[IT] AGCOM Advertising Revenues Survey

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On 21 November 2012 AGCOM published the results of the survey about the advertising revenues sector in Italy.

The aim of the survey has been to analyse the competition structure of the advertising revenues side in the overall Italian communication market, considered separately from the final users side pursuant to the approach generally followed by the competition authorities. The survey has been conducted taking into account both traditional mass media (broadcasting, radio, press, directories, theatrical and outdoor advertising) and on-line advertising. Advertising revenues represent the main income for the mass media, reaching about 70% of the broadcasting overall turnover, 80% for radio and 50% for press.

Resulting from the survey, the Italian media centre market is currently facing a process of concentration with the involvement of foreign companies in the national scenario. This trend appears to be similar to other national markets and is probably caused by economies both of scale and of scope that increase the entry barriers in this market. The main player (WPP) holds a 40% market share, with six competitors (Aegis, Omnicom, Publicis, Interpublic, Havas, Armando Testa), each of them holding a market share of less than 20% .

Also the broadcasting sector data reveals a high degree of concentration with one operator (Fininvest Group) holding more than 60% of the overall revenues. The main competitors are the public service broadcaster (RAI) and the leading pay tv broadcaster (Sky) both required to comply with more specific restrictions as regards the advertising hourly limit set by the broadcasting law. The survey also points out some selling practices used by the main advertising collectors, such as the discrimination on prices and the bundle offers of the advertising spaces that might cause market distortions.

The national radio sector is characterized by a higher degree of competition between national players - with five companies (l'Espresso, Finelco, RTL, RDS, RAI) holding at least a 20% market share -, low entry barriers and a less developed vertical integration. Local broadcasters have gained significant shares in the market. The survey also points out the possible consequences of the suspension of the national radio audience monitoring system (Audiradio). AGCOM is still working with the operators to build a new monitoring methodology and the

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experimental phase is expected to be started in the first semester of 2013.

The structure of the press sector is very competitive both on the newspapers and the magazines side. The leading company (l'Espresso) holds less than a 25% market share and there are many competitors, being the market characterized by low entry barriers and by a good level of diagonal integration between publishers.

The directories sector has been liberalised during the past years but is still highly concentrated with the leader company (Seat Pagine Gialle) holding about 90% of the market share. The directories overall revenues are decreasing with relevant shares moving to related internet services. The reduction of the demand for traditional directories services might in the future push the minor players out of the market.

The theatrical advertising sector is increasing the revenues following some technological innovations (3D, new cinema halls, digitalization); nevertheless the overall dimension is still negligible. The population penetration rate of this medium is still limited if compared to other media. The two main companies (Opus Proclama, Sipra) hold less than 40% market share each, without entry barriers and a limited vertical integration.

The outdoor advertising sector is characterised by a strong competition between national and local players and the presence of many operators at both levels.

The on-line advertising is the most dynamic and innovative sector. The Internet actually represents the second largest advertising media in Italy, having overtaken radio in 2006 and press in 2011. The market is characterized by some traditional players (La Repubblica, Corriere della Sera, Quotidiano.net, TGCom24) and the new internet players (Google, Yahoo!, Microsoft, Facebook) representing the most relevant part with more than 70% of the national market share. The structure of the market is characterized by significant network economies (i.e. for the social network the utility of one single user is directly connected to the overall number of users), relevant savings for transaction costs for the aggregation of offers and demand of a wide variety of services. These dynamics do not appear sufficient to reduce the market position of the main operator (Google) that still maintains its first ranking in the search engines market.

Deliberation no. 551/12/CONS of 21 November 2012, Chiusura dell'indagine conoscitiva sul settore della raccolta pubblicitaria, avviata con Delibera n. 402/10/CONS

http://www.agcom.it/Default.aspx?DocID=9781

Conclusions of the survey about the advertising sector revenues started with decision n. 402/10/CONS

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