more effective use. Furthermore, using new technologies, such as 3D or interactive advertising, will help generate a higher degree of attention and impact among consumers.

9.2 Market Overview

- We project a recovery of the total Swiss OOH market at average annual growth of 2.7 percent for the period from 2010 to 2014. However, there will be only moderate growth of 0.4 percent in 2010, indicating a recovery from the strong decline in 2009.
- Switzerland's poster advertising market is fundamentally dominated by two companies (Affichage Holding SA and Clear Channel Outdoor).
- As far as Switzerland's non-digital OOH market is concerned, we consider it basically saturated. Outdoor advertising carriers (poster panels, poster stands, advertising columns or other suitable public surfaces) are a fully exploited opportunity governed by regulation.
- In Switzerland, there is some limitation on advertising; content such as tobacco or alcohol, is prohibited. In addition, a debate on more far-reaching advertising bans, e.g., on high-calorie products, is currently ongoing.

Out-of-Home Advertising Market by Component (CHF millions)											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Physical Out-of-Home	587.0	626.4	692.2	717	628.4	628.9	637.6	653.4	661.8	665.6	1.2
Digital Out-of-Home	0.0	1.5	4.0	6.5	7.9	9.9	14.0	24.3	36.2	60.3	50.2
Total Out-of-Home	587.0	627.9	696.2	723.5	636.3	638.8	651.6	677.7	698.0	725.9	2.7

Source: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates, Stiftung Werbestatistik Schweiz

Out-of-Home Advertising Market Growth by Component (%)											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Physical Out-of-Home	-2.0	6.7	10.5	3.6	-12.4	0.1	1.4	2.5	1.3	0.6	1.2
Digital Out-of-Home	0.0	100.0	166.7	62.5	21.5	25.3	41.4	73.6	49.0	66.6	50.2
Total Out-of-Home	-2.0	7.0	10.9	3.9	-12.0	0.4	2.0	4.0	3.0	4.0	2.7

Source: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates, Stiftung Werbestatistik Schweiz

- We are observing an increasing trend towards assigning ownership of carrier material for advertisements to the state. It is our assumption that such assignment to the towns and municipalities in question will become more frequent in public tendering for the posting of advertisements. For example, APG has been awarded the contract for posting advertisements in the greater Zurich area only on condition of assigning (transferring the property of) the infrastructure by 2013.
- As far as the trend towards 3D is concerned, various printing methods are being developed further featuring 3D effects for large formats. Lenticular technology, the procedure generating the most marked 3D effect, currently has the upper hand. While this printing method still comes at a high price, it is expected to produce considerably more advertising impact and to allow for innovative use of poster advertising and positioning in the premium segment.
- Initial studies of effective advertising impact using 3D are being conducted in the US Eastman Kodak recently carried out a study of the impact of 3D billboards in shopping malls. The main results of the study: 58 percent of the shoppers remembered specifically seeing the 3D ads in the mall whereas a mere 7 percent remembered seeing the 2D ads. Shopper frequency and sales were higher by 34 percent and 12 percent respectively for businesses doing 3D advertising.

9.3 Digital Out-of-Home

- In Switzerland and around the world, the OOH market is undergoing significant transformation from conventional poster advertising towards large-surface digital billboards and higher investment allocation to digital networks (such as narrowcasting). Although digital signage technology continues to account for only a small share of market, it is a major contributor to OOH growth.
- We expect a strong annual growth rate of 50.2 percent in the market segment of digital advertising and corporate systems. Up from 1.2 percent in 2009, it will attain a relative share in the OOH market of 8.3 percent by 2014.
- In the field of DOOH advertising, we currently notice four major players in the Swiss market. These are, besides the previously mentioned Affichage and Clear Channel, Neo Advertising and the Goldbach Media Group. All companies also occupy the prime locations in the indoor segment: Clear Channel operates all digital billboards at Zurich airport. Affichage is a major player in advertising on public transport. Goldbach Media maintains the media in post offices in the German-speaking region of Switzerland as well as a variety of point-of-sale infrastructure. NeoAdvertising (a subsidiary of the Neo Media Group) was recently awarded a contract to operate at Geneva airport and Palexpo (Geneva motor show). In addition, Neo Advertising maintains various post offices in the French-speaking region of Switzerland and focuses increasingly on acquiring infrastructure in shopping malls. Apart from the companies mentioned above, there are various niche players in this market.
- Digital in-house solutions (shopping malls, hotels, public lavatories, point-of-sale solutions, etc.) and other infrastructure (such as video screens of ticket machines and gas stations, etc.) continue to be largely unoccupied niches with growth potential.
- In-house solutions, also referred to as narrowcasting, are widely used in Anglo-Saxon countries and increasingly in Switzerland. This advertising system includes LED, OLED, LCD, CRT and plasma devices as well as digital projectors usually fed by a central Content Distribution System. The electronic data (static, animated or video) is transferred through either the telephone network (including mobile) or wireless narrowcasting solutions. The latter enable displaying locally edited or real-time data/information (such as current offers, weather and traffic reports, regional news, etc.).
- Advertising on public transport will be interesting for digital signage solutions partly because of regulatory aspects (requirements regarding the way in which content, such as connection times, delays or timetable changes, is to be presented to passengers in real time). Livesystems is a young digital signage enterprise that has managed to establish itself in this market segment in co-operation with Publicitas and IPM. Livesystems maintains infrastructure on behalf of municipal transport entities in Switzerland (nine, including post buses) and abroad (six). Apart from information related to traffic, current and accurate geo-specific data (such as special offers in a shop that passengers are passing by) is displayed on screens. Dual screens (one purely devoted to traffic information and another to advertising, news and geo-specific data) will become a standard feature, which some municipal transport entities are already picking up. APG is a competitor in this field, operating the infrastructure of the Lucerne transport services.
- There still appears to be a relatively low interest in digital signage among investors and venture capital companies. Compared to the web industry and social media networks, young enterprises dealing with the development of more sophisticated technologies find it difficult to obtain funding.

Digital Out-of-Home											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Spending (CHF millions)	0.0	1.5	4.0	6.5	7.9	9.9	14.0	24.3	36.2	60.3	50.2
Growth (%)	0.0	100.0	166.7	62.5	21.5	25.3	41.4	73.6	49.0	66.6	50.2

Source: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates

“The Swiss OOH market is characterised by its oligopolistic structure. A change of strategy by a market leader may lead to a transformation of the entire market and competitive landscape.”

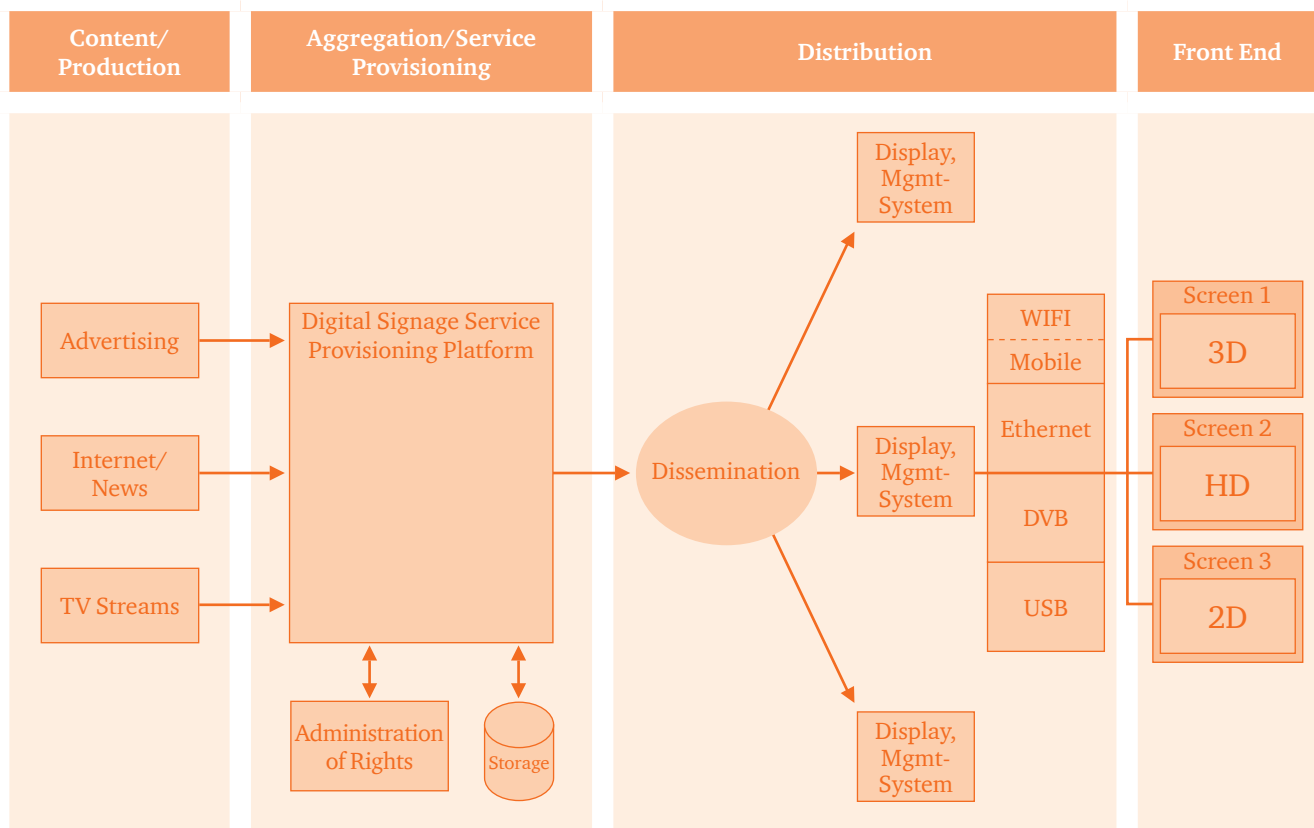
Etienne Reignoux – CEO NeoAdvertising

- However, investment is becoming more appealing as mobile networks are expanded (increasing bandwidth and 4G transfer rate) and hardware infrastructure is becoming both cheaper and better. Furthermore, new methods are being developed for more comprehensive and accurate measuring of advertising impact. Due to these factors, plus the wider range of potential use (changing content on a single panel, animated pictures, near-time and specifically local information, etc.) digital signage systems are sparking more and more interest among advertisers when compared to conventional OOH advertising systems, and therefore possibly also among investors.
- In addition, representative studies have shown that, compared to static advertisements, digital advertising gener-

ates greater impact on consumers in terms of attention and contact time. Managing these channels can ensure positioning in the premium price segment.

