This Year Next Year

UK MEDIA AND MARKETING FORECASTS

June 2018

groupm

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MAY 2018

GroupM
26 Red Lion Square
London WC1R 4HQ
United Kingdom

Contents

Introduction

2017 media investment growth of 6.4% may prove a peak: These new forecasts envisage 6.1% for 2018 and 5.1% for 2019. Pure-play internet growth accelerated from 12% in 2016 to 15% in 2017, though much of this arose from the IAB/PwC retrospectively revising 2016 down by £193 million. There is, however, no denying digital's impetus in 2016 and 2017, as advertisers large and small changed up a gear with Facebook.

It is easy to justify using more digital in advertising: there's lots of data and lots of reach, plus it's cheap and easy to use. This is all true, but no element is exempt from challenge. In particular, the rising tide of data encourages short-termism and specialisation: knowing more and more about less and less. There is a risk that these become diseconomies. Automation, including AI, must increase to liberate human brains for strategy. We need more technology but fewer technicians.

The distinction between digital and other media is now meaningless. According to the Advertising Association, in 2017, digital accounted for 23% of news-brands' advertising revenue. We see this rising to 31% in 2018, assisted by the recent arrival of PAMCo, which we believe has the potential to amplify the benefits and versatility of the editorial media concerned. We think this will sustain the emerging improvement in news media's advertising trajectory. This, plus digital drivers in such as radio/audio and out-of-home, contributes to our picture of aggregate advertising investment to 'traditional' media stabilising this year and next after the Facebook surge of 2016 and 2017.

In our forecast, 'pure play internet' is still gaining share, however, rising in 2019 to 60% of what we project will be an advertising economy surpassing £20 billion for the first time. The IAB goes to the trouble of estimating components such as mobile, social and video. We would welcome its estimated subdivisions of large and small advertisers and of the market excluding Google and Facebook. The IAB's headline growth rate is the largest moving part in the measured advertising economy, but it is becoming progressively less informative to smaller publishers and larger advertisers.

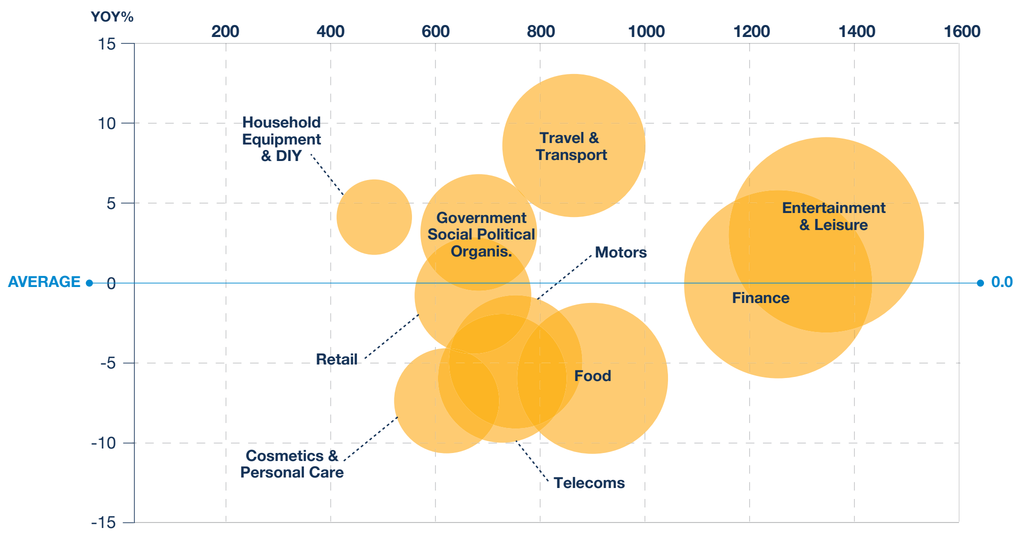
We produced this forecast on the eve of GDPR's arrival in May. Much of its effect and interpretation will take time to emerge. More informed consent and a cleaner supply chain are undoubted benefits, as we discuss in GDPR: *Inspiring Consumer Best Practices Beyond the EU*. One way to ensure consumers love your brand is to support it properly. However, the financial sector sends warnings of unintended consequences of regulation in the form of heavy automation expense in the cause of compliance rather than productivity, and of compliance forming a barrier to entry, which is therefore a barrier to competition and innovation.

Introduction

TOP ADVERTISERS (HOLDING COMPANY LEVEL) FEB 2017 TO JAN 2018	£M	YOY%
Sky UK Ltd	238	-3.1
BT Group Plc	228	1.3
Procter & Gamble Ltd	211	-3.6
Unilever Plc	131	20.8
Tesco Plc	120	43.8
Volkswagen AG	113	9.8
McDonald's Corporation USA	100	14.5
Amazon.com Inc	99	-14.4
Virgin Media Inc	99	-25.1
L'Oreal UK Ltd	98	-23.0
Reckitt Benckiser Plc	95	-24.2
Samsung Co Ltd	78	37.3
Dixons Carphone	77	-15.8
CCS Crown Commercial Service	75	-17.7
Home Retail Group Plc	75	-12.6
Sony Corp	72	4.3
Schwarz Beteiligungs Kg	71	-12.8
Marks and Spencer Group Plc	70	18.5
Ford Motor Co Ltd	70	-15.2
Lloyds Banking Group	69	1.8
Alliance Boots Plc	69	-10.2
Vodafone Group Plc	68	-30.1
Walmart Inc	67	-9.4
DFS Furniture Holdings Plc	65	-13.0

Introduction

TOP CATEGORIES FEBRUARY 2017 TO JANUARY 2018



TOP CATEGORIES FEB 2017 TO JAN 2018	£M	YOY%
Entertainment & Leisure	1,356	3.4
Finance	1,248	0.3
Food	895	-6.4
Travel & Transport	830	8.8
Motors	753	-5.7
Telecoms	726	-6.2
Government Social Political Organisation	672	3.5
Retail	661	-1.6
Cosmetics & Personal Care	628	-7.6
Household Equipment & DIY	486	4.2
Electronics, Household Appliances & Tech	471	4.7
Mail Order	416	-5.8
Computers	345	34.1
Clothing & Accessories	342	3.0
Drink	319	-2.5
Pharmaceutical	292	-9.6
Business & Industrial	268	-0.9
Media	267	-2.3
Household FMCG	263	-0.2
Leisure Equipment	221	-5.3
Online Retail	169	3.3
Games & Consoles	124	4.2
Property	121	10.7
Average		**0.0**

Summary

Media, £m, net	2011	2012	2013	2014	2015	2016	2017	2018f	2019f
TV	3,530	3,520	3,776	3,962	4,375	4,407	4,301	4,373	4,461
Radio spot	363	374	364	403	416	429	454	477	501
National newsbrands	1,386	1,304	1,221	1,165	1,039	929	877	842	811
Regional newsbrands	1,336	1,192	1,105	1,065	1,000	868	789	742	703
Consumer magazine brands	561	534	508	486	466	443	402	370	350
B2B magazine brands	472	402	375	358	334	303	274	260	255
Outdoor	709	777	792	816	846	902	915	934	960
Cinema	146	164	139	145	176	180	183	193	198
Pure-play internet*	4,305	5,029	5,738	6,725	8,205	9,207	10,599	11,746	12,722
Media total £m	**12,808**	**13,297**	**14,017**	**15,126**	**16,857**	**17,668**	**18,795**	**19,937**	**20,960**

*IAB reported total less Broadcaster VOD (IAB) and print brand digital (AA/WARC)

Marketing services, £m net	2011	2012	2013	2014	2015	2016	2017	2018f	2019f
Direct mail	1,620	1,598	1,626	1,603	1,625	1,478	1,490	1,500	1,500
Broadcast partnership	280	291	235	241	249	269	266	268	271
Market research	3,010	2,950	2,982	2,928	3,043	3,104	3,104	3,130	3,160
Public relations	625	650	663	690	725	758	781	804	820
Marketing services total £m	**5,535**	**5,488**	**5,506**	**5,462**	**5,642**	**5,609**	**5,641**	**5,702**	**5,751**
Media and marketing services total £m	**18,342**	**18,785**	**19,523**	**20,587**	**22,499**	**23,277**	**24,436**	**25,639**	**26,712**

Media YOY% change	2011	2012	2013	2014	2015	2016	2017	2018f	2019f
TV	3.1	-0.3	7.2	4.9	10.4	0.7	-2.4	1.7	2.0
Radio spot	1.7	2.9	-2.7	10.8	3.1	3.3	5.8	5.0	5.0
National newsbrands	-0.1	-5.9	-6.4	-4.7	-10.8	-10.6	-5.6	-4.0	-3.7
Regional newsbrands	-1.7	-10.8	-7.3	-3.6	-6.2	-13.2	-9.1	-5.9	-5.2
Consumer magazine brands	9.6	-4.8	-4.8	-4.2	-4.2	-4.9	-9.3	-7.8	-5.6
B2B magazine brands	17.7	-14.8	-6.9	-4.5	-6.5	-9.4	-9.5	-5.0	-2.1
Outdoor	0.7	9.6	2.0	3.0	3.7	6.5	1.5	2.0	2.8
Cinema	-6.4	12.0	-15.2	4.3	21.5	2.0	1.8	5.2	2.9
Pure-play internet	5.8	16.8	14.1	17.2	22.0	12.2	15.1	10.8	8.3
Media	**3.5**	**3.8**	**5.4**	**7.9**	**11.4**	**4.8**	**6.4**	**6.1**	**5.1**

