


Global Intelligence

Data & insights for the new age of communication

10
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Zenith
The ROI agency

Global Intelligence

Global Intelligence is an essential briefing for marketers, brought to you by the world's leading advertising expenditure forecasters. Published quarterly, *Global Intelligence* is a critical mix of data, insight and commentary, fuelled by Publicis Media's proprietary tools and authored by our communications experts. Led with an overview of the latest quarterly *Advertising Expenditure Forecasts*, each issue provides intelligence on key areas of contemporary communication, including digital and mobile, technology and automation, innovation, performance marketing, and branded content.

Contents

- 04 *Leader*
- 06 *Hot Spots*
- 08 *Q4 2019 Adspend Forecasts*
- 10 *Q4 2019 Adspend Forecast by Medium*
- 12 *Market Focus - Canada*

The challenge of building mass audiences in a digital world

Welcome to the tenth edition of *Global Intelligence*, Zenith's quarterly magazine.

If you've been following *Global Intelligence*, you'll notice that this edition is quite different from previous ones. Mainly, it's a lot smaller. That's because we've decided to focus this magazine on the big-picture business trends that we track in our various forecasts, principally our *Advertising Expenditure Forecasts*. We are preparing a new product to showcase Zenith insights and opinions, which we will launch in 2020, and so have removed the insight pieces from *Global Intelligence* magazine.

In this edition we put together our regular adspend forecasts with work we have been doing to track media inflation across the world, and find that media inflation has been running consistently ahead of adspend growth throughout the decade. That means that the value of media bought by advertisers – effectively, the total commercial audience that they reach – has been falling steadily.

Inflation has been highest in digital media, where the giant platforms have been tightening their grip on the market and reducing competition. In 2015 Google, Facebook and Amazon accounted for 69% of digital ad revenues outside China; by 2018 their share rose

to 86%. Much of their growth has come from small businesses that have injected new demand into the market without the value management expected by larger advertisers.

Television is the next most inflationary medium, even though adspend isn't rising at all. That's because demand is stable – television is still the most effective means of generating mass awareness, a key component of brand building – while ratings are shrinking in key markets, making the remaining audiences even more valuable. These lost viewers are turning to online video, where they are faced with vastly increased choice among platforms and content, much of which is funded through subscription rather than advertising. Audiences are fragmenting, and some of them are becoming less reachable for brands.