- Recently, large digital advertising surfaces have benefited from the use of new technologies and interactive communication with passers-by (such as communication and added information through mobile phones) as well as further development in the 3D segment (3D effects visible without special glasses). Running an outdoor 3D campaign in London on behalf of Twentieth Century Fox to promote the launch of the film “Percy Jackson and the Olympians: The Lightning Thief”, Clear Channel is the first company in Europe to embark on such a venture using new technology that enables 3D viewing without special glasses.
- At the end of June 2010, Publicitas Cinecom AG presented Switzerland’s first 3D advertising offer. From July 2010, three-dimensional commercials may be screened in the context of 3D film showings in a total of 58 cinemas. It is our assumption that more frequent use will be made of 3D technology in the near future, including large-surface digital billboards at train stations, for example.
- The transition from traditional OOH advertising business models (sometimes referred to as sneaker net) to technology-driven OOH solutions (see illustration) is a challenge as different skill sets are required.

Structure of full-service digital signage system



Source: PricewaterhouseCoopers AG, schematic view

9.4 The Swiss Out-of-Home Market Compared to Western Europe

- We expect relatively flat development in 2010 for advertising expenditure in Western Europe, but a distinctly positive one in 2011. The same applies to Switzerland.
- At an annual average growth of 2.7 percent in the period from 2010 to 2014, Switzerland will exceed the Western European average of 1.9 percent. The average in Western Europe is primarily depressed by countries such as Ireland, Portugal and Greece, while strong contributions to market growth in Western Europe are made by the Nordic countries of Denmark, Finland and Sweden. The United Kingdom, the largest OOH market in the EMEA region, is expected to grow by 3.5 percent, on average, which will result in some CHF 1.6 billion of advertising expenditure in 2014.
- The UK is also the leading European country in the field of DOOH, with an expectation of an above-average growth rate for digital signage.
- In France, the second largest market, average growth is expected at a moderate 1.5 percent and a volume of expenditure of some CHF 1.3 billion in 2014.
- Ranked third in Western Europe, in Germany we expect an average growth rate of 1.9 percent and a volume of expenditure similar to France for 2014. This is another market characterised by strong expansion of digital signage infrastructure. For example, Ströer has installed more than 2,000 digital information boards in train stations and at public transport stops in Hamburg and Hannover.
- France is yet another example of a growing market for digital signage. JCDecaux (the largest operator in France) and Metrobus are investing in a major digital signage network for the Paris underground system and the management of train stations across the entire territory of France.
- Russia suffered the biggest setback in the OOH segment with a decline in expenditure of 40.5 percent in 2009 compared to 2008. Revenues at the 2008 level are expected to be reached again in 2015.
- Despite its specific characteristics of multilingualism and rather limited scalability, due to lack of critical mass, Switzerland is and continues to be a strong premium market by Western European standards. For instance, average per-capita advertising expenditure in the OOH market is five times higher than in France.

Swiss OOH Advertising Market Compared to Western Europe (CHF millions)											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Switzerland	587.0	627.9	696.2	723.5	636.3	638.8	651.6	677.7	698.0	725.9	2.7
Western Europe	6869.0	7174.0	7506.0	7410.0	6362.0	6356.0	6408.0	6567.0	6739.0	6987.0	1.9

Source: PricewaterhouseCoopers AG, Wilkofsky Gruen Associates, Stiftung Werbestatistik Schweiz

10 Consumer Magazine Publishing

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10.1 Executive Summary

Definition

- The consumer magazine publishing market consists of spending by advertisers in consumer print magazines and on magazine web sites and magazine mobile sites. Consumer magazine publishing includes spending by readers to purchase magazines via subscriptions or at retail outlets and kiosks as well as paid online subscriptions.
- Magazines published under contract, known as customer magazines or custom publishing, are also included in the print advertising component. Figures do not include licensing or other ancillary revenues. Trade magazines are not included.

Market size and growth in Switzerland

- We expect the Swiss consumer magazine market to increase from CHF 1,074 million in 2009 to CHF 1,159 million in 2014, a 1.5 percent compound annual growth rate.
- In comparison, the Western European market is expected to grow by a projected 0.1 percent compound annual rate, and from CHF 30.7 billion in 2009, will reach revenues of CHF 30.9 billion in 2014.

Market size and growth by component

- The consumer magazine market splits into spending on circulation and spending for advertising. Both components have an almost equal market share.
- Spending on print advertising is expected to increase from CHF 607 million in 2009 to CHF 623 million in 2014, a 0.5 percent compound annual growth rate. The print advertising market share will decrease from 57 percent in 2009 to 54 percent in 2014.
- Spending on circulation is expected to increase from CHF 452 million in 2009 to CHF 475 million in 2014, a 1.0 percent compound annual increase. The newspaper magazine circulation market share will decrease from 42 percent in 2009 to 41 percent in 2014.

- Spending on digital advertising is expected to receive a boost up until 2014 and will increase by a 32.4 percent compound annual growth rate. Spending on digital advertising will increase from CHF 15 million in 2009 to CHF 61 million in 2014. The digital advertising market share will increase from 1 percent in 2009 to 5 percent in 2014.

Principal drivers

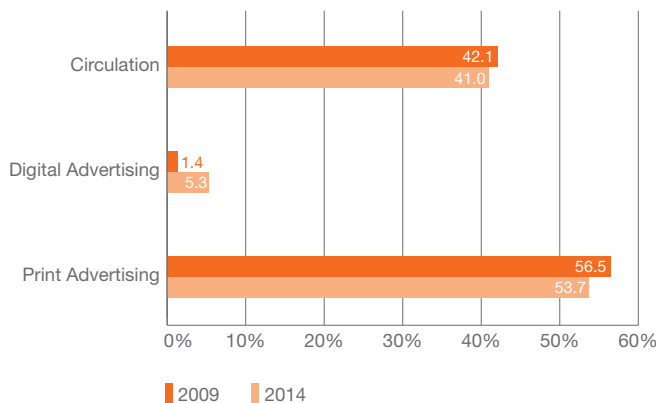
- Improved economic conditions is expected to increase spending for advertising and circulation. Despite the trend to digital advertising, we believe that print advertising will remain the main source of income during the next years.
- Competition from the Internet is expected to cut into circulation. Smartphone and Tablet PC applications, especially, will substitute print subscriptions and readership but at the same time new formats also provide opportunities to attract new readers.
- One of the challenges, however, is expected to be finding a balance between free and paid online and mobile content.

10.2 Market Overview

- The consumer magazine market in Switzerland fell by 11.3 percent in 2009 and a further decline of 0.8 percent is projected for 2010. We believe that the market will start to increase again from 2011 up to 2014 as a result of improved economic conditions.
- Some of the main publishers for consumer magazines in Switzerland are Ringier AG (“Schweizer Illustrierte”, “l’Hebdo”, “Monopol”, “Bolero”, etc.), Tamedia AG (“Schweizer Familie”, “Revue Automobile”, “Das Magazin”, “20 Minuten Friday”, etc.), Axel Springer Schweiz AG (“Beobachter”, “Tele”, “Auto Bild Schweiz”, etc.) and Reader’s Digest AG. The popular TV programming magazine “TV täglich”, covering the programming of 40 television and radio channels, is a joint publication of Ringier and Tamedia.
- In 2009 the top three titles of the popular, financial and economic press in numbers of circulation were the titles “Beobachter” (circulation of 308,527), “Schweizer Illustrierte” (circulation of 204,856) and “Schweizer Familie” (circulation of 185,174).

- Switzerland's demographic structure is changing. The average age of the population is increasing, providing a good basis for print magazines, as the 50+ segment usually prefers print over digital.
- In Switzerland the number of consumer magazines vis-à-vis population is very high, reflecting the strong interest of the Swiss population in print magazines.
- Growing consumer magazine website traffic will drive digital advertising.

Relative share per source of revenue of total consumer magazine publishing revenues



Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates

Consumer Magazine Publishing Market by Component (CHF millions)											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Print Advertising	684	681	722	730	607	599	607	605	617	623	0.5
Digital Advertising	3	7	9	15	15	18	26	37	49	61	32.4
Total Advertising	687	688	731	745	622	617	633	642	666	684	1.9
Circulation	458	461	470	466	452	448	449	457	466	475	1.0
Total Advertising and Circulation	1,145	1,149	1,201	1,211	1,074	1,065	1,082	1,099	1,132	1,159	1.5

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, WEMF, Stiftung Werbestatistik Schweiz, Media Focus, German Association of Magazine Publishers, Periodical Publishers Association

Consumer Magazine Publishing Market Growth by Component (%)											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Print Advertising	4.5	-0.4	6.0	1.1	-16.8	-1.3	1.3	-0.4	2.1	0.9	0.5
Digital Advertising	33.3	133.3	28.6	66.7	0.0	20.0	44.4	42.3	32.4	24.5	32.4
Total Advertising	4.4	0.1	6.3	1.9	-16.5	-0.8	2.6	1.3	3.9	2.6	1.9
Circulation	0.0	0.7	2.0	-0.9	-3.0	-0.9	0.2	1.8	2.0	1.9	1.0
Total Advertising and Circulation	2.6	0.3	4.5	0.8	-11.3	-0.8	1.6	1.6	3.0	2.4	1.5

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, WEMF, Stiftung Werbestatistik Schweiz, Media Focus, German Association of Magazine Publishers, Periodical Publishers Association

