

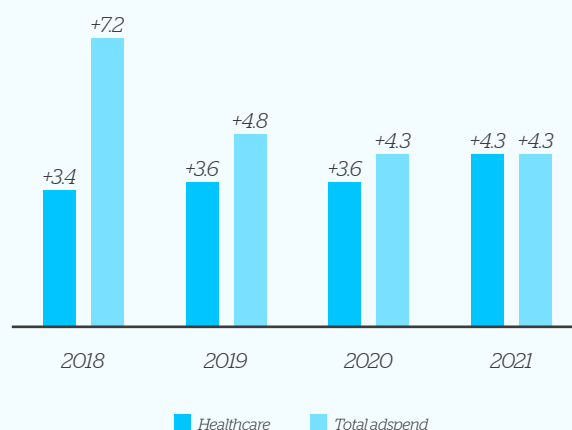
Global Intelligence

Healthcare Adspend Forecasts

In our second report dedicated to specific categories, we turn to the global healthcare market, and examine the trends shaping its advertising market.

After our first report extended our regular *Advertising Expenditure Forecasts* by looking into the automotive industry, we surveyed healthcare advertising in 13 key markets. We calculate that healthcare advertising expenditure totalled US\$35.1bn across these markets in 2018, up 3.4% on the 2017 total. We then forecast 3.6% growth in healthcare adspend in each of 2019 and 2020, and 4.3% in 2021. This means that healthcare advertising is growing more slowly than the market as a whole (total advertising across these 13 markets is predicted to be 4.8% in 2019, then 4.3% in 2020). High research costs and persistent downward pressure on prices are currently hindering the prescription medicine business and therefore restraining advertising spend by the big healthcare companies. However, in the long term we expect the ageing of the global population to lead to higher demand for healthcare, while new over-the-counter products and services expand the supply, enabled by new technologies like personal data tracking, telemedicine and AI.

Growth of healthcare adspend and total adspend 2018-2021 (%) – 13 key markets



Source: Zenith

This research covers Australia, Brazil, Canada, China, France, Germany, India, Italy, Russia, South Korea, Spain, the UK, and the USA. Between them these markets account for 78% of global adspend across all categories, so advertising trends in these markets are representative of trends worldwide.

One of the distinguishing features of healthcare advertising is that regulation varies considerably from market to market, much more than for most other categories. What can be advertised, where advertising can appear, what advertisers are permitted to say – all of these can be very different, and can change quickly even in an individual market, posing quite specific challenges to healthcare brands. This means that patterns of adspend across media vary widely from market to market, as do growth rates.

Television budgets are shifting to out-of-home and online

Television remains the most important medium for healthcare advertising, accounting for 54.7% of all spend in 2018, far higher than television's 30.8% share of the advertising market as a whole. However, healthcare advertising on television began shrinking in 2018, and we expect this trend to accelerate as brands shift awareness campaigns to out-of-home and online media. Healthcare adspend on television fell 3.1% in 2018; we expect it to fall 4.6% in 2019, and forecast 5.2% annual declines in both 2020 and 2021. This is faster than the decline in television adspend across the market as a whole, which is shrinking at about 1% a year.