Marketing services YOY% change	2011	2012	2013	2014	2015	2016	2017	2018f	2019f
Direct mail	4.1	-1.4	1.7	-1.4	1.4	-9.1	0.9	0.7	0.0
Broadcast partnership	4.9	3.8	-19.1	2.3	3.4	8.2	-1.1	0.7	1.2
Market research	-3.5	-2.0	1.1	-1.8	3.9	2.0	0.0	0.8	1.0
Public relations	4.9	4.0	2.0	4.1	5.1	4.6	3.0	2.9	2.0
Marketing services	**-0.1**	**-0.8**	**0.3**	**-0.8**	**3.3**	**-0.6**	**0.6**	**1.1**	**0.9**
Media and marketing services	**2.4**	**2.4**	**3.9**	**5.5**	**9.3**	**3.5**	**5.0**	**4.9**	**4.2**

% shares of media	2011	2012	2013	2014	2015	2016	2017	2018f	2019f
TV	27.6	26.5	26.9	26.2	26.0	24.9	22.9	21.9	21.3
Radio	2.8	2.8	2.6	2.7	2.5	2.4	2.4	2.4	2.4
National newsbrands	10.8	9.8	8.7	7.7	6.2	5.3	4.7	4.2	3.9
Regional newsbrands	10.4	9.0	7.9	7.0	5.9	4.9	4.2	3.7	3.4
Consumer magazine brands	4.4	4.0	3.6	3.2	2.8	2.5	2.1	1.9	1.7
B2B magazine brands	3.7	3.0	2.7	2.4	2.0	1.7	1.5	1.3	1.2
Outdoor	5.5	5.8	5.7	5.4	5.0	5.1	4.9	4.7	4.6
Cinema	1.1	1.2	1.0	1.0	1.0	1.0	1.0	1.0	0.9
Pure-play internet	33.6	37.8	40.9	44.5	48.7	52.1	56.4	58.9	60.7
Media total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Television

THIS YEAR +2%, NEXT YEAR +2%

The Big TV Festival in February was an impressive signal of unity in the medium, echoing initiatives in all the other traditional media to take a collective, evidence-based fight to the digital duopoly instead of fighting for shares in a silo.

Putting quality before speed, four-screen audience reporting from BARB has been delayed six months to September. This will provide programme ratings only. Commercial impressions is a 2019 horizon, governed by how quickly the broadcasters tag their inventory. We might see data within 2018 from early birds. Anecdote suggests 'Love Island' commands a bigger audience on demand than on linear, and streaming tends to substitute linear viewing. Incremental reach is highly valued and highly priced, but today's measure of simple impressions is primitive.

The four screens will not give us the whole picture, as they do not include smart TVs or boxes with big-screen apps. Circumstantial evidence suggests quite a bit of on-demand viewing is shifting to these from PCs, so this is another urgent job for the tireless BARB. The volume of on-demand impressions has now grown sufficiently to eliminate the supply spikes and shortages common three years ago.

As a start, to know programme ratings will improve budget allocation between linear and on-demand audiences (and help programme promotion). According to Thinkbox, broadcaster TV on all screens still captures 90% of 16-34 ad viewing time – and to judge from the resilience of commercial TV viewing hours, it does not ruin the user experience.

However, linear commercial TV lost 10% of its 16-34 impressions in 2017 and 12% of its 16-24s, both a point worse than we expected. Both are also now below 1999 levels, causing price inflation, including on Sky. Dovetail will tell us how many of these impressions TV is retrieving in on-demand. Broad audience CPTs deflated in 2017, but we envisage a general return to inflation across broads and subs in 2018.

At a total level, ITV's SOCI is stable, helped by the sixth 'Coronation Street' from 20 September, winter's return of 'Dancing on Ice', and general good health in early-peak. Channel 5's audience rose 5% in 2017 to deliver a 6% share, its best since 2004, and helped the C5 family produce its highest share of upmarket and younger viewers. However, the resulting effect on commercial impressions is hidden inside Sky Media's big trading book.

At the festival, Channel 4's Jonathan Allan noted TV's ability to improve online campaigns, for example by reducing advertisers' cost-per-click or cost-per-engagement. In the digital domain, not before time, reconciling investment to 'effective' rather than absolute CPTs is gaining ground. An example might be accounting only for impressions of a certain duration, or sufficient viewability. Coordinating TV and digital investment to achieve this is on the radar, but siloes prevent us describing this as routine. Agencies and advertisers need to challenge each other on this. All media channels have roles, but siloes impede efficient allocation.

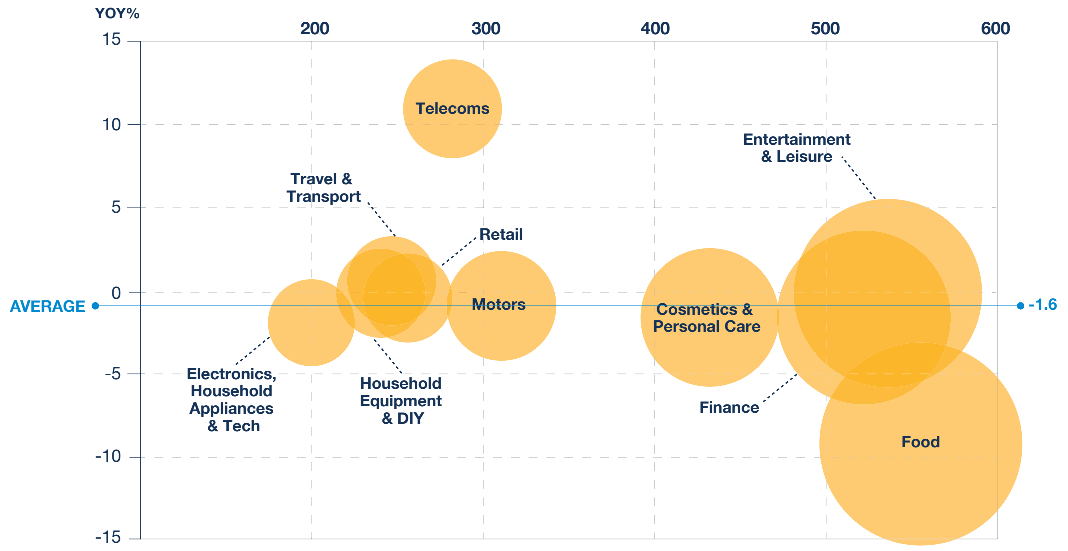
In November, ITV announced its dynamic ad insertion project with US supplier Sorenson. This will send ads by wire (not dish) to opted-in smart TVs using IP instead of a platform like AdSmart. Two technologies make this possible. Automated content recognition means the TV can alert an ad server when an ad break is on. Hybrid broadcast broadband TV (HbbTV), a common standard already used for the BBC's Red Button and Freeview Play, can do the same.

The Finecast addressable TV bouquet now includes ITV and BT Sport. We also discuss addressable TV in the Regional Newsbrands section of this report.

TV impressions, revenues and CPTs appear in the companion spreadsheet

Television

TOP CATEGORIES FEBRUARY 2017 TO JANUARY 2018



TOP CATEGORIES FEB 2017 TO JAN 2018	£M	YOY%
Food	557	-9.6
Entertainment & Leisure	536	-0.4
Finance	522	-1.1
Cosmetics & Personal Care	433	-1.8
Motors	313	-3.2
Telecoms	284	11.1
Retail	263	0.3
Travel & Transport	248	1.7
Household Equipment & DIY	243	0.9
Electronics, Household Appliances & Tech	214	-2.4
Household FMCG	214	1.9
Pharmaceutical	173	-9.2
Government Social Political Organisation	173	2.3
Leisure Equipment	170	-3.3
Drink	134	-5.0
Media	120	-2.9
Average		**-1.6**

Content and Partnerships

Media agencies are assuming more responsibility for digital creative. This business is growing, and credentials are routine in pitches. Larger media agencies employ creatives and handle simpler production in-house (e.g., advertorials, infographics). More specialist production (e.g., GIFs, recutting TV copy, dynamic creative) is still farmed out. Media agencies are familiar with marketer data and consumers' media preferences, so to originate content is a natural development. 'Sentiment tracking' helps formulate the advertisers' products as well those brands' media placement. Digital insight tools we currently employ in addition to our own include Brandwatch and Crimson Hexagon (social listening); Stash (influencer identification); Shareablee (brand performance tracking on social channels); Answer The Public (search query analysis); and social platforms' APIs.

One advantage to creating content is controlling where it is seen, which enhances brand safety. Another perhaps less obvious advantage is that in commissioning content from a media agency, an advertiser may be able to expense it as media rather than creative. We have seen instances of this when multinationals prefer to make copy from scratch instead of adapting something made for another country.

Peak-time sponsorship occupancy remains high. Prices demanded and reported may be exaggerated, but tend to creep up as properties become free. Station average spot prices are inflating, which supports this. It would take a generalised pullback in client A&P to reverse spot and sponsorship revenue alike.

Homes on 4, the strand Wickes sponsors, has doubled in value in five years to about £8 million. In April, Amazon announced sponsorship of Channel 4's 'Bake Off' for a supposed £5 million. Properties such as 'Britain's Got Talent' – now with uSwitch - trade at this level. Other notable examples include We Buy Any Car helping revive 'Dancing on Ice' for a price we guess would have been £2-£3m; Lexus renewing its Drama on 4 tenancy for another two years; Domino's Pizza renewing 'Hollyoaks' for a fourth year; Nescafe Azera picking up Adventures on 4; and Giffgaff picking up 2018's 'The Voice'. Mazda sponsors the 9pm Film4, and Waitrose's partnership of Food on 4 falls for renewal in June. This is worth about £3-£4 million solus, but could be shared. As the motivated underdog to ITV, Channel 4 has done much to advance sponsorship, in both research and trading practice.

Product placement is rarer, but continues with such as Costa and the Co-op opening premises on 'Coronation Street'.