10.3 Consumer Magazine Circulation

- Circulation spending in Switzerland fell by 3.0 percent in 2009 and will continue to decline at a low single-digit rate during 2010. We expect a modest increase from 2011 to 2014. Up from CHF 452 million in 2009, spending in 2014 will total CHF 475 million.
- Competition from the Internet is cutting into circulation. Especially in magazine categories that deal with economic, political and financial news, readers are, to a much

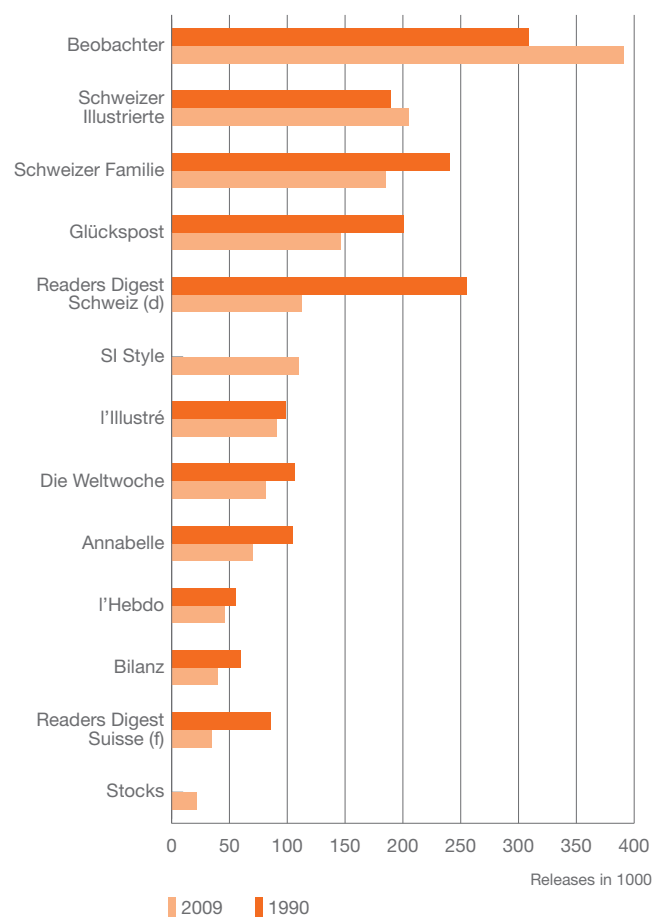
larger extent than in the past, retrieving their information from the Internet and no longer feel the need to buy aggregated news in the form of a print magazine. Publishers are responding to this trend by providing readers with enhanced background information and more specialised content. We believe the migration to the Internet will continue in the forecast period, limiting further growth.

- Mobile devices represent a potential new outlet for circulation. Some iPhone applications for magazines have specifically been designed for the Swiss market – for example the titles “Beobachter” and “Schweizer Illustrierte” have their own iPhone applications, which are, however, free of charge. In other countries in Europe, such as the UK, some iPhone applications for magazines need to be purchased.

This leads to an increase in paid circulation in that additional channels and or readers can be addressed.

- Publishers try to increase paid circulation by offering free products as an add-on or benefit while purchasing a subscription – for example “Beobachter” provides free games for a two-year subscription.
- The selling prices for popular, financial and economic publications increased from CHF 5.61 to CHF 6.31 during the period 2006–2010. This is a compound annual growth rate of 2.4 percent. Over the same period, yearly subscription prices declined from CHF 149.32 to CHF 146.95, a compound annual growth rate of –0.3%.
- In contrast, copy sales prices for the technical press increased from CHF 13.73 to CHF 14.52, and subscription prices increased from CHF 110.92 to CHF 124.74 during the same period, which leads to a compound annual growth rate of, respectively, 1.1 percent and 2.4 percent
- Finally, copy sales prices for special-interest publications increased from CHF 7.58 to CHF 8.39 and the subscription prices increased from CHF 72.31 to CHF 75.87. This is a compound annual growth rate of, respectively, 2.1 percent and 1.0 percent.
- Most of the 15 largest popular, financial and economic press titles in Switzerland lost circulation during the period 1990 to 2009.

Consumer Magazine Releases 1990–2009



Source: WEMF, Swiss Press Association

Consumer Magazine Circulation											
Switzerland	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Spending (CHF millions)	458	461	470	466	452	448	449	457	466	475	1.0
Growth (%)	0.0	0.7	2.0	-0.9	-3.0	-0.9	0.2	1.8	2.0	1.9	1.0

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, WEMF, Stiftung Werbestatistik Schweiz, Media Focus, German Association of Magazine Publishers, Periodical Publishers Association

10.4 Consumer Magazine Advertising (Overall)

- The overall consumer magazine advertising market in Switzerland declined by 16.5 percent in 2009 and a further decline of a moderate 0.8 percent is expected in 2010. We believe that the overall consumer magazine advertising market will recover during 2011–2014. For the period 2010–2014, we expect spending to increase at a 1.9 percent compound annual growth rate, from CHF 622 million in 2009 to CHF 684 million in 2014.
- The advertising market decreased in all consumer magazine press categories from 2008 to 2009. Most affected by the decline were financial and economic press titles (–35 percent). The popular press dropped by 18 percent, the technical press by 17 percent and the special-interest press decreased by 12 percent. Despite lower circulation, for advertisers, niche titles are of particular interest as they do not depend as much on changing economic conditions as the popular or financial press titles.
- We expect the digital advertising market in Switzerland to strongly outpace print advertising growth during the next years. Increasingly, readers and advertisers are migrating to the Internet and making use of smartphone and eReader/tablet applications.

- However, as both the target audience and usage patterns of mobile applications differ from the “traditional” Internet experience and print usage, publishers need to develop different mobile content in order to attract readers.
- Despite the trend to digital advertising, we believe that print advertising will remain the main source of income during the next years. The Swiss population continues to prefer to read consumer magazines in printed versions and will most probably continue to do so for quite some time.

10.4.1 Consumer Magazine Print Advertising

- Print advertising plunged by 16.8 percent in 2009. The recession led to an overall cutback in advertising, and magazines are generally more cyclically sensitive than the media industry as a whole. In particular, magazines feature advertising for, and articles on, upscale products more than other media, and those products were particularly hurt by the recession. In Switzerland, most of the 15 largest titles in the category popular magazines, financial press and business press noted readership and circulation losses.
- With economic conditions remaining weak, we expect a further decline of 1.3 percent in 2010; in 2011 the revenues will remain stable. From 2012 to 2014 we expect an increase in print advertising as economic conditions improve.

Consumer Magazine Print Advertising											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Spending (CHF millions)	684	681	722	730	607	599	607	605	617	623	0.5
Growth (%)	4.5	–0.4	6.0	1.1	–16.8	–1.3	1.3	–0.4	2.1	0.9	0.5

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, WEMF, Stiftung Werbestatistik Schweiz, Media Focus, German Association of Magazine Publishers, Periodical Publishers Association

10.4.2 Consumer Magazine Digital Advertising

- Digital advertising on magazine web sites and on mobile sites is an emerging revenue stream. However, the overall advertising market for consumer magazines was hit to such an extent that even digital advertising did not increase in 2009. From 2010 to 2014 we expect spending to grow at a staggering 32.4 percent compound annual growth rate. Digital advertising revenues will reach CHF 61 million in 2014, from CHF 15 million in 2009.
- Magazine website visits continue to increase, and the online environment facilitates features not available in print, such as video demonstrations or picture sequences. Ringier is developing and testing a variety of iPad applications in order to attract new readers. The target audience should not only be the younger generation. Older readers

are also an interesting target audience as the iPad, for example, offers the possibility of changing the font size. “Schweizer Illustrierte” and “Cicero” consumer magazines have priority in the development of iPad applications. Consumer magazines are particularly suitable for implementation on the iPad or other Tablet PCs as they have a visual language. In August 2010, Ringier offered four iPad applications (“l’Hebdo”, “Schweizer Illustrierte”, “Il caffè” and “BlickTV”) of which only BlickTV is a paid application.

- The iPad also plays an important role for Tamedia. Tamedia believes that in a fast-changing technology environment it is important to offer a wide variety of products and to create different platforms for specific topics. Tamedia offers a series of free iPad apps, such as 20 Minuten, Zattoo, Radio24, Züritipp and Homegate, but also plans to offer paid iPad application for its Sunday newspaper “Sonntagszeitung” and the magazine “Das Magazin”.

- Axel Springer is already advanced in preparing iPad applications. The iPhone application for the magazine “Beobachter” will be converted for the iPad and content

will be continuously expanded. iPad applications for the economic gateways will be launched in autumn. The TV sites are already iPad compatible.

Consumer Magazine Digital Advertising											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Spending (CHF millions)	3	7	9	15	15	18	26	37	49	61	32.4
Growth (%)	33.3	133.3	28.6	66.7	0.0	20.0	44.4	42.3	32.4	24.5	32.4

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, WEMF, Stiftung Werbestatistik Schweiz, Media Focus, German Association of Magazine Publishers, Periodical Publishers Association

10.5 The Swiss Consumer Magazine Publishing Market compared to Western Europe

- Compared to other Western European countries, the consumer magazine market in Switzerland is rather small and has a market share of 3.2 percent within Western Europe.
- France had the largest market in 2009, at CHF 6.9 billion, followed by Germany at CHF 6.0 billion, Italy at CHF 5 billion and the UK at CHF 4.4 billion. Together, these four countries constituted 72 percent of the total Western European consumer magazine market. Switzerland and Austria only have a small consumer magazine market with a Western European market share total of 5 percent.
- The consumer magazine market in Switzerland was hit even harder by the recession than other Western European countries. The market in Switzerland fell by 11.3 percent in 2009 whereas in Italy and Germany the market decreased by around 10 percent. The consumer magazine publishing markets in the UK and France declined by around 7.5 percent. Only Austria showed a decrease similar to Switzerland at 11.1 percent.
- Switzerland and Austria will raise their revenues at 1.5 percent and 1.9 percent compound annual growth rates to respectively CHF 649 million and CHF 1,159 million in 2014. Spending in the other four Western European countries will be virtually flat, edging up to around 0.1 percent compound annual growth rate up until 2014. We expect further decreases in Italy during the next two years as readership and circulation is declining even as economic conditions improve.

