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UK advertising spend achieves record for Q1 2018

Growth twice rate of GDP, FY 2018 forecast revised up to 4.8%

London, 31st July 2018: UK advertising spend in Q1 2018 rose 5.9% year-on-year to reach £5.7bn – the 19th consecutive quarter of market growth, according to Advertising Association/WARC Expenditure Report data published today. The figure is 1.3 percentage points (pp) ahead of forecast.

Further key findings from the report indicate:

- Q1 2018 was the strongest first quarter in three years
- Print display ad revenue for national newsbrands rose for the first time in seven years
- Radio (+12.5%) recorded its strongest growth in four years, while internet (+10.8%), out of home (+5.3%) and TV (+5.0%) were all positive during the quarter

Adspend growth forecasts for this year and next have been upgraded, by 0.6pp to 4.8% and 0.7pp to 4.5% respectively. If proved correct, this would conclude a decade of continuous growth, and result in investment of over £24bn in 2019.

Search now accounts for almost three in ten pounds spent on advertising in the UK, a share which has risen 1.8pp over the last year. Spend on search advertising has grown consistently since monitoring began in 2001.

Display formats, which account for just under two-thirds of all adspend in the UK, recorded a rise in investment of 4.7% in Q1 2018 – on a par with the rate recorded in the final quarter of 2017. Excluding direct mail, spend on display formats rose 6.0%. This was the strongest sector growth since the final quarter of 2015.

Stephen Woodford, Chief Executive at the Advertising Association said:

“Our latest advertising expenditure figures reflect the resilience of the wider UK economy, where consumer confidence is improved and the jobs market remains very strong. UK advertising continues to show steady growth with more businesses investing more spend in advertising. This investment boosts company profits and overall GDP, creates more jobs and helps our media sector to continue to invest in the creative content and technology that the public values.

“If Government can secure a good outcome from the Brexit negotiations and introduce a business-friendly immigration policy, we should continue to see sustained UK market growth and continued export success for advertising.”

James McDonald, Data Editor at WARC commented:

“The UK’s advertising market has now grown ahead of expectations in each of the last four quarters, and our projection for 2018 growth has been upgraded by a two percentage points since the start of the year on the back of sterling results across the media landscape.



“Online ad formats – particularly search and social media – continue to over perform, but traditional media are also proving their worth to advertisers. Notable among these are radio, TV, out of home and national newsbrands, with the latter carrying on from a good final quarter in 2017 to reverse a seven year downturn in display revenue.”

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.

| Forecast summary | Adspend 2017 (£m) | 2017 v 2016 | Forecast 2018 | Forecast 2019 |
|-----------------------------|-------------------|---------------|---------------|---------------|
| | | % change | % change | % change |
| Internet | 11,553 | 14.3% | 9.8% | 8.2% |
| of which mobile | 5,223 | 37.3% | 22.5% | 17.2% |
| TV | 5,108 | -3.2% | 2.5% | 3.3% |
| of which broadcaster VoD | 211 | 7.1% | 11.8% | 12.2% |
| Direct mail | 1,753 | 0.8% | -4.1% | -3.8% |
| Out of home | 1,144 | 1.5% | 3.2% | 2.6% |
| National newsbrands | 1,032 | -5.6% | -1.3% | -1.7% |
| of which digital | 275 | 19.3% | 9.1% | 11.1% |
| Regional newsbrands | 887 | -13.1% | -7.9% | -6.2% |
| of which digital | 212 | 9.9% | 10.1% | 6.5% |
| Magazine brands | 776 | -11.5% | -8.2% | -5.8% |
| of which digital | 271 | -4.0% | -3.8% | 1.0% |
| Radio | 679 | 5.2% | 6.9% | 4.4% |
| of which digital ad formats | 35 | 26.3% | 24.6% | 16.3% |
| Cinema | 260 | 3.3% | 4.3% | 6.5% |
| TOTAL UK ADSPEND | 22,190 | 4.6% | 4.8% | 4.5% |

* Broadcaster VoD, digital revenues for newsbrands and magazine brands, radio station websites and mobile advertising spend are also included within the internet total of £11,553m, so care should be taken to avoid double counting.

Source: AA/WARC Expenditure Report, July 2018

| At-a-glance media summary | Q1 2018 v Q1 2017 | Actual versus forecast |
|----------------------------|-------------------|------------------------|
| | % change | Percentage points (pp) |
| Internet | 10.8% | +0.9pp |
| of which mobile | 26.5% | +4.3pp |
| TV | 5.0% | +2.1pp |
| of which broadcaster VoD | 11.9% | +2.1pp |
| Direct mail | -4.5% | -0.5pp |
| Out of home | 5.3% | +3.2pp |
| National newsbrands | -0.5% | +4.6pp |
| of which digital | 2.9% | -7.2pp |
| Regional newsbrands | -9.3% | +1.9pp |
| of which digital | 16.6% | +11.6pp |
| Radio | 12.5% | +6.5pp |



| | | |
|---|---------------|----------------|
| of which digital ad formats | 39.3% | +11.8pp |
| Magazine brands | -8.4% | -0.4pp |
| of which digital | -4.5% | -4.8pp |
| Cinema | -12.8% | -21.2pp |
| TOTAL UK ADSPEND | 5.9% | +1.3pp |
| * Broadcaster VoD, digital revenues for newsbrands and magazine brands, radio station websites and mobile advertising spend are also included within the internet total, so care should be taken to avoid double counting. Actual versus forecast compares media performance with projections made in April 2018. | | |
| Source: AA/WARC Expenditure Report, July 2018 | | |

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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 readymade 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 nonmembers.

About the Advertising Association

The Advertising Association promotes the role, rights and responsibilities of advertising and its impact on individuals, the economy and society. Responsible businesses understand that there is little point in an advertisement that people cannot trust. That's why, over 50 years ago, the Advertising Association led UK advertising towards a system of independent self-regulation which has since been adopted around the world. There are nearly thirty UK trade associations representing advertising, media and marketing. Through the Advertising Association they come together with a single-voice when speaking to policy-makers and influencers.

About WARC

warc.com is an online service offering advertising data, 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 two global and two regional case study competitions: WARC Awards, WARC Media Awards, WARC Prize for Asian Strategy and WARC Prize for MENA Strategy.

WARC publishes three global rankings of advertising excellence: Gunn 100 (creativity), WARC 100 (effectiveness), Gunn Media 100 (media innovation) and 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 has offices in the UK, U.S. and Singapore. In June 2018 WARC was acquired by Ascential plc, the global specialist information company.



WARC