

STRONG REBOUND FROM PANDEMIC LOSSES FORECAST FOR UK AD MARKET BUT FULL RECOVERY WILL STRETCH INTO 2022

*A 15.2% rise this year will offset a decline of 7.2% in 2020,
while further growth is projected into 2022*

London, April 29, 2021: The latest Advertising Association/WARC Expenditure Report, the only source to collect advertising revenue data across the entire media landscape, forecasts UK adspend will grow by 15.2% this year to reach a total of £27.0bn. This will recover the entirety of 2020's £1.8bn decline and is expected to precede a 7.2% rise in 2022, by when the market will be worth a record £29.0bn.

Ancillary forecasts suggest the UK is on course to achieve the strongest ad trade recovery of any major global market this year, and this puts the UK economy in a position to bounce back strongly post-pandemic, as every pound invested in advertising generates six in GDP.

Adspend growth forecast for all media in 2021

Particularly strong results are expected for the media most adversely affected by the pandemic, namely cinema at +266.8%, digital out of home at +52.3%, and traditional out of home at +14.5%. Online classified investment is set to rise by a fifth (20.4%), supported by increased recruitment activity arising from brighter economic prospects this year.

Other media are not expected to recoup 2020's losses until next year, however. This is true of TV (up 8.8% in 2021), direct mail (up 6.4%) and publishing disciplines encompassing national news (up 7.3%), regional news (up 3.9%) and magazine brands (up 6.8%).

Online display – inclusive of social media and online video – is set to see growth accelerate this year (+13.4%), as is the case for paid search (+18.4%). Taken together, these two sectors are expected to account for two-thirds (66.4%) of all UK advertising spend this year, up ten percentage points from a share of 56.2% in 2019.

The full picture in 2020

The latest dataset includes final figures for Q4/FY 2020, which show spend on advertising declined by 7.2% to a total of £23.5bn last year. The decline in 2020 was softer than that following the Great Recession at the total market level, but most media owners recorded significant reductions in spend. In a positive end to last year, spend rose 2.6% during the final three months, resulting in the highest quarterly total on record (£7.0bn).

The key findings for 2020 show a strong shift by advertisers into online video, social media and search markets, in a move part-reflective of the rapid acceleration of e-commerce, as lockdowns forced consumers to purchase goods and services from home. Spend on paid search went up 7.1%, online display rose by 10.4%, and TV VOD was up 15.7%. There was a small increase (0.5%) for online newsbrands, though other media saw sharp declines.

The UK's advertising industry was well-positioned for the challenges of the lockdown, as it already had one of the most developed digital ad markets in the world. The UK's average

weekly value of e-commerce spend rose 47.1% in 2020, to £2.1bn, which equated to 27.9% of all retail sales latest year – ahead of key international markets. For the first time, the UK was the country with the largest e-commerce share as a percentage of total retail spend. China’s equivalent figure was 24.9%, the EU was 20.0%, and the US was 14.0%.

Among individual product categories, Government adspend grew 37.2% during 2020 as public health messaging was deployed in the effort to combat COVID-19. As normality returns, this spend is expected to fall back in 2021, with growth instead expected across the other main consumer categories, notably services (up 22.0%), industrial (up 19.8%) and financial (up 20.2%).

Stephen Woodford, Chief Executive, Advertising Association commented:

“Advertising investment has mirrored the rapid changes seen across the economy over the last year, primarily the acceleration provided by lockdowns towards e-commerce across all sectors able to sell online. The pandemic accelerated trends that were already changing the market, evident for several years. The UK’s sophisticated online advertising marketplace helped to keep the economy moving and, no doubt, supported businesses, large and small, to stay connected with consumers who were no longer on the high street. SMEs that had little or no online presence quickly adapted to serve their customers via online platforms and more sophisticated online businesses increased their investment behind these.

“Across the economy that advertising serves we saw remarkable innovation and agility, which helped to lessen the economic impact as firms adapted to keep serving their customers, despite the disruption. The predicted growth this year of 15.2% is good news, with every £1 of advertising spend generating £6 of GDP, this will be a welcome boost for jobs and growth in the wider economy.”

James McDonald, Head of Data Content, WARC commented:

“The data from 2020 were unlike any we have seen in our 40 years of market monitoring. Save for a flock of online pure-players, the majority of media owners surveyed by WARC experienced their worst trading climate in living memory. This was true at both the financial and the human level – many will not witness a full recovery until 2022 at the earliest.

“Agile formats with short lead times were seen to flourish last year, particularly within social media and e-commerce environments, the latter benefitting greatly from stay-at-home orders and well-established logistical networks. Media owners in these spaces are expected to build on good 2020 results this year, though the situation will be more challenging across the remainder of the landscape as ad investment continues to favour performance marketing.”

Media	2019 £m	2020 £m	2020 year-on-year % change	2021 forecast year-on-year % change	2022 forecast year-on-year % change
Search	7,814.9	8,369.0	7.1%	18.4%	10.8%
Online display*	6,404.5	7,070.8	10.4%	13.4%	7.9%
TV	4,930.0	4,350.0	-11.8%	8.8%	2.1%
of which VOD	451.7	522.7	15.7%	14.3%	13.9%
Online classified*	1,399.0	975.6	-30.3%	20.4%	2.2%
Direct mail	1,383.0	909.0	-34.3%	6.4%	-7.3%
Out of home	1,300.8	699.1	-46.3%	36.9%	19.2%
of which digital	694.0	414.9	-40.2%	52.3%	24.6%
National newsbrands	996.2	755.0	-24.2%	7.3%	0.5%
of which online	317.1	318.8	0.5%	10.9%	7.7%
Regional newsbrands	719.5	470.1	-34.7%	3.9%	-1.0%
of which online	238.8	183.3	-23.3%	7.3%	5.5%
Magazine brands	654.5	461.9	-29.4%	6.8%	0.1%
of which online	264.1	199.4	-24.5%	15.8%	4.6%
Radio	702.7	613.9	-12.6%	12.9%	2.4%
of which online	49.3	46.8	-5.0%	14.0%	5.6%
Cinema	299.1	54.7	-81.7%	266.8%	61.1%
TOTAL UK ADSPEND	25,283.1	23,458.1	-7.2%	15.2%	7.2%
<p>Note: Broadcaster VOD, digital revenues for newsbrands, magazine brands, and radio station websites are also included within online display and classified totals, so care should be taken to avoid double counting. Online radio is display advertising on broadcasters' websites.</p> <p>Source: AA/WARC Expenditure Report, April 2021</p>					

The Advertising Association/WARC quarterly Expenditure Report is the definitive guide to advertising expenditure in the UK with data and forecasts for different media going back to 1982.

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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

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WARC is an Ascential company, the path-to-purchase business that combines intelligence, data and insights to drive growth in the digital economy. We do this by delivering an integrated set of business-critical products in the key areas of product design, marketing and sales.

For over 30 years WARC has been powering the marketing segment by providing rigorous and unbiased evidence, expertise and guidance to make marketers more effective. WARC services include 18,000+ case studies, 90,000+ best practice guides, research papers, special reports and advertising trend data, webinars, awards, events and advisory services; has 1,200+ client companies, 21,500+ active users in 100+ countries; collaborates with 50+ industry partners; has offices in the UK, US, China and Singapore.

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