ANALYSIS OF LEBANON'S MEDIA AND ADVERTISING SECTOR

Bankmed - Market & Economic Research Division

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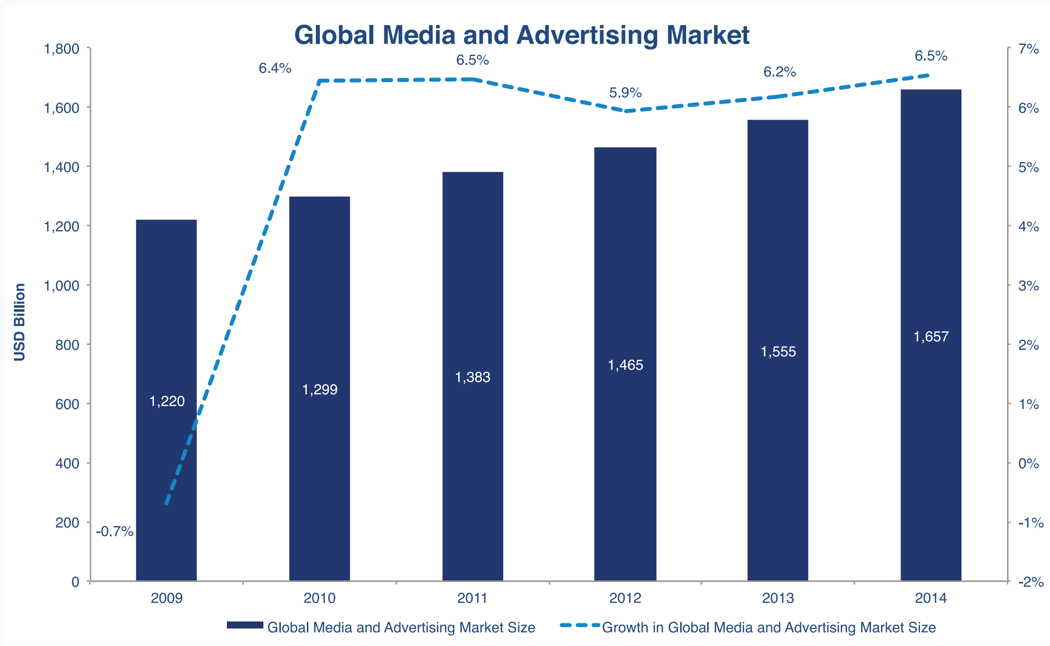
GLOBAL MEDIA AND ADVERTISING SECTOR

GLOBAL MEDIA AND ADVERTISING MARKET SIZE

The media industry carries out an array of economic activities, which encompass: publishing, sound engineering, motion picture and video/TV production, programming, distribution and broadcasting industries, as well as diverse information services.

The media industry, which comprises the creation, accumulation, and distribution of content, news and information, advertising, and entertainment, has been remarkably stable over the past few years. In fact, the period 2010-2014 saw an annual 6% growth in the industry's market size which reached USD 1,657 billion in 2014. This indicates that the media and advertising sector has a high potential for expansion, given its robust value chain and well-defined business models.



Source: McKinsey & Company Global Media Report

GLOBAL MEDIA AND ADVERTISING SECTOR

The global media and advertising market growth differs among regions. Asia Pacific is the largest market for media and advertising with a market size growing by an average annual rate of 8.9% over the period 2009-2014. This growth was mainly driven by China, which have achieved almost half of this expansion. Meanwhile, after having the largest share of media and advertising spending prior to the global financial crisis, North America ranks second today with a market size of USD 476.1 billion. The 5% average annual growth achieved in this region is mainly driven by strong increases in digital advertising and broadband connectivity.

Western Europe saw a weak 2% annual growth in its media and advertising market size due to the region's weak economic performance. In contrast, the Middle East and Africa region have witnessed a significant 15% average annual growth in its media spending. This largely reflects increased broadband spending, which constitutes about two-thirds of the region's total media spending.

Global Media and Advertising Market Size by Region

USD Million	2009	2010	2011	2012	2013	2014
Asia Pacific	358,080	392,184	426,235	467,723	506,855	547,672
North America	375,690	391,528	403,756	420,240	448,930	476,142
Western Europe	365,764	376,968	389,785	391,664	396,362	406,626
Latin America	62,263	73,062	86,813	101,657	111,477	125,360
Central and Eastern Europe	38,571	42,612	48,268	52,191	56,715	61,425
Middle East and Africa	20,095	22,756	28,320	31,582	35,012	39,871

Source: McKinsey & Company Global Media Report

The media and advertising sector in Central and Eastern Europe expanded by 9.7% annually over the period 2009-2014, reaching USD 61.4 billion. This was largely based on strong growth in Russia and Turkey where media spending have been growing by double-digits. As for Latin America, which is still at the early stages of its media development, it witnessed a 15% annual growth in the media market size. This double-digit increase is a direct result of similar expansion in the broadband and in-home video entertainment categories.

GLOBAL MEDIA AND ADVERTISING SECTOR

When it comes to media and advertising market size by category, digital advertising has achieved the highest 18.5% growth over the period 2009-2014. It was followed by broadband which expanded by 13.8% reaching a value of USD 467.6 billion in 2014. Meanwhile, educational books, TV advertising, and out-of-home advertising are the only remaining three sectors that expanded by more than 5% over the abovementioned period.

Global Media and Advertising Market Size by Category

USD Million	2009	2010	2011	2012	2013	2014
Broadband	245,435	279,891	327,843	373,450	421,376	467,611
In-Home Video Entertainment	237,282	247,389	258,880	270,590	283,084	296,490
TV Advertising	142,137	158,924	166,564	175,770	181,117	195,229
Newspaper Publishing	159,632	160,971	160,366	156,710	152,792	151,490
Digital Advertising	61,870	73,447	88,035	103,806	123,041	144,259
Audio Entertainment	92,487	91,108	92,385	93,567	96,544	96,376
Video Games	54,855	57,418	60,412	63,698	70,028	77,455
Consumer Magazine Publishing	70,898	71,024	70,674	70,574	71,454	71,958
Educational Books Publishing	39,371	40,357	40,877	40,072	40,664	41,414
Cinema	31,087	32,870	33,421	35,914	37,223	39,184
Out-of-Home	26,057	28,304	29,062	30,270	31,822	33,604