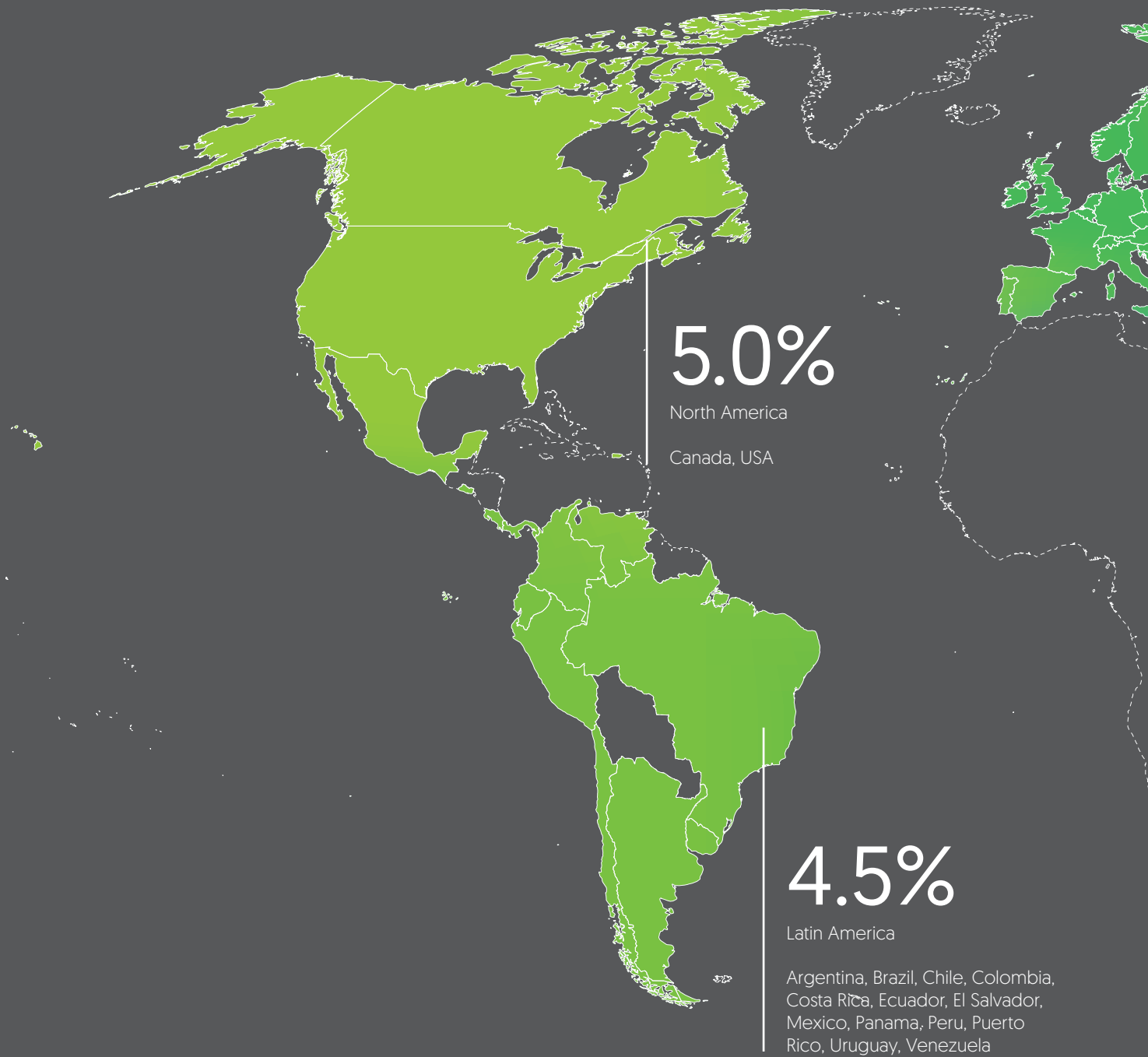
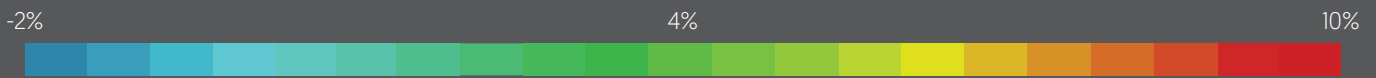
The challenge for brands therefore lies in mitigating inflation and rebuilding mass audiences in a digital world. This means investing in technology and data and a lot of hard work – creating mass awareness will never again be as easy as it used to be.

I hope you enjoy reading this more concise version of the magazine; please look out for our new platform for opinions and insight. As always, get in touch at Jonathan.Barnard@zenithmedia.com.



The world's advertising hot spots

Average annual growth in adspend by regional bloc 2019-2022



2.8%

Western & Central Europe

Austria, Belgium, Bosnia & Herzegovina, Croatia, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, UK

6.8%

Eastern Europe & Central Asia

Armenia, Azerbaijan, Belarus, Bulgaria, Estonia, Georgia, Kazakhstan, Latvia, Lithuania, Moldova, Russia, Turkey, Ukraine, Uzbekistan

2.8%

Japan

5.0%

Fast-track Asia

China, India, Indonesia, Malaysia, Pakistan, Philippines, Taiwan, Thailand, Vietnam