Radio

THIS YEAR +5%, NEXT YEAR +5% (SPOT REVENUE)

The majority of radio growth is in spot, as opposed to sponsorship & promotion. This is because S&P is almost sold out, with only short tactical opportunities available, and it is often easier just to buy spots than to set up, say, a 10-day promotion.

Spot ad loads were already as heavy as the broadcasters wanted to push them, running as high as 16 breaks in the hour for speech-based stations (which have more headroom than music stations having to work around three-minute tracks). With supply therefore fixed, 5% spot revenue growth produces a similar rate of price inflation for national advertisers. This is what we expect in 2018. Advertisers who can make promos work could use what remains available to control costs, but given the choice, most advertisers would channel investment into digital audio and streaming, which costs more per thousand than linear, but offers more precision in audience and location, less clutter, and growing reach.

The typical linear break is three minutes, versus one minute on streaming. Preroll typically precedes a half-hour of uninterrupted content. All spots are ‘forced’, so listen-through rates are around 95%. Digital and streaming revenues are not included in the Ad Association figure, and stand today at between £40m and £50m. Streamers and broadcasters collect about half each.

The UK’s digital audio universe is 22 million, having almost doubled in five years, and weekly reach is 41%. Audio streaming overtook video in 2015. There is plenty of room for ad growth. Heavy internet users spend a lot of time in streaming apps, and audio comprises 19% of all app time, but fortunately the ad-supported realm is not generating excessive campaign frequency. Ad investment in streaming is still small compared to the growth in mobile’s usage, much of which is gaming, social and other forms of music. We are pleased to report progress on calculating deduplicated reach when combining linear and on-demand, a prize which still eludes advertisers combining TV and VOD.

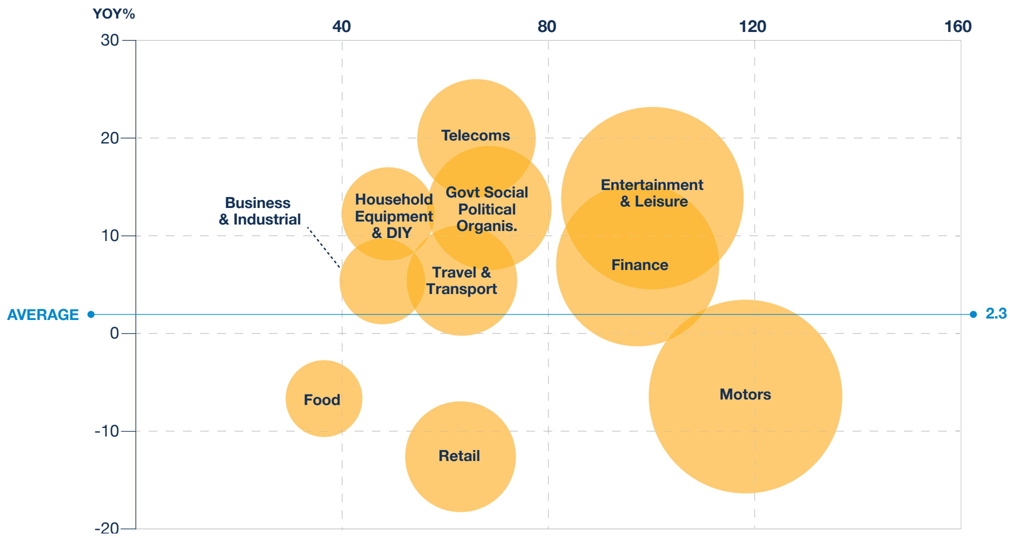
We mentioned dynamic creative last time. It is a tiny percentage of total investment, but here are two examples. A gaming advertiser has used multiple copy variations (made by A Million Ads) to target its audience at certain times, in certain locations, and a food courier applies knowledge of what cities like what cuisine, and when. The things stopping clients from doing this are lack of data and expense. Adding filters to the buy will typically add 25% to digital’s already double-digit CPT. However, dynamic creative may generate savings (compared to conventional studio time) to mitigate this.

If there is a renaissance in CPG using traditional media, radio is not showing it. CPG is probably under-investing in the medium – but for the future, it will notice that smart speakers are often in kitchens. Other categories, richer in first-party consumer data, including utilities, auto and entertainment, put such data to work in the automated audio marketplace, yielding advantages in conversion and price in safe, quality environments to which they often have privileged access.

Streaming is live. Podcasts are designed to be saved for later. Despite that, 10% of podcasts are consumed live, with 90% saved, so advertisers take the risk they may never be played back. Apple has most of this information and does not release it.

Radio

TOP CATEGORIES FEBRUARY 2017 TO JANUARY 2018



TOP CATEGORIES FEB 2017 TO JAN 2018	£M	YOY%
Motors	119	-8.5
Entertainment & Leisure	98	13.5
Finance	91	7.8
Government Social Political Organisation	67	12.1
Telecoms	65	20.5
Retail	62	-12.6
Travel & Transport	62	4.9
Household Equipment & DIY	49	12.5
Business & Industrial	46	5.1
Food	37	-7.1
Electronics, Household Appliances & Tech	23	13.3
Media	22	0.7
Online Retail	18	51.2
Computers	15	6.7
Pharmaceutical	15	-0.8
Property	14	-8.1
Drink	14	-24.1
Average		**2.3**

National Newsbrands

THIS YEAR -4%, NEXT YEAR -4%

2017 had a strong finish, with momentum continuing into 2018. Newsbrands' ad revenue trajectory might be easing for a number of reasons. One is mathematical: digital, which is growing, could be 31% of national newsbrands' ad revenue in 2018, up from 15% in 2014. Other reasons include late bookability; flexible sellers; brand safety; and a renewed appreciation by advertisers of safe, high-quality context. Some advertisers may be asking if they are spending too much in digital, where they cannot see their share-of-voice, and not enough in news brands, where they can.

The reach-revealing revolution PAMCo launched in April, giving its universe of national and regional titles deduplicated weekly reach of 46 million. Ways the industry might use this information include permutating new packages and perhaps a new impressions-based trading model. As with out-of-home, a move to impressions holds the promise of a more efficient market, with more control (e.g., frequency caps); better optimisation; higher utilisation; and lower average prices. News UK is already trading impressions in the digital edition of The Times. Transitioning the whole market to impressions would be a big project, entailing new copy equivalencing ratios. GroupM suggests the name 'blended publishing unit'. It would also shift trading culture from circulation to readership: in other words, from a producer focus to a consumer one, which usually signals progress.

'Effective' digital CPM trading (on viewability, typically) is gaining traction client-by-client, but is not yet common practice. However, optimising anything does create an inflation risk if several advertisers are chasing the same inventory. Advertisers in the 'performance' realm confirm that viewability, cost and conversion present a balance to be struck, and the same may emerge in branding, too.

GroupM is helping to coordinate a consortium of leading publishers with the object of creating a single source of deduplicated first-party data. The publishers are free to deploy this in the open market. GroupM will tie it to its supply marketplace (a private marketplace with high standards of viewability, safety and performance) and to its long-running project with Newsworks to quantify the value of brand-safe quality content relative to brand-safe inventory bought blind from a network ('The Value of Quality Media').

DMGT's uniting the print Mail and Metro sales teams is good for competition because it creates a third big sales point with distinct inventory. At the time of writing it was unknown whether both titles would be available packaged as a three-million circulation/six-million readers Monday-Friday monster, bigger than either The Sun or Trinity Mirror's popular Big City. The Mail and Metro cultures are different, the Mail having understandably prioritised Mail Online, leaving an opportunity for Metro's flexibility and innovation to imbue the combined operation. Metro is 70% London, but we think the Evening Standard's territory remains safe. City A.M. has at least settled its own boundaries after experimental expansion, and remains innovative: its latest is a monthly magazine to replace various supplements and which will presumably try to tempt back upmarket advertisers from digital.

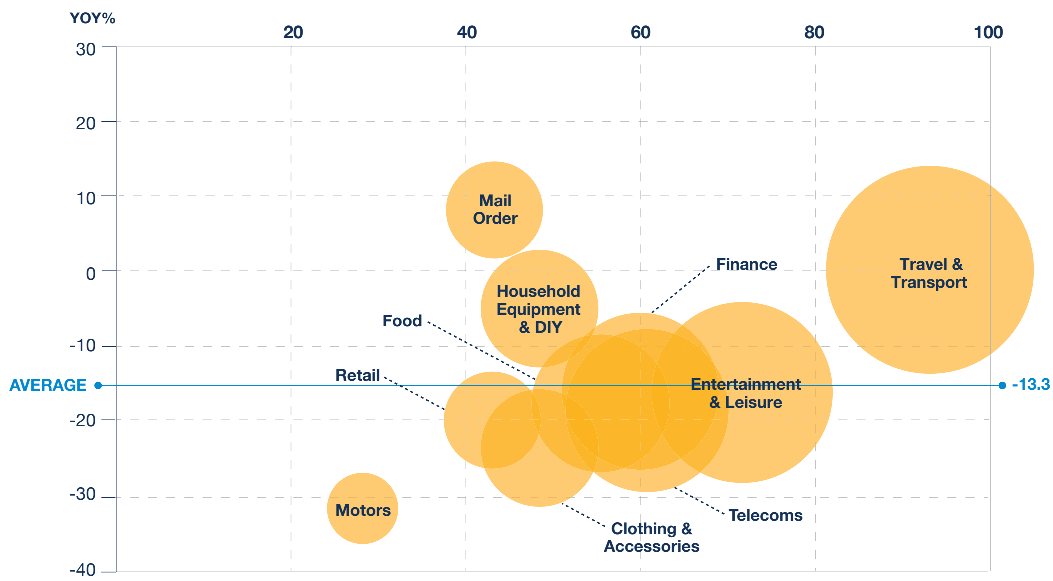
Bulking is back in the news, with DMGT and The Telegraph both stopping, the latter allowing The Times, with 10K bulks, to claim it is the largest quality title. We prefer to see all options for higher circulation kept open. Hearst's hybrid 'dynamic distribution' into such as campuses, gyms and hotels is a mix of targeting and price segmentation which supports total circulation and demonstrates audience control. Newspapers could perhaps make more of a science of this, and start by ditching the word 'bulk'.