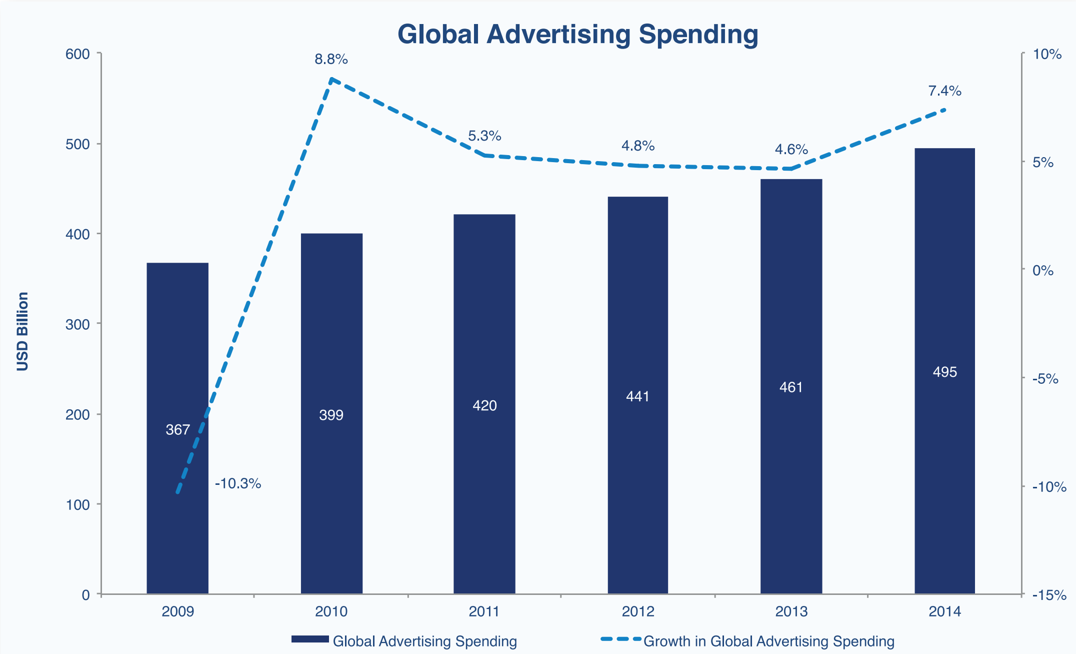
Source: McKinsey & Company Global Media Report

On the other hand, as digital content became increasingly popular, it began to replace printed content. As such, newspaper publishing market size dropped by an average 1% yearly over the period 2009-2014 to a value of USD 151.5 billion in 2014. Likewise, the market for consumer magazine publishing remained stable on average during the aforementioned period, reaching a value of USD 71.9 billion in 2014.

GLOBAL ADVERTISING SPENDING

Advertising is a form of communication employed to encourage, persuade, or manipulate an audience to continue or take new action. Advertising is highly sensitive to the economy, generally growing more slowly than the market when the economy is down, and faster than the market when the economy is strong.

Affected by the global financial crisis, the advertising industry saw a 10.3% decline in global spending during 2009. However, advertising spending soon recovered, growing by an average annual rate of 6.2% over the past five years. The global advertising industry reached a value of USD 495 billion in 2014, thus exceeding pre-crisis levels.



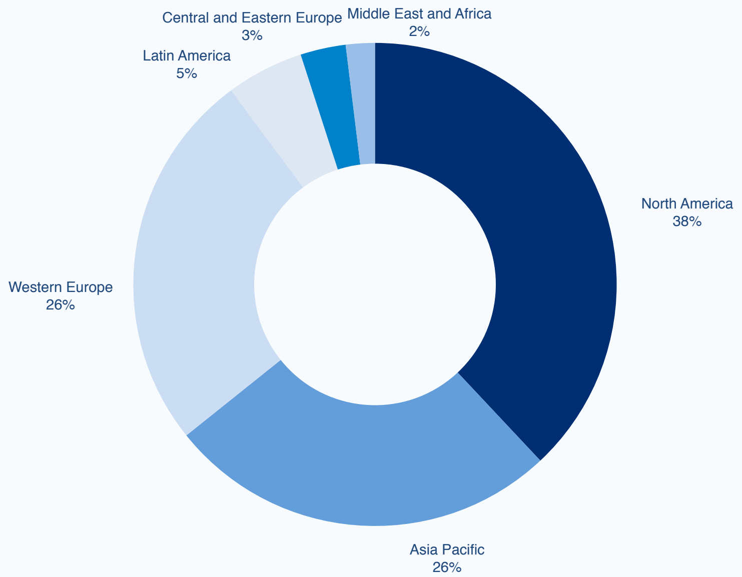
Source: McKinsey & Company Global Media Report

Relatively weak economic growth over the past five years in North America and Western Europe has been associated with slow growth in media spending in those areas. The share of North America out of global advertising spending has fallen from almost 38% in 2009 to 36% of the market in 2014, nonetheless the region is still the major player in the advertising industry. As for Western Europe, the region has witnessed a decline in advertising spending with its share of total advertising spending dropping by five percentage points over the period 2009-2014.

GLOBAL ADVERTISING SPENDING

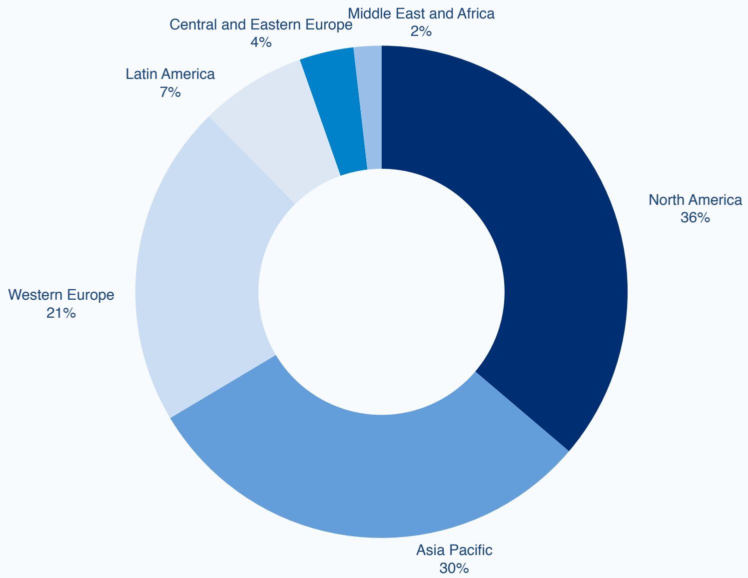
Meanwhile, Asia Pacific advertising spending grew by an average 9% during the past five years. Consequently, the region's share out of total advertising spending expanded by four percentage points between 2009 and 2014. Latin America's growing economic output has led its advertising market to grow rapidly, thus expanding its share of total advertising spending to 7% in 2014. As for the Middle East and Africa Region, the latest political and security developments have weighed down on the region's advertising market during the past few years, keeping the region's share out of total advertising spending stable from 2009 to 2014.

Advertising Spending by Region (2009)



Source: McKinsey & Company Global Media Report

Advertising Spending by Region (2014)



Source: McKinsey & Company Global Media Report

GLOBAL ADVERTISING SPENDING

When it comes to the top advertising spenders, the US remains the dominant advertising market worldwide, with its advertising spending reaching USD 178 billion in 2014. It is followed by China which ranks second in terms of advertising spending, having spent USD 62.9 billion in 2014. Japan ranks third with USD 36.8 billion of advertising spending, followed by Germany (USD 27.2 billion), and UK (USD 25.3 billion).