0.8%

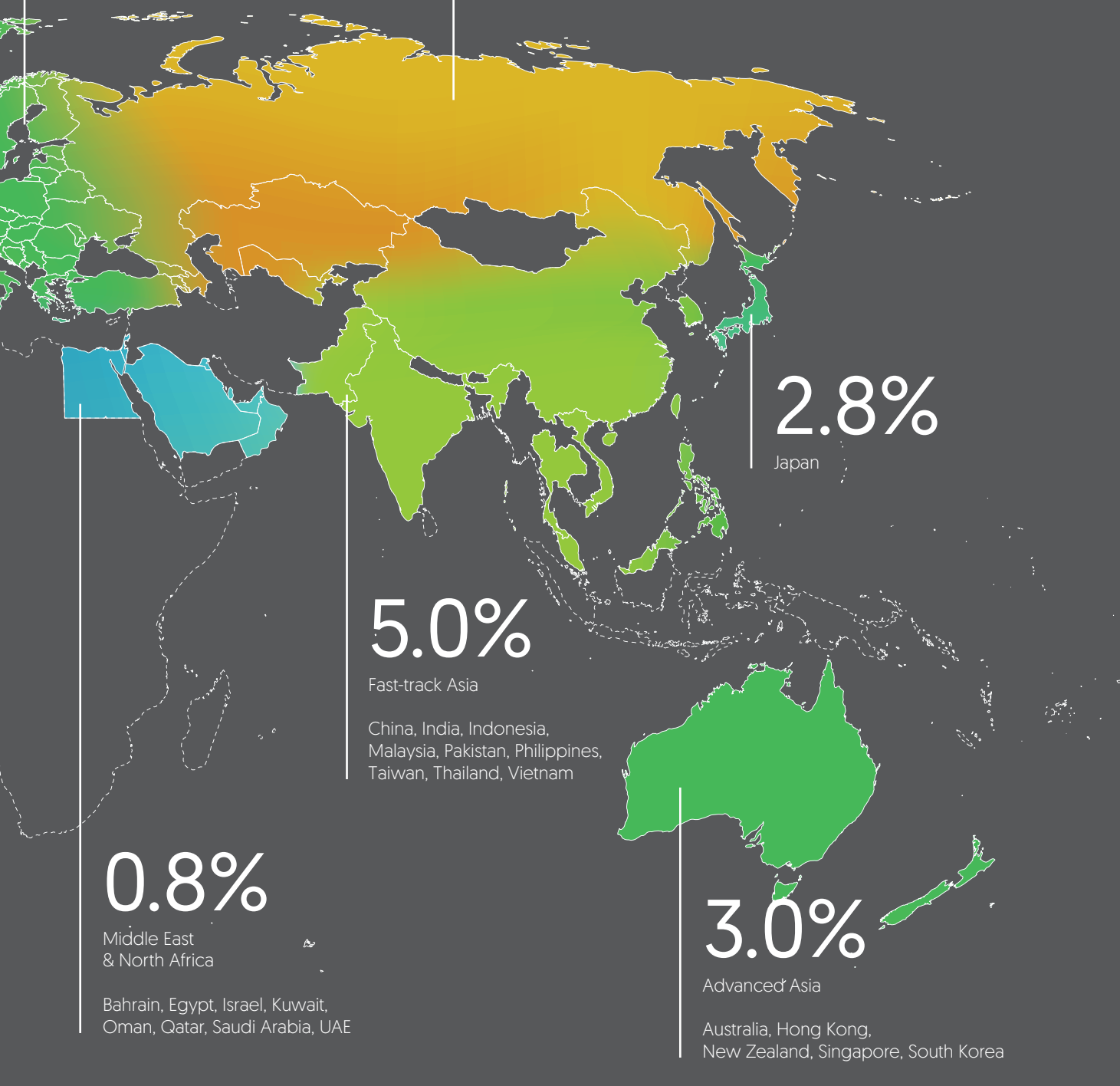
Middle East & North Africa

Bahrain, Egypt, Israel, Kuwait, Oman, Qatar, Saudi Arabia, UAE

3.0%

Advanced Asia

Australia, Hong Kong, New Zealand, Singapore, South Korea



Global advertisers will increase adspend by 4.3% in 2020, but commercial audiences will shrink by 1.6%

The demand for mass audiences continues to rise, but the supply is falling as consumers turn to non-commercial media. Media inflation has therefore exceeded adspend growth throughout the decade.

We forecast that advertisers will increase their global ad expenditure by 4.3% in 2020, but the commercial audiences supplied by media owners will shrink by 1.6%, fuelling a 6.1% increase in media prices. This will extend a trend that has continued since 2010.

Demand for advertising has grown consistently throughout this decade. To sustain market share, large brands need to maintain brand awareness among buyers and potential buyers, which requires regular, brand-building campaigns with mass reach. The same goes for smaller brands looking to grow their business. Meanwhile small businesses, which may not have advertised at all previously, have embraced targeted advertising on digital platforms and injected new demand into the market. Advertising expenditure has grown by 5.1% on average since 2010.

However, traditional mass audiences are shrinking: first print, and now television in key markets. Many lost audiences are replacing television viewing with non-commercial video like Netflix, Amazon Prime Video, HBO, and eventually Disney+, reducing available audiences and creating fragmentation. The use of adblockers means that some audiences have low exposure to digital advertising. This rising demand and falling supply is increasing prices rapidly. The supply of commercial audiences has shrunk by 1.3% a year on average since 2010, according to exclusive Zenith research, while media inflation has averaged 6.5% a year.

