

UK adspend hits £17bn in 2012 – the first time since 2007

Growth of 2.7% forecast for 2013 and inflation-busting 5% in 2014

London, 9th May 2013: Advertising expenditure in the UK reached £17,172bn in 2012, up 2.3% on 2011 according to figures released today in the AA/Warc Expenditure Report. The last time advertising spend exceeded £17bn was prior to the recession in 2007 (£17,364bn).

AA/Warc's forecasts for the next eight quarters show adspend continuing to grow, reaching a 5% growth rate in 2014, well ahead of inflation. Growth of 2.7% is expected in 2013.

The AA/Warc Advertising Expenditure Report is the definitive measure of advertising activity in the UK. As the only impartial source of quarterly adspend figures and forecasts, with both a total market and individual media breakdowns, it is considered the most reliable picture of the industry by advertisers, agencies and media owners.

UK ADVERTISING EXPENDITURE 2012–2014	Adspend 2012 (£m)	2012 vs 2011	Forecast 2013	Forecast 2014
		(% change)	(% change)	(% change)
TV	4,480	0.4%	3.8%	6.9%
<i>of which broadcaster VOD</i>	104	73.3%	44.2%	33.3%
Radio	553	3.8%	3.9%	4.0%
Out of home	970	9.5%	-2.1%	3.9%
National newsbrands	1,533	-6.0%	0.0%	2.7%
<i>of which digital</i>	155	29.3%	26.3%	20.3%
Regional newsbrands	1,402	-10.8%	-6.2%	-2.0%
<i>of which digital</i>	129	1.4%	5.3%	3.5%
Magazine brands	1,101	-9.4%	-1.7%	1.1%
<i>of which digital</i>	235	1.5%	2.2%	8.5%
Cinema	213	25.6%	-12.9%	6.1%
Internet	5,416	13.2%	9.9%	9.0%
<i>excl. TV VOD, digital adspend for newsbrands and magazine brands</i>	4,793	12.9%	9.2%	8.1%
Direct mail*	2,127	n/a	-0.2%	2.0%
TOTAL UK ADSPEND	17,172	2.3%	2.7%	5.0%

The total UK adspend value of £17,172m can be arrived at in two ways: 1) By summing the values highlighted in grey or 2) Using the total internet value of £5,416m and excluding broadcaster VOD and digital revenues for newsbrands and magazine brands
 Broadcaster VOD adspend and digital revenues for newsbrands and magazine brands are included within the internet total of £5,416m.
 Internet includes revenues for online, mobile and tablet.

* There is no year on year comparison available for direct mail due to a change in data collection methodology in 2012.

Source: AA/Warc Expenditure Report 2013

Report Highlights

- Out of home advertising enjoyed a strong performance in 2012 as a direct result of an Olympic boost in Q3, but AA/Warc forecasts a decrease in 2013
- National newsbrands saw a decline of -6% in 2012, with zero growth predicted for 2013 but +2.7% growth in 2014, driven partly by a strengthening economy plus a strong increase in digital adspend at +20.3%
- It is the same scenario for magazine brands in 2014, where digital revenues will power overall growth of +1.1%.

New to this release is an important change in methodology that allows subscribers to view the impact of online adspend for newsbrands, magazine brands and TV (see table). Newspapers become 'newsbrands', and magazines 'magazine brands' reflecting the move away from print-only publications to multi-platform properties. Data is provided for print, digital and the two combined. For TV, users can now see adspend for video on demand. Internet adspend can be viewed as both an overall total (incorporating spend from TV, newsbrands and magazine brands), or as an internet 'pure play' (internet-only businesses) data series. This approach is a truer representation of today's media landscape and provides a view of adspend that is relevant to agencies, advertisers and media owners now and into the future.

The industry comments on the impact of the methodology change:

Barry McIlheney, CEO, The PPA: "The PPA welcomes this move by the Advertising Association and Warc, which provides a much more complete picture of advertising revenues across magazine brands' print and digital channels. Our sector has a rich heritage in print but today's magazine brands are expanding their reach across a growing number of platforms and influencing more consumers than ever before."

Neil Mortensen, Research and Planning Director, Thinkbox: "The new methodology brings greater clarity to how advertising budgets are being invested, which can only be a good thing. Now that it credits online revenues to the correct media, it is a more accurate reflection of the landscape and shows how established media are expanding through digital technologies. We welcome the greater clarity and this new approach should provide even more confidence that TV is an expanding medium."

Rufus Olins, Chief Executive, Newsworks: "We welcome this response to the dramatic changes in our media landscape – a step in the right direction. It is good to see newspapers being recognised as multi-platform brands and all of their revenues correctly attributed. We look forward to seeing further granularity as the Expenditure Report evolves to reflect the different streams of digital and online revenue."

Tim Elkington, Director of Research and Strategy, IAB UK: "The increase in granularity shows just how vital digital is to the wider market. Digital is making a really positive contribution to the advertising economy - whether you consider the internet advertising total or the contribution that it makes to individual media. This new way of presenting the numbers is welcomed by the IAB, as something that will aid the industry in understanding the market better."

Suzy Young, Warc's Data and Journals Director, explains how Britain's changing media consumption patterns have led to this important adjustment in the way the data is now reported: "Over the past few years we've seen dramatic changes in the way people watch TV and films, read newspapers and enjoy magazine content. To reflect this shift driven by the rapid increase in media consumption over the internet, we now allow subscribers to view and analyse the data and forecasts in new ways. We believe this unique approach is a truer representation of today's changing media landscape and provides a view of adspend that is relevant to agencies, advertisers and media owners."

Tim Lefroy, Chief Executive at the Advertising Association concludes "These figures are good news for our industries but there is a bigger picture. Advertising does not just track GDP, it drives it. The return to pre-recession levels of spending will have an impact not just on ad-land but the economy at large."

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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 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 in February 2010 and is available exclusively online. Alongside over 200 standard 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

Advertising is a vital enabler in the economy, underpinning at least £100 billion of UK GDP. The Advertising Association (AA) is the single voice for those businesses and industries which contribute to that effect – the agencies that create and buy campaigns, the commercial media that carry them and the vast array of brands that use advertising to communicate with customers and drive their businesses. The AA's remit is to protect and promote the role, rights and responsibilities of advertising. It works to keep advertising high on the business agenda, develop support and understanding in government and ensure that responsible practice earns the continued confidence of the public, regulators and policy-makers alike. <http://www.adassoc.org.uk/>

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.