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TNS FINAL RECKONING OF 2005 U.S. AD SPENDING

Rise of 3% Falls Short of Earlier Predictions

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By Nat Ives

NEW YORK (AdAge.com) -- Total U.S. ad spending rose 3% to $143.3 billion in 2005, according to new data from TNS Media Intelligence, as advertisers essentially matched the original TNS forecast of a 2.9% bump. In a sign of the difficulty pegging today's ad market, though, the increase fell short of many predictions made over the summer and even earlier in the year.

Actual results fell short of predictions made earlier in the year.
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Back in July, TNS was forecasting a 3.4% increase. And in June, Merrill Lynch analyst Lauren Rich Fine predicted a 4.7% rise, although by December she had reduced that figure to 3.2%.

"The rate of growth in advertising expenditures weakened slightly in the fourth quarter, as consumers and businesses turned a bit more cautious," said Jon Swallen, senior VP-research, TNS. "Large blue chip advertisers, as a group, have recently cut back their ad budgets. The growth is currently coming from outside the Top 100 marketers."

Online vs. local papers
As newspaper publishers could have guessed, unhappily, display ads online grew more than any other media, with a 13.3% gain in spending for a total of $8.3 billion. Interestingly enough, however, much of that strength derived from new online spending by dot-com brands; Web companies represented 49.7% of online ad spending, the highest level since the dot-com crash.

For their part, national newspapers recorded a 4.9% improvement in ad revenue, for a total of $3.5 billion. And local papers eked out a 1.1% increase for $25.1 billion total which, it is worth noting, still towers over the Internet total.

Other gainers included cable TV, where ad revenue grew 11.4% to $15.9 billion; outdoor, up 9.8% to $3.5 billion; syndicated programs, up 7.4% to $4.2 billion; consumer magazines, up 7.5% to a healthy $21.7 billion; and Spanish-language media, up 6.1% to $4.2 billion.

Biggest loser
Spot TV fell the most in 2005, sinking 9.5% to $15.5 billion, hurt by tough comparisons with the 2004 election season. The other losers comprised network radio, down 1.7% to $1 billion; national spot radio, down 0.5% to $2.6 billion; and network TV, down 0.3% to $22.5 billion.

The biggest 10 advertisers of 2005 cut ad spending 3.3% to $18.6 billion, with leader Procter & Gamble Co. holding on to the top spot but reducing its ad budget 4.6% to $3.2 billion.

Despite the heartbreak in Detroit, General Motors Corp. landed at No. 2 with nearly $3 billion in spending, up 7.1% -- the largest increase among the biggest marketers. DaimlerChrysler, on the other hand, slashed spending by 12.8% to land at No. 5 with $1.6 billion.

Time Warner, No. 3, increased spending 3.8% for a total of $2 billion, while No. 4, Verizon Communications, boosted its outlay 8.5% to reach $1.7 billion. T-W's media-conglomerate rival, Walt Disney Co., cut ad spending 6.4% to $1.4 billion.

And consolidation looks likely to keep hurting the ad market; AT&T, which was acquired by SBC Communications last November, dropped the most, 26.4%, to $1.6 billion.