Total Consumer Magazine Publishing Market (CHF millions)											
Western Europe (country selection)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Austria	595	601	630	664	590	594	599	612	628	649	1.9
France	7,396	7,570	7,564	7,445	6,900	6,796	6,733	6,769	6,826	6,922	0.1
Germany	6,866	6,923	6,869	6,617	5,973	5,842	5,881	5,952	6,040	6,144	0.6
Italy	5,908	5,946	5,896	5,603	5,000	4,751	4,673	4,680	4,700	4,753	-1.0
Switzerland	1,145	1,149	1,201	1,211	1,074	1,065	1,082	1,099	1,132	1,159	1.5
United Kingdom	5,052	4,931	5,067	4,795	4,436	4,365	4,346	4,391	4,455	4,534	0.4

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, WEMF, Stiftung Werbestatistik Schweiz, Media Focus, German Association of Magazine Publishers, Periodical Publishers Association

Total Consumer Magazine Publishing Market Growth (%)											
Western Europe (country selection)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Austria	1.1	1.0	4.8	5.4	-11.1	0.7	0.8	2.2	2.6	3.3	1.9
France	1.5	2.3	-0.1	-1.6	-7.3	-1.5	-0.9	0.5	0.8	1.4	0.1
Germany	2.3	0.8	0.8	-3.7	-9.7	-2.2	0.7	1.2	1.5	1.7	0.6
Italy	1.9	0.6	-0.8	-5.0	-10.8	-5.0	-1.6	0.1	0.4	1.1	-1.0
Switzerland	2.6	0.3	4.5	0.8	-11.3	-0.8	1.6	1.6	3.0	2.4	1.5
United Kingdom	0.5	-2.4	2.8	-5.4	-7.5	-1.6	-0.4	1.0	1.5	1.8	0.4

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, WEMF, Stiftung Werbestatistik Schweiz, Media Focus, German Association of Magazine Publishers, Periodical Publishers Association

11 Newspaper Publishing

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11.1 Executive Summary

Definition

- The newspaper publishing market comprises spending on daily print newspapers by advertisers and readers and advertising on newspaper websites and mobile device sites. Spending by readers includes news-stand and kiosk purchases and subscriptions, as well as payments for newspapers delivered to mobile devices and fees to access online content.
- Circulation numbers exclude free daily newspapers and weekend editions, unless stated otherwise.

Market size and growth in Switzerland

- We expect the Swiss newspaper publishing market to increase from CHF 2.1 billion in 2009 to CHF 2.2 billion in 2014, a compound annual growth rate of 0.9 percent.
- In comparison, the EMEA market will grow by a projected 1.0 percent compound annual growth rate and Western Europe by 0.4 percent compounded annually. For Western Europe, we expect newspaper publishing revenues to increase from CHF 54.1 billion in 2009 to CHF 55.1 billion in 2014.

Market size and growth by component

- Spending on print advertising is the principal component of the market with revenues of CHF 1.3 billion in 2009, representing 61 percent of total spending. We project an increase to CHF 1.4 billion in 2014, a 0.9 percent compound annual growth rate.
- We expect circulation spending, the second largest component, representing 36 percent of total spending, to decrease from CHF 777 million in 2009 to CHF 770 million in 2014, a 0.2 compound annual decrease.
- Spending on digital advertising is expected to rise from CHF 59 million in 2009 to CHF 96 million in 2014, a 10.2 percent compound annual increase.

Principal drivers

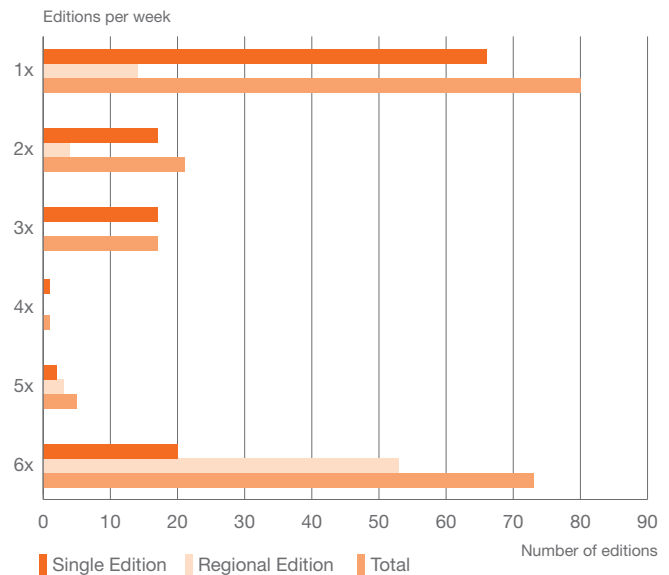
- Improved economic conditions will support an increase in spending for advertising.
- However, as a result of competition from the Internet and changing consumer behaviour, circulation will continue to decrease, albeit at a low level.
- In a fast-changing environment, time for reading is limited. Mobile devices such as eReaders and tablet PCs will represent a new outlet for circulation and related advertising revenues. One of the main challenges will be to adapt the applications for these devices to the usage patterns of the readership, including usability aspects.
- A major advantage of applications is the ability to focus on the specific needs of targeted readerships and enhance these needs with additional content, such as background information, related third-party content, video and photo series.

11.2 Market Overview

- The Swiss newspaper publishing market is small compared to the markets in Germany, France or the UK. However, no other country in Europe has such high-density coverage of newspapers as a percentage of the total population. Switzerland is a typical “print press country”.
- The newspaper publishing market in Switzerland is thus characterised by its size, but also by its geographical and linguistic boundaries and the political system of direct democracy. Due to the political system of direct democracy, with most decisions being taken at local and regional levels, local and regional news has a specific function and importance in Switzerland, both as a communication channel as well as an official means of publishing decisions, amendments and announcements of local or regional relevance to the public.
- The Swiss newspaper market consists of a large number of publishers. However, due to continuous consolidation activity, today the titles of only a handful of publishers comprise the vast majority of total market circulation.
- In 2009, a further consolidation of newspaper publishers took place. The merger of Tamedia and Edipresse created the fourth largest media group behind PubliGroupe, SRG SSR idée suisse and Ringier.

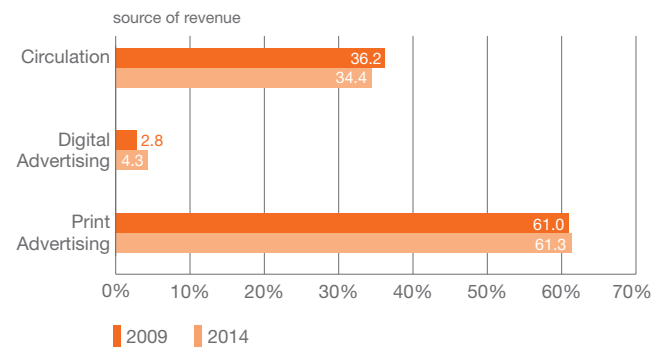
- The consolidation continued into 2010 as the media houses NZZ-Mediengruppe and Tamedia announced their agreements on the swap of their regional newspaper stakes in the cantons of Thurgau and Zurich. “Thurgauer Zeitung” was transferred from Tamedia to FPH Freie Presse Holding AG, a subsidiary of NZZ-Mediengruppe. In return, Tamedia took over the stakes in the Zurich regional papers “Zürcher Unterländer”, “Zürichsee Zeitung” and “Zürcher Oberländer” from FPH Freie Presse Holding. In addition, the Gut Family of publishers sold its majority stake in “Zürichsee Zeitung” to Tamedia.
- The “Basler Zeitung”, however, was bought by the Swiss investor Mr. Tito Tettamanti (75 percent of shares) and Mr. Martin Wagner (25 percent of shares) instead of by a large publishing house such as Tamedia or NZZ-Mediengruppe, or by its neighbouring regional media company AZ-Medien.
- Since 2005, the number of newspapers being published at least once a week decreased in all 4 language regions from 206 titles in 2005 to 197 in 2009. This trend is expected to continue over the next years but the previously mentioned Swiss political system of direct democracy will still support a high number of newspapers compared to the country’s size and number of inhabitants.
- The overall newspaper publishing market in Switzerland fell by 15 percent in 2009, and a further 0.8 percent decrease is expected in 2010. Starting in 2011, total revenues are expected to increase again at low-single-digit growth rates to reach CHF 2.2 billion in 2014.
- Print advertising was hit hard by the financial crisis and fell by 21.9 percent in 2009 with revenues of CHF 1.3 billion. For 2010, a further decrease of 1.6 percent is expected. Growth during the subsequent four years is forecasted to stimulate spending to CHF 1.4 billion in 2014, a 0.9 percent compound annual growth rate. However, this is still far from the 2005 level.
- Digital advertising on newspaper websites will increase from CHF 59 million in 2009 to an estimated CHF 96 million in 2014, a 10.2 percent compound annual increase.
- The increase in digital advertising of CHF 6 million from 2009 to 2010 cannot compensate for the decrease of CHF 21 million in print advertising over the same period.
- Total newspaper advertising is expected to rise at a 1.4 percent compound annual rate to CHF 1,466 million in 2014 from CHF 1,368 million in 2009.
- Circulation spending is expected to decrease from CHF 777 million in 2009 to CHF 770 million in 2014, a 0.2 percent compound annual decline.