£m net	2011	2012	2013	2014	2015	2016	2017	2018f	2019f
National print display	1,115	1,024	923	844	714	607	532	487	438
National print classified	169	150	142	139	139	126	112	95	83
National newsbrand digital	102	131	156	182	186	196	233	260	290

YOY%	2011	2012	2013	2014	2015	2016	2017	2018f	2019f
National print display	-5.8	-8.2	-9.8	-8.6	-15.4	-15.0	-12.4	-8.4	-10.1
National print classified	-17.3	-11.5	-5.4	-2.2	0.1	-8.9	-11.4	-15.2	-12.6
National newsbrand digital		28.4	19.6	16.4	2.5	4.9	19.3	11.4	11.5

National Newsbrands

TOP CATEGORIES FEBRUARY 2017 TO JANUARY 2018



TOP CATEGORIES FEB 2017 TO JAN 2018	£M	YOY%
Travel & Transport	93	0.8
Entertainment & Leisure	72	-14.8
Telecoms	61	-17.9
Finance	60	-15.6
Food	56	-18.4
Household Equipment & DIY	47	-5.5
Clothing & Accessories	47	-23.7
Mail Order	42	9.2
Retail	42	-19.2
Motors	27	-31.3
Electronics, Household Appliances & Tech	23	-23.6
Pharmaceutical	21	2.0
Government Social Political Organisation	18	2.4
Media	18	-13.1
Cosmetics & Personal Care	17	-28.3
Drink	14	-22.3
Business & Industrial	12	2.1
Average		**-13.3**

Regional Newsbrands

THIS YEAR -6%, NEXT YEAR -5%

The print advertising revenue trajectory, though still negative, appears to be improving. As we note with nationals, steady digitisation is improving the blended rate. Even with lacklustre growth, digital comprised 19% of regional newsbrand advertising revenue in 2017, double what it was when the Ad Association began reporting it in 2012. PAMCo is a tailwind for both digital and print.

Also contributing are reasonably priced regional packages and the success of the Evening Standard, which counts as a regional title. Some of this money is coming out of nationals, but we also see evidence of regional print growing its share of the regional marketing investment we handle. This may be for client-specific reasons, but for scale, one team says this has risen from 48% to 58%. Another perspective is Midland News Association's being inspired to set a 20% growth target in the wake of its two Star titles joining the Big City package.

Subject to shareholder approval in May, the merged Trinity Mirror/Northern & Shell will be known as 'Reach' ('We reach people's hearts, their minds and their communities'). The CMA will publish a review in the summer, which the company and the market assumed would be generally approving. However, at the time of writing in late April, the DCMS was considering a more serious public interest enquiry relating to editorial plurality. This could scupper the deal. In any case, we do not expect the company to change its packaging profile until the merger is cleared. Trinity Mirror already dominates packaging because of its geographical distribution. Northern & Shell's Express and Star brands would be a natural fit in the Big City package, which we still hope to see within 2018. Northern & Shell's magazine portfolio is unlikely to make much difference to print campaign trading or structure.

Johnston Press now offers the option to package the i with the Yorkshire Post and The Scotsman – an upmarket offer at a reasonable rate, though oddly not available from its sales agent, Mediaforce. An idea to offer the i by macro regions was abandoned.

Regional Newsbrands

Regional competition

For geotargeting, Facebook remains the dominant choice, with alternatives including Blis, Zap and Weve. We hear no reports of Facebook price inflation. All Facebook pricing is negotiable, including self-service. Good mobile device identifiers are the key to success. Operators without this struggle to deliver the required combination of precision and scale. Location tracking requires a device ID, however, and the latter comes under GDPR protection. This will raise the profile of discriminating between geotargeting (which targets users) and geofencing (which targets devices).

GDPR has renewed interest in doordrops and direct mail. Doordrops are planned on a typical response rate of 0.06%, although a more-than-averagely attractive offer will do better. Direct mail targeting prices have fallen over the years. In the past, the list alone would cost £200 per thousand; today, this is about what you pay for the delivered item. If the digital audience degrades for any reason post-GDPR, advertisers are likely to reassess print brands. 'Effective CPM' to reward quality-content uplift may gain traction in regional packages, where pricing is low, but not in individual titles, where pricing is too high to be justified this way.

Sky AdSmart offers verified households via boxes and capping frequency as required, typically reaching 90% of the addressable universe. Frequency-capping is of course limited to what the broadcaster can control, so it is not much use with multiple devices or content streams. Finecast plays ads in certain on-demand environments on smart TVs. It is cheaper per thousand than AdSmart, so advertisers can blend the two to control cost. Finecast's audience profile is naturally lighter-viewing, so within reason advertisers tolerate frequency against this audience.

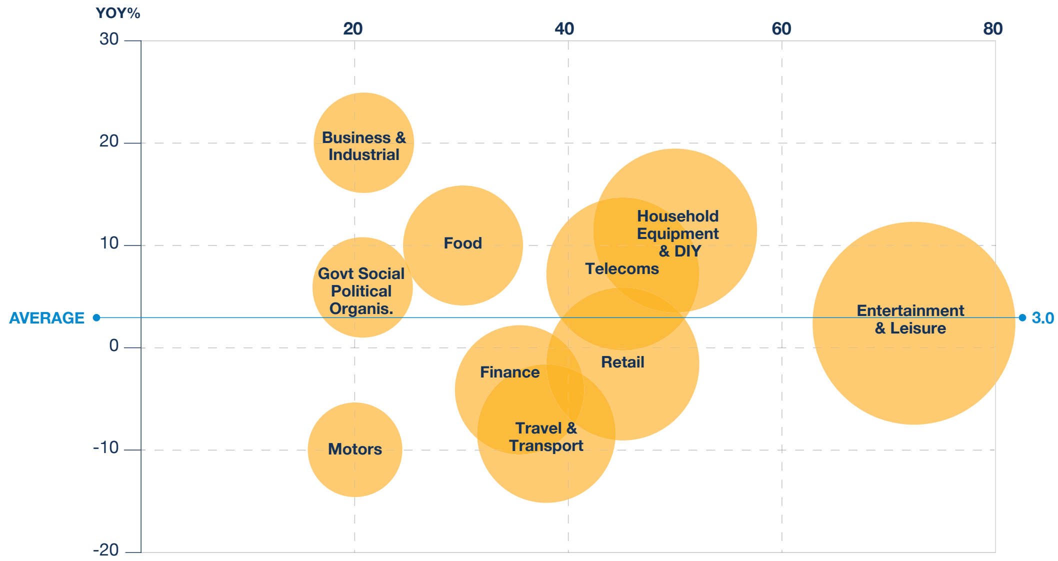
Costs-per-thousand are higher than standard TV, but comparing the two is tricky, as standard TV trades standard demographics, whereas addressable is traded on finer audiences in thousands of permutations, which resonates with advertisers owning plentiful CRM data. Postcodes often contribute to price-setting. We find addressable works well for hotspotting locations well-defined by wealth. Pricing can be as low as £16 per thousand, with Finecast mainly falling within a range of £30-£90, but price depends entirely on how fine the target is, and can easily sail into three figures and out of range for low-margin, high-volume goods.

£m net	2011	2012	2013	2014	2015	2016	2017	2018f	2019f
Regional print display	558	497	456	427	404	361	346	332	322
Regional print classified	670	585	530	491	426	344	293	250	201
Regional newsbrand digital	108	110	118	147	169	164	150	160	180

YOY%	2011	2012	2013	2014	2015	2016	2017	2018f	2019f
Regional print display	-5.1	-10.9	-8.2	-6.5	-5.3	-10.7	-4.0	-4.0	-3.0
Regional print classified	-13.1	-12.7	-9.4	-7.4	-13.2	-19.4	-14.9	-14.5	-19.6
Regional newsbrand digital		1.4	7.9	24.6	14.9	-3.4	-8.3	6.7	12.5

Regional Newsbrands

TOP CATEGORIES FEBRUARY 2017 TO JANUARY 2018



TOP CATEGORIES FEB 2017 TO JAN 2018	£M	YOY%
Entertainment & Leisure	73	-0.2
Household Equipment & DIY	50	11.1
Retail	44	-2.4
Telecoms	44	7.3
Travel & Transport	38	-0.9
Finance	34	-4.4
Food	30	10.0
Government Social Political Organisation	21	5.9
Business & Industrial	21	22.2
Motors	20	-10.9
Pharmaceutical	14	11.2
Clothing & Accessories	12	-13.8
Electronics, Household Appliances & Tech	12	-2.5
Property	11	18.9
Media	11	32.4
Cosmetics & Personal Care	10	-6.6
Average		**3.0**

Consumer Magazine Brands

THIS YEAR -8%, NEXT YEAR -6%

January–June 2017 print circulation fell 5% versus the prior-year period, accelerating to 7% in July–December, accompanied by a 9% fall in measured advertising investment for the year. Digital circulation rose 24% in the second half, edging up digital's share of total circulation from 2% to 3%. Print circulation in women's monthlies fell most, by 19%. This was mainly due to Glamour's quarter-million sale dropping out as it relaunched as a twice-yearly flagship for a now principally digital, events and experience title. Without this, the decline would only have been 5%. However, the more serious decline in weeklies was 'organic'.

