

EMBARGOED: 0.01 BST/1.01 CET 20 June 2016

Mobile internet advertising to overtake desktop in 2017

Mobile will overtake desktop to become the primary internet advertising medium in 2017, a year earlier than previously forecast. According to Zenith's new *Advertising Expenditure Forecasts*, published today, advertisers across the world will spend US\$99.3bn on mobile internet advertising in 2017, compared to US\$97.4bn on desktop internet advertising.

In December we predicted that mobile internet advertising would overtake desktop in 2018, but the rapid development of the mobile advertising market since then has caused us to bring that prediction forward by a year. Mobile advertising is growing at a blistering pace: it grew 95% in 2015, and we forecast 46% growth for 2016, followed by 29% growth in both 2017 and 2018. Mobile is already the primary means of accessing the internet (see Zenith's *Media Consumption Forecasts 2016*, published last week). The advertising market is catching up with the consumer as advertisers determine how best to communicate using the mobile internet.

Desktop internet is now shrinking

Desktop advertising peaked in 2014 at US\$98.9bn and shrank 0.2% in 2015 to US\$98.7bn as advertisers switched their budgets to mobile. We now expect desktop advertising to decline for the rest of our forecast period: by 0.9% in 2016, 0.4% in 2017 and 6.0% in 2018. We predict desktop advertising expenditure to total US\$91.5bn in 2018, when desktop advertising will account for 42% of all internet advertising, and mobile advertising will account for 58%.

China is the pioneering mobile market, followed by the UK

China is the leading mobile advertising market, pioneering the developments that will later spread around the world. Mobile advertising is already the dominant form of internet advertising – it will account for 56% of internet advertising expenditure in China this year and 78% by 2018, more than anywhere else in the world. Mobile advertising will account for 29% of the entire ad market this year – when it will overtake television to become China's largest single advertising medium – and 47% in 2018. Next year China will overtake the USA to become the largest mobile advertising market:

China's advertisers will spend US\$32.7bn on mobile advertising, while the USA's will spend US\$30.5bn.

The UK is the second-most-advanced mobile advertising market. This year it will be the only other market where mobile accounts for more than half – 51% – of internet advertising, and where more advertising expenditure goes to mobile than any other medium. Mobile advertising will account for 28% of total UK advertising expenditure this year, and 39% in 2018.

Globally, mobile advertising is some way behind television and will remain so for at least the next few years: by 2018 we expect mobile advertising expenditure to total US\$127.8bn compared to television's US\$192.2bn.

Traditional display is no longer growing

Traditional digital display advertising – banners and similar formats – will shrink 3.1% this year, after growing 8.6% in 2015. While we are forecasting some growth over the next two years it will be barely enough to make up for the ground lost this year – digital display's growth will average just 0.3% a year between 2015 and 2018, effectively remaining flat. This means that online video and social media will be the sole sources of growth for display advertising over the next three years. Fortunately these are growing very quickly: we predict online video advertising will grow by 20.1% a year on average between 2015 and 2018, while social media will grow 23.6%.

The sudden decline in traditional display is a result of the rapid transition to mobile advertising. Banner ads are much less effective on mobile devices than on desktops – consumers find them more intrusive, and are more likely to click on them by accident than by design. Online video, by contrast, is benefiting from the increasing availability of high-quality content, and improvements to the mobile viewing experience, such as better displays and faster connections. And for many consumers, checking their mobile devices for social media devices has become a regular, ingrained habit, while social media ads blend seamlessly into their mobile app newsfeeds.

Latin America to shrink 2.4% this year

We forecast global advertising expenditure to grow 4.1% this year to reach US\$537bn, down from the 4.6% growth we predicted in March. The main reason for this downgrade is the recession and currency devaluation afflicting key markets in Latin America. Argentina, Brazil, Ecuador and Venezuela (which account for 56% of Latin American advertising expenditure) are currently in

recession, compounded by rapid currency devaluation in Argentina and an economic crisis in Venezuela. In December last year the Argentinean government lifted its exchange rate controls, leading to an immediate 30% devaluation of the currency, followed by further declines this year. Meanwhile Venezuela is running out of basic supplies and is heading for hyperinflation. We forecast Latin American advertising expenditure to shrink 2.4% in 2016, down from 6.3% growth in 2015.

Argentina's devaluation alone is responsible for most of the decline in our global forecast for this year. The IMF now expects the Argentine peso to trade at an average of 15.8 to the dollar this year, down from its earlier forecast of 11.2. This reduces the dollar value of Argentina's ad market this year by US\$2.1bn and reduces global growth by 0.4 percentage points. Under the previous exchange-rate forecasts for Argentina, global advertising growth this year would be 4.5%, just 0.1 percentage points below our previous forecast.

Potential threat to European growth from Brexit

This week the UK votes on whether or not to stay in the European Union. Earlier this month we published our analysis of the damage that a vote to leave would inflict on the UK ad market. We found that leaving the European Union ('Brexit') would cost the UK £70m in adspend growth each year – a total of £1bn by 2030. Brexit would also add to business and consumer uncertainty across Europe, creating downside risk for the whole region.

"China's advertisers are leading the way in adapting to the rise of mobile technology," said Jonathan Barnard, Head of Forecasting at Zenith. "In China, mobile advertising is already the most important medium, and brand communications are mobile first. It's only a matter of time before the rest of the world catches up."

For further information, please contact:

Jonathan Barnard

Head of Forecasting

Tel: +44 20 7961 1192

Email: jbarnard1@publicisgroupe.net

Tim Collison

Global Communications Director

Tel: +44 20 7961 1126

Email: tcolliso@publicisgroupe.net

About Publicis Media

Publicis Media is one of the four solutions hubs of Publicis Groupe, alongside Publicis Communications, Publicis. Sapien and Publicis Healthcare. Led by Steve King, CEO, Publicis Media is powered by its four global brands, Starcom, Zenith, Mediavest | Spark and Optimedia | Blue 449, and supported by its digital-first, data-driven Global Practices which together deliver client value and business transformation. Publicis Media is committed to helping its clients navigate the modern media landscape and is present in more than 100 countries with over 13,500 employees worldwide.