

# SLOVAK REPUBLIC: 'Market spend still increasing, driven by TV and digital.'

## OVERVIEW OF THE TOTAL ADVERTISING MARKET

	Year on year % growth at current prices		
	2016a	2017f	2018f
Slovak Republic	5.9% (5.9%)	4.0% (5.7%)	3.6% (4.0%)

### PLEASE SUMMARIZE THE KEY CHANGES FROM THE JUNE 2017 REPORT. 3 KEY SIGNIFICANT MESSAGES FROM THIS UPDATE - DIFFERENT FROM THE JUNE 2017 UPDATE.

- We are now forecasting 2017 media spend increase to be slightly lower than it was presented in the last report as now we see that media spend, especially for the government sector (EU project advertising), to be lower than was originally expected.
- Main media channels where forecasted spend is lower versus the last report are Print and also Digital.
- We forecasted some growth for OOH in the previous report as we expected the regional political election to generate very high demand for billboards, but now it seems that OOH will be stable rather than grow.

### 1. HOW IS THE ADVERTISING MARKET CURRENTLY PERFORMING IN 2017?

TV and digital are the most important media channels in Slovakia with over three quarters of total media investments. Demand for TV space from the side of advertisers is still very high and increasing, but as 2017 inflation was still not high enough to reflect in available inventory there is still place for TV price inflation to satisfy all demand. Digital spends are the second most important driver of growth, now reaching 25% of media spend share. Print and Radio continue to decrease its shares.

### b. Please describe the economic context

Slovakia is doing very well at the moment in terms of economy parameters - GDP is growing, average wages are increasing and unemployment rate is on a historical low. There are indications that this trend will continue also next years. The Slovakia Government is trying to get Slovakia into the EU core countries.

### 2. PLEASE PROVIDE STRONG RATIONALE FOR ANY CHANGES TO THE AD SPEND FORECASTS FROM WHAT WAS PREDICTED PREVIOUSLY FOR THE JUNE 2017 UPDATE

In June, we expected more media spend especially in state business (government, political parties, EU projects..). As of now we see that this spend will not reach our forecasted values. We decreased the spend trend mainly in Print, OOH and Digital.

### 3. BY SECTOR

#### Automotive

Total spends 2017f: 107,0 Mio. €  
 Mediamix: 78% TV, 9% Radio, 10% Print, 3% OOH/Cinema  
 Top 5 producers: Renault, Škoda, Hyundai, Nissan, Toyota  
 Still very active segment with a YoY media spend increase. TV is still the main media channel for car producer advertising.

#### FMCG (definition: all food without drinks)

Total spends 2017f: 172,0 Mio. €  
 Mediamix: 78% TV, 9% Radio, 10% Print, 3% OOH/Cinema  
 Top 5 producers: Ferrero, Nestle, Mars, Jacobs Douwe Egberts, Unilever  
 We see a trend of moving from 100% TV campaigns to using more digital in main FMCG advertisers.

#### Retail

Total spends 2017f: 161,5 Mio. €  
 Mediamix: 77% TV, 6% Radio, 13% Print, 4% OOH/Cinema  
 Top 5 producers: Lidl, Kaufland, Coop Jednota, Billa, Tesco  
 Retail is the fastest growing advertiser sector in Slovakia. It hit first position beating Banks and Telecom that used to be top sectors in the past. Hard competition for key players.

#### Telecommunications

Total spends 2017f: 70,5 Mio. €  
 Mediamix: 90% TV, 5% OOH, 5% Others  
 Top 5 producers: Orange, O2, M7 Group, Slovak Telekom, Tesco  
 Telecommunication was leading sector in the past but in recent years the media spend decreased despite new players in the market. Now in 5th position with a strong focus on digital.

Top Categories 2017f	2017f Gross Local Currency Million	2017f vs. 2016 YOY%
Retail	161,5	+34%
Banks	153,6	+17%
Prescription drugs	140,7	+32%
Automotive	107,0	+23%
Telecommunications	70,5	-31%
Confectionery	68,2	+49%
Publishers	43,7	+59%
Mass media	41,9	+2%
Internet providers	41,5	+149%
Alcoholic beverages	38,8	+24%
Nonalcoholic beverages	38,5	+7%
Consumer electronics	37,3	+27%

**'PROGRAMMATIC BECOMES PART OF MEDIA PLANS AND IS EXPECTED TO GROW SIGNIFICANTLY'**

**4. BY MEDIA,**

**The 5 biggest by media ad spend trends in 2017 moving into 2018.**

**a.**

A complicated TV situation continues in Slovakia. TV prices in Slovakia were historically very low and as more and more producers entered the market and demand rapidly increased, main TV commercial channels were not able to satisfy this increased demand. All TV stations became sold out, there is no free inventory in peak seasons so many advertisers are facing TV campaign under-deliveries. There is pressure from TV stations to have double digit inflation every year to change this situation, but on the other hand there is pressure from advertisers (mainly in the case of pitches) to minimize this inflation. This leads to very hard TV negotiations and we forecast that this situation will not have been solved in 2018.