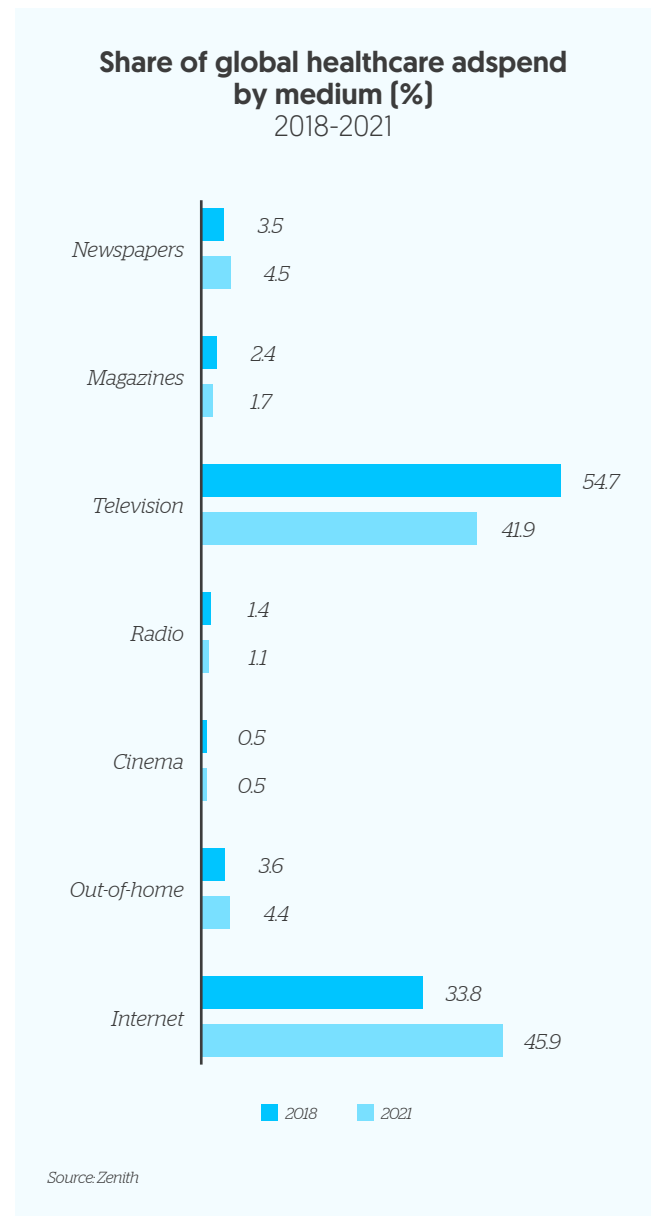


One of the reasons for television's decline is that healthcare advertisers are rapidly increasing their out-of-home activity. Out-of-home is somewhat underused by healthcare advertising – we estimate it will account for 4.0% of healthcare adspend this year, compared to 6.4% for adspend across the whole market. But that's changing as healthcare advertisers up their out-of-home spending at double-digit annual rates. Out-of-home healthcare adspend grew 11% in 2018, and we forecast it to grow 15% in 2019. The spread of digital displays is making out-of-home a more effective substitute for television in awareness campaigns, particularly as television viewing continued to drop in key markets.

Television's main competition now is internet advertising, which accounted for 34% of healthcare adspend in 2018. Healthcare advertising has to be conducted carefully online, because it is subject to complex regulations. It can be difficult to use social media, for example, because healthcare companies cannot have unqualified people talking about their brands, while Google does not allow the direct targeting of people with a medical condition. Nevertheless, internet advertising can work well for healthcare brands, allowing them to reach potential customers with discretion, often when they are actively searching for information about their health problems and are therefore receptive to the solutions on offer. Healthcare internet adspend grew 16% in 2018, and we expect another year of 16% growth in 2019. In 2021, we expect the internet to overtake television and become the biggest medium for healthcare advertising, attracting 46% of all healthcare adspend.

Unusually, healthcare advertising is expanding quickly in newspapers. Newspapers attracted just 3.5% of healthcare adspend in 2018, but newspaper expenditure rose 6%. We forecast growth to strengthen over the next few years, from 7% this year to 17% in 2021, when we expect newspapers to account for 4.5% of healthcare adspend. That stands in stark contrast to the 5% annual decline in global newspaper adspend across the market as a whole.

The reason for newspapers' growing prominence in healthcare advertising is the rapid rise of healthcare adspend in India. Healthcare advertising has traditionally been concentrated in print in India, accounting for over three quarters of healthcare adspend. And India is one of the few markets in which newspaper circulation, readership and adspend are all on the rise. If we exclude India, then the share of healthcare advertising taken by newspapers is actually expected to drop from 2.1% in 2018 to just 1.6% in 2021.