Top Advertising Spenders (2014)

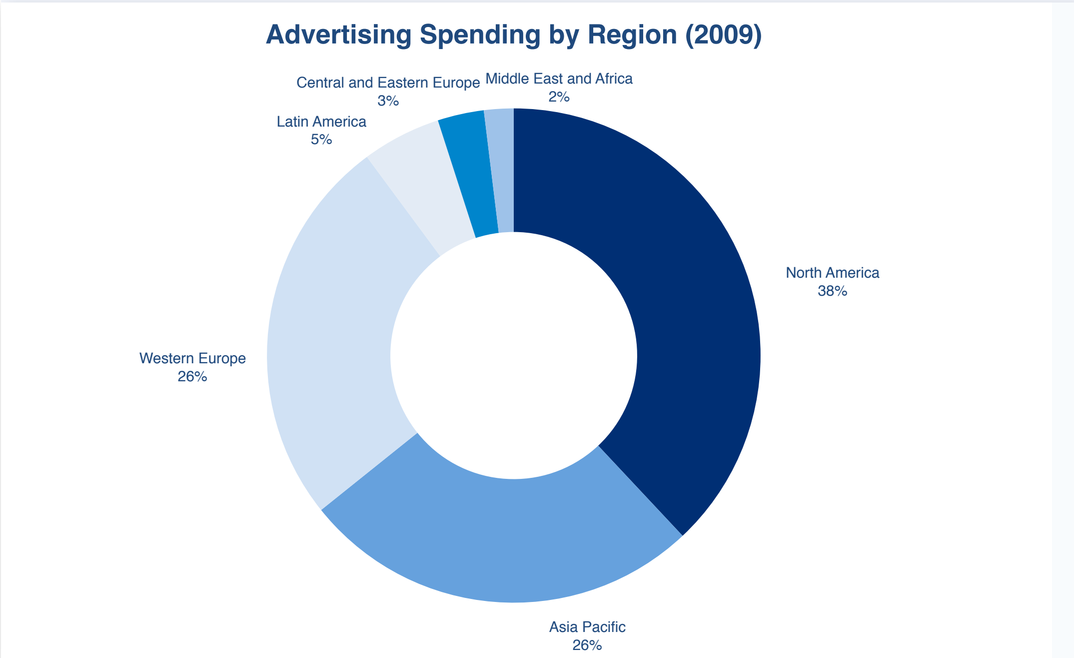
Country	Rank	Spending (USD billion)	Share (%)
United States	1	178.0	36.0%
China	2	62.9	12.7%
Japan	3	36.8	7.4%
Germany	4	27.2	5.5%
UK	5	25.3	5.1%
Brazil	6	18.8	3.8%
France	7	15.1	3.1%
Canada	8	11.5	2.3%
Italy	9	11.4	2.3%
Australia	10	10.6	2.1%

Source: eMarketer

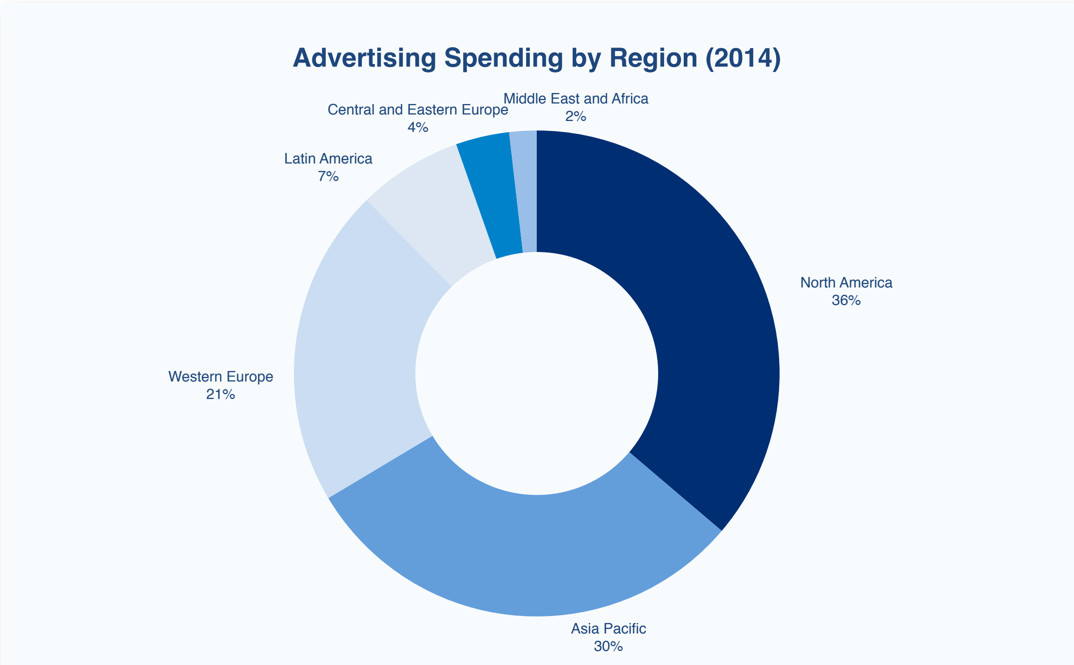
Despite the rapid growth of digital, television's share of total advertising continues to stabilize at 38% in 2014, after having grown slowly but surely over the past three decades. Meanwhile, digital advertising (including internet and mobile advertising) has been the fastest growing sector, with its share expanding from 16% in 2009 to 28% in 2014. In fact, digital advertising is becoming a dominant force in the global media advertising market. It is expected that digital advertising will overtake TV in 2017, which for decades has been the largest advertising medium, and by 2018 digital advertising will be 8% larger.

GLOBAL ADVERTISING SPENDING

With digital advertising growing quickly, other advertising categories have lost shares in recent years. As such, the share of newspaper advertising dropped from 24% in 2009 to 15% of total spending in 2014. As for consumer magazines advertising, its share fell by two percentage points over the period 2009-2014 to only 5%.



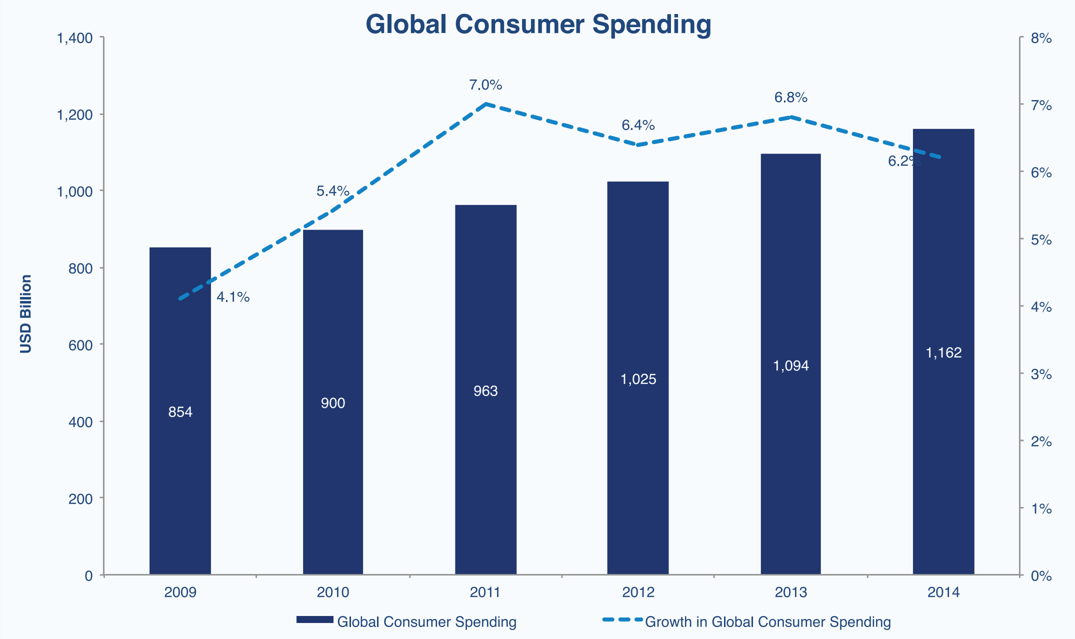
Source: McKinsey & Company Global Media Report