Glamour's shift highlights the battles midmarket titles fight, such as incursion from premium and freemium; distribution; and short-termism too impatient for their long lead times. Many of these titles depend on the beauty category, the consumer goods category drawn furthest into the digital marketing world of e-commerce, influencers and what one cosmetics marketer called 'twenty-year-old make-up junkies'. A pronounced example is Estée Lauder, notably absent from UK high-street titles and investing around 50% of its global marketing in digital media.

Hello! Fashion Monthly vindicates the power of distinctive, purposeful editorial and content. Its 19% period-on-period circulation growth led women's monthlies in the July–December sweep. Sector leader Good Housekeeping demonstrated the value of trust with a 4% period-on-period print rise, echoed by multiplication in website uniques.

The market has happily adjusted to Hearst's 'dynamic distribution' which maximises print circulation by price segmentation in a market resistant to simple cover price rises. The clear new format of ABC certificates reinforces this. July–December free circulation comprised 14% of Elle and 16% of Cosmo. Harper's Bazaar comes in at 46%, but nearly all of these are 'controlled', so have demonstrable value to advertisers. Hearst cultivates Snapchat reach and frequency across its portfolio.

Another sign of market sophistication is planners equating freemiums to 'active purchase'. ShortList and Time Out dominate the men's category, and Stylist tops celebrity & fashion weeklies.

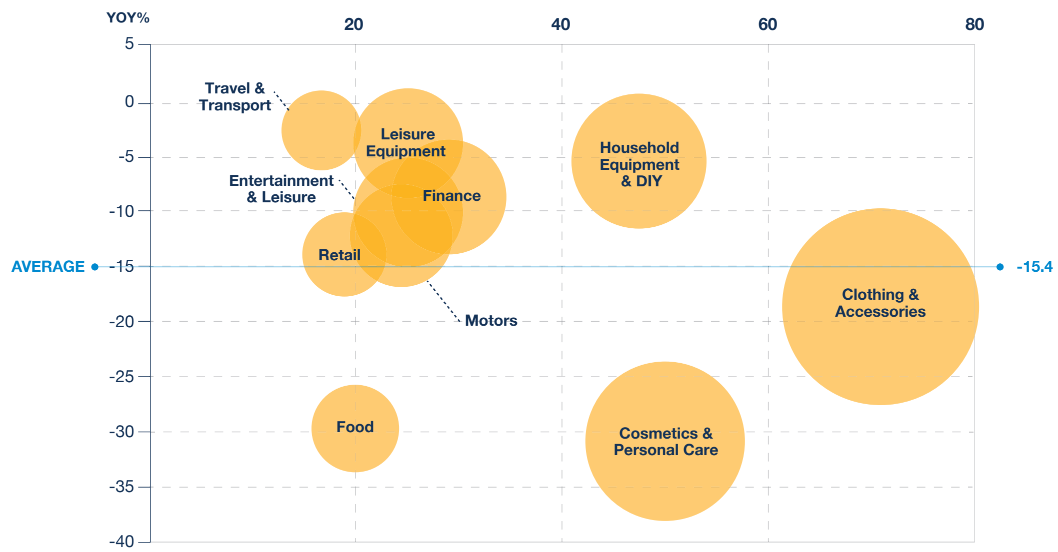
PAMCo's launch in April tells us its magazine universe has deduplicated weekly reach of 36 million. By giving net reach of published brands in any form, it offers the clearest articulation yet of the medium's broadcast audience. It is a milestone in the transition of the medium from press to print, and a new hope of arresting advertiser withdrawal, particularly in retail.

Consolidation

Following Burda's 2017 acquisition of Immediate (Radio Times, Top Gear and 65 other brands), in February private equity group Epiris bought Time Inc's stable of 57 titles. The print edition of the NME closed two weeks later. Also in March, Future bought five Haymarket titles including Stuff, leaving Haymarket more focused on motoring and B2B.

Consumer Magazine Brands

TOP CATEGORIES FEBRUARY 2017 TO JANUARY 2018



TOP CATEGORIES FEB 2017 TO JAN 2018	£M	YOY%
Clothing & Accessories	71	-18.7
Cosmetics & Personal Care	49	-31.5
Household Equipment & DIY	36	-5.9
Finance	27	-8.4
Leisure Equipment	25	-4.4
Entertainment & Leisure	25	-10.8
Motors	24	-12.7
Food	20	-29.7
Retail	19	-14.9
Travel & Transport	18	-3.8
Pharmaceutical	17	-4.5
Mail Order	15	-2.9
Government Social Political Organisation	13	10.5
Electronics, Household Appliances & Tech	12	-24.4
Business & Industrial	11	-9.4
Telecoms	9	-8.9
Drink	8	5.9
Property	8	-25.6
Household FMCG	5	-39.6
Multi Advertisers	5	6.3
Computers	5	-24.2
Average		**-15.4**

Consumer Magazine Brands

	Print active purchase			Digital active purchase					
	Jul–Dec 2016	Jul–Dec 2017	% change (print)	Jul–Dec 2016	Jul–Dec 2017	% change (digital)	% change (print+digi)	% digi of print + digi last time	% digi of print + digi this time
Film & TV	3,543,558	3,335,616	-6	11,168	14,230	27	-6	0	0
Traditional Weeklies & Real Life	2,377,250	2,150,226	-10	3,220	6,436	100	-9	0	0
Celebrity & Fashion Weeklies	1,780,610	1,561,184	-12	22,977	36,769	60	-11	1	2
Women's Monthlies	1,753,694	1,415,626	-19	28,969	39,295	36	-18	2	3
Home & Gardening	1,600,525	1,563,123	-2	20,105	40,782	103	-1	1	3
Health & Fitness	1,522,489	1,318,175	-13	32,296	37,571	16	-13	2	3
Men's Weeklies & Monthlies	1,085,724	1,049,770	-3	35,166	41,660	18	-3	3	4
News & Business	709,986	681,519	-4	111,815	119,982	7	-2	14	15
Food & Travel ex. supermarket frees	634,764	586,263	-8	17,462	22,415	28	-7	3	4
Fashion & Luxury	451,209	396,741	-12	39,724	39,813	0	-11	8	9
Motoring (all Jan–Dec)	325,509	301,264	-7	15,369	21,930	43	-5	5	7
Total paid-fors & freemiums	**15,785,318**	**14,359,507**	**-9**	**338,271**	**420,883**	**24**	**-8**	**2**	**3**
Good Living (Asda)	1,840,333	1,774,500	-4						
Tesco magazine	1,931,914	1,928,220	0						
Waitrose Kitchen	692,049	691,975	0						
Sainsbury's Magazine	186,135	155,300	-17	-	4,503	-			
Total paids plus frees	**20,435,749**	**18,909,502**	**-7**	**338,271**	**425,386**	**26**			

Freemiums comprise Shortlist, Stylist, Time Out and Balance

£m net	2011	2012	2013	2014	2015	2016	2017	2018f	2019f
Consumer magazines (print)	493	464	430	402	372	345	298	256	223
Consumer magazines (digital)	67	69	78	84	94	98	104	114	127
B2B magazines (print)	343	272	238	215	188	161	132	107	88
B2B magazines (digital)	130	130	136	142	146	142	142	153	167

YOY%	2011	2012	2013	2014	2015	2016	2017	2018f	2019f
Consumer magazines (print)	-3.6	-5.9	-7.4	-6.4	-7.5	-7.3	-13.6	-14.0	-13.0
Consumer magazines (digital)		2.8	12.1	8.2	11.4	4.7	5.8	10.0	11.0
B2B magazines (print)	-14.6	-20.7	-12.3	-9.7	-12.4	-14.6	-18.0	-19.0	-18.0
B2B magazines (digital)		0.7	4.4	4.6	2.4	-2.7	0.0	8.0	9.0

Outdoor

THIS YEAR +2%, NEXT YEAR +3%

Advertisers' and auditors' main OOH topic is validating digital playout – the medium's equivalent to online viewability. Digital copy is more fleeting and dispersed than paper stuck down for a fortnight or more. Digitisation of the OOH 'estate' has forged ahead, but accountability remains vendor self-certification, after the fact, by walled gardens using different standards. The ideal would be standardised and real time with third-party verification. JC Decaux has made a start by offering PwC verification on demand. Specialists have always offered spot checks, but this is not enough. Better validation would raise advertiser confidence and help the medium grow, just as it would in TV and print.

To fulfil its digital potential, the medium will flex with its audience in time and space, and prove it. It is hard to imagine this without the current trading of tenancies to be assisted or replaced by a dynamic CPT trading model based on implied or modelled impressions. This would force validation to improve, create better pricing signals for a complicated and oversupplied market, and give OOH a better shot at winning share from other media.

Consolidation remains a big theme as a way to create more competition for dominant Decaux, and to secure investment to grow the OOH pie instead of simply redistributing OOH investment from classic to digital. Ocelot Partners agreed to buy the all-digital Ocean Outdoor in February, and to take its name. Ocean's market share is about 7% of all OOH and 18% of digital. Its reported 7% compound annual revenue growth rate 2015–2017 is only a third that of measured DOOH advertising investment, but double that of all OOH. Its contracts include Piccadilly Circus, London's IMAX and Shepherd's Bush roundabout, and Birmingham Media Eyes. GMT Communications has owned Primesight since 2007 and is the digital panel site leader, having focused on upgrading its classic estate. Clear Channel's Texas-based owner iHeartMedia sought protection from creditors mid-March, though this does not mean Clear Channel will be for sale, or that its UK operation will be spun off.

The market already has enough digital screen area. Six-sheet, six-face roadside digital is probably all built out now, with about 25% remaining unconverted single-face. Digital six-sheet occupancy touches 80%, but larger formats can go down to 50%. Average cost-per-panel rates have fallen with the rise of digital supply, but this is more apparent in pockets - for example, the classic six-sheet that was once £100 is now perhaps £40 - than across the market generally. Media owner margins are protected by lower digital labour costs.

