

Press release:

UK adspend forecasts lift after strong Q1, improving economy and World Cup

Embargoed until 00:01am, Tuesday 8th July 2014

London, 8th July 2014: Strong performances for TV and Radio in Q1 2014 and the improving economic outlook have led AA/Warc to revise its forecasts upwards for the UK's ad market. According to the latest Expenditure Report, growth rates are predicted to reach 6% in 2014 and 6.7% in 2015.

Tim Lefroy, Chief Executive at the Advertising Association said: "These latest adspend data are another nudge up for the economy, and a feather in the cap of UK global leadership in online and mobile, with consumers getting more value each day."

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.

TV and Radio to enjoy welcome boost in Q2 from the World Cup effect

Total UK advertising expenditure increased by 5.0% in Q1 2014 to reach £4,441m, ahead of the 4.5% growth predicted in April. Spot TV advertising saw a revenue increase of 6.0% in Q1 to reach £1,100m. This should accelerate to 10.5% growth in Q2 as TV enjoys a significant boost from the World Cup. The rate of increase should ease in the third quarter, reflecting the impact of budgets brought forward specifically for the tournament. Overall 2014 is expected to deliver a 6.5% increase compared with 2013.



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UK ADVERTISING EXPENDITURE 2013–2015	Adspend 2013 (£m)	2013 vs 2012	Forecast 2014	Forecast 2015
		(% change)	(% change)	(% change)
TV	4,642	3.6%	7.5%	6.9%
<i>of which spot advertising</i>	4,233	2.9%	6.5%	5.5%
<i>of which broadcaster VOD</i>	126	21.2%	27.0%	31.3%
Radio	537	-2.9%	3.9%	6.3%
Out of home	990	2.0%	2.7%	5.9%
National newsbrands	1,456	-5.1%	-1.9%	1.4%
<i>of which digital</i>	184	19.5%	20.9%	23.5%
Regional newsbrands	1,300	-7.3%	-7.3%	-3.0%
<i>of which digital</i>	139	7.9%	10.7%	9.7%
Magazine brands	1,038	-5.7%	-2.1%	0.4%
<i>of which digital</i>	252	7.1%	8.7%	9.9%
Cinema	184	-14.2%	6.4%	5.9%
Internet	6,300	15.6%	14.0%	12.7%
<i>of which mobile</i>	1,032	95.2%	75.2%	46.6%
Direct mail*	1,882	-1.2%	0.6%	1.8%
TOTAL UK ADSPEND	17,629	3.8%	6.0%	6.7%

Broadcaster VOD, digital revenues for news brands and magazine brands, and mobile advertising spend are also included within the internet total of £6,300m so care should be taken to avoid double counting. Internet includes revenues for online, mobile and tablet. Direct mail data for 2013 have been supplied by Royal Mail according to its new methodology – please refer to Note to Editors for details.

Source: AA/Warc Expenditure Report July 2014

Radio also posted a positive start to the year, rising by 5.7% in Q1 compared with the same period a year ago. Q2 is expected to show healthy growth (+7.6%), before it slows for the rest of the year. AA/Warc expects radio to register an annual increase of 4.4% in 2014, the sector's best performance since 2003.



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These results ensured total display saw a strong start to 2014, increasing by 3.1%. Across the year an increase of 4.7% is forecast, followed by a further increase of 5.8% next year.

Recruitment benefits from the improving economy

After recording 21 quarters of decline out of the last 25, spend on recruitment advertising is finally showing signs of recovery. Adspend grew in both the final quarter of 2013 (+3.7%) and the first quarter of 2014 (+2.6%). Growth is expected to continue through to 2015. Total recruitment spend is predicted to reach £521m this year.

Karen Fraser, Strategy Director at the AA said: "This latest set of data shows the importance of global events such as the World Cup to advertising spend in the UK. Following a positive start to the year in Q1, Q2 is set to be a strong quarter for the sector, buoyed by the tournament."

At-a-glance media summary

- **TV** spot advertising grew 6.0% in Q1 2014, and is expected to benefit from increased adspend around the World Cup in Q2 (+10.5%). Overall TV should record 6.5% growth compared to 2013.
- **Radio** (excluding branded content) rose by 5.7% in Q1 2014 vs Q1 2013. We expect radio to register annual growth of 4.4% in 2014, the sector's best performance since 2003.
- **Out of home** While 2014 has started with a year-year-on-year drop of 2.2% to £990m, we forecast overall growth of 2.7% for the year, a downgrade of 1.8pp from our April report.
- **National newsbrands** print ad revenues declined more than anticipated in Q1 2014, down 8.3% compared with 2013 to £286m. While digital adspend rose 19.0% for the same period to £47m, it was not sufficient to offset the print drop, with the sector as a whole recording a 5.2% dip. Forecasts have been downgraded for 2014 to -1.9%.
- **Regional newsbrands** continued to decline in Q1 2014, with adspend down 6.8% compared with the same period last year. This represents a 9.7% drop for print (to



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£263m) and an 18.6% increase for digital revenues (to £39m). We anticipate an overall decline of 7.3% in 2014 – in line with 2013.

- **Magazine brands** saw adspend dip 3.8% in Q1 2014, following a 6.5% decline for print (to £172m) and a 6.3% uptick for digital (to £53m). Total adspend is predicted to record a 2.1% decline in 2014.
- **Cinema** adspend registered slight year-on-year growth of 0.4% in Q1 2014, reaching a value of £36.3m. Growth is expected to accelerate throughout 2014, notably in Q3 (+10.6%) when buoyed by summer blockbusters. We anticipate overall growth of 6.4% this year.
- **Internet** ad spend grew 15.6% in 2013, to £6.3bn. With a growth rate of 95.2% in 2013, mobile is expected to continue to grow rapidly, by 75% in 2014 and 47% in 2015. Total internet adspend (including mobile) is expected to increase by 14% in 2014.
- **Direct mail** adspend dropped by 1.4% in Q1 2014. We expect marginal growth for the remaining quarters and an overall rise of 0.6% for the year as a whole. New data from the Royal Mail show addressed mail's advertising revenue reached £1,882m in 2013, a year on year dip of 1.2% compared with 2012.

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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



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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, the Outdoor Media Centre, the Radio Advertising Bureau and the Royal Mail.

All data net of discounts and includes agency commission, but excludes 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*. 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 costs £710 for AA members and £1,100 for non-members.

About the Advertising Association

The Advertising Association promotes the role, rights and responsibilities of advertising and its value to 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 engagement and evidence-based debate we aim to build trust and maximise the value of advertising for all concerned.

About Warc

Warc is the global provider of ideas and evidence to marketing people. It has produced trusted and independent data on advertising expenditure and media costs for more than 25 years, and has partnerships with leading advertising organisations in more than 80 countries. Warc's premium online service, www.warc.com, is the largest single source of intelligence for the marketing, advertising and media communities worldwide.



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