This Year Next Year

UK MEDIA AND MARKETING FORECASTS

November 2015

groupm

This Year Next Year

UK MEDIA AND MARKETING FORECASTS

NOVEMBER 2015

GroupM
Central Saint Giles
1 St Giles High Street
London WC2H 8AR
United Kingdom

All rights reserved. This publication is protected by copyright. No part of it may be reproduced, stored in a retrieval system, or transmitted in any form, or by any means, electronic, mechanical, photocopying or otherwise, without written permission from the copyright owners.

Every effort has been made to ensure the accuracy of the contents, but the publishers and copyright owners cannot accept liability in respect of errors or omissions. Readers will appreciate that the data are as up-to-date only to the extent that their availability, compilation and printed schedules will allow and are subject to change.

Contents

Introduction

Aggregate demand in the UK looks well-set for the year ahead, though still dependant on the consumer as opposed to the smaller components of investment, government and exports. 74% of the working age population is employed, the highest rate ever recorded, and the working population numbers a record at 31 million. Workers' real wages are rising and almost restored to their 2008 peak. Energy prices and property wealth are also consumer tailwinds. The headwinds seem to be abating, chiefly the China slowdown, uncertainty about what the government will cut, and immediate interest rate rises. Even the Eurozone is perking up thanks to QE, cheap energy, and a more competitive Euro.

Productivity is supposed to be the UK's Achilles' heel, threatening 1970s torments of stagflation. The problem is actually weighted to certain sectors: oil and gas, which has understandably throttled back on investment, particularly in the North Sea; the public sector, where output is approximated by inputs, which have been shrinking; and in finance, more regulated and online-disrupted than ever. And it depends what base year you pick. Take 2008, and UK productivity is 15% beneath its trend trajectory. 2006, and the UK is in line with the global average, and the best in Europe. UK productivity is more of a puzzle than a problem. For now, real wages are rising, but inflation is not. It might if employers bid up labour. Either way, the UK consumer will probably be spending more in 2016.

This new ad forecast raises our prior 2015 forecast a point to 7% on runaway brand demand for digital, and revises 2016 up from 5% to 7%, driven by digital and TV. If correct, this will mean UK ad investment will have outrun GDP growth for five straight years 2012-2016. This is not 'unhealthy' inflation caused by rigid supply. It is caused by broad-based demand across categories, drawn to favourable reach, impact, audience and innovation. Market efficiency is under intense pressure to improve, for example the 'value, viewability and verification' of certain digital inventory.

There are two material changes to our presentation this time. First, we say goodbye to Channel Five as a separate revenue line from 2016, when it disappears into the multichannel total now its airtime is sold by Sky. Second, we remove from internet and put with their parent media the ad revenues flowing into 'broadcaster VOD' and the digital platforms owned by legacy print brands. This obliges us to simplify our presentation of digital, and to rename it 'pure-play'. These are improvements. No medium needs a reputation for being complicated and exotic.

