

Embargoed until 00.01am, Thursday 27th July

UK advertising spend starts 2017 in growth

London, 27th July 2017: UK advertising expenditure grew 1.3% year-on-year in Q1 2017 to reach £5,318m – the 15th consecutive quarter of growth but the slowest rate in almost four years, according to Advertising Association/WARC Expenditure Report data published today.

Overall market growth occurred despite a drop of -6.2% in total television advertising, its first fall since 2009. However, TV ad expenditure is forecast to recover in 2018 with 2.5% growth.

Digital formats performed well across the board, up 25.4% for national newsbrands, 8.1% for radio, 7.2% for broadcaster video-on-demand and 27.6% for out-of-home. Cinema recorded an outstanding quarter, growing 27.6% year-on-year in Q1.

Ad spend growth continues to be driven by internet (+10.1% year-on-year), which includes digital revenues for newsbrands, magazine brands, TV and radio broadcasters. Within this, spend on mobile formats (+36.2%) was particularly strong during the first quarter. One in four pounds spent on advertising in the UK now goes towards search.

Stephen Woodford, Chief Executive at the Advertising Association said:

“As business sentiment suffers, it’s no surprise to see ad-spend come under pressure – but the market overall remains resilient. Beyond these numbers, our sector is a huge source of inward investment and exports and should be a priority for Government as we focus on business beyond Brexit.”

James McDonald, Senior Data Analyst at WARC commented:

“The latest data show that large retailers – particularly supermarkets – and major food brands reined in their TV spending by 25% during the first three months of 2017, instead committing to cutting prices on the shelves as household expenditure wanes.

“Higher inflation and slow wage growth has put a squeeze on consumer spending, while business confidence has weakened following the unexpected and indecisive general election result in May. These underlying stresses have resulted in a downgrade to our full-year expectations for UK ad market growth, almost all of which will come from digital formats.”

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 on estimated or modelled data.

The full year outlook for 2017 has been downgraded by -0.5pp to 2% growth, but is forecast to recover by 2018 at 2.6% growth, driven by the men’s football World Cup and a likely improvement in certainty around the terms of Brexit.



	Adspend 2016 (£m)	2016 v 2015	Forecast 2017	Forecast 2018
		% change	% change	% change
Internet*	10,304	13.4%	8.3%	6.3%
of which mobile	3,866	45.4%	30.0%	19.9%
TV	5,277	0.2%	-1.9%	2.5%
of which VoD	197	12.6%	10.4%	11.7%
Direct Mail	1,713	-10.4%	-4.1%	-5.0%
Out of Home	1,123	6.1%	1.9%	1.9%
National newsbrands	1,101	-9.9%	-7.5%	-6.9%
of which digital	230	4.9%	10.3%	2.0%
Regional newsbrands	1,021	-13.2%	-10.3%	-8.2%
of which digital	193	-3.4%	-0.2%	1.4%
Magazine brands	877	-6.8%	-8.2%	-3.8%
of which digital	282	0.2%	-0.6%	4.6%
Radio	646	5.4%	1.6%	2.9%
of which digital	28	35.0%	10.7%	17.6%
Cinema	253	6.4%	8.8%	4.4%
TOTAL UK ADSPEND	21,386	3.7%	2.0%	2.6%

* Broadcaster VoD, digital revenues for newsbrands and magazine brands, radio station websites and mobile advertising spend are also included within the internet total of £10,304m, so care should be taken to avoid double counting.

Source: AA/WARC Expenditure Report, July 2017.

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At-a-glance media summary, Q1 2017

- **Internet** adspend rose 10.1% during Q1 2017, mainly driven by mobile which experienced a 36.2% year-on-year increase in spend.
- **Television** adspend dipped by -6.2% in the first quarter of 2017, with a decrease of -7.2% for spot advertising. Total TV spend is expected to dip -1.9% this year, before the losses are regained in 2018.
- **Radio** adspend dipped -0.1% despite an 8.1% increase for digital ad formats during the quarter.
- **Out of home (OOH)** spend contracted by -0.6% year-on-year during the first three months of 2017, despite a 27.6% rise in digital ad expenditure.
- **National Newsbrands'** combined ad revenues fell -6.6% during Q1 2017. However, this was the industry's strongest performance in two and a half years, with digital (up 25.4% year-on-year) now accounting for just over a quarter of ad revenue.
- **Regional Newsbrands'** ad income dropped across print (-18.8%) and digital (-2.7%) formats in the first quarter of 2017, with combined revenues down -16.0%.
- **Magazine brands** recorded losses in income from both print (-16.1%) and digital (-8.9%) ads in Q1.
- **Cinema** adspend rose 27.6%, making it the only non-digital medium to grow during Q1 2017.
- **Direct Mail** adspend was down -1.5% in Q1 2017, 7.5 percentage points better than forecast.

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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 Local Media Works 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 35 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 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.

About WARC

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.



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WARC hosts four global and two regional case study competitions: WARC Awards, WARC Innovation Awards, WARC Media Awards, The Admap prize, WARC Prize for Asian Strategy and WARC Prize for MENA Strategy.

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.



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