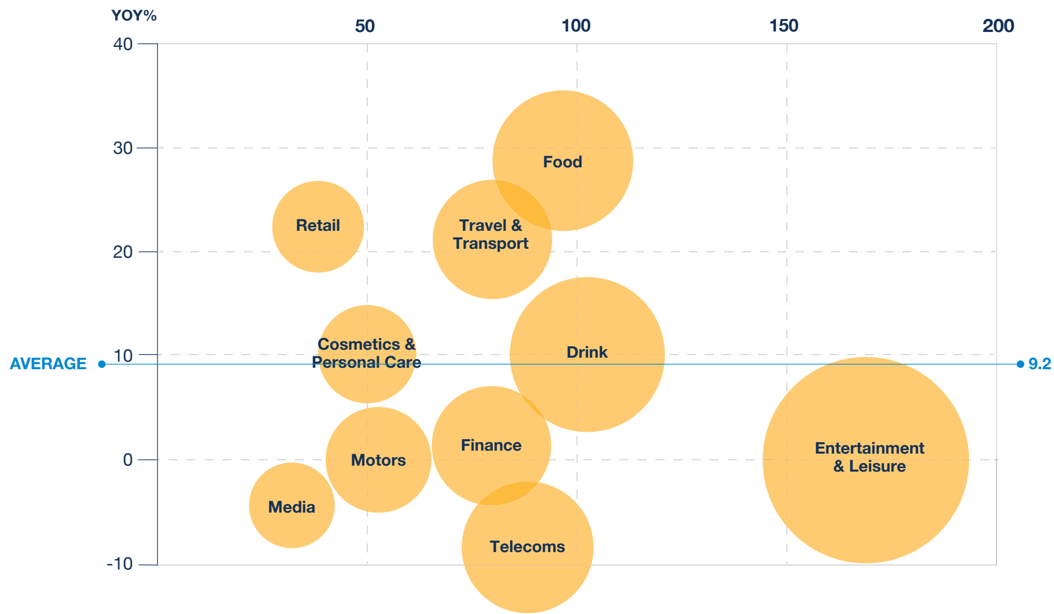
It has been suggested there is now enough digital stock to run broadcast campaigns without using classic at all. This is probably true in theory, but achieving national reach of say 50% would require a campaign of unusual intensity, duration, and urban upweighting. In practice, broadcast still requires classic 48s. We mentioned last time that their gradual extinction and rising scarcity is inflating their price, which is true, but what was £300 once is still only about half that today, and not attractive to contractors, whose roadside investment priority is high-status arterial sites. Away from the road, the priority is 'point of sale', also called 'retail' – digital, close to shops.

If digital buildout is running into diminishing returns, then growth must reside in product improvement, such as validation as described above, automation and targeting. 2018 remains the 'year of automation' in OOH workflow, with contractors all making good progress. Kinetic's system, Aureus, simplifies and accelerates planning, buying and post-campaign analysis, and is compatible with all vendor systems. On targeting, Kinetic has started fusing mobile and Route data using Mobsta, which generates more in-target impressions for the same investment. This method is repeatable and scalable, and it can be deployed at short notice because most digital sites have capacity.

OOH already uses dynamic creative, examples being sports fixtures, the weather, and news events such as royal marriage proposals and the Budget.

Outdoor

TOP CATEGORIES FEBRUARY 2017 TO JANUARY 2018



TOP CATEGORIES FEB 2017 TO JAN 2018	£M	YOY%
Entertainment & Leisure	167	2.0
Drink	103	10.3
Food	98	28.4
Telecoms	85	-8.2
Finance	66	2.3
Travel & Transport	66	21.9
Motors	52	0.6
Cosmetics & Personal Care	46	10.3
Retail	42	22.0
Media	37	-5.5
Clothing & Accessories	31	77.4
Government Social Political Organisation	26	-3.0
Computers	24	26.5
Electronics, Household Appliances & Tech	22	26.2
Business & Industrial	19	-2.6
Pharmaceutical	13	-22.0
Mail Order	10	147.2
Average		**9.2**

Outdoor

£m net	2011	2012	2013	2014	2015	2016	2017	2018f	2019f
Total	**709**	**777**	**792**	**816**	**846**	**902**	**915**	**934**	**960**
Transport	219	248	238	246	247	262	243	234	232
Roadside	326	327	327	318	297	271	238	222	220
Point-of-sale/retail/leisure	62	56	56	34	33	27	14	13	13
All digital	102	146	171	218	270	342	420	466	495

YOY%	2011	2012	2013	2014	2015	2016	2017	2018f	2019f
Total	**0.7**	**9.6**	**2.0**	**3.0**	**3.7**	**6.5**	**1.5**	**2.0**	**2.8**
Transport	-1.8	13.1	-4.2	3.7	0.3	5.8	-7.0	-3.9	-0.7
Roadside	-3.3	0.2	0.0	-2.7	-6.8	-8.6	-12.4	-6.7	-0.7
Point-of-sale/retail/leisure	-1.3	-9.1	0.0	-40.0	-2.4	-17.1	-47.1	-11.1	0.0
All digital	26.0	43.3	17.6	27.1	23.9	26.7	23.0	10.9	6.4

Share by type %	2011	2012	2013	2014	2015	2016	2017	2018f	2019f
Transport	31	32	30	30	29	29	27	25	24
Roadside	46	42	41	39	35	30	26	24	23
Point-of-sale/retail/leisure	9	7	7	4	4	3	2	1	1
All digital	14	19	22	27	32	38	46	50	52

£m including commission	2011	2012	2013	2014	2015	2016	2017	2018f	2019f
Total	**886**	**971**	**990**	**1,020**	**1,058**	**1,127**	**1,144**	**1,167**	**1,200**
Transport	274	310	297	308	309	327	304	292	290
Roadside	408	409	409	398	371	339	297	277	275
Point-of-sale/retail/leisure	77	70	70	42	41	34	18	16	16
All digital	127	182	214	272	337	427	525	582	619

YOY%	2011	2012	2013	2014	2015	2016	2017	2018f	2019f
Total	**0.7**	**9.6**	**2.0**	**3.0**	**3.7**	**6.5**	**1.5**	**2.0**	**2.8**
Transport	-1.8	13.1	-4.2	3.7	0.3	5.8	-7.0	-3.9	-0.7
Roadside	-3.3	0.2	0.0	-2.7	-6.8	-8.6	-12.4	-6.7	-0.7
Point-of-sale/retail/leisure	-1.3	-9.1	0.0	-40.0	-2.4	-17.1	-47.1	-11.1	0.0
All digital	26.0	43.3	17.6	27.1	23.9	26.7	23.0	10.9	6.4

Share by type %	2011	2012	2013	2014	2015	2016	2017	2018f	2019f
Transport	31	32	30	30	29	29	27	25	24
Roadside	46	42	41	39	35	30	26	24	23
Point-of-sale/retail/leisure	9	7	7	4	4	3	2	1	1
All digital	14	19	22	27	32	38	46	50	52

Cinema

THIS YEAR +5%, NEXT YEAR +3%

Cinema's relative health suggests it may have thrown off its subsidiary status to TV and is being rewarded for its established merits, which are more about impressing a young, undistracted audience than any new data miracle. Admissions are more or less constant, so ad growth arises from higher brand count, successful 'premiumisation' of spots, and not ruining the UX by 'stretching the reel'. In practice, breaks are rarely fully occupied: the last we can remember was Bond, which cost a half-million to get in with a 30".

Last time we mentioned the popularity of 4DX (with moving seats, water sprays and the like). At reasonable cost, DCM will convert ('activate') advertisers' existing copy to incorporate these theme-park-like elements – which never happened with 3D. Another popular upgrade is 'dynamic end frames', available for the pass-through cost of production, and a cheap way of localising national broadcast compared to hotspotting. Regional advertising is also healthy, however: DCM's opening a Manchester office has helped lengthen cinema's tail. When we report 'brand count up 10%' as we did last time, much of this is long tail.

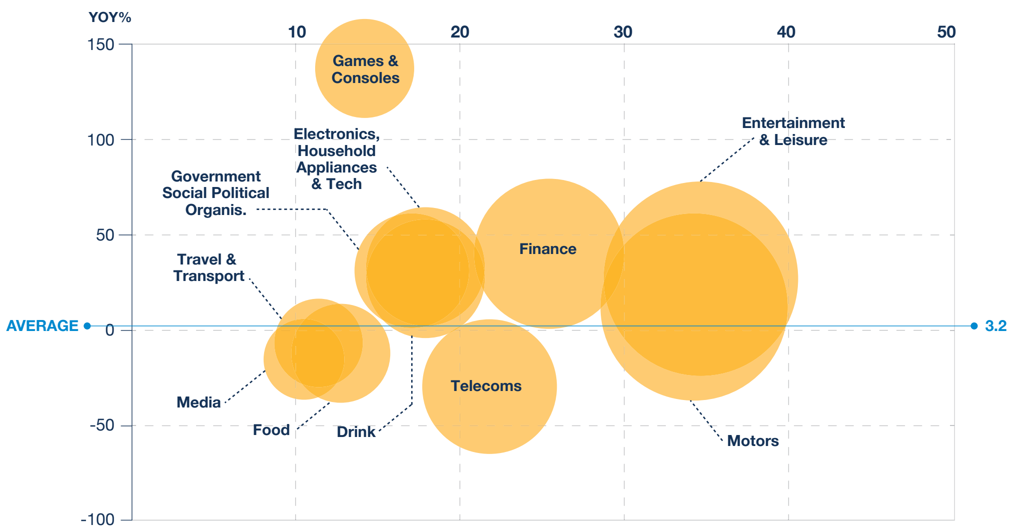
Two big tenancies are available. VW has given up its long association with indie theatres, and the Family Gold Spot has been vacant since January. It may be advertisers simply prefer to play the spot market to making these commitments: the Gold Spot has been occupied but untenanted for years. P&D's Pop-Up sponsorship is also available. This portfolio keeps improving, with Luna now catering for children, and the first beach screen on its way, in Brighton.

