



Press Release

Adspend growth forecasts hold strong despite Brexit vote

London, 31 January 2017 - Advertising expenditure growth of 3.2% is forecast for 2017, according to the definitive AA/Warc Expenditure Report, which today published spend data for Q3 2016 – the first full quarter after the vote to leave the EU.

Adspend rose 4.2% year-on-year in Q3 2016 to £5,142m – the first third quarter to break the £5bn spend barrier. This was driven by strong growth in internet spend (15.3%), which in turn was boosted by 45.6% growth in mobile spend. Digital out of home spend (+24.7%) also performed strongly, and TV spend increased 1.4% from a record-high Q3 in 2015, when the UK hosted the Rugby World Cup.

The full year 2016 adspend estimate is 4.4% growth – a total of £21.1bn, and £886m more than in 2015. This is the seventh consecutive year of growth in the UK's advertising market.

Stephen Woodford, Chief Executive at the Advertising Association said:

"That adspend held up after the referendum is another marker of the strength of the UK's advertising and media industries. As the Government gears up for Brexit negotiations and a new industrial strategy, it must prioritise protecting this global advantage."

James McDonald, Senior Data Analyst at Warc commented:

"Drawing from over three decades of unique and extensive industry data, we know that the amount spent to reach consumers has never been greater. Advertising on social platforms, particularly via mobile devices as native articles and videos, will continue to garner surging investment this year as marketers shadow media consumption habits. Yet the TV spot, an industry staple, will remain the largest ad format by spend in 2017."

The Advertising Association/Warc Expenditure Report is the definitive measure of advertising activity in the UK. It is the only source that uses advertising expenditure gathered from across the entire media landscape, rather than relying solely on estimated or modelled data. With total market and individual media data available quarterly from 1982, it is the most reliable picture of the industry and is widely used by advertisers, agencies, media owners and analysts.

UK advertising expenditure, 2015–2017

| | Adspend 2015 (£m) | 2015 vs 2014 % change | 2016 (Estimate) | | Forecast 2017 |
|-----------------------------|----------------------|-----------------------------|-----------------|--------------|---------------|
| | | | Adspend (£m) | y/y % change | y/y % change |
| TV | 5,270 | 7.3% | 5,353 | 1.6% | 1.6% |
| of which spot advertising | 4,760 | 6.7% | 4,790 | 0.6% | 0.7% |
| of which broadcaster VOD | 175 | 20.7% | 202 | 15.4% | 12.4% |
| Radio | 613 | 6.5% | 637 | 3.9% | 2.1% |
| of which digital ad formats | 20 | – | 27 | 31.4% | 20.0% |
| Out of home | 1,059 | 3.9% | 1,111 | 5.0% | 2.2% |
| National newsbrands | 1,223 | -10.8% | 1,102 | -9.8% | -7.9% |
| of which digital | 220 | 2.5% | 224 | 2.1% | 2.2% |
| Regional newsbrands | 1,176 | -6.2% | 1,036 | -11.9% | -8.6% |
| of which digital | 199 | 14.8% | 196 | -1.7% | 3.8% |
| Magazine brands | 941 | -5.2% | 885 | -6.0% | -5.1% |
| of which digital | 282 | 5.8% | 289 | 2.6% | 3.6% |
| Cinema | 240 | 21.9% | 262 | 9.2% | 2.4% |
| Internet | 8,702 | 18.6% | 9,957 | 14.4% | 9.5% |
| of which mobile | 2,622 | 60.8% | 3,826 | 45.9% | 26.0% |
| Direct mail | 1,912 | 1.4% | 1,714 | -10.4% | -7.8% |
| TOTAL UK ADSPEND | 20,260 | 8.1% | 21,145 | 4.4% | 3.2% |

Broadcaster VOD, digital revenues for newsbrands and magazine brands, radio station websites and mobile advertising spend are also included within the internet total of £8,702m, so care should be taken to avoid double counting. Radio includes branded content and digital. Revenue data from radio digital ad formats are provided as a separate data series from January 2017. The series is backdated to Q1 2015. From Q1 2015, the IAB has included spend for outstream/in-read video for the first time. This amounted to approximately £148m in 2015. Online recruitment data have been revised back to Q1 2015 in light of new IAB data. This increased the internet total by £270m in 2015. A methodological change to the way the Royal Mail calculates market data has resulted in an upward revision of direct mail totals back to Q2 2013. The direct mail total for 2015 is now £71m higher.

Source: AA/Warc Expenditure Report, January 2017.