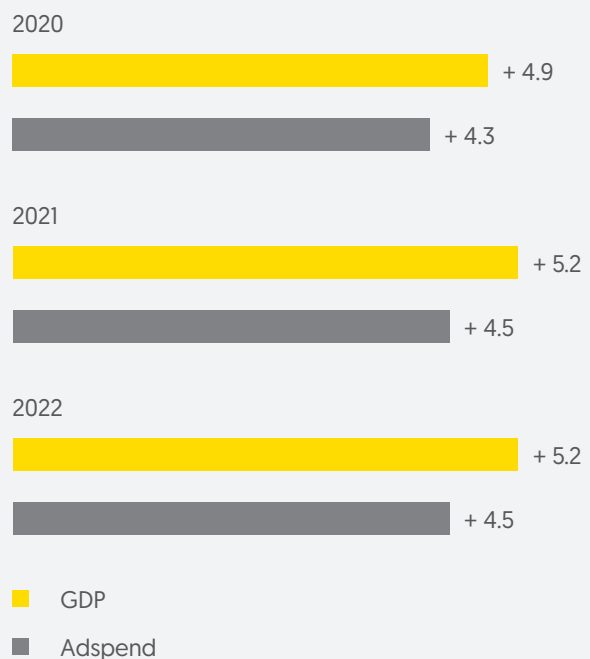
The days when we could find audiences all in one place are long gone. So brands need to use to use technology to find them wherever they are, online or offline, and win back value through efficiency and effectiveness – by targeting consumers with the right message at the right point in the consumer journey.

US-China trade war to counter the quadrennial effect in 2020

Next year is a 'quadrennial' year, benefitting from the Summer Olympics, UEFA Euro 2020 and US Presidential elections,

which occur every four years. These ad expenditure stimulants are expected to add US\$7.5bn into the global ad market. In normal circumstances, adspend growth in 2020 would be comfortably above this year's growth rate. However, forecasted 4.3% growth next year is barely above 2019's estimated 4.2% growth. The US-China trade dispute is disrupting economies across the world, interrupting supply chains and rerouting trade and investment. This is reducing growth and raising uncertainty, making advertisers more cautious about budgeting. Zenith estimates this economic headwind will cost the global ad market 1.1 percentage points of growth in 2020. Without it, the market would be up by 5.4%.

Growth of advertising expenditure and GDP 2020-2022 (%)



The ten fastest growing markets

The ten biggest ad markets

Ad expenditure (US\$m)