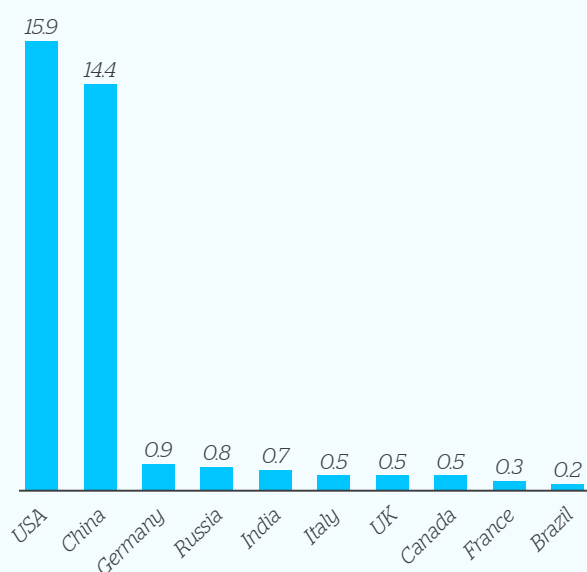
The US and China dominate spending, but India is the fastest growing

The overwhelming leaders in healthcare advertising expenditure are the US and China, which together accounted for 86% of healthcare adspend across our 13 markets in 2018. They are similar in scale, the US accounting for US\$15.9bn in healthcare adspend in 2018, and China accounting for US\$14.4bn. All other markets accounted for less than US\$1bn.

India, however, is by far the fastest-growing healthcare market in this report, with adspend growing at an average of 26% a year between 2018 and 2021. Rising incomes and more widespread access to health insurance are making healthcare more accessible in India, encouraging a great deal more direct-to-consumer marketing of healthcare products and services. The next fastest-growing is Brazil, which is growing at 9% a year.

Top ten healthcare ad markets

US\$bn, current prices. Currency conversion at 2018 average rates.



Source: Zenith

The key trends shaping healthcare marketing

Returns to innovation in prescription medicine are falling

It is becoming more difficult and expensive to bring new prescription medicines to market. The low-hanging fruit has already been picked, and investment in developing, testing and getting approval for new drugs is suffering from diminishing returns.

Manufacturers are also under increasing political pressure from governments and the public to reduce prices. Governmental and private third-party buyers of pharmaceutical products have also sought to reduce sales volumes, for example by restricting product access to official lists of medicines that can be prescribed. Meanwhile, copycat biological medicines – known as biosimilars – are becoming common. The window of opportunity for taking advantage of innovation is narrowing: as soon as a good new idea appears, it is quickly taken up and used by competitors.

What this means for brands

- Healthcare companies that think of themselves primarily as manufacturers and suppliers of drugs will face low growth and falling returns on investment.
- Brand extensions into over-the-counter medicines and wider healthcare services are more promising routes to expansion.



Consumers are building their own health databases

Consumers are more interested in maintaining and improving their health than ever. They are using devices such as smartwatches and home medical equipment to track data about their own bodies and their activities, building up a more detailed and personal picture of their health than has ever previously been possible. This 'quantified self' enables not only the diagnosis of individual problems they arise, but also the creation of tailored recommendations to improve health, fitness and sporting performance.

What this means for brands

- Brands should focus on products and services that promote wellness, rather than simply react to ill health.
- Healthcare companies can tap into the vast data produced by consumer self-tracking to create new brand services perfectly tailored to the individual.





Digital technology is enabling the development of new healthcare services

Digital technology is transforming the business models of the healthcare operators, including research and manufacturing processes. It can also lead to a more complex supply chain, such as when some new medicines rely on product-specific devices manufactured by third parties to allow the patient to administer them, for example. As in every category, start-ups are challenging established brands by overturning conventional ways of doing business.

Technology is also transforming the way consumers experience healthcare. Telemedicine, for example, allows consumers to be diagnosed and treated at a distance. And the combination of personal health datasets and AI-driven diagnosis and treatment promises great improvements in healthcare outcomes.

What this means for brands

- Trust is uniquely important to healthcare – people will only entrust their health and the health of their families to brands they have faith in. This gives established brands, which have taken time to build up their credibility, and advantage over start-ups.
- But brands need to match the innovative spirit of their new rivals if they are not to lose credibility in the long term.