Number of newspapers per number of editions per week in 2009



Source: PricewaterhouseCoopers AG, WEMF, Swiss Press Association

Relative share per source of revenue of total newspaper publishing revenues



Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates

Newspaper Publishing Market by Component (CHF millions)											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Print Advertising	1,615	1,688	1,765	1,676	1,309	1,288	1,296	1,313	1,336	1,370	0.9
Digital Advertising	31	51	62	67	59	65	71	78	87	96	10.2
Total Advertising	1,646	1,739	1,827	1,743	1,368	1,353	1,367	1,391	1,423	1,466	1.4
Circulation	759	759	760	780	777	774	773	771	770	770	-0.2
Total Advertising and Circulation	2,405	2,498	2,587	2,523	2,145	2,127	2,140	2,162	2,193	2,236	0.8

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, WEMF, Stiftung Werbestatistik Schweiz, Media Focus, Swiss Press Association, DoubleClick, Google, MACH Basic 2010–2

Newspaper Publishing Market Growth by Component (%)											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Print Advertising	4.5	4.5	4.6	-5.0	-21.9	-1.6	0.6	1.3	1.8	2.5	0.9
Digital Advertising	55.4	62.1	21.3	8.8	-12.9	10.6	9.6	10.0	11.3	10.3	10.2
Total Advertising	5.7	5.7	5.1	-4.6	-21.6	-1.1	1.0	1.8	2.3	3.0	1.4
Circulation	0.0	0.0	0.1	2.6	-0.4	-0.4	-0.1	-0.3	-0.1	0.0	-0.2
Total Advertising and Circulation	3.8	3.8	3.6	-2.5	-15.0	-0.8	0.6	1.0	1.5	1.9	0.8

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, WEMF, Stiftung Werbestatistik Schweiz, Media Focus, Swiss Press Association, DoubleClick, Google, MACH Basic 2010–2

11.3 Newspaper Advertising Market Switzerland

- Growth in digital advertising was insufficient to offset the decreases in print advertising during the last few years. Overall newspaper advertising fell by 5 percent in 2008 and 21.9 percent in 2009. We expect a further 1.6 percent decline in 2010. Thereafter, double-digit gains in digital

advertising combined with small gains in print advertising beginning in 2011 will lead to an expansion in the overall market.

- Total newspaper advertising is expected to increase from CHF 1,368 million in 2009 to 1,466 million in 2014, a 1.4 percent annual increase.
- Digital advertising is projected to continue to grow its relative market share and is expected to increase from 4.3 percent in 2009 to constitute 6.6 percent of total newspaper advertising in 2014.

Newspaper Publishing Advertising Market by Component (CHF millions)											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Print Advertising	1,615	1,688	1,765	1,676	1,309	1,288	1,296	1,313	1,336	1,370	0.9
Digital Advertising	31	51	62	67	59	65	71	78	87	96	10.2
Total Advertising	1,646	1,739	1,827	1,743	1,368	1,353	1,367	1,391	1,423	1,466	1.4

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, WEMF, Stiftung Werbestatistik Schweiz, Media Focus, Swiss Press Association, DoubleClick, Google, MACH Basic 2010–2

Newspaper Publishing Advertising Market Growth by Component (%)											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Print Advertising	4.5	4.5	4.6	-5.0	-21.9	-1.6	0.6	1.3	1.8	2.5	0.9
Digital Advertising	55.4	62.1	21.3	8.8	-12.9	10.6	9.6	10.0	11.3	10.3	10.2
Total Advertising	5.7	5.7	5.1	-4.6	-21.6	-1.1	1.0	1.8	2.3	3.0	1.4

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, WEMF, Stiftung Werbestatistik Schweiz, Media Focus, Swiss Press Association, DoubleClick, Google, MACH Basic 2010–2

11.3.1 Newspaper Print Advertising Market Switzerland

- The recession and falling circulation led to a 21.9 percent decrease in print newspaper advertising in 2009. For 2010 a decrease of 1.6 percent is expected. For the following consecutive 4 years we expect a stable growth rate to lead to an increase from CHF 1,309 in 2009 to a total spending of CHF 1,370 million which is a 0.9 percent higher compound annual increase on 2009.
- The recession affected spending on advertising, especially employment, real estate, and automotive advertisements, which comprise a significant portion of classified advertising.
- The decline in advertising especially hurt free papers that rely exclusively on advertising and that often compete in a more crowded market than paid dailies do. A number of major free dailies ceased to exist in 2009, including CASH Daily, Le Matin Bleu, News, “heute,” and .ch.

- We expect the economy to remain weak in 2010 and to begin to rebound in 2011, with a return to healthy growth expected not before 2013–2014. This growth, combined with continuing broadband household growth and increasing bandwidth capacity, will lead to enhanced migration by readers from print to digital. Overall advertising will benefit from a stronger economy.
- Spending on classified advertising traditionally shows a strong correlation with economic growth. A stronger economy therefore will stimulate spending on classified advertising. Although print newspapers will achieve a portion of the increase in classified advertising, most of the increase will go to the Internet because of its advantages as a platform. Online advertisements are sometimes up to 90 percent cheaper, can be changed at any time, and are easier for users to access and to navigate. Popular examples are Switzerland-based publisher Tamedia’s real estate portal Homegate and USA-based hedge fund Tiger Global Management LLC’s jobs classifieds portal Jobs.ch.

Newspaper Print Advertising											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Spending (CHF millions)	1,615	1,688	1,765	1,676	1,309	1,288	1,296	1,313	1,336	1,370	0.9
Growth (%)	4.5	4.5	4.6	-5.0	-21.9	-1.6	0.6	1.3	1.8	2.5	0.9

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, WEMF, Stiftung Werbestatistik Schweiz, Media Focus, Swiss Press Association, DoubleClick, Google, MACH Basic 2010–2

11.3.2 Newspaper Digital Advertising Market Switzerland

- In general, broadband penetration and growth in newspaper website traffic expands the online audience for newspapers, in contrast to print readership, which is declining. Advertisers are following readers and are shifting budgets from print to the Internet.
- However, a portion of this migration of advertising budget from print media to the Internet is being recaptured by newspaper websites.
- At present, there is an ongoing discussion between the national broadcaster SRG SSR idée suisse and the publishing companies as to whether a state-owned broadcaster should be allowed to make use of online advertising at its online news portals or not. SRG SSR idée suisse distributes news, podcasts, videos and a wide range of multimedia content over its television channel SF.tv and radio channel DRS.ch.

- The national broadcaster SRG SSR idée Suisse takes the position that it should be allowed to make use of Internet advertising because according to SRG SSR idée suisse, the dual financing model, consisting of revenues from license fees, and external advertising and sponsorship revenue is jeopardized in the mid-term. The linking of advertising regulations to the distribution channel, as stipulated in the RTVG/RTVV, therefore becomes in its viewpoint increasingly unrealistic in the light of media convergence and fragmentation of media consumption.
- The publishing industry, represented by the “Swiss Press Association” takes the standpoint that SRG SSR idée suisse should not be allowed to make use of Internet advertising. Instead, it promotes a transformation to a clear regulatory environment where the private media companies are funded by the advertising revenues and the public media companies for the license fees.
- Furthermore, the gathering of online content from newspaper publisher websites by Google for its Google News service remains an intensely debated issue in Switzerland, as in several other countries.

- Reader awareness has changed. The consumer is not happy just having a printed version of the newspaper. Today, consumers want to be informed quickly, get up-to-date information at any time and anywhere. This new trend can be enhanced by generating multimedia content, such as videos, podcasts and pictures galleries. Publishers in Switzerland such as Tamedia, NZZ and Ringier have purchased regional television and radio stations. NZZ Group and the LZ Medien Group obtained the concession for Tele 1 AG last year.
- Also in Switzerland, the concept of an integrated newsroom, where editorial content is produced centrally and then distributed through all available or appropriate distribution channels, has been adopted. However, the execution of the concept varies from one publisher to another: both Ringier and AZ-Medien decided to integrate in full their respective print, online, radio and television editorial staff. Tamedia decided to keep its online editorial staff separate from its print staff and Südostschweiz Medien decided to bundle print with online, and radio with television.

Newspaper Digital Advertising											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Spending (CHF millions)	31	51	62	67	59	65	71	78	87	96	10.2
Growth (%)	55.4	62.1	21.3	8.8	-12.9	10.6	9.6	10.0	11.3	10.3	10.2

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, WEMF, Stiftung Werbestatistik Schweiz, Media Focus, Swiss Press Association, DoubleClick, Google, MACH Basic 2010-2

11.4 Circulation Market in Switzerland

- In the highly competitive newspaper market, 2010 may be the first year that the free daily newspaper “20 Minuten” has not been able to attract more readers since entering the market. The combined circulation of the German (“20 Minuten”) and French (“20 minutes”) version of “20 Minuten” reached 1,810,000 readers in the first half of 2010, which is 219,000 fewer than in the previous period in 2009. However, “20 Minuten Friday” was able to attract 451,000 readers in the first six months of 2010, an increase of 6.9 percent compared to the first three months of 2010. It is expected that these high circulation numbers, despite lower price-per-thousand-contacts, also support its owner Tamedia in creating economies of scale.
- Ringier’s free daily evening newspaper “Blick am Abend” was able to extend its reach by 137,000 to a total of 495,000 readers over the first six months of 2010.
- Among the paid for newspapers in the German speaking part of Switzerland, “Blick” (Ringier) was able to retain its leadership with 628,000 readers despite losing 21,000 readers compared to the previous period. Also the “Tagesanzeiger“ (Tamedia, 472,000 readers/–15,000 compared to previous period) the “Mittelland-Zeitung” (AZ Medien, 394,000 readers/–27,000 compared to previous period), the “Berner Zeitung” (Tamedia, 362,000 readers/–33,000 compared to previous period) and the “Neue Luzerner Zeitung” (NZZ Gruppe, 267,000 readers/–11,000 compared to previous period) lost readers.

