

WARC



**ADVERTISING
ASSOCIATION**

Press Release

UK advertising delivers strongest H1 on record

London, 31 October 2017: UK advertising expenditure grew 3.7% to £10.8bn during the first six months of 2017, the largest H1 total of any year since monitoring began in 1982. The record investment highlighted in Advertising Association/WARC Expenditure Report data, published today, has led to an upgraded forecast for 2017 of 3.1% growth, which indicates annual spend in excess of £22bn.

Overall market growth is being driven by increased spend on digital advertising. Digital – defined as internet and digital out of home (DOOH) - accounted for 54% of all advertising spend in the first half of the year, some £5.8bn of a total £10.8bn committed by advertisers.

The first half growth was boosted by a 4.0% year-on-year rise during Q2. This was the 16th consecutive quarter of market growth, and the strongest rate since Q4 2015.

Mobile growth of 36.1% was the main contributor to a 13.0% rise in internet spend during the quarter. Other digital formats are also performing strongly, including national newsbrands (+7.9%), regional newsbrands (+10.4%), TV broadcaster video-on-demand (+10.6%), digital out of home (+30.4%) and digital advertising formats for radio (+38.9%).

Other media - cinema (+14.4%) and direct mail (+0.8%) – also recorded growth during the second quarter of 2017.

Stephen Woodford, Chief Executive at the Advertising Association said:

“Spend on advertising is showing strong resilience, at a time of real uncertainty for UK business. We know advertising has a positive effect on the economy, with every pound spent generating six pounds of GDP, so it is good to see steady, sustained growth. The upgrade of our 2017 forecast by a further one percent, the equivalent of an additional investment of £190M, should be seen as a cautious indicator for continued growth in the UK economy.”

James McDonald, Senior Data Analyst at WARC commented:

“The latest data highlight the importance of mobile to advertisers in the UK – spend on mobile ads accounted for the entirety of internet growth during the second quarter of 2017 and 97% over the first six months of the year. As mobile usage and credit-fueled consumer spending continue to rise, investment in mobile advertising will track ahead of other platforms this year.”

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.

Full-year forecast summary	Adspend 2016 (£m)	2016 v 2015	Forecast 2017	Forecast 2018
		% change	% change	% change
Internet*	10,257	12.9%	10.7%	6.5%
of which mobile	3,852	44.8%	32.0%	18.5%
TV	5,277	0.2%	-2.4%	2.8%
of which VoD	197	12.6%	9.8%	12.0%
Direct mail	1,719	-10.1%	-1.2%	-5.0%
Out of home	1,123	6.1%	1.4%	3.4%
of which digital	423	25.6%	25.5%	21.3%
National newsbrands	1,096	-10.4%	-7.8%	-6.7%
of which digital	230	4.9%	11.3%	4.3%
Regional newsbrands	1,021	-13.2%	-12.8%	-9.8%
of which digital	193	-3.4%	3.9%	0.2%
Magazine brands	877	-6.8%	-11.0%	-6.8%
of which digital	282	0.2%	-3.5%	0.1%
Radio	646	5.4%	4.2%	2.7%
of which digital	28	35.0%	19.4%	17.4%
Cinema	258	8.4%	12.6%	4.0%
TOTAL UK ADSPEND	21,344	3.5%	3.1%	2.8%

* Broadcaster VoD, digital revenues for newsbrands and magazine brands, radio station websites and mobile advertising spend are also included within the internet total of £10,257m, so care should be taken to avoid double counting.

Source: AA/WARC Expenditure Report, October 2017

At-a-glance media summary – Q2/H1 2017	Q2 2017 v Q2 2016	H1 2017 v H1 2016
	% change	% change
Internet*	13.0%	13.8%
of which mobile	36.1%	38.1%
TV	-2.5%	-4.4%
of which VoD	10.6%	8.8%
Direct mail	0.8%	-0.4%
Out of home	1.7%	0.6%
of which digital	30.4%	29.1%
National newsbrands	-10.7%	-8.5%
of which digital	7.9%	15.6%
Regional newsbrands	-14.7%	-15.3%
of which digital	10.4%	4.0%
Magazine brands	-16.3%	-15.2%
of which digital	-9.2%	-9.0%
Radio	11.1%	5.2%
of which digital	38.9%	22.2%
Cinema	14.4%	21.0%
TOTAL UK ADSPEND	4.0%	3.7%

* 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.

Source: AA/WARC Expenditure Report, October 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 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. 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, insights and data 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 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.