

Record 2019 UK adspend forecast to fall 16.7% (£4.23bn) to £21.13bn in 2020

Advertising Association calls on Government for policies including a tax credit scheme for advertisers to boost the economy and support job creation as COVID-19 impact takes effect

London, April 30 2020: The latest [Advertising Association/WARC Expenditure Report](#) shows UK adspend rose 6.9% year-on-year to reach £25.36bn in 2019 – the tenth consecutive year of ad market growth. Despite 2020's promising start in Q1, the downgrading of projections for the rest of 2020 and 2021 demonstrate the deep impact that COVID-19 has had on advertising since mid-March, as it has the UK economy as a whole.

Projections prior to the COVID-19 outbreak forecast adspend growth in 2020 of 5.2% to a total of over £26bn. The revised forecast is for advertising expenditure of £21.13bn meaning a year-on-year reduction of 16.7% – or £4.23bn – from 2019. Adspend is expected to return to growth in 2021 with a rise of 13.6%, but absolute levels of investment are not expected to surpass the 2019 total.

The data tables show online and digital formats performing strongly during the past year and they are forecast to decline by less than traditional formats over 2020. Search and online display grew by 17.8% and 17.4% respectively in 2019 but are predicted to fall by 12.1% and 12.7% respectively this year. Video on demand (VOD) recorded growth of 15.5% in 2019 but, overall, TV saw a decline of 3.5%. Both are expected to be affected by the downturn this year, with TV forecast to see a 19.8% dip in advertiser investment and VOD a 6.3% fall. Both are expected to rebound in 2021, with TV expected to grow 15.0% and VOD an increase of 21.9%.

The ongoing decline in publisher revenue that was recorded in 2019 is expected to intensify this year, with decreases of 20.5% for national newsbrands, 24.1% for regional newsbrands, and 25.1% for magazine brands. All are then expected to record growth in 2021.

Given the restrictions on population movement and gathering ordered by the Government, formats including out of home and cinema are expected to see large falls in adspend in 2020, with growth projections at -18.7% and -33.6% respectively. However, both are forecast to record some of the largest gains in 2021, with digital out of home (DOOH) seeing a rise of 21.4% and cinema witnessing the highest increase of all formats at 39.9%.

Stephen Woodford, Chief Executive, Advertising Association commented:

“Despite a good 2019 and promising start to 2020, COVID-19 has affected UK advertising as it has all parts of the economy and the falls we are seeing in adspend come as little surprise. The current quarter will be a tremendously tough time for many businesses across our

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industry. We are acutely conscious of their predicament and working fast with Government and officials, so that they get the best support possible.

“Instinct might tell businesses to be cautious in their advertising at this time and we all need to be mindful of the unusual times we’re living in. But at the same time, the importance of advertising during a downturn cannot be overstated. The vast majority of adspend, around 90%, will still be invested this year and businesses should ensure they are in the best possible place – and best possible shape – to take advantage of a return to growth when it comes. History shows the brands that emerge fastest and strongest are those that invest in advertising during a downturn.”

James McDonald, Head of Data Content, WARC commented:

“This virus-induced recession is different to previous downturns in that the impact has been both swift and sharp across all media. The deterioration of advertising trade, we believe, will be focused primarily in the second and third quarters of this year, though the aftershocks are likely to last into the fourth quarter and early 2021. The small and medium sized enterprises for whom digital advertising is a staple are particularly vulnerable during the lockdown period, and their recovery is expected to be protracted thereafter.

“Media costs have fallen as a direct result of lower demand for inventory and this, paradoxically, comes at a time when consumption and reach has grown markedly across TV, social media and online publications. Research on WARC from multiple sources shows that cutting advertising in a recession directly correlates with a slower recovery, but the practicalities of marketing in the current climate mean sustained investment is simply no longer feasible for a number of large product sectors.”

The UK advertising industry response

Countering the fall in activity that is being witnessed across all sectors of the economy requires concerted effort and the Advertising Association is working with partners across advertising on innovative plans to boost adspend and reactivate growth in the market. Advertising is a proven driver of economic growth in the UK, with every £1 invested returning £6 to GDP and 1m jobs depend on advertising. These efforts will build on UK advertising’s strengths as a global hub, its status as the world’s most awarded advertising territory for creative excellence, as well as being its most advanced digital advertising marketplace.

- One of the actions being called for is a tax credit scheme for advertising and marketing services, with the aim of stimulating investment and encouraging advertisers to continue, or return to, advertising. Such a plan would also encourage companies that do not currently advertise, typically SMEs, to invest in advertising. It would also act as a stimulus for the wider economy and provide a welcome boost in investment for British commercial media. In 2019, consumer spending accounted for two thirds of UK GDP and so encouraging consumer confidence through advertising would be boost to the national recovery.

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The Advertising Association is also calling for other measures to rebuild confidence in the market, for example:

- Providing a phased-down extension of the Job Retention Scheme when lockdown ends, to avoid a wave of redundancies by companies with cashflow problems.
- Priority should be given to the advertising production sector, to allow it to start up again as soon as possible and to ease its transition from lockdown. Production has virtually stopped and by its nature it requires human presence so there will need to be new arrangements around social distancing.
- Government to provide support in the credit insurance markets to ensure that cover limits offered to agencies are sufficient to allow all those UK advertisers who want to advertise to do so without constraint in this respect.

The Advertising Association welcomes the Government's announcement on Monday, April 27 on Bounce Back Loans which will help keep small businesses afloat. The AA would also like to see an extension of the business rates relief to the advertising sector, and relief on commercial rents for tenants.