We mention Mobsta mobile device identification in out-of-home. Cinema uses it too, to enable geofencing and retargeting related to cinema visits or proximity to cinemas. Unfortunately, the first generation of theatre Wi-Fi names only the whole theatre, not individual screens. An upgrade is in hand.

Slate-wise, 2018 is strong. 'Black Panther' doubled its forecast to reach £43 million, and 'Greatest Showman' is currently ranked number two at £34 million. Q2 will be the biggest of the year, and we avoid head-on conflicts. The 'franchise filler' 'Solo: A Star Wars Story' will fly, estimated at £65 million, small only in comparison to the £90 million which 'The Last Jedi' raked in across December and January. Other Q2 notables will be 'Jurassic World: Fallen Kingdom'; 'Avengers: Infinity War'; 'Incredibles 2'; and 'Deadpool 2'. The year will end strongly as well, with 'Fantastic Beasts 2' in November, and 'Mary Poppins Returns' in December. 'Bond' is confirmed for 2019, but we do not factor in a big uplift to cinema for the impressive reason that it has successfully consolidated its progress since the last one.

Cinema

TOP CATEGORIES FEBRUARY 2017 TO JANUARY 2018



TOP CATEGORIES FEB 2017 TO JAN 2018	£M	YOY%
Entertainment & Leisure	34	27.8
Motors	33	7.9
Finance	26	44.3
Telecoms	22	-32.7
Electronics, Household Appliances & Tech	18	33.6
Drink	18	29.3
Government Social Political Organisation	17	15.2
Games & Consoles	14	139.2
Food	13	-13.3
Travel & Transport	12	-7.5
Media	11	-15.8
Average		**3.2**

Digital

THIS YEAR +11%, NEXT YEAR +8%

Arguably the most impressive recent digital superlative has been the growth in Facebook's market share. Using our own estimates of global digital ad investment excluding China, Facebook's share grew from 15% in 2015 to 27% in 2017, and in 2017 accounted for more market growth than Google. Google's share rose from 47% to 51%.

The long tail supplies most of the growth, but in 2016 and 2017 we saw big advertisers changing gear with Facebook. These were exceptional years. We should not expect them to continue. Our own UK Facebook growth remains well into double digits in 2018, but less than half the rate of 2017. It is always hard to know what the long tail is doing, but history suggests it is likely to be growing at least at our own rate.

Facebook's continued momentum is easy to understand in respect of performance advertisers, because they have the proof of conversions. However, fickle 'last-click economics' is as pervasive as ever, because the lack of impression-level data from Facebook impedes attribution. Perhaps its availability would vindicate Facebook for performance/subscriber acquisition advertisers.

Brand advertisers might use Facebook for reasons other than immediate brand lift. Some invest to 'understand social', often with an e-commerce imperative, or to explore Facebook's cheap scale, ease of use, segmentation and data. WhatsApp and Instagram stimulate similar interest. Other longer-standing Facebook advertisers have curated Facebook communities for years, and perhaps become institutionalised. Some cite brand safety.

Facebook allows advertisers to analyse 'post-impression' audience behaviour on Facebook-defined audiences in the Facebook domain, and allows advertisers to build new audience profiles from this. It does not, however, allow detailed information to leave its walls to be analysed or 'ingested' elsewhere. All it allows is aggregations which may not reveal as much as the advertiser hoped. Facebook and Google are generous with brand studies, but all media-owner opinions naturally incline to boosterism and bias.

There is evidence of price inflation arising from Facebook's restriction on news posts in News Feed. More widely, standard programmatic ad formats have as much as doubled in price, though media auditors have trouble believing this. Possibly the main reason for the programmatic hike is publishers moving from second- to first-price auction. In second price, you are incentivised to bid what the lot is worth to you. In first-price, assuming someone else is bidding, you have to pay more than the lot is worth to the other. Another is the rise in 'header bidding', which allows the publisher to command a truer value for its wares, which tends to result in a higher price. In header bidding, everyone sees the impression on offer and its attached data with the same clarity. Conversely, the traditional 'waterfall' iteration of successive offers, the attached data degrade.

The trend of the last year has been towards more evidence-based buying, but to judge by Facebook's sustained momentum, brand advertisers are slow to embrace 'effective' or 'viewable' CPMs, even though many prefer longish 15- to 30-second copy, whereas Facebook's proven strength is in short views of one or two seconds. It is progressively less cost-efficient for longer dwelltimes, if being measured on this. Some advertisers will only put static ads on Facebook.

Last year a large advertiser commented that digital campaigns tended to polarise more towards success or failure than TV, which is more consistent. One reason for this might be running 30-second spots made for TV on other screens, mostly mobile, where scrolling shrift is short. Just as Google has used mobile-friendliness as a 'ranking signal' since 2015, so Facebook now rewards 'fit-for-platform' video. It suggests 12 seconds, and also incentivises distribution across its platforms. Everything depends on one's communication objectives, but in one trial we mounted in Asia we found Facebook could typically supply 80 high-quality short views for the same price as one 30-second view-through. To the many advertisers who are 'Facebook first' for its cheap reach, we suggest smaller, more efficient options be considered first if longer dwelltime matters. America's Media Rating Council is working on 'duration weighting' throughout 2018, which if adopted would make 'full rendering' (loading) the constant, and 'time exposed' the variable.

Promoting and rewarding viewability cleans the supply chain, and usually improves outcomes. But one should beware assuming viewability and brand lift (or any other desired variable) rise together in lockstep. Publisher-specific uplift studies are rarely proof, though they might be evidence. Being publisher-specific means they lack context, comparison or control.

However, to optimise is to compromise. Fixating on viewability, for example, may freight your campaign with the smallest formats, because these are by definition more likely to be in view. But small formats might not be best for, say, brand lift. Undiscriminating robots will compound the error. If competing robots are bidding on the same 'ideal' inventory, price inflation may follow. Data is not insight. 100% optimised might be only 50% effective. This is nothing new: if one were optimising TV on price alone, spots would all be 10 seconds. Optimising might also give perverse incentives to media owners, for example by putting profit before user experience. High-viewability programmatic inventory is scarce. The best advice is to formulate a buying strategy to predict the best.

Most advertisers use multiple DSPs, but Google imposes certain restrictions such as using only its DSP, DoubleClick Bid Manager, for programmatic YouTube, its most-walled garden. Google is still more open than Facebook because it has a tech stack, DoubleClick, which is a big part of its business and works well with other platforms. Facebook turned away from stack-building when it repurposed Atlas as a form of measurement.

Amazon advertising growth may have a lower speed limit than had the duopoly at this stage of development. It prizes user convenience higher than brand or retailer convenience, and therefore has not evolved to be a flow monster for advertising. Some advertisers struggle to prove the value of Amazon advertising, or to love its utilitarian ad formats. Questions such advertisers might ask are how Amazon has changed the nature of shopping; what response this requires; and the role Amazon advertising has in this.

Amazon has stellar potential to diagnose and cure the abandoned cart. We think it could safely allow advertisers more freedom within its walls, which would benefit all, and Amazon's customers in particular.

Snapchat shares some Amazon characteristics, imposing US process on the UK market and lacking boots on the ground. This makes it unnecessarily hard to do business with, exacerbated by difficulties in proving the value and composition of its audiences. One example of the problems this can cause was Diageo's having to pull its 'Captain Morgan' lens last summer because it was being used by children.

Last time we mentioned three-quarters of advertisers had returned to YouTube after the 2017 'pause'. This merits further qualification. Advertisers using YouTube for paid search are substantially immune from 'adjacency' problems because they are bidding on keywords. Search comprises the majority of our own business with YouTube. The pause affected only the minority comprising brands buying audiences, which is where most adjacency risk arises. This explains why YouTube in aggregate did not shrink in 2017, even though the pause proved more persistent than some expected.

One consequence of the pause was YouTube allowed scrutiny by outsiders. OpenSlate is a form of whitelisting which any of our brand campaigns may use. Such tools stimulate trust and investment, but can also reveal limitations. Paradoxically, some of this discouraged investment goes to Facebook, which is less open to scrutiny.

Digital

Fraud and brand safety

Advertisers have grown more risk-averse in digital. Mobile is harder to monitor than desktop, but where traffic can be monitored, the reliability of fraud and viewability tools is improving. The evidence for this is fewer disparities between them. Safety is harder to calibrate, as filtering can lack discrimination and so produce unintended consequences. A well-known problem is putting a word on a ‘no fly’ list, which then excludes an ad from legitimate journalism for which the same advertiser would happily have paid a premium in print. Another example is when long news scrolls are disqualified for one word miles below the fold, and another is when parts of innocent words are mistaken for guilty ones.

Filters to spot fraud could all be better. They are good at stopping common forms of ‘invalid traffic’ (IVT) but less reliable against sophisticated variants, an example being Russia’s Methbot bot farm, which White Ops caught.

Agencies should monitor vendors for certain service levels. Continuous monitoring of multiple vendors is expensive. Few advertisers think it worthwhile. Two examples of GroupM monitoring are continuous sampling to benchmark safety, viewability and fraud rates, and generating fraudulent traffic to see if filters catch it.

It is good practice to keep the tech stack as short as possible to reduce the risk of errors, data leakage and other problems. Other market forces are also conspiring to do this. Third-party data can disappoint, which leads to parting company with those suppliers. Google’s comprehensive stack is an easy option. However, eliminating intermediaries does reduce competition, which explains the surprising persistence of problems in the supply chain, such as spoof sites.