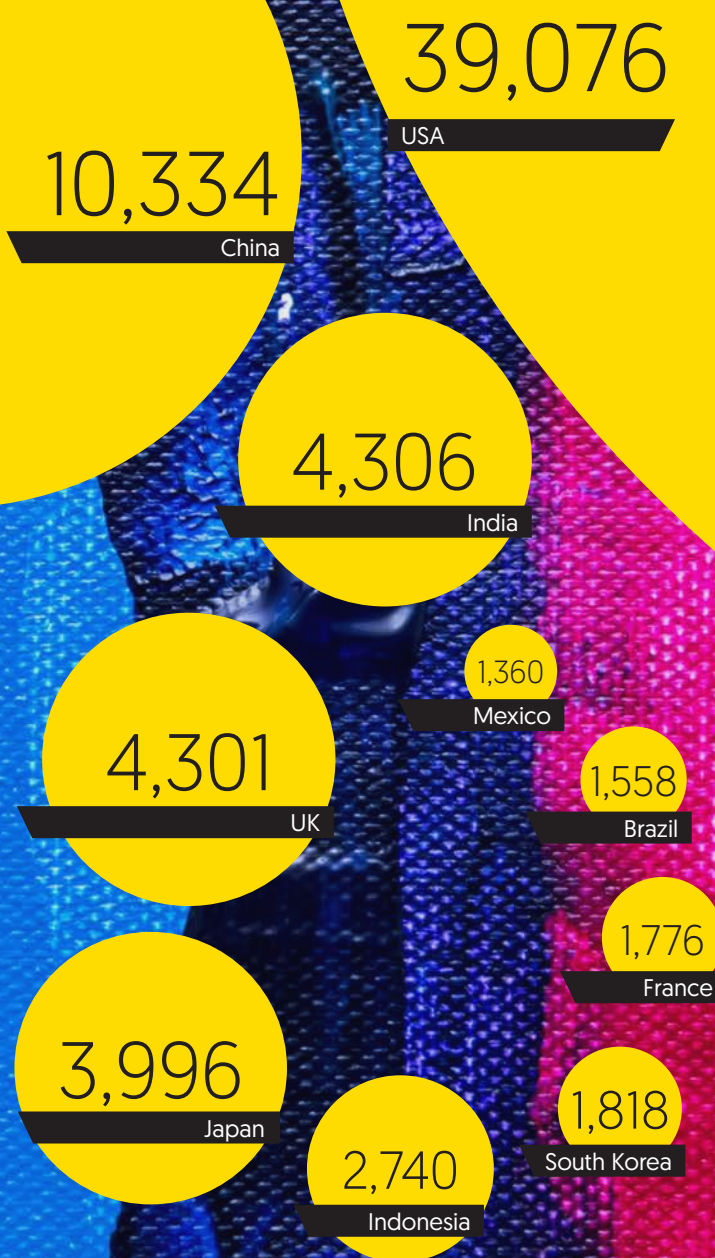
2019

2022

USA 242,536	1	USA 281,612
China 91,410	2	China 101,744
Japan 46,037	3	Japan 50,033
UK 28,374	4	UK 32,675
Germany 24,755	5	Germany 25,217
France 13,905	6	France 15,681
Brazil 13,846	7	Brazil 15,404
South Korea 13,471	8	South Korea 15,289
Australia 12,695	9	India 14,354
Canada 11,019	10	Australia 13,385

Growth in ad dollars

(US\$m 2019-2022)



Online video and social media continue to lead growth

Online video and social media will be the fastest-growing advertising channels between 2019 and 2022, thanks mainly to continued increases in consumption on smartphones.

The amount of time people spend viewing online video has grown rapidly across the world, at an average rate of 32% a year between 2013 and 2018, boosted by improvements in display sizes and quality of mobile devices, faster mobile data connections, and the spread of connected TV sets. The average person will spend half as much time viewing online video as they spend viewing conventional television this year.

This fast-expanding supply of audiences is fuelling rapid growth in demand from advertisers, making online video the fastest-growing digital channel by advertising expenditure. We forecast online video adspend to grow by 16.5% a year on average between 2019 and 2022.

Social media advertising gives brands the opportunity to drive growth by using automated tools to optimise their campaigns for key business objectives. By using first-party data from their own websites to identify potential customers on social media, brands can convert consumers who are already on the path to purchase and target look-a-like audiences more effectively.

Social media advertising is growing at an average of 13.9% a year, and by the end of 2019 will overtake the combined expenditure on newspapers and magazines for the first time. We estimate that advertising expenditure on social media

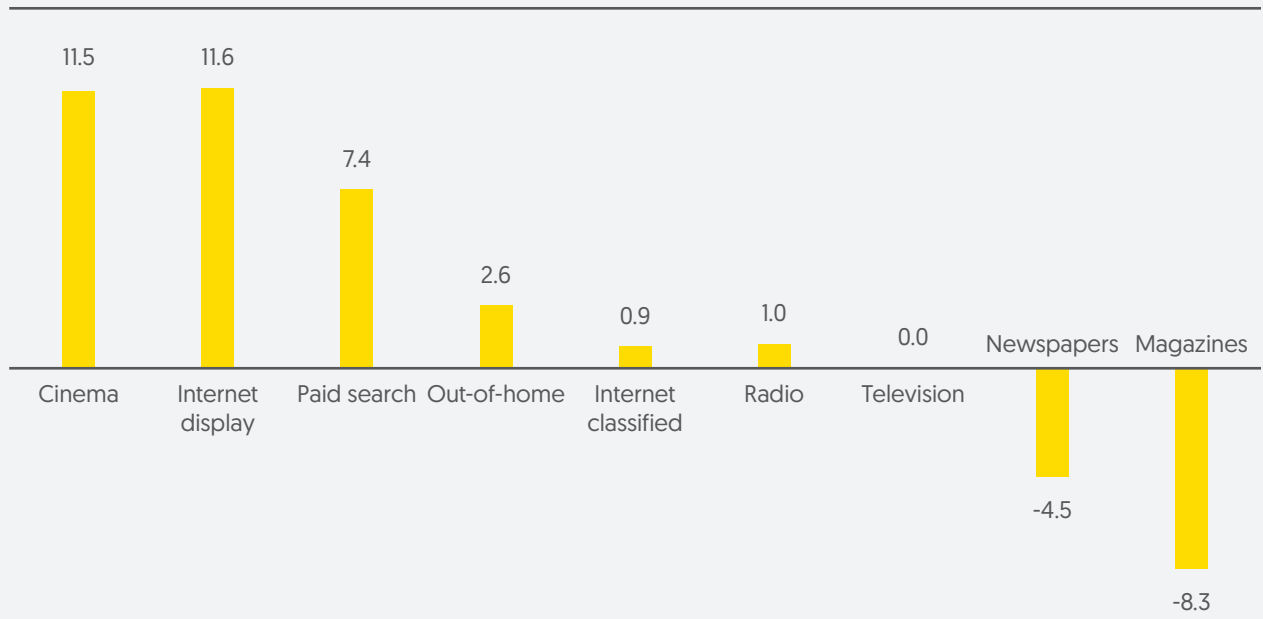
will reach US\$83bn in 2019, while advertisers' combined expenditure on newspapers and magazines will fall to US\$69bn.