At-a-glance media summary Q3 2016

- **Television** advertising expenditure across all formats grew 1.4% year-on-year, totalling £1,224m in Q3. Of this, spot spend rose 0.6% to £1,097m from a notably strong Q3 2015, when ITV broadcast the Rugby World Cup. Total TV adspend is estimated to have grown 1.6% to £5.4bn in 2016, with further growth of 1.6% forecast for 2017.
- **Radio** adspend – incorporating spots, branded content and digital ad formats – rose by 5.6% in Q3 2016, reaching £157m. It is estimated to have grown 3.9% in 2016, with growth of 2.1% forecast this year.
- **Out of home (OOH)** adspend grew 3.1% in Q3 2016 to reach £279m. This was driven by digital OOH growth of 24.7%. Total OOH adspend is estimated to have grown 5.0% in 2016, with growth of 2.2% forecast for 2017.
- **National newsbrands** adspend declined by 9.0% year-on-year in Q3 to a total of £258m, however ad revenue from digital formats increased 4.7% to £59m. Total ad revenue for national newsbrands is estimated to have contracted by 9.8% in 2016 (though income from digital ads grew 2.1%) and a slower decline of 7.9% is forecast for 2017.
- **Regional newsbrands'** ad income decreased by 14.7% in Q3 2016 to a total of £250m. Collective advertising revenues from both digital (-1.5%) and print (-17.5%) properties dipped during the quarter. Total regional newsbrand adspend is estimated to have declined by 11.9% in 2016 (with digital spend down 1.7%), though a softer fall – of 8.6% – is forecast for 2017.
- **Magazine brands** adspend declined 9.5% in Q3 2016 to a total of £224m, however digital ad revenue increased 0.8%. Total ad revenue for magazine publishers is estimated to have fallen 6.0% in 2016 (despite 2.6% digital growth), easing to a forecast 5.1% decline for 2017.
- **Cinema** adspend increased 17.1% year-on-year in Q3 2016 to a total of £65m. Spend for 2016 as a whole is estimated to have increased 9.2%, with growth of 2.4% forecast for 2017.
- **Internet** adspend grew by an estimated 15.3% year-on-year in Q3 2016 to a total of £2,518m, driven by mobile adspend growth of 45.6% (to £994m). Total internet adspend in 2016 is estimated to have risen by 14.4% (with mobile spend up 45.9%). Further growth, of 9.5%, is forecast for 2017, by when internet will account for over half of all UK adspend.
- **Direct mail** adspend declined 14.6% in Q3 2016 to a total of £400m. Adspend in 2016 is estimated to have declined 10.4%, though the rate of decline is expected to ease to 7.8% during 2017.

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About the Advertising Association/Warc Expenditure Report

The Advertising Association/Warc quarterly Expenditure Report is the definitive guide to advertising expenditure in the UK. Impartial and independent of any media channel or agency affiliation, it is the only source of historical quarterly adspend data and forecasts for the different media for the coming eight quarters. With data from 1982, this comprehensive and detailed review of advertising spend includes the AA/Warc's own quarterly survey of all national newspapers, regional newspaper data collated in conjunction with the Newspaper Society and magazine statistics from Warc's own panels. Data for other

media channels are compiled in conjunction with UK industry trade bodies and organisations, notably the Internet Advertising Bureau, Outsmart, Radiocentre and the Royal Mail.

All data are net of discounts and include agency commission, but exclude production costs. The survey was launched in 1981 and has produced data on a quarterly basis ever since.

Methodology for Warc's quarterly forecasts

Analysis of annual adspend data over the past 30 years shows that there is a link between annual changes in GDP and annual changes in adspend (after allowing for inflation, and excluding recruitment adspend). Over this period, GDP changes account for about two thirds of the change in adspend. Warc has developed its own forecasting model to generate forecasts for two years based on assumptions about future economic growth. The model provides an indication of likely overall spend levels – adjusted to allow for short-term factors (Olympics, World Cup etc).

The Expenditure Report (www.warc.com/expenditurereport) launched online in February 2010 and combines data from the discontinued print publications the Quarterly Survey of Advertising Expenditure and the Advertising Forecast. It is relied upon daily by the world's largest brands, ad agencies, media owners, investment banks and academic institutions. Alongside over 200 ready-made tables, subscribers can create their own customised tables for analysis of different media and time periods, as well as track the different media's share of adspend. All reports can be exported from the online interface. An annual subscription is priced at £760 for AA members and £1,175 for non-members.

About Warc – ideas and evidence for marketing people

Warc.com is an online service offering advertising best practice, evidence and insights from the world's leading brands. Warc helps clients grow their businesses by using proven approaches to maximise advertising effectiveness. Warc's clients include the world's largest advertising and media agencies, research companies, universities and advertisers.

Warc runs annual case study competitions: The Warc Awards, The Warc Prize for Asian Strategy, The Warc Media Awards and The Warc Innovation Awards.

Warc also publishes leading journals including Admap, Market Leader, the Journal of Advertising Research and the International Journal of the Market Research Society. In addition to its own content, Warc features advertising case studies and best practices from more than 50 respected industry sources, including: ARF, Effies, Cannes Lions, ESOMAR and IPA.

Founded in 1985, Warc is privately owned and has offices in the UK, U.S. and Singapore.

About the Advertising Association

The Advertising Association promotes the role, rights and responsibilities of advertising and its impact on individuals, the economy and society. We are the only organisation that brings together agencies, brands and media to combine strengths and seek consensus on the issues that affect them. Through wide-reaching engagement and evidence-based debate we aim to build trust and maximise the value of advertising for all concerned.