Source: McKinsey & Company Global Media Report

GLOBAL CONSUMER SPENDING

Global consumer spending on media- which represents global spending on media without the advertising spending- has been consistently increasing over the past few years, showing resilience to various economic shocks. In fact, despite the global financial crisis, consumer media spending expanded by 4.1% in 2009 to reach a value of USD 854 billion. More robust growth was witnessed in the post-crisis years where global consumer spending on media grew by an average annual rate of 6.4% over the period 2010-2014, reaching a value of USD 1,162 billion in 2014. However, the growth in consumer spending was not the same for all media channels. In fact, the demand for digital media has increasingly taken a larger share of global consumer spending, thus gradually replacing traditional media channels. Also, consumer media spending diverged across regions, depending on the current stage of development of the media sector as well as their respective economic situations.



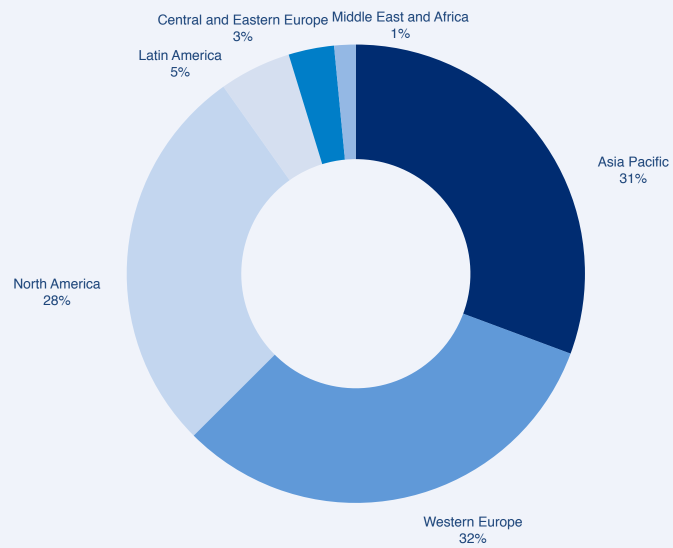
Source: McKinsey & Company Global Media Report

GLOBAL CONSUMER SPENDING

Today, Asia Pacific is characterized by the highest consumer spending on media, with its share expanding from 31% in 2009 to 34% in 2014. In contrast, Western Europe has seen a decline in its share of global consumer spending on media, reaching 26% of the total in 2014. This decline is attributed to the economic slowdown witnessed in that region which weighed on consumers' purchasing power. Despite the contraction in consumer media spending, Western Europe still maintains its position as the second major contributor to media spending. Likewise, North America has also witnessed a drop in its share of consumer media spending from 28% in 2008 to 25% in 2014.

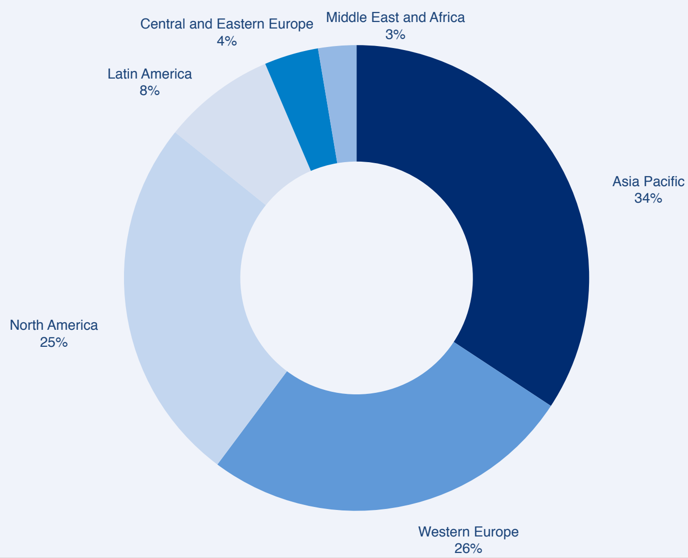
On the other hand, each of Latin America and Middle East and Africa regions witnessed rising shares during the period 2009-2014. Since the media sector is still at its early stages of development is Latin America, its growth potentials began to materialize in recent years. As for the Middle East and Africa region, its consumer media spending has been expanding by an average annual growth rate of 19.3% over the abovementioned period, reaching a value of USD 30.9 billion in 2014.

Consumer Spending by Region (2009)



Source: McKinsey & Company Global Media Report

Consumer Spending by Region (2014)