Free Newspaper Readership (thousands)			
German-speaking part of Switzerland	MACH Basic 2009–2	MACH Basic 2010–2	Development (%)
20 Minuten	1417	1315	–7.2
20 Minuten Friday	n/a	451	n/a
Blick am Abend	358	495	38.3

Source: WEMF

Free Newspaper Readership (thousands)			
French-speaking part of Switzerland	MACH Basic 2009–2	MACH Basic 2010–2	Development (%)
20 Minutes	527	495	–6.1
GHI	180	174	–3.3
Lausanne-Cités	118	107	–9.3
Courrier Neuchâtelois	76	78	2.6
Arc Hebdo	40	43	7.5

Source: WEMF

- Only the “Basler Zeitung” and the Nordostschweiz combinations (“Der Landbote”, “Schaffhauser Nachrichten”, “Thurgauer Zeitung”) were able to increase their readership. Basler Zeitung added 6,000 to reach a total of 175,000 readers, Nordostschweiz grew by 4.1 percent to reach a total of 178,000 readers.
- The “Neue Zürcher Zeitung” (NZZ Gruppe) and the “Südostschweiz” (Südostschweiz Medien) were the only Swiss-German newspapers able to keep their base stable, with an audience of 306,000 readers (+ / – o) and 235,000 (–1,000) respectively.

- As one possible means of increasing circulation, “Blick”, in June 2010, announced for the first time in Swiss history, it would pay the sum of CHF 20,000 to anyone who could provide the Swiss police with correct information on the yacht owner who was alleged to have run over a young couple in one of the lakes in Switzerland.
- In the French speaking part of Switzerland, the circulation situation was less dramatic. “Le Matin” (Edipresse) was able to increase its readership over the first six months of 2010 compared to the previous period. Edipresse’s paid for newspaper increased its readership by 5,000 to a total of 251,000.
- Other paid for newspapers also increased or maintained readership: for example, “24 heures” (Edipresse, 231,000 readers/+2,000 compared to previous period) and “Nouvelliste” (Rhône-Media) (115,000/+1,000) were able to attract more readers compared to the previous period.
- Other newspaper circulations decreased, such as “Le Temps” (Edipresse) (132,000 readers/–5,000 compared to previous period).
- Among the weekly Sunday newspapers the “Sonntags-Blick” (870,000 readers/–21,000 compared to previous period), and the “SonntagsZeitung” (771,000 readers/–64,000 compared to previous period) had a decreasing number of readers. On the other hand, the “NZZ am Sonntag” was able to increase its readership by 13,000 up to 505,000 readers. In September 2008, the “Zentral-schweiz am Sonntag” entered the market. In the Roman-die, “Le Matin Dimanche” lost 9,000 readers reaching a total audience of 511,000.
- Overall circulation spending in Switzerland fell by 0.4 per-cent in 2009 and is expected to continue to decline at a low-single-digit rate during 2010 to 2014.
- Over time, newspaper circulation is expected to face strong competition from new distribution channels (e.g., news portals, mobile applications for smartphones and tablet PCs, eReaders). These new distribution channels allow Swiss publishers to attract additional readers, yet also may substitute their own printed news channels.
- Another reason for decreasing circulation is continuing change in consumer behaviour. Consumers demand real-time news information. The reader can access the latest news over the Internet throughout the day and via news services such as RSS feeds or Twitter tweets. Newspapers can respond to these developments by, for example, providing readers with a wider variety of news themes and improved background information.
- Publishers are facing a new challenge providing paid content on the Internet. Swiss publishers so far have not blocked their free Internet offerings as publishing web-sites can still be accessed free of charge to consumers.

Daily Newspaper Readership (thousands)			
German-speaking part of Switzerland	MACH Basic 2009–2	MACH Basic 2010–2	Development (%)
Aargauer Zeitung	251	206	–17.9
Basler Zeitung	169	175	3.6
Berner Zeitung/Bund GES	395	362	–8.4
Blick	649	628	–3.2
Mittelland Zeitung GES	421	394	–6.4
Neue Luzerner Zeitung GES	278	267	–4.0
NZZ Schweiz	306	306	0.0
Nordostschweiz GES	171	178	4.1
St Galler Tagblatt GES	201	197	–2.0
Südostschweiz GES	236	235	–0.4
Tages Anzeiger	487	472	–3.1
Zürcher Landzeitung GES	194	196	1.0

Source: WEMF

Daily Newspaper Readership (thousands)			
French-speaking part of Switzerland	MACH Basic 2009–2	MACH Basic 2010–2	Development (%)
24 Heures éd. Totale	229	231	0.9
Tribune de Genève	159	140	–11.9
Nouvelliste	114	115	0.9
La Liberté	87	93	6.9
L’Express	60	57	–5.0
Quotidien Jurassien	46	46	0.0
L’impartial	38	43	13.2
La Gruyère	32	34	6.3
Biel-Bienne	26	29	11.5
Journal du Jura	20	26	30.0
Le Matin semaine	246	251	2.0
Le Temps	137	132	–3.6

Source: WEMF

- In the field of mobile applications, Swiss publishers have also not completely banned free content so far. Tamedia for example offers a free “Tages Anzeiger” application for iPhone and iPad. Its “Sonntagszeitung” offering can be purchased for CHF 2.20. The “NZZ” application has to be purchased for CHF 3.30 and the “Blick” application for CHF 4.40. These and other newspaper applications can often be purchased at a low initial price with allowance for a test edition or are free of charge in the form of a trial period. In both cases, the trial product or service expires and users are requested to upgrade to a subscription service or to buy single editions. Some offers also have the possibility of including print versions (e.g. NZZ’s “E-Paper NZZ-Kombi plus”, which includes the Saturday and Sunday editions of the “NZZ”, resp. the “NZZ am Sonntag”).

- As an alternative means of generating income, The Swiss Post plans to continue its personalized digital newspaper pilot project, where subscribers can select typical newspaper sections from different national and international newspapers. The electronic or printed versions of this personalised paper include the regular newspaper edition sections, including advertising.
- Together with Swiss publishers Tamedia, NZZ, Edipresse, Ringier and Orell Füssli, Swisscom is working on a solution for eReaders/ tablet PCs that particularly addresses the needs of local Swiss consumers. The solution is to function independently of eReaders and tablet PCs and should allow Swiss consumers to store and access newspaper, magazine and other media content device-independent at any time.
- At an international level, many publishers are facing similar problems and are investing in other sources of revenue. “The Wall Street Journal”, for example, launched a mobile version of its website for its European edition, and in the Netherlands, the “Telegraaf Media Groep” created a digital network of targeted local news.
- The price for subscriptions increased from CHF 308 in 2004 to CHF 354 in 2009. Some publishers increased subscription prices despite the economic downturn, which was followed by weak advertising revenues and decreasing circulation numbers.

Sunday Newspaper Readership (thousands)			
German-speaking part of Switzerland	MACH Basic 2009–2	MACH Basic 2010–2	Development (%)
NZZ am Sonntag	492	505	2.6
Sonntag GES	370	364	-1.6
SonntagsBlick	891	870	-2.4
SonntagsBlick Magazin	512	492	-3.9
Sonntags Zeitung	835	771	-7.7
Südostschweiz am Sonntag	107	106	-0.9
Zentralschweiz am Sonntag	n/a	174	n/a

Source: WEMF

Sunday Newspaper Readership (thousands)			
French-speaking part of Switzerland	MACH Basic 2009–2	MACH Basic 2010–2	Development (%)
Le Matin Dimanche	520	511	-1.7

Source: WEMF

Newspaper Circulation											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Spending (CHF millions)	759	759	760	780	777	774	773	771	770	770	-0.2
Growth (%)	0.0	0.0	0.1	2.6	-0.4	-0.4	-0.1	-0.3	-0.1	0.0	-0.2

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, WEMF, Stiftung Werbestatistik Schweiz, Media Focus, Swiss Press Association, DoubleClick, Google, MACH Basic 2010–2

11.5 The Swiss Newspaper Market Compared to Western Europe

- Germany had the largest market in 2009, at CHF 12,745 million, followed by the UK at CHF 9,785 million and France at CHF 4,916 million. Together, these three countries constituted 52 percent of the total Western European newspaper publishing market.
- Switzerland and Austria are smaller newspaper markets compared to the above-mentioned countries with a market share respectively of 4.1 percent for Switzerland and 4.3 percent for Austria in 2009.
- Market movements in Switzerland and Western Europe were quite similar. The Swiss newspaper market was hit by poor economic conditions in 2009, and revenues decreased by 15 percent. All other Western European countries also lost revenues in 2009.
- In Western Europe we expect an increase in revenues from 2010 to 2014 at a 0.4 percent compound annual growth rate. The Swiss market is expected to outperform this growth, with an estimated annual increase of 0.8 percent, due to its special status as a newspaper nation.

Newspaper Publishing Market by Country (CHF millions)											
Western Europe	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Austria	2,101	2,131	2,270	2,333	2,241	2,251	2,289	2,329	2,376	2,428	1.6
Belgium	2,225	2,345	2,397	2,382	2,262	2,236	2,226	2,225	2,253	2,293	0.3
Denmark	2,034	2,152	2,163	2,043	1,838	1,810	1,802	1,804	1,819	1,859	0.2
Finland	1,455	1,492	1,541	1,554	1,377	1,320	1,321	1,326	1,360	1,395	0.3
France	4,921	4,972	4,972	5,024	4,916	4,869	4,856	4,877	4,954	5,096	0.7
Germany (Includes weekly papers)	13,257	13,490	13,626	13,559	12,745	12,405	12,537	12,698	12,888	13,206	0.7
Greece	1,083	1,206	1,372	1,358	1,179	1,111	1,077	1,061	1,055	1,046	-2.4
Ireland	965	1,037	1,065	1,067	876	849	839	842	849	863	-0.3
Italy	3,476	3,533	3,617	3,382	2,939	2,830	2,845	2,888	2,936	3,010	0.5
Netherlands	2,382	2,366	2,394	2,371	2,154	2,092	2,088	2,095	2,113	2,151	0.0
Norway	2,191	2,273	2,376	2,349	1,995	1,918	1,943	1,984	2,050	2,138	1.4
Portugal	333	329	338	338	312	306	303	307	312	319	0.4
Spain	4,512	4,729	4,798	4,145	3,544	3,414	3,336	3,350	3,374	3,453	-0.5
Sweden	2,155	2,245	2,285	2,245	1,993	1,972	1,987	2,000	2,019	2,056	0.6
Switzerland	2,405	2,498	2,587	2,523	2,145	2,127	2,140	2,162	2,193	2,236	0.8
United Kingdom	12,203	11,971	11,959	11,018	9,785	9,501	9,497	9,557	9,658	9,819	0.1
Western Europe Total	57,699	58,768	59,759	57,691	52,300	51,011	51,085	51,506	52,207	53,368	0.4

Source: PricewaterhouseCoopers AG, Wilkowsky Gruen Associates, WEMF, Stiftung Werbestatistik Schweiz, Media Focus, Swiss Press Association, DoubleClick, Google, MACH Basic 2010–2

12 Methodology

How We Derive the Data

Historical information

Historical information is obtained principally from confidential and proprietary sources. In instances where third-party sources are consulted and their information is used directly – from such sources as government agencies, trade associations, or related entities that seek to have their data disseminated in the public domain – the sources of such information are explicitly cited. In instances where the information is used indirectly, as part of the calculus for the historical data, the sources are proprietary.