Social media and online video are overlapping sub-categories of internet display advertising, which also includes traditional banners and other forms of static ads. These are not growing nearly so quickly, dragging the overall growth rate of internet display to 11.6% a year. We expect internet display as a whole to overtake television to become the single largest advertising medium in 2020, attracting US\$182bn in advertising expenditure.

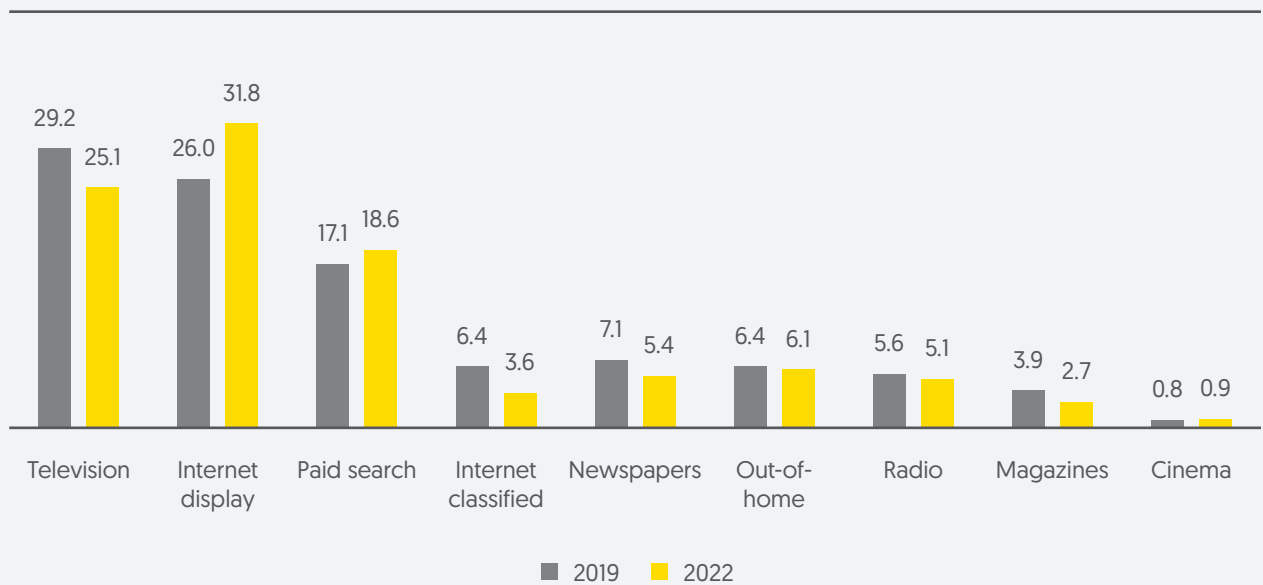
Cinema will take third place among the fastest-growing channels, with 11.5% annual growth to 2022, driven by surging demand in China, but will still only account for 0.9% of global adspend in 2022.

Television will record zero growth over the next three years, as price inflation counterbalances the decline in global audiences. Prices are rising for printed newspapers and magazines as well, but not quickly enough to compensate for the persistent and rapid decline in readership. Newspaper adspend will shrink by 4.5% a year to 2022, and magazines will shrink by 8.1% a year.

Average annual growth rate by medium 2019-2022 [%]



Share of global adspend by medium [%]



Adspend in Canada

Cannabis is an emerging category in Canada that's bolstering adspend growth in a slowing economy.