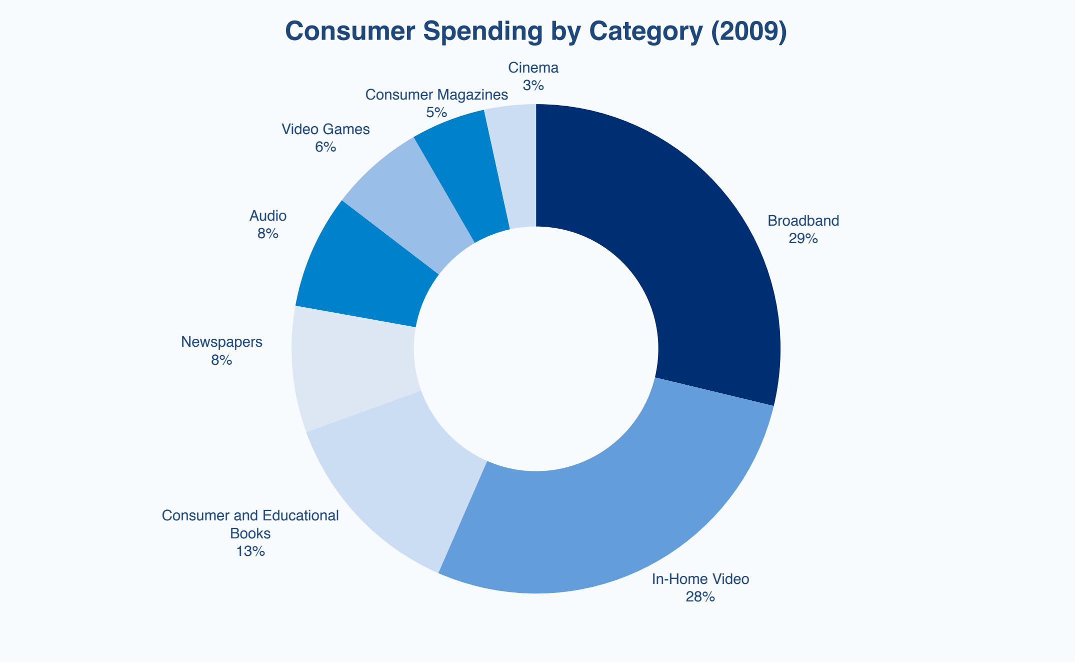


Source: McKinsey & Company Global Media Report

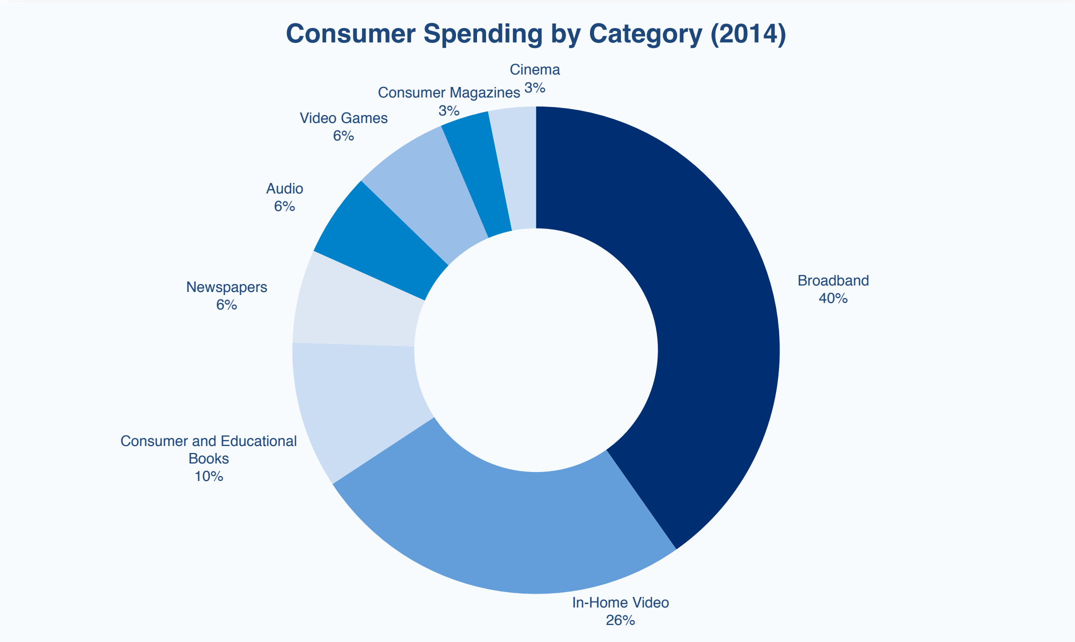
GLOBAL CONSUMER SPENDING

With respect to consumer media spending by category, broadband share has expanded rapidly by 11 percentage points over the period 2009-2014, reaching 40% in 2014. In fact, total spending on broadband and wireless data subscriptions have reached USD 468 billion in 2014.

Meanwhile, all other categories have either witnessed a contraction or a stabilization in their shares of global consumer media spending.



Source: McKinsey & Company Global Media Report



Source: McKinsey & Company Global Media Report

LEBANON'S MEDIA AND ADVERTISING SECTOR

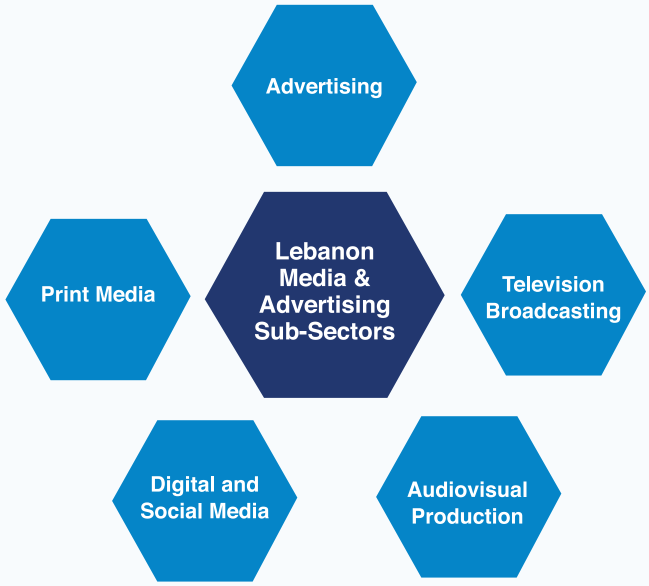
MEDIA AND ADVERTISING INDUSTRY OVERVIEW

Lebanon has one of the most significant media industries in the Middle East. The local media sector is highly developed and consists of varied industries including television broadcasting facilities, advertising services, TV and audiovisual production, as well as new emerging sectors like digital media, and traditional media industries like publishing and music production. The industry is a major contributor to the Lebanese economy.

Based on most recent estimates, there are around 400 companies working in the sector, employing more than 2.1% of the Lebanese labor force.

MEDIA AND ADVERTISING SUB-SECTORS

The Lebanese Media Industry Spans Across Several Fields Including:

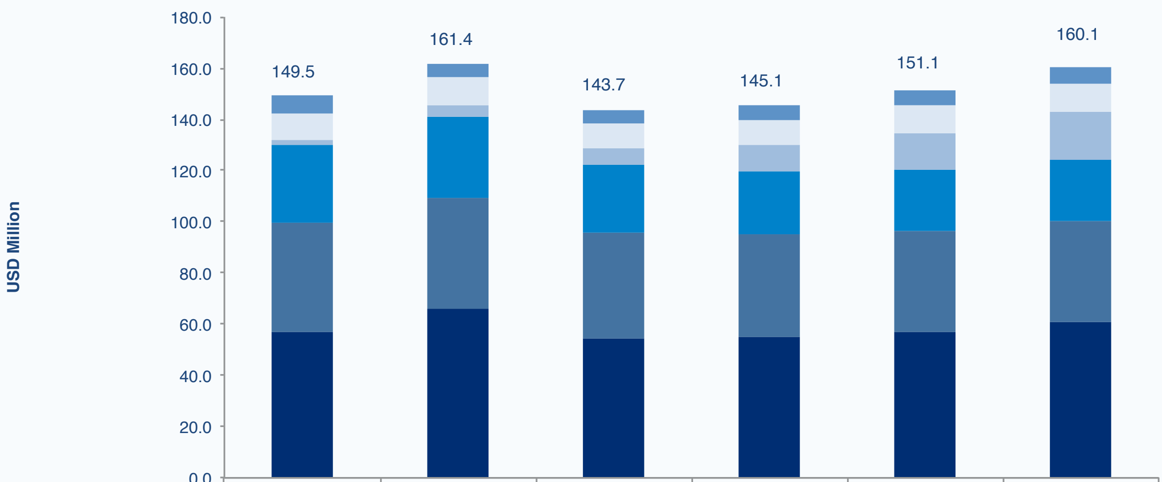


ADVERTISING

Advertising is a form of either direct-to-consumer communication or mass communication intended to appeal to Lebanese or regional audience, so as to creatively inform, influence, or establish a local or a global brand.