Data tables

Full-year summary 2019	Q4 2019 vs Q4 2018 (% change)	Adspend 2019 (£m)	2019 vs 2018 (% change)
Search	15.0%	8,000.8	17.8%
Online display*	16.5%	6,294.3	17.4%
TV	-2.1%	4,930.0	-3.5%
of which VOD	13.9%	451.7	15.5%
Online classified*	0.0%	1,399.0	-3.6%
Direct mail	-11.0%	1,385.4	-10.7%
Out of home	4.9%	1,300.8	7.6%
of which digital	14.8%	694.0	15.1%
National newsbrands	0.7%	1,003.9	-1.5%
of which online	11.4%	340.3	7.0%
Regional newsbrands	-8.2%	719.5	-10.5%
of which online	7.7%	238.8	5.0%
Magazine brands	-11.1%	654.5	-8.8%
of which online	-6.1%	264.1	-2.3%
Radio	-4.4%	702.7	-1.5%
of which online	-2.0%	49.3	8.6%
Cinema	2.0%	312.7	23.3%
TOTAL UK ADSPEND	6.1%	25,359.2	6.9%

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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.
Source: AA/WARC Expenditure Report, April 2020

Full-year forecast summary 2020/21 (% change)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2020	2021
Search	9.2%	-29.6%	-21.0%	-8.2%	-12.1%	13.3%
Online display*	11.0%	-31.8%	-23.6%	-6.5%	-12.7%	17.3%
TV	-1.8%	-46.6%	-25.8%	-8.0%	-19.8%	15.0%
of which VOD	11.2%	-27.2%	-17.0%	3.9%	-6.3%	21.9%
Direct mail	-8.4%	-45.0%	-22.0%	-11.0%	-21.2%	3.7%
Online classified*	3.3%	-51.1%	-27.3%	-17.3%	-24.3%	10.7%
Out of home	5.4%	-52.6%	-24.5%	-3.9%	-18.7%	16.6%
of which digital	11.4%	-49.4%	-20.6%	-1.5%	-14.7%	21.4%
National newsbrands	0.7%	-45.3%	-30.8%	-10.2%	-20.5%	8.7%
of which online	9.7%	-43.4%	-25.7%	-2.2%	-14.5%	17.7%
Regional newsbrands	-5.3%	-44.8%	-30.1%	-16.2%	-24.1%	3.5%
of which online	5.2%	-41.9%	-25.7%	-8.4%	-18.8%	16.7%
Magazine brands	-5.1%	-48.0%	-33.1%	-11.8%	-25.1%	8.6%

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of which online	0.1%	-47.8%	-30.3%	-5.0%	-21.8%	16.8%
Radio	-1.7%	-44.1%	-25.4%	-13.6%	-21.0%	13.7%
of which online	-0.4%	-32.4%	-8.6%	-3.5%	-10.9%	12.5%
Cinema	8.0%	-100.0%	-41.2%	2.1%	-33.6%	39.9%
TOTAL UK ADSPEND	4.6%	-39.1%	-24.3%	-8.9%	-16.7%	13.6%

Selected media at-a-glance

Paid search: The sector is heavily relied upon by SMEs whose ad budgets have been tightened severely, while performance marketing is no longer practical for a number of product verticals including tourism, leisure and entertainment. We expect investment to fall by 12.1% to £7.0bn this year versus a previous forecast of 10.1% growth.

Online display: The majority – 57% in 2019 – of online display investment is directed towards social media platforms which are now also exposed to the downturn. The online display market as a whole is forecast to contract by 12.7% to £5.5bn this year, with social media down by 6.3%. As with paid search, this would be the first recorded fall in the online display market and equates to a total £1.16bn lower than that forecast in January.

Television: Data from BARB and Thinkbox show live TV viewing has grown by 22.7% on average since 9 March, but the TV ad market is forecast to contract by almost a half in the second quarter. While CPM projections from ECI Media Management show costs falling by a fifth in 2020, the full year forecast for TV ad investment growth is now -19.8%, equivalent to a £976m reduction in broadcaster revenue versus 2019.

Out of home: The out of home sector is among the most directly affected, with lockdown restrictions severely impacting reach. Research by Kinetic – based on measurement of device traffic in OOH locations – shows a 76% reduction in roadside impressions during the week commencing 6 April. The OOH ad market is expected to contract by a half (52.6%) in Q2 2020, a quarter (24.5%) in Q3 2020, and 18.7% during 2020 as a whole.

National Newsbrands: Visits to premium UK newsbrands are up by between 30% and 60%, according to industry body Newsworks, but this has not translated into rising advertising investment, partially because many brands are blacklisting COVID-related keywords when buying audiences. Advertising revenue among publishers of national news is expected to fall by 20.5% – or £206m – in 2020, compared to the 3.3% decline forecast in January.

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Cinema: All cinemas have temporarily closed while lockdown conditions are enforced. We remain hopeful that restrictions are able to be lifted in the second half of the year – aiding a 2.1% rise in cinema adspend in the fourth quarter – but our current projections do not account for this happening before July. As a result, the cinema ad market is expected to contract by 33.6% – or £105m – this year.

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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

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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 provides the latest evidence, expertise and guidance to make marketers more effective. WARC's mission is to save the world from ineffective marketing.

WARC's clients include the world's largest brands, advertising and media agencies, media owners, research companies and universities. They rely on WARC for rigorous, unbiased information and advice on almost any advertising and marketing issue, which WARC delivers via best practice guides, case studies, research papers, special reports and advertising trend data, as well as via webinars, awards, events and advisory services.

WARC collaborates with more than 50 respected industry organisations globally including: The Advertising Research Foundation, Cannes Lions, Effie Worldwide, Association of National Advertisers, ESOMAR, 4A's, IPA and DMA.

WARC was founded in 1985, and has offices in the UK, US, China and Singapore. In July 2018, WARC became part of Ascential plc, the global specialist information company.

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