Cannabis has been legal to purchase in Canada since October 2018, resulting in Health Canada enforcing the Cannabis Act; this addresses restrictions on the promotion and advertisements of cannabis and cannabis related products. The effect on ad dollars in the market is yet to be determined as marketers, vendors, and broadcasters are still trying to create new processes while remaining within the rules laid out by the various entities. CPG and health & beauty are emerging as partners for the cannabis category, along with more traditional bricks-and-mortar cannabis retail locations. The market is still in the early stages of seeing legal advertising of this product for the first time. OOH seems to be emerging as the dominant media channel in Canada, which aligns with some early US adspend figures for cannabis.

Newspaper spend is trending well in 2019, showing an increase versus 2018, but is forecast to decline over the next few years. Some Canadian expenditure sources are attributing the growth to the still strong demand from an aging population, as well as the medium's strength within financial and automotive categories. Magazines on the other hand continue to decline, with publishers reducing pages or closing entirely. More and more spend is going to digital magazines.

The traditional mass reach channels of TV and radio are relatively stable, but have slight declines forecast to 2021. Demand is still strong for these channels, but audiences are slowly eroding, driving up the costs per point. Growth is forecast to return in 2022 as broadcasters get better at integrating digital style offerings into their buying platforms within both video and audio. Holistic measurement is also advancing as major measurement companies try to align their online video and linear TV data, as well as traditional radio and audio streaming impressions.

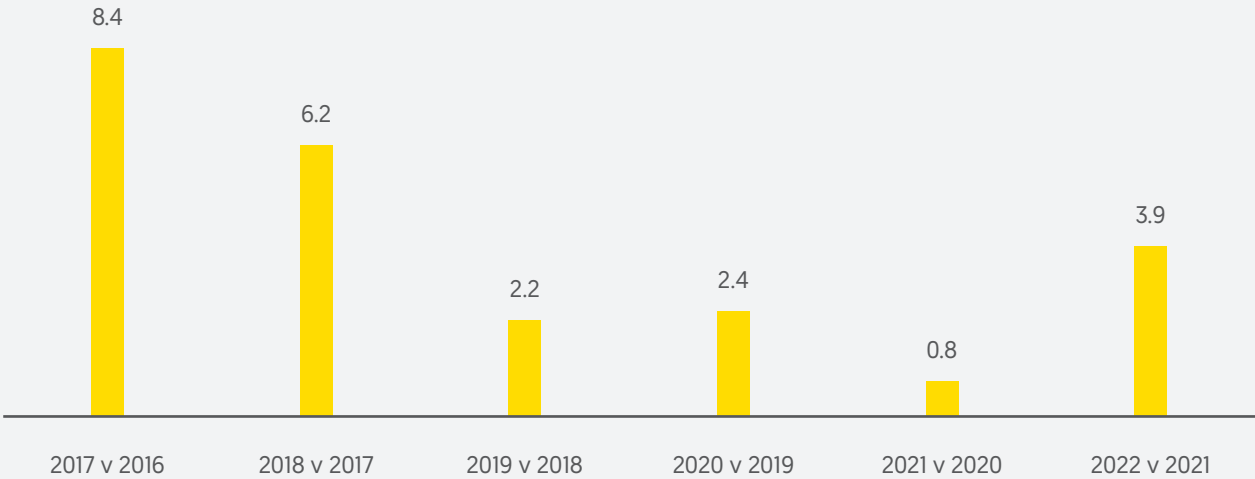
OOH is forecast to increase due to the promise of increased digital inventory for OOH advertisers. Measurement strategies, targeting, and buying capabilities are still in early phases but should strengthen with time allowing for greater efficiencies.

Internet spend is growing steadily with mobile crossing the 50% share of spend mark in 2019. Video demand is high but faces difficulty from an inventory standpoint. Online video is also the only channel where spend does not match consumption metrics due to the fact that so much of reported online video viewing cannot be monetised through advertising, with the likes of Netflix, Amazon Prime and Crave TV selling no ad slots.