Lebanon's advertising expenditure constantly ranks amongst the highest in region. After having peaked in 2010 at USD 161.4 million, advertising spending slumped in the following year as Lebanon's economic situation worsened. However, a gradual recovery was then witnessed in the following years with advertising expenditure reaching USD 160.1 million in 2014. During this year, television advertising ranked first with a share of 38% of total advertising spending, followed by out-of-home and cinema advertising (25% share), newspaper advertising (15% share), digital advertising (12% share), magazine advertising (7% share), and radio advertising (3% share).

Lebanon's Advertising Spending



	2009	2010	2011	2012	2013	2014
Radio	7.1	5.0	5.0	5.3	5.7	6.2
Magazines	10.5	11.2	10.0	10.1	10.5	11.2
Digital	1.6	3.9	6.4	10.2	14.4	18.5
Newspapers	30.6	32.2	26.3	24.8	23.9	24.2
Out-of-Home and Cinema	42.5	42.9	41.8	40.0	39.3	39.3
Television	57.2	66.2	54.2	54.8	57.2	60.7

Source: Zenith Optimedia

MEDIA AND ADVERTISING SUB-SECTORS

• **TELEVISION ADVERTISING:** It represented the biggest 38% share of total advertising spending during 2014, with a value of USD 60.7 million. During 2014, Procter & Gamble ranked as the top spender on TV advertising, followed by each of Solvid, XXL, Bankmed, and Nestle.

Top Television Advertising Spenders (2014)

Client	Rank
Procter & Gamble	1
Solvid	2
XXL	3
Bankmed	4
Nestle	5
Jane Nassar	6
Banque Libano Francaise	7
Sayfco Holding	8
IBL Bank	9
I.T.N Insurance Team Network	10

Source: Ipsos

• **OUT-OF-HOME AND CINEMA ADVERTISING:** They represented the second largest 25% share of total advertising spending during 2014, with a value of USD 39.3 million. When it comes to billboard advertising, there are more than 30 billboard suppliers. In a survey by Ipsos, Samsung ranked as the top outdoor advertiser in Lebanon during 2014. As for Cinema advertising, it remains low due to the fact that cinema attendance is still low in Lebanon due to high cable penetration. Hence, cinema advertising expenditure did not exceed USD 2 million in 2014, with Sayfco Holding as the top spender on cinema advertising.

Top Outdoor Advertising Spenders (2014)

Client	Rank
Samsung	1
Mondelez International	2
Majid Al Futtaim	3
Nissan	4
Seif Beauty Clinic	5
Bank Audi	6
Admic	7
Khoury Home	8
Himo	9
Byblos Bank	10

Top Cinema Advertising Spenders (2014)

Client	Rank
Sayfco Holding	1
Nokia	2
Coca Cola	3
Nestle	4
Samsung	5
Majid Al Futtaim	6
IBL Bank	7
Bank Audi	8
Zain	9
General Motors	10

Source: Ipsos

MEDIA AND ADVERTISING SUB-SECTORS

- **PRINT ADVERTISING:** During 2014, newspapers represented a 15.1% share of total advertising spending, reaching a value of USD 24.2 million. Meanwhile, magazines accounted for 7% of total advertising expenditure, equivalent to USD 11.2 million. In terms of total press spending, Bankmed ranked first during 2014. It was followed by Bank Audi, MTV, and Middle East Airlines.

Top Press Advertising Spenders (2014)

Client	Rank
Bankmed	1
Bank Audi	2
MTV	3
MEA	4
MonteLibano	5
BLOM Bank	6
Aishti	7
TSC	8
Cartier	9
Fransabank	10

Source: Ipsos

MEDIA AND ADVERTISING SUB-SECTORS

• **Digital Advertising:** Even though, it is still nascent in Lebanon, digital advertising has steadily expanded over the past few years, reaching a value of USD 18.5 million in 2014, which is equivalent to 11.6% of total advertising spending.

• **Radio Advertising:** Over the period 2009-2014, radio advertising has contracted, though slightly increasing in 2014, and reaching a value of USD 6.2 million. It accounted for 3.9% of total advertising spending.

Top Radio Advertising Spenders (2014)

Client	Rank
Yokohama	1
LBC International	2
Le Charcutier Aoun	3
Bridgestone	4
Jane Nassar	5
El Murr Tv Group	6
I.T.N Insurance Team Network	7
B018 Classic	8
International Corporate Events	9
Seif Beauty Clinic	10

Source: Ipsos

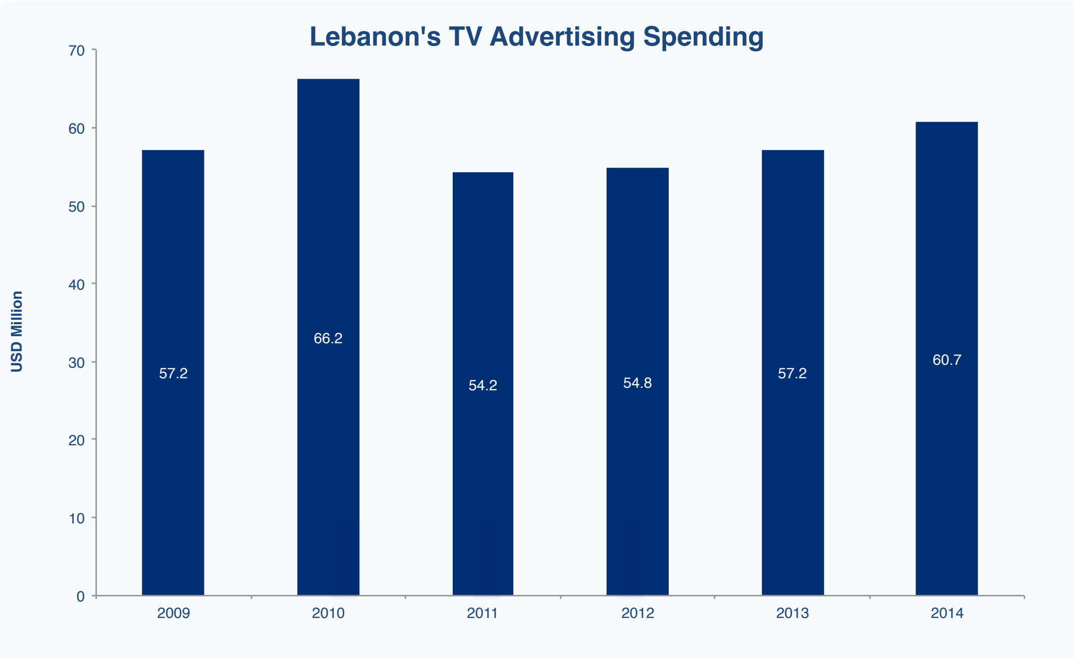
MEDIA AND ADVERTISING SUB-SECTORS

TELEVISION BROADCASTING

Lebanon's domestic broadcasting scene is well developed with 10 terrestrial channels and a penetration rate of 93.4%. Local television channels constitute the dominant advertising platform in Lebanon, with nearly 38% of total ad spend during 2014. However, this high penetration is attributed to the high prevalence of illegal cable connections, implying low official cable penetration rate. As such, Pay TV penetration remains low at around 5% of households due to widespread piracy in the country.