Forecast information

Recent trends in industry performance are analyzed, and the factors underlying those trends are identified. The factors considered are economic, demographic, technological, institutional, behavioural, competitive, and other drivers that may affect each of the entertainment and media markets. Models are then developed to quantify the impact of each factor on industry spending. A forecast scenario for each causative factor is then created, and the contribution of each factor on a prospective basis is identified. These proprietary mathematical models and analytic algorithms are used in the process to provide an initial array of prospective values. Our professional expertise and institutional knowledge are then applied to review and adjust those values if required. The entire process is then examined for internal consistency and transparency vis-à-vis prevailing industry wisdom. Forecasts for 2010–2014 are also based on an analysis of the dynamics of each segment in Western Europe and on the factors that affect those dynamics. We provide compound annual growth rates (CAGRs) that cover the 2010–2014 forecast period. In the calculation of CAGRs, 2009 is the beginning year, with five growth years during the forecast period: 2010, 2011, 2012, 2013, and 2014. The end year is 2014. The formula is: $CAGR = 100 * ((\text{Value in 2014} / \text{Value in 2009})^{1/5} - 1)$

How we report the data in each chapter

Segment spending consists of advertising and end-user spending related directly to entertainment and media content. Each chapter introduction begins with a definition of the spending streams that are included in that segment. We do not include spending on hardware or on services that may be needed to access content. End-user spending is counted at the consumer or end-user level – not at the wholesale level – and includes retail markups when applicable. Advertising spending is measured net of agency commissions. In addition to annual spending figures, we also present data that are measured at a single point in time, such as TV subscriptions, Internet subscriptions, mobile subscriptions, and newspaper unit circulation. In those instances, we show annual averages rather than year-end totals because annual averages more accurately connect the impact of those figures to annual spending.

Rounding

The rounding of revenues, especially in the lower millions range, may lead to variations in the calculation of CAGRs.

Inflation

Across all chapters, figures are reported in nominal terms reflecting actual spending transactions and therefore include the effects of inflation.

Exchange rates

All figures are presented in Swiss Francs based on the average 2009 exchange rate held constant for each historical year and forecast year. This means the figures reflect industry trends and are not distorted by fluctuations in international exchange rates.

The exchange rates used for the individual countries in Western Europe are set forth in the following table.

Nominal GDP growth

Because all figures are shown as actual spending, with the effects of inflation included, nominal GDP growth has an important influence on entertainment and media spending.

The following table shows historical and projected growth rates for nominal GDP for the individual countries in Western Europe.

Exchange Rates per CHF (2009 average)		
Western Europe	Currency	Exchange rate
Austria	Euro	0.66245
Belgium	Euro	0.66245
Denmark	Krone	4.93444
Finland	Euro	0.66245
France	Euro	0.66245
Germany	Euro	0.66245
Greece	Euro	0.66245
Ireland	Euro	0.66245
Italy	Euro	0.66245
Netherlands	Euro	0.66245
Norway	Krone	5.79749
Portugal	Euro	0.66245
Spain	Euro	0.66245
Sweden	Krona	7.04187
Switzerland	Franc	1.00000
United Kingdom	Pound sterling	0.59064

Nominal GDP Growth by Country (%)											
Western Europe	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2010–14 CAGR
Austria	5.0	5.2	5.3	4.3	-3.3	1.3	2.5	3.6	4.7	5.1	3.4
Belgium	4.1	5.3	5.3	2.1	-3.1	1.5	2.9	3.2	3.8	4.6	3.2
Denmark	5.4	5.4	3.6	2.8	-4.5	1.8	3.5	4.2	4.3	4.6	3.7
Finland	3.2	6.3	7.6	3.7	-6.5	2.4	3.4	3.7	4.3	4.5	3.6
France	4.0	4.7	4.7	2.9	-2.1	1.9	3.0	3.4	4.0	4.4	3.3
Germany	1.4	3.7	4.4	2.8	-4.6	2.6	2.2	2.8	3.6	3.7	3.0
Greece	6.3	7.9	7.0	6.4	-6.9	-1.0	2.8	3.2	4.7	5.0	2.9
Ireland	8.8	9.4	7.5	1.0	-8.1	-1.2	2.0	3.1	4.2	5.2	2.6
Italy	2.7	3.9	4.0	1.6	-4.4	1.8	2.2	2.6	2.8	2.9	2.5
Netherlands	4.5	5.2	5.0	4.9	-3.3	1.0	2.4	3.4	3.9	4.8	3.1
Norway	11.7	11.0	5.4	11.5	0.4	3.0	3.7	4.8	5.0	5.7	4.4
Portugal	3.5	4.3	5.0	1.8	-3.6	1.5	2.1	3.3	4.0	4.2	3.0
Spain	7.8	8.5	7.8	4.2	-3.7	0.1	1.9	2.2	3.7	4.5	2.5
Sweden	4.2	6.0	5.6	3.1	-2.7	3.0	4.2	5.0	5.7	5.4	4.6
Switzerland	2.8	5.8	6.2	4.0	-2.1	1.4	2.6	2.9	2.9	2.8	2.5
United Kingdom	4.3	5.5	6.0	3.0	-2.6	1.7	3.8	4.5	5.0	5.3	4.1
Western Europe Total	3.9	5.3	5.2	3.2	-3.8	1.7	2.7	3.3	4.0	4.3	3.2

Source: PricewaterhouseCoopers AG, consensus estimate, Wilkowsky Gruen Associates

13 Glossary

Advertising systems	Advertising systems are digital billboards at squares as well as in streets or public buildings (e.g., cinemas, train stations).
Affiliate Internet advertising	The segment affiliate internet advertising encompasses Internet ads which are placed on a high number of web sites which are typically linked to an affiliate network. Affiliate internet advertising typically is settled on a performance basis (i.e., cost per click or cost per acquisition).
BBC	The British Broadcasting Corporation (BBC) is a large broadcaster with global headquarters in London and its main responsibility is to provide public service broadcasting in the United Kingdom, Channel Islands and Isle of Man. The BBC is an autonomous public service broadcaster.
Cable television (CATV)	CATV is a system of providing television to consumers via signals transmitted to TV sets through fixed optical fibres or coaxial cables. In contrast to the traditional over-the-air broadcasting method no antenna is needed.
Classification	The average number of copies of a newspaper distributed in a day.
Classified Internet advertising	Classified advertising differs from standard advertising in that it allows private individuals (not simply companies or corporate entities) to solicit sales for products and services. Classified advertising is usually text-only and can consist of as little as the type of item being sold and a telephone number to call for more information. Classified advertising is called such because it is generally grouped within the publication under headings classifying the product or service being offered. Typical classes are cars, real estate or job offerings.
Code Division Multiple Access (CDMA)	CDMA (Code Division Multiple Access) refers to any of several protocols used in second-generation (2G) and third-generation (3G) wireless communications. CDMA is a form of multiplexing, which allows numerous signals to occupy a single transmission channel, optimising the use of available bandwidth. The technology is used in ultra-high-frequency (UHF) cellular telephone systems in the 800-MHz and 1.9-GHz bands.
DAB / DAB+	Digital Audio Broadcasting (DAB) is a digital radio technology for broadcasting radio stations, used in several countries, particularly in Europe. As of 2006, approximately 1,000 stations worldwide broadcast in the DAB format. An upgraded version of the system was released in February 2007, which is called DAB+. DAB is not forward compatible with DAB+, which means that DAB-only receivers will not be able to receive DAB+ broadcasts. DAB+ is approximately twice as efficient as DAB due to the adoption of the AAC+ audio codec, and DAB+ can provide high quality audio with as little as 64 kbps.
Digital Terrestrial Television (DTT)	DTT is a technological evolution and advance from analogue terrestrial television. It provides more capacity, better picture quality, and lower operating costs for broadcast and transmission after the initial upgrade costs. DTT uses aerial broadcasts to a conventional antenna instead of a satellite dish or cable connection.
Display Internet advertising	Display Internet advertising appears on web pages in many forms, including web banners. These banners can consist of static or animated images, as well as interactive media that may include audio and video elements (these audio and video elements are typically referred to as rich media). Adobe Systems Flash or .gif are the preferred presentation formats for such interactive advertisements.