Google’s DoubleClick suite works across platforms and formats. Facebook’s Business Manager sells and analyses only Facebook inventory. DoubleClick can measure only cookies, and there are a lot more of those than there are people. Fifty different cookies may represent only five different people, but only the owner of the impression data can deduplicate screens and identities. Facebook allows Moat and IAS to verify viewability, but only from the logs Facebook provides, and these are fallible. With IAS, Facebook is testing third-party scrutiny of brand-safety compliance.

GDPR

Its impact on the market remains uncertain, and no one knows how strictly the enforcers will interpret it. However, there will be two distinct waves. The first will be the immediate, natural consequences: a preview is the withdrawal from Europe of Tapad and Drawbridge because of the difficulty they would have faced in getting consent for their activities. The second will be the unintended consequences, such as the law being used as an excuse to reduce competition, or the burden of compliance having a similar effect.

Other natural consequences include the IAB Transparency & Consent Framework, which attempts to systematise a means of consent for the ad tech ecosystem. This in turn heralds the Consent Management Platform, which is new technology to signal the consent status of individuals before an advertiser bid is placed. AppNexus is building one, and we expect others to follow, including publishers themselves. Tag management will become much more sophisticated.

Another likely immediate consequence is smaller and fewer consenting audiences. In March, YouTube issued a list of organisations it would no longer allow to tag YouTube content. This may cause price inflation, and encourage use of other media. Our regional teams report renewed interest in direct mail and door-drops.

Frequency of use and location are the great advantages of mobile marketing. Locating a user requires a device ID, which is protected by GDPR. However, marketers should regard GDPR as permissive, not prohibitive. Proper consent means better data. There is no point annoying refusers.

Digital

Automation

Digital media management is surprisingly labour-intensive: to many, an 'optimiser' still means a human rather than a machine. Workflow automation, with the goal of faster decision-making, is vital to liberate labour for higher-value tasks, and there is not nearly enough of it. The more common approach has been to look for cheaper labour.

GroupM's Copilot optimises against multiple objectives at once, reducing the risk of compromise when focusing on only one. As the name suggests, it multiplies labour productivity: by one estimate, by a factor of 10. Clients taking digital in-house might consider contracting services like this. They may be crucial to safe and practical in-housing. Copilot uses nine machine-learning algorithms to manage viewability, cost, reach and frequency. It can also continuously reprioritise campaigns serving multiple objectives, called 'read-write integration with DSPs'. It is compatible with The Trade Desk, DoubleClick Bid Manager and AppNexus. Copilot can ingest third-party data. It has no special privileges to extract data from Facebook, but it can put it in, and tag it properly to reveal what Facebook contributes.

A higher ambition for automation is mass personalisation. It is fashionable to argue consumer goods brands should develop direct-to-consumer communications. However, it is hard even just to tag websites. Very few advertisers can yet manage this dynamically. The technology exists, but the data is siloed. Netflix is perhaps the best example. The question whether mass personalisation is worth the effort is therefore still unanswered, but its value is likely to rise as high-quality audience touchpoints grow more elusive or expensive.

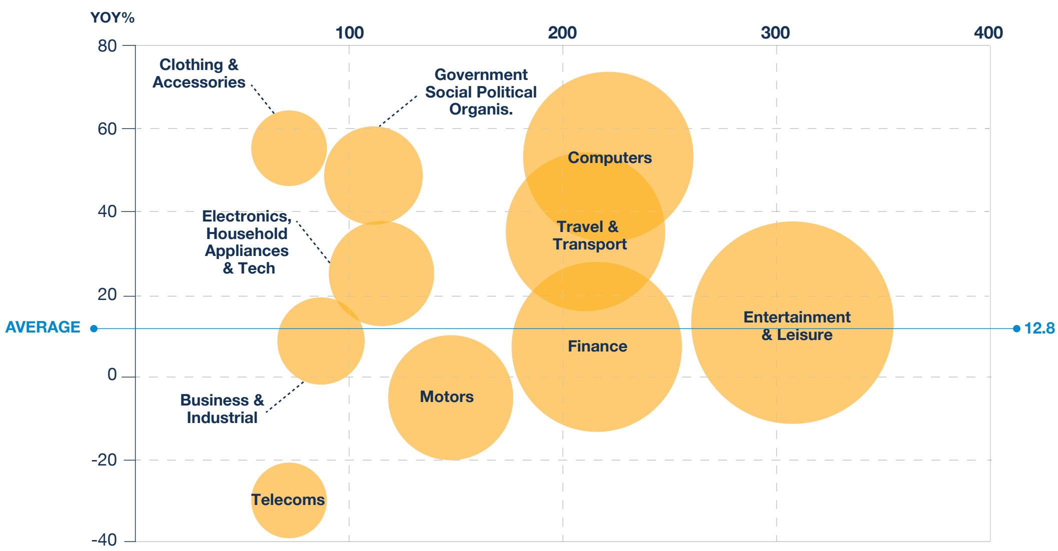
£m net	2012	2013	2014	2015	2016	2017	2018f	2019f
Paid search	3,087	3,471	3,768	4,361	5,006	5,821	6,500	7,100
Pure play display (gross)	1,069	1,335	1,832	2,596	2,828	3,404	3,857	4,217
Pure play classified	809	875	1,054	1,157	1,296	1,293	1,304	1,315
Other	64	57	72	91	77	81	85	90
Total	**5,029**	**5,738**	**6,725**	**8,205**	**9,207**	**10,599**	**11,746**	**12,722**

YOY%	2012	2013	2014	2015	2016	2017	2018f	2019f
Paid search	14	12	9	16	15	16	12	9
Display	14	25	37	42	9	20	13	9
Classified	38	8	20	10	12	0	1	1
Total	**17**	**14**	**17**	**22**	**12**	**15**	**11**	**8**

Shares	2012	2013	2014	2015	2016	2017	2018f	2019f
Paid search	61	60	56	53	54	55	55	56
Display	21	23	27	32	31	32	33	33
Classified	16	15	16	14	14	12	11	10
Other	1	1	1	1	1	1	1	1

Digital

TOP CATEGORIES FEBRUARY 2017 TO JANUARY 2018



TOP CATEGORIES FEB 2017 TO JAN 2018	£M	YOY%
Entertainment & Leisure	306.2	13.7
Computers	218.1	56.9
Finance	213.8	6.7
Travel & Transport	208.9	34.8
Motors	143.7	-7.5
Electronics, Household Appliances & Tech	116.9	25.3
Government Social Political Organisation	113.1	47.8
Business & Industrial	91.5	9.5
Telecoms	82.1	-30.4
Clothing & Accessories	82.1	55.9
Food	63.3	-2.1
Games & Consoles	58.5	8.0
Cosmetics & Personal Care	56.4	-15.9
Retail	54.2	3.7
Average		**12.8**

Nielsen categorises about 20% of UK digital ad investment

We said; it was

2017 media revenue changes: autumn forecast and actual out-turn	We said	It was
TV	-3	-2
Radio spot	4	6
National newsbrands	-12	-6
Regional newsbrands	-9	-9
Consumer magazine brands	-11	-9
B2B magazine brands	-10	-10
Outdoor	par	2
Cinema	4	2
Pure-play internet	13	15
Total media	**5**	**6**

Public Relations

THIS YEAR +3%, NEXT YEAR +2%

CPG advertisers are paring back PR as they are advertising, which affects the big PR networks more than the small ones. This has taken some steam out of what would normally have been a sports-assisted year. Contrary to immediate post-Brexit fears, growth has instead sprung from energy and industrials, which maintain normal service levels in the 'synchronised' global recovery. UK infrastructure investment is a notable source of demand, with many stakeholder audiences to address. CPG, on the other hand, betrays a loss of appetite for innovation and responsiveness to changing consumer needs, taste and behaviour. New entrants capitalise on this, but are unlikely to spend as much on PR.

Digital viewability and reputation questions have had consequences. There is anecdotal evidence of brands reducing YouTube and increasing Instagram and Spotify. Fake news encourages reassessment of traditional media. PR is not as worried as advertisers about loss of mass reach: it is more interested in much smaller groups of the right people, many of whom consume news media professionally.

GDPR has generated much uncertainty. This is a PR opportunity. Clients are generally late to this, and need to engage their consumers to earn consents which may formerly have been taken for granted. It also affects PR operations, of course, but agencies seem to have this under control.

Content creation occupies a rising share of the PR workload. This was once mainly for social media, but consumer expectations have forced production values to rise. Agile, global and fast-to-market are the orders of the day.

Measuring the impact (reach, view time, engagement) of agency-created digital content varies according to the channel and distribution method. The priority is to establish a measurement strategy before campaigns go live. Vendors are the principal source of data, with the main differences being whether the channel is owned (e.g., a website using Google Analytics or Omniture) or a shared social platform (such as Facebook or Instagram), or earned content, for which we would use a media collection partner such as Brandwatch.

GroupM is the leading global media investment management company for WPP's media agencies including Mindshare, MediaCom, Wavemaker, Essence and m/SIX, and the outcomes-driven programmatic audience company, Xaxis. Responsible for more than US $108B in annual media investment by some of the world's largest advertisers, GroupM agencies deliver an advantage to clients with unrivaled insights into media marketplaces and consumer audiences. GroupM enables its agencies and clients with trading expertise, data, technology and an array of specialty services including addressable TV, content and sports. GroupM works closely with WPP's data investment management group, Kantar. GroupM delivers unrivaled marketplace advantage to its clients, stakeholders and people. Discover more about GroupM at www.groupm.com.

For further information about this report please contact adam.smith@groupm.com

GroupM
26 Red Lion Square
London WC1R 4HQ
United Kingdom

A WPP Company