It is noteworthy that the economic situation as well as the country's political situation have weighed down on TV advertising. In fact, local television stations have complained of severe financial difficulties and decline in annual advertising revenues over the past five years.

Local TV stations are now looking at new revenue streams, and they are seeking fees from cable providers in return for access to their channels. TV stations complain that cable companies are already paying fees to foreign television stations, but not to Lebanese ones.



Source: Zenith Optimedia

MEDIA AND ADVERTISING SUB-SECTORS

AUDIOVISUAL PRODUCTION

During the past decade, Lebanon's audiovisual production has advanced to encompass about 70 production companies working at an average of 1,000 shooting days every year. Production services include the production of television programs and television commercials as well as filmmaking.

Lebanon's large television broadcasting hub has provided the base for the development of a significant TV production industry. Companies, which specialize in television production services, operate both locally and regionally, creating content for television programs. The services mainly encompass the fields of entertainment, drama series, talk shows, as well as the recent addition of reality shows.

Given its substantial local media talent as well as the low productive cost relative to the region, Lebanon's television production industry has gained a unique position locally and regionally. More than three-quarters of the content displayed in Lebanese television channels is produced in the country.

Production services are also heavily directed towards the production of television commercials, which account for the bulk of the revenues of local companies. Additionally, the production of music videos has heavily expanded during the past decade, as Lebanon became recognized as the region's market leader is the music clips market.

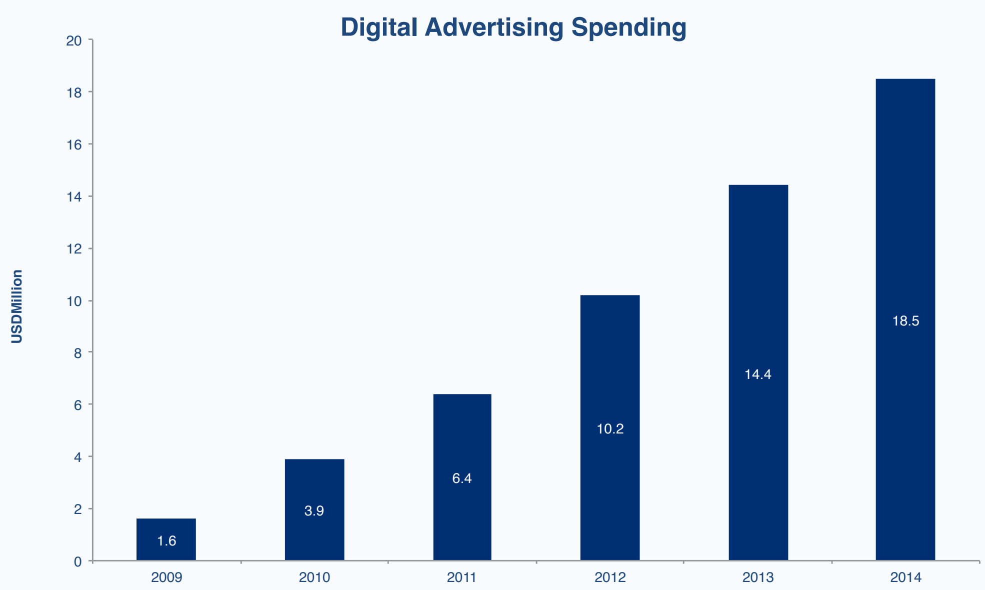
MEDIA AND ADVERTISING SUB-SECTORS

DIGITAL AND SOCIAL MEDIA

Despite the fact that it has not yet fully developed, Lebanon's digital media sector is presently witnessing the fastest expansion within the media industry. The main areas of specialty in Lebanon are the production of animation and visual effects, digital games and publications, as well as audio and video content.

Several factors have contributed to the growth in Lebanon's digital media. In fact, the sector was propelled by the upsurge in internet and mobile penetration rates. The country's broadband market has seen a number of changes in recent years in particular with the introduction of wireless broadband. Furthermore, the proportion of individuals with access to internet increased from 56% in 2012 to 66% in 2014. Concurrently, the smartphone penetration rate in Lebanon climbed considerably from 36% in 2012 to 70% in 2014.

Lebanon's digital media sector is further enhanced by the rise in digital advertising. While this type of advertising only constitutes about 12% of total advertising expenditures, digital advertising has witnessed the highest growth over the past few years, rising by an average 77% annually during 2009-2014, to reach a value of USD 18.5 million in 2014. This signals the increasing online content creation opportunities.



Source: Zenith Optimedia

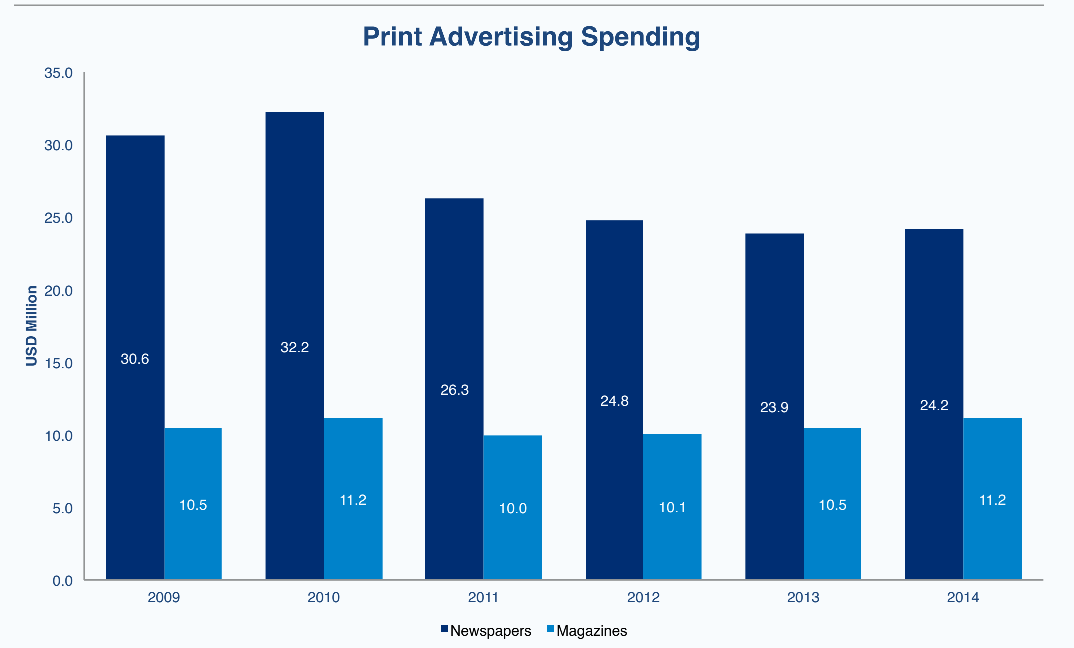
MEDIA AND ADVERTISING SUB-SECTORS

PRINT MEDIA

Lebanon's liberal political system along with its educated population, have contributed to the development of one of the most vibrant publishing sectors in the region. Today, Lebanon encompasses around 200 active publishing houses, thus surpassing the number of publishing houses in all Arab countries.

