

## Drive to digital sends UK advertising to its highest growth for four years

*Digital growth across all channels drives 5.8% increase in 2014 and is forecast to push total adspend past £20bn in 2016*

London, 21<sup>st</sup> April 2015: The UK's authoritative advertising statistics, released today by the Advertising Association/Warc, show UK advertising grew at its highest rate since 2010 last year, increasing 5.8% to £18.6bn. This strong growth is forecast to continue, with adspend predicted to break the £20bn barrier in 2016.

Internet advertising (+15.0%) and mobile (+58.9%) continue to grow strongly but digital advertising through traditional channels also took-off in 2014. Broadcast video-on-demand (+15.1%), digital national (+16.4%) and regional (+24.7%) newsbrands were stand-out performers but the upward trend is also reflected in magazines and outdoor.

**Tim Lefroy, Chief Executive at the Advertising Association** said:

“It’s time to stop thinking of digital as something that lives on the internet. In cinemas, outdoor, news, television and elsewhere, advertising is seizing the opportunity of new technology. That trend is transforming our media, driving growth and keeping UK advertising ahead of the global competition.”

The AA predicts that 70,000 new advertising-related jobs will be created over the next five years - double the rate of the UK average, bringing the total number of people working across the sector to over 434,000 by 2019.

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.

	Adspend 2014 (£m)	2014 vs 2013	Forecast 2015	Forecast 2016
		(% change)	(% change)	(% change)
<b>TV</b>	4,911	5.8%	5.1%	5.5%
of which spot advertising	4,463	5.4%	4.4%	4.6%
of which broadcaster VOD	145	15.1%	17.2%	20.6%
<b>Radio</b>	575	7.2%	5.0%	3.7%
<b>Out of home</b>	1,019	3.0%	4.1%	4.5%



<b>National newsbrands</b>	1,370	-4.7%	-1.8%	-0.2%
<i>of which digital</i>	214	16.4%	14.2%	14.7%
<b>Regional newsbrands</b>	1,253	-3.6%	-3.7%	-2.4%
<i>of which digital</i>	174	24.7%	17.8%	15.1%
<b>Magazine brands</b>	993	-4.3%	-3.3%	-0.7%
<i>of which digital</i>	267	5.9%	5.7%	6.8%
<b>Cinema</b>	202	9.4%	4.8%	2.2%
<b>Internet</b>	7,194	15.0%	13.0%	10.6%
<b>of which mobile</b>	1,623	58.9%	43.8%	34.2%
<b>Direct mail</b>	1,835	-1.1%	-0.5%	-0.4%
<b>TOTAL UK ADSPEND</b>	18,553	5.8%	5.6%	5.4%
Broadcaster VOD, digital revenues for newsbrands and magazine brands and mobile advertising spend are also included within the internet total of £7,194m, so care should be taken to avoid double counting. Radio includes branded content. The IAB revised H1 2013 internet adspend data in October 2014, this has now been reflected in the numbers. 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 About the AA/Warc Data for detail.				
<b>Source: AA/Warc Expenditure Report, April 2015</b>				

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#### At-a-glance media summary

- **TV Spot** advertising, benefiting from the football World Cup, increased 5.4% year on year to reach £4,463m in 2014. The growth rate will slow to 4.4% this year, however this is up on our January forecast by 0.3pp. With adspend panned to rise a further 4.6% in 2016, TV spot is set for its strongest consecutive growth in over a decade.
- **Radio** adspend (excluding branded content) recorded annual growth of 10.9% in 2014, its best performance since 2000. After an exceptional second quarter of growth (17.7%), adspend maintained double-digit growth in the second half of last year (10.3%). We expect radio to register annual rise of 4.9% (a +0.9pp revision from January) in 2015, slowing to 3.9% next year.
- **Out of home** adspend rose 3.0% in 2014 to surpass the £1bn mark for the first time. Within the total, adspend on digital OOH rose strongly at 27.3% last year and now comprises around a quarter of the total. We have upwardly revised our forecast for 2015 growth to 4.1% (0.8pp), with further growth of 4.5% expected in 2016.
- **National newsbrands** recorded total adspend of £1,370m in 2014, a year-on-year drop of 4.7%. The rapid rise of digital ad revenues (+16.4% to £214m) could not offset the decline in print (down 7.7% to £1,156m). However, we expect the overall decrease in spend to slow in 2015 (-1.8%) and flatten in 2016 (-0.2%), driven by an average growth rate of 14.5% in digital adspend over the forecast period.
- **Regional newsbrands** witnessed a drop in total adspend of 3.6% last year to £1,253m, however this was half the rate of decline recorded in 2013 (-7.3%). Print revenues fell by 7.0% to £1,079m, although digital revenues rose by a solid 24.7% to reach £174m. We expect total ad revenue to continue to decline at a similar rate this year (-3.7%), slowing to a 2.4% fall in 2016.

- **Magazine brands** adspend fell 4.3% in 2014 to £993m, the first time the total has been below the £1bn mark since 1986. Within this, print dropped by 7.6% to £727m while digital revenues rose by 5.9% to £266m. Growth in digital adspend is predicted to cushion the decline in print over the forecast period, however, with the fall in total ad revenue slowing to 3.3% this year and only 0.7% in 2016.
- **Cinema** adspend, according to data from Nielsen, registered a year-on-year rise of 9.4% in 2014, reaching a value of £202m (its second-highest total). Looking ahead, we anticipate overall adspend growth of 4.8% this year – to £212m – followed by 2.2% growth next year, when spend should top its 2012 peak.
- **Internet (including mobile)** adspend – using the IAB definition, incorporating revenues from newsbrands, magazine brands, broadcaster VOD and radio stations – rose by an estimated 15.0% in 2014. Mobile was a strong driver of this growth and now accounts for just over 22% of spend on £1,623m (up from a 10% share in 2012). Further, we expect mobile to comprise just over a third of internet adspend by the end of the forecast period. Total internet advertising will rise in the region of 11.5-12.0% until 2016.
- **Direct mail** advertising revenue reached £1,835m in 2014, a year on year decline of 1.1%, according to data from the Royal Mail. We expect direct mail adspend to dip in the region of half a percent in both 2015 and 2016.

#### For press enquiries please contact Eulogy

Isabel Napier-Wilson/ Ann Wiltshire, [aa@eulogy.co.uk](mailto:aa@eulogy.co.uk) T: 020 3077 2000

#### Warc

James McDonald, [james.mcdonald@warc.com](mailto:james.mcdonald@warc.com) T: +44 020 7467 8143

#### Advertising Association

Glen Christie [glen.christie@adassoc.org.uk](mailto:glen.christie@adassoc.org.uk) T: 020 7 340 1107 / M: 07719 979999

#### 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 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](http://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 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](http://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. 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. Warc hosts three annual case study competitions: [Warc Prize for Innovation](#), [Warc Prize for Social Strategy](#) and [Warc Prize for Asian Strategy](#).

Founded in 1985, Warc is privately owned and has offices in the UK, U.S. and Singapore.