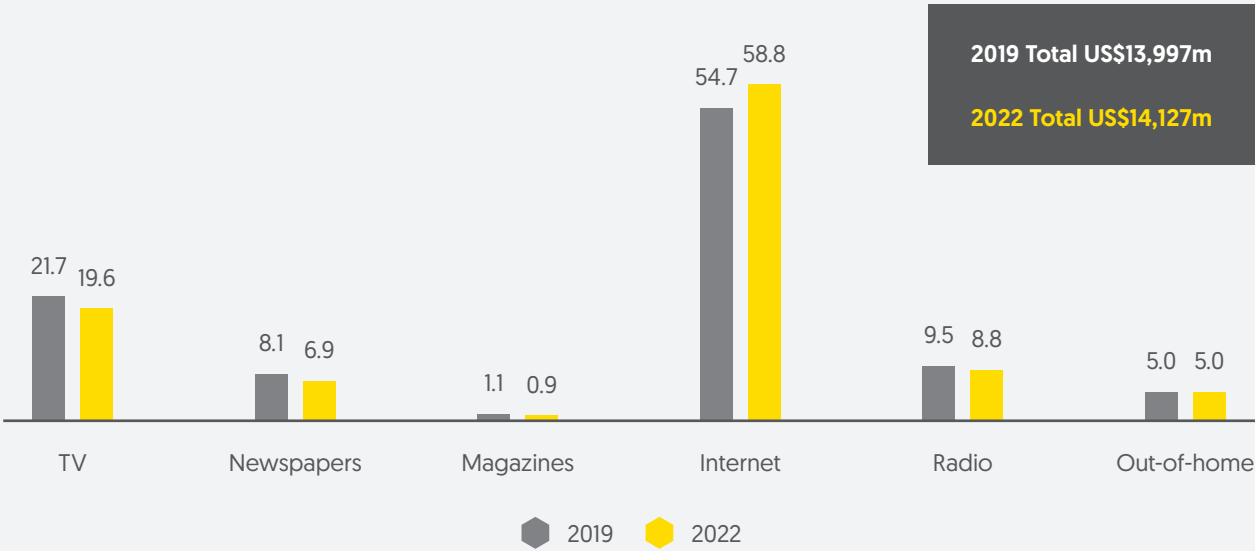


Adspend in Canada

Year-on-year change at current prices [%]



Share of adspend by medium [%]





Recent Zenith forecasts

Zenith publishes forecasts on media and advertising regularly throughout the year. These are some we've published recently.

Advertising Expenditure Forecasts December 2019

In our latest quarterly adspend forecasts, we predict global ad expenditure will rise by 4.3% in 2020, but the commercial audiences supplied by media owners will shrink by 1.6%, fuelling a 6.1% increase in media prices. 2020 will be a 'quadrennial' year, benefitting from the Summer Olympics, UEFA Euro 2020 and US Presidential elections, which occur every four years and reliably boost global adspend. But the trade war between the US and China is disrupting economies across the world, so adspend will be barely changed from 2019's 4.2%.

Programmatic Marketing Forecasts 2019

In this report Zenith finds that 69% of all digital media will trade programmatically in 2020, up from 65% this year. But the expansion of programmatic adspend is slowing, as the industry grapples with the need to balance consumers' need for privacy with the benefits of targeting and personalisation. There are also too many ad tech entities that sit on the supply path between publishers and brands, charging fees, and providing unknown value due to their lack of transparency. Brands need to unlock the potential of first-party data and customer data platforms, while making use of programmatic media for brand-building campaigns as well as short-term performance campaigns.

Beauty Advertising Expenditure Forecasts 2019

Here we predict that growth in global beauty adspend will rise from -1.2% in 2018 to 2.7% this year, and will reach 4.7% in 2021. This acceleration of growth will be spurred by the global expansion of e-commerce advertising and the improved supply of premium digital environments. Brands are also working more with retailers to create more in-store experiences, and using new technology like Augmented Reality to allow consumers to try before they buy online. By tying together their e-commerce and in-store experiences, beauty brands can lead consumers down the path to purchase more effectively.

Online Video Forecasts 2019

This report forecasts that the average person will spend 100 minutes each day watching online video in 2021, up from 84 minutes this year. That's the equivalent of watching 25 continuous days of video in 2021. This fast-expanding supply of audiences is fuelling rapid growth in demand from advertisers, making online video the fastest-growing digital channel by advertising expenditure. We predict advertising expenditure on online video to grow by 18% a year between 2019 and 2021, rising from US\$45bn to US\$61bn globally.

About Zenith

Zenith is The ROI agency. We blend data, technology and brilliant specialists to scout out new opportunities, solve complex challenges and grow our clients' businesses. Zenith is part of Publicis Media, one of four solution hubs within Publicis Groupe, and has offices within Publicis One. We have over 6,000 brilliant specialists across 95 markets. We are experts in communications & media planning, content, performance marketing, value optimisation and data analytics. Zenith works with some of the world's leading brands including Electrolux, Essity, Kering, Lactalis, Luxottica, Nestlé, Nomad Foods, Oracle, Perrigo and RB.



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