Lebanon is an active publisher of newspapers and magazines. There are currently 12 Arabic dailies, three Armenian dailies, one major English daily, and one leading French daily. As such, Lebanon's newspaper industry is quite active with about half of prints produced in Beirut circulated to the Middle East region.

Despite the fact that newspaper advertising dropped by an average 4% over the period 2009-2014, it still accounts for about 15.1% of total advertising spending. Major advertisements in newspapers include bank products, automobiles, real estate, and other consumer goods. Meanwhile, magazine advertising spending has expanded by 2% annually over the period 2009-2014, thus constituting 7% of total advertising spending today.



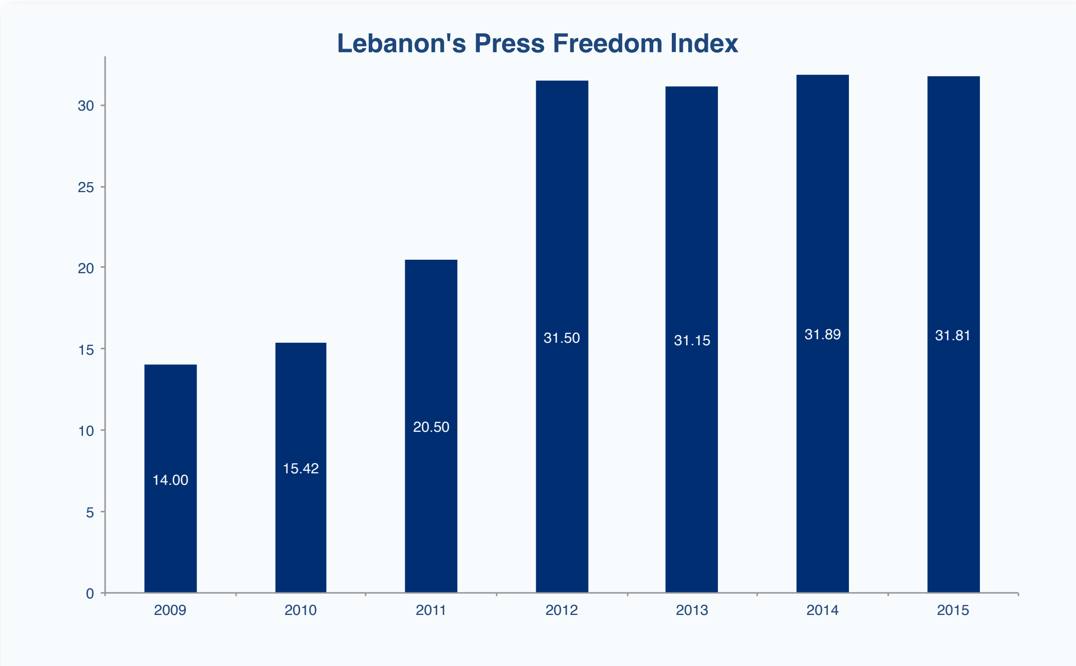
Source: Zenith Optimedia

LEBANON'S MEDIA AND ADVERTISING RANKING

PRESS FREEDOM INDEX 2015

The Press Freedom Index is an annual ranking of countries compiled and published by Reporters Without Borders based upon the organization's assessment of the countries' press freedom records in the previous year. It reflects the degree of freedom that journalists and news organizations enjoy in each country and the efforts made by the authorities to respect and ensure respect for this freedom. The index is based on a questionnaire sent to partner organizations of Reporters Without Borders. The questionnaire asks questions about pluralism, media independence, environment and self-censorship, legislative framework, transparency, and infrastructure. It is noteworthy that the lower the score, the more the press freedom.

After having deteriorated consistently since 2009, Lebanon's Press Freedom Index witnessed a slight improvement in 2015, reaching a score of 31.81, dropping down from 31.89 in the previous year. In comparison with other countries, Lebanon improved eight positions on an international scale, ranking at 98th position in 2015 among 180 countries. The report states that Lebanon's position improvement was the largest in the MENA region.



Source: Reporters Without Borders

MEDIA AND ADVERTISING SUB-SECTORS

Nevertheless, when compared with other countries in the region, Lebanon ranked in the second position in the Arab World on the Press Freedom Index 2015, right after Kuwait which ranked first in the region (90th worldwide). Lebanon was followed by Qatar (115th worldwide), and Algeria (119th worldwide). This reveals that Lebanon is still characterized as having one of the most free press in the Arab world.

Press Freedom Index in the MENA region

Country	Rank 2015	Score 2015
Kuwait	90	30.84
Lebanon	**98**	**31.81**
Qatar	115	35.35
Algeria	119	36.63
UAE	120	36.73
Tunisia	126	38.68
Oman	127	38.83
Morocco	130	39.19
Jordan	143	42.07
Libya	154	45.99
Iraq	156	47.76
Egypt	158	50.17
Bahrain	163	58.69
Saudi Arabia	164	59.41
Yemen	168	66.36
Syria	177	77.29

Press Freedom Index: Lebanon Position Since 2002

Year	Position	
2015	#98 / 180	↑
2014	#106 / 180	↓
2013	#101 / 178	
2012	#101 / 178	↓
2011	-	-
2010	#78 / 173	↓
2009	#61 / 170	↑
2008	#66 / 168	↑
2007	#98 / 164	↑
2006	#107 / 161	↑
2005	#108 / 161	↓
2004	#87/ 158	↑
2003	#106 / 158	↓
2002	#56 / 134	

Source: Reporters Without Borders

CONCLUSION

With a vibrant media and advertising community, the media sector in Lebanon contributes well to the Lebanese economy. The country enjoys a solid TV and audiovisual industry in addition to hosting the most widely viewed television satellite channels as well as the most prominent production companies in the region. Moreover, as the online scene has created a new reality for media and advertising around the world, the shift from traditional to digital media has gained a strong foothold in Lebanon. In fact, Lebanon's digital and social media sector is now witnessing the fastest expansion within the media industry in the country. The number of social media users has exceeded the expectations over the period extending between 2012-2014, and it is still expected to further expand substantially in the near future. As such, with this challenge, a new framework for the industry is required in order to properly adapt to the gradual shift toward digital media.

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