DRM	Digital Radio Mondiale is a set of digital audio broadcasting technologies designed to work over the bands currently used for AM broadcasting, particularly shortwave. DRM can fit more channels than AM, at higher quality, into a given amount of bandwidth, using various MPEG-4 codecs.
Enhanced Data rates for GSM Evolution (EDGE)	Enhanced Data rates for GSM Evolution (EDGE) (also known as Enhanced GPRS (EGPRS), or IMT Single Carrier (IMT-SC), or Enhanced Data rates for Global Evolution) is a backward-compatible digital mobile phone technology that allows improved data transmission rates, as an extension on top of standard GSM. EDGE is considered a 3G radio technology and is part of ITU's 3G definition. EDGE was deployed on GSM networks beginning in 2003. EDGE is standardised by 3GPP as part of the GSM family, and it is an upgrade that provides more than three-fold increase in both the capacity and performance of GSM/GPRS networks. EDGE can be used for any packet switched application, such as an Internet connection. EDGE-delivered data services create a broadband Internet-like experience for the mobile phone user.
Evolved High-Speed Packet Access (HSPA+)	HSPA+ provides HSPA data rates up to 56 Mbps on the downlink and 22 Mbps on the uplink. Future revisions of HSPA+ support up to 168 Mbps using multiple carriers.
Financial and business press	Addresses an audience with particular interests in economic and financial topics.
Free-to-air services (FTA)	FTA services are broadcast unencrypted and may be received via any suitable receiver. FTA television channels can be delivered either by satellite or by broadcast via unencrypted signals on UHF or VHF bands.
FTTH	Fibre to the Home is the installation and use of optical fibre from a central point directly to individual buildings such as residences, apartment buildings and businesses to provide unprecedented high-speed Internet access. In Switzerland, the FTTH connection includes all necessary in-house installations.
Gigabits per second (Gbps)	See Megabits per second (Mbps)
Global System for Mobile (GSM)	GSM (Global System for Mobile communication) is a digital mobile telephony system that is widely used in Europe and other parts of the world. GSM uses a variation of time division multiple access (TDMA) and is the most widely used of the three digital wireless telephony technologies (TDMA, GSM, and CDMA). GSM digitises and compresses data, then sends it down a channel with two other streams of user data, each in its own time slot. It operates in either the 900 MHz or 1800 MHz frequency band.
HD Radio	HD Radio is the trademark for iBiquity's in-band on-channel (IBOC) digital radio technology used by AM and FM radio stations to transmit audio and data via a digital signal in conjunction with their analogue signals. It was selected by the United States Federal Communications Commission (FCC) in 2002 as a digital audio broadcasting method for the United States and is the only digital system approved by the FCC for digital AM/FM broadcasts in the United States. Other digital radio systems include FMeXtra, Digital Audio Broadcasting (DAB), Digital Radio Mondiale (DRM30, DRM+), and Compatible AM Digital (CAM-D).
High Definition Television (HDTV)	HDTV refers to images having resolution substantially higher than traditional television systems. HDTV has up to two million pixels per frame, roughly five times of the previous standard. Today HDTV is digitally broadcast using video compression.

High Speed Packet Access (HSPA)	High Speed Packet Access is a collection of two mobile telephony protocols, High Speed Downlink Packet Access (HSDPA) and High Speed Uplink Packet Access (HSUPA), that extends and improves the performance of existing WCDMA protocols. A further standard, Evolved HSPA (also known as HSPA+), was released late in 2008 with subsequent adoption worldwide in 2010.
Internet advertising	Wired and mobile Internet advertising consists of spending by advertisers on paid search, display, classified, and other online formats as well as advertising delivered to mobile phones via formats designed for mobile handset screens.
Internet Protocol Television (IPTV)	IPTV is a system through which TV content is delivered through the architecture and networking methods of the Internet Protocol Suite instead of being delivered through traditional broadcast, satellite, or cable. IPTV is an increasingly popular form of VOD.
Kilobits per second (kbps)	See Megabits per second (Mbps)
Long Term Evolution (LTE)	Long Term Evolution (LTE) is a 4G wireless broadband technology developed by the Third Generation Partnership Project (3GPP), an industry trade group. 3GPP engineers named the technology “Long Term Evolution” because it represents the next step (4G) in a progression from GSM, a 2G standard, to UMTS, the 3G technologies based upon GSM. LTE provides significantly increased peak data rates, with the potential for 100 Mbps downstream and 30 Mbps upstream, reduced latency, scalable bandwidth capacity, and backwards compatibility with existing GSM and UMTS technology. Future developments could yield peak throughput in the order of 300 Mbps.
Megabit per second (Mbps)	Mbps stands for millions of bits per second or megabits per second and is a measure of bandwidth (the total information flow over a given time) on a telecommunications medium. Depending on the medium and the transmission method, bandwidth is also sometimes measured in the kbps (thousands of bits or kilobits per second) range or the Gbps (billions of bits or gigabits per second) range.
MMO(RP)GS	A massive multiplayer online (role-playing) game (MMO(RP)G) is a type of computer game that enables hundreds or thousands of players to simultaneously interact in a game world they are connected to via the Internet. Typically this kind of game is played in an online, multiplayer-only persistent world. MMO(RP)Gs create a persistent universe where the game continues playing regardless of whether or not anyone else does. Since these games strongly or exclusively emphasise multiplayer gameplay, few of them have any significant single-player aspects or client-side artificial intelligence. As a result, players cannot “beat” MMO(RP)Gs in the typical sense of single-player games, but instead may be challenged to organise complex tasks, involving various online players (“raids”), whose identities are expressed via individual symbolic figures or shapes (“avatars”).
Mobile Internet advertising	Advertising delivered to mobile phones via formats designed for mobile handset screens. Does not include text message (SMS) advertising.
Mobile TV	Mobile TV usually means TV content watched on a small handheld device. One can distinguish between subscription-based broadcasts in mobile phone networks or received FTA via terrestrial television stations. Some devices can also download content from the Internet (e.g. recorded TV programmes and podcasts) for later viewing.
OFCOM	Federal Office of Communications (German: BACOM, French: OFCOM, Italian: UFCOM. Regulates the telecommunication and broadcast market in Switzerland.

Pay per view (PPV)	PPV is a service by which a consumer can purchase certain TV content (e.g. movies or sport events) to view in their homes. The service provider broadcasts these events at the same time to all consumers who ordered it.
Popular press	Regularly, weekly or infrequently published print magazines which address a wide target audience and which are accessible to everybody.
Public TV license fee	A public TV license fee is an official duty levied in many countries for the reception of television content. It is a form of tax to fund public broadcasting, allowing the providers to transmit TV content with or without limited funding from commercials.
Public radio license fee	A public radio license fee is an official duty levied in many countries for the reception of radio content. It is a form of tax to fund public broadcasting, allowing the providers to transmit radio content with or without limited funding from commercials.
RTVG	Federal law on radio and TV
Satellite TV	Satellite TV services are delivered by the provider through communications satellite and received by the consumer through a satellite dish and set-top box. In many areas of the world they provide a wide range of TV channels, often to remote areas that are not serviced by terrestrial or cable providers.
Search advertising	Internet marketing or search advertising, also called paid search, is a method of placing online advertisements on Web pages that show results from search engine queries. Through the same search-engine advertising services, ads can also be placed on Web pages with other published content. Search advertisements are targeted to match key search terms (called keywords) entered on search engines.
Special interest press	These outlets address particular interests of the audience, for example hobbies, culture, environment, education, politics, health, sport, etc.
Subscription TV	Subscription-based TV refers to services, usually provided by either analogue and digital cable or satellite, but also increasingly by digital terrestrial methods. Today, most subscription television services offer multiplex packages, where several channels of programming are being offered rather than just one.
Technical press	Addresses the audience of a particular professional category with specific job-related interests, for example services, sciences, trade and industry, public interests, agriculture, etc.
Time Division Multiple Access (TDMA)	TDMA is a technology used in digital cellular telephone communication that divides each cellular channel into three time slots in order to increase the amount of data that can be carried.
Ultra High Frequency (UHF)	UHF and VHF are the most commonly used frequency bands for transmission of radio and television signals. Some mobile phones also transmit and receive within the UHF spectrum. UHF is widely used by public service agencies for two-way radio communication, usually using narrowband frequency modulation.

Universal Mobile Telecommunications Service (UMTS)	UMTS is a third-generation (3G) broadband, packet-based transmission of text, digitised voice, video, and multimedia at data rates up to 2 megabits per second (Mbps). UMTS offers a consistent set of services to mobile computer and phone users, no matter where they are located in the world. UMTS is based on the GSM communication standard. It is also endorsed by major standards bodies and manufacturers as the planned standard for mobile users around the world. Once UMTS is fully available, computer and phone users can be constantly attached to the Internet wherever they travel and as they roam they will have the same set of capabilities. Users will have access through a combination of terrestrial wireless and satellite transmissions. Until UMTS is fully implemented, users can use multi-mode devices that switch to the currently available technology (such as GSM 900 and 1800) where UMTS is not yet available.
Universal Service Obligation	The purpose of the universal service is to guarantee that a basic telecommunications services offer is made available to all sections of the population and in all the regions of the country. These services must be affordable, reliable and of a certain quality. The universal service includes telephony, telefax, data transmission, broadband Internet connections, access to the emergency services, public payphones and the provision of special services for the disabled.
Video on Demand (VOD)	VOD allows consumers to select and watch video content on demand. VOD systems either stream content through a set-top box for real time viewing, or download and store content for viewing at any time.
Very High Frequency (VHF)	Common uses for VHF are FM radio broadcast, television broadcast, land mobile stations (emergency, business, and military), long range data communication with radio modems, amateur radio, marine communications, air traffic control communications and air navigation systems.
Wideband Code Division Multiple Access (W-CDMA)	W-CDMA is an air interface standard found in 3G mobile telecommunications networks. It is the basis of Japan's NTT DoCoMo's FOMA service and the most commonly used member of the UMTS family. It is sometimes used as a synonym for UMTS. While not an evolutionary upgrade on the airside, it uses the same core network as the 2G GSM networks deployed worldwide, allowing dual-mode operation along with GSM/EDGE; a feature it shares with other members of the UMTS family.

14 Contacts

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This first Swiss Entertainment & Media Outlook was produced by our Swiss team of entertainment and media experts from across all PwC Assurance, Tax & Legal Services and Advisory service lines, located in various offices through Switzerland. Please find the contact details below:

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