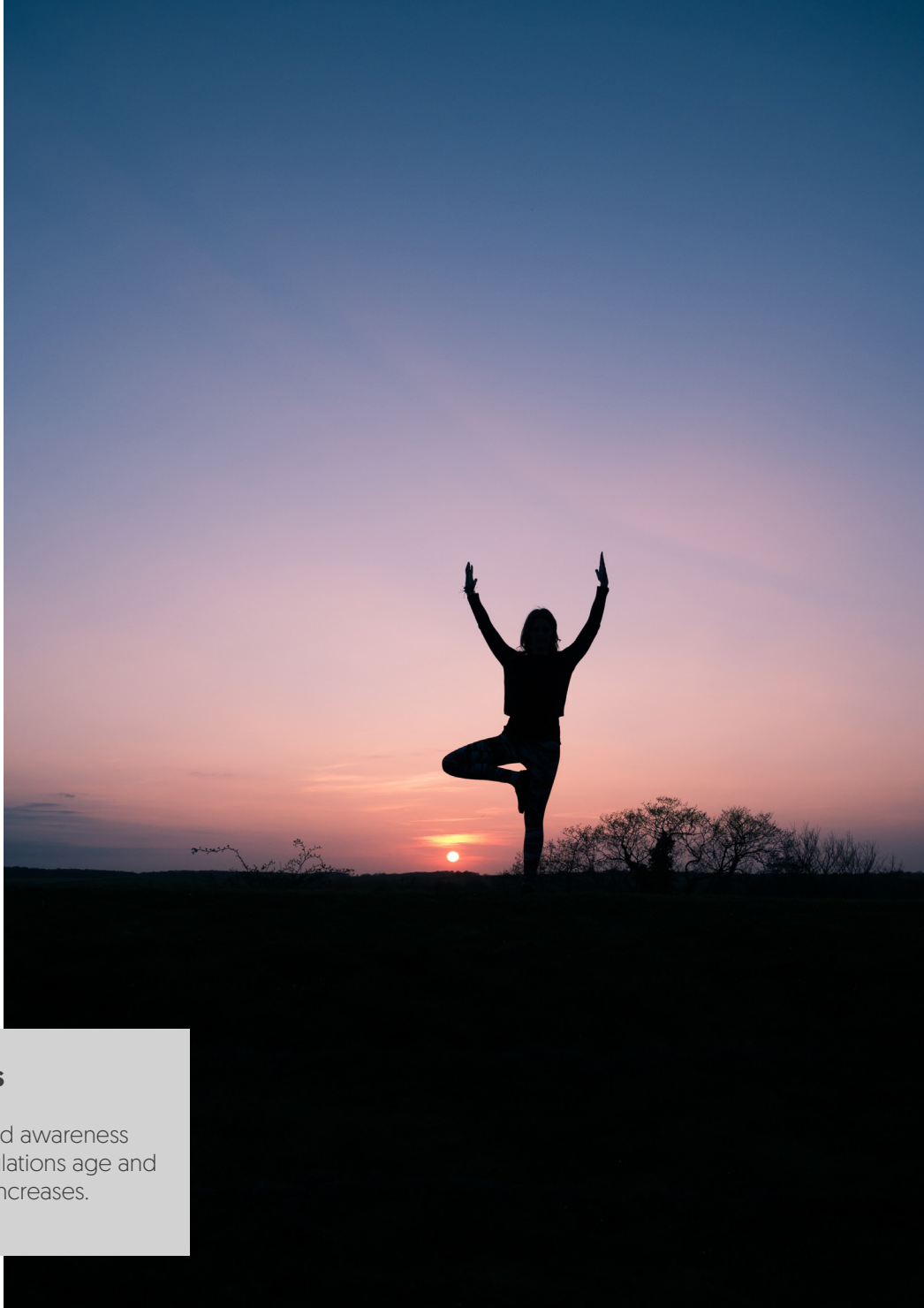
Demographic trends point to a bright future for the healthcare market

Life expectancy is increasing worldwide. In 2015, there were around 900 million people aged over 60, but by 2030 this is expected to rise to 1.4 billion. Because older people consume more healthcare services – since they are more likely to require treatment for chronic disease and multiple conditions – this points towards increased demand for healthcare services and products in the future.

In addition to this, rising incomes in many developing markets are giving more people access to better health products and services, and we expect this to continue over the years to come.

What this means for brands

- Long-term investment in brand awareness now will pay off later as populations age and their demand for healthcare increases.



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 client's 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.