**b.**

There is a really extreme number of out of home panels in Slovakia. Many were built without official permission so there are initiatives from the government and city parliaments to reduce the number of these panels. However, this trend is proceeding very slowly. Once the number of available sites will decrease more significantly, we expect inflation in cost per panel. There are also efforts to launch official OOH media performance measurement as not all sites and regions are measurable.

**c.**

Programmatic entered Slovakia market with some delay compared to other EU countries – it was only in 2016. From last year more and more advertisers are using programmatic as a standard part of media plans. There was 50% YoY increase and we estimate this trend will continue into next year. By 2020 we expect programmatic to attack 10% of digital share.

**d.**

Online video (both desktop and mobile video) is one of the fastest growing digital channels in Slovakia. It is strongly connected to the TV situation in Slovakia where TV channels are struggling with free TV inventory so many advertisers are switching their TV budgets into digital video campaigns. We have noticed that some of the local video providers are also starting to have problems with available video inventory so there is a need for early booking of such campaigns. We also forecast mobile video to triple its media spend in the next 3 years.

**e.**

In the world of social networks, we forecast an increase from 15 to 20 mil Eur by 2020. We believe social advertising will slowly decrease on desktop platforms but rapidly grow on mobile devices – the share of social is expected to be 75% mobile vs 25% desktop.

**5. WHAT IS THE TOTAL AD SPEND FORECAST FOR 2018? WHAT IS EXPECTED TO DRIVE THIS? PLEASE INCLUDE THE AFFECT OF SPORTING & POLITICAL EVENTS.**

2017 political activities were lower than we expected – especially print and OOH media lacked the expected political ad spend (regional elections, EU projects advertising). There is no expected big difference in 2018 as there are no main elections.

Slovakia football team failed to qualify for the WC 2018 so this will influence World Cup advertising negatively. Some more ads are expected during Sochi Olympics thanks to Slovakia participation in the Hockey Tournament.

**6. EMERGING TECHNOLOGY E.G. AI. VR. AR, VOICE ACTIVATION.**

**Please provide case studies on how advertisers in each market are currently investing in these areas.**

The biggest new trend by advertisers in Slovakia is use of programmatic in digital and using YouTubers and other brand ambassadors.

**What are the opportunities and challenges?**

Slovakia is performing very well economically so we expect the biggest advertising sectors like Retail, Banks or Pharma to continue increasing their spend. But still there is risk of limited video inventory in both TV and digital and risk of high price inflation in these media.

**How is your local DAN market taking steps to prepare for this future?**

DAN Slovakia launched Amnet in 2016 and started to buy programmatically in digital as one of the first agencies to do so in Slovakia. We are continuing to improve this service and to be ahead of main competitors.



## Slovak Republic Data Tables

MEDIA	Y-O-Y % GROWTH AT CURRENT PRICES		
	2016a	2017f	2018f
Television	+13.3%	+8.1%	+5.4%
Newspapers	-20.0%	-12.5%	-3.6%
Magazines	-12.0%	-9.1	-10.0%
Radio	+0	+0	+0
Cinema	+0	+14.3%	+0
OOH	+3.6%	+0	+0
Total Digital	+9.5%	+6.3%	+7.2%

MEDIA	% SHARE OF TOTAL ADVERTISING SPEND		
	2016a	2017f	2018f
Television	48.6%	50.5%	51.4%
Newspapers	5.7%	4.8%	4.5%
Magazines	7.9%	6.9%	6.0%
Radio	4.3%	4.1%	4.0%
Cinema	0.3%	0.3%	0.3%
OOH	10.4%	10.0%	9.6%
Total Digital	22.9%	23.4%	24.2%

MEDIA	Y-O-Y % GROWTH AT CURRENT PRICES		
	2016a	2017f	2018f
Total Digital*	+9.5%	+6.3%	+7.2%
Display (Banners)	+4.3%	-2.1%	-3.5%
Online Video	+13.3%	+47.1%	+30.0%
Social Media	+64.7%	+7.1%	+13.3%
Paid Search	+23.5%	+7.9%	+10.3%
Other incl. Classified	-44.4%	+21.2%	+16.7%
Mobile^	+37.6%	+24.7%	+28.3%
Programmatic Spend^	n/a	+53.8%	+50.0%

MEDIA	% SHARE OF TOTAL DIGITAL SPEND		
	2016a	2017f	2018f
Total Digital*	100%	100%	100%
Display (Banners)	45.4%	41.9%	37.7%
Online Video	5.3%	7.3%	8.9%
Social Media	21.9%	22.0%	23.3%
Paid Search	19.7%	20.0%	20.5%
Other incl. Classified	7.7%	8.8%	9.6%
Mobile^	23.4%	27.5%	32.9%
Programmatic Spend^	1.0%	1.5%	2.0%

\*Includes Mobile/Tablet and Desktop, ^Subset of Total Digital Spend