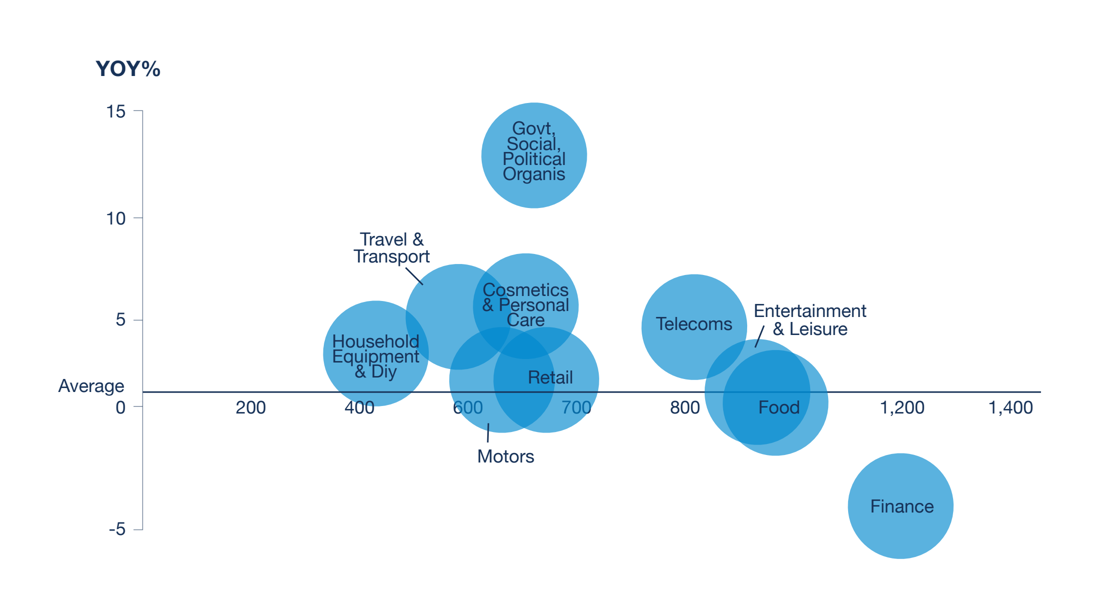
The influence of digital is everywhere. It is pulling media trading towards a common GRP basis instead of the idiosyncratic variety we have at present. It fuels urgency to discriminate correlation from causality on the path to purchase. It is promulgating automation, modernising commercial relationships and purging sentimentality and irrationality. It is driving demand for better reporting standards. It requires creative to be cheaper, faster-to-market, more informed by intelligence, and available from more sources. Content is rising, because it is suited to a digital culture of browsing, discovery and sharing. It teaches us to put objectives before data, and how to harness individuals at scale. These are rudiments of marketing. The consumer at the centre; building audiences; creating customers.

Introduction

THIS YEAR NEXT YEAR

Summary

Top Categories September 2014 to August 2015



Top Categories September 2014 to August 2015	£m	YOY%
Finance	1,221	-4.0
Food	991	-0.8
Entertainment & Leisure	990	0.6
Telecoms	806	4.9
Retail	669	0.6
Govt, Social, Political Organis	667	13.1
Cosmetics & Personal Care	663	5.4
Motors	658	0.5
Travel & Transport	598	5.0
Household Equipment & Diy	455	3.4
Mail Order	423	9.2
Clothing & Accessories	339	2.7
Drink	338	8.2
Pharmaceutical	276	-1.7
Media	241	-11.6
Business & Industrial	231	-9.7
Household Fmcg	220	2.3
Electronics & Household Appl	186	5.5
Leisure Equipment	180	14.6
Computers	169	-18.3
Online Retail	100	-11.8
Average		1.5

Media, £m, net	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
TV	3,355	2,983	3,424	3,530	3,520	3,776	3,976	4,286	4,601
Radio spot	386	336	333	363	373	344	380	395	410
National newsbrands	1,544	1,306	1,387	1,386	1,304	1,221	1,165	1,081	1,015
Regional newsbrands	1,966	1,452	1,359	1,344	1,199	1,118	1,070	986	912
Consumer magazine brands	633	501	512	561	534	508	486	451	420
B2B magazine brands	713	470	401	472	402	375	358	334	320
Outdoor	750	626	704	709	777	792	815	847	880
Cinema (includes production)	176	166	156	146	164	139	145	178	178
Pure-play internet (forecast years like-for-like)	3,350	3,516	4,069	4,295	4,857	5,544	6,390	7,323	8,283
Media total £m	**12,873**	**11,354**	**12,347**	**12,806**	**13,132**	**13,816**	**14,785**	**15,880**	**17,019**

Marketing services, £m net	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
Direct mail	1,705	1,402	1,507	1,555	1,522	1,498	1,473	1,450	1,450
Broadcast partnership	264	256	280	292	310	246	249	258	265
Market Research	2,160	2,072	2,082	2,042	2,076	2,099	2,130	2,180	2,222
Public Relations	624	590	596	625	650	663	690	725	755
Marketing services total £m	**4,752**	**4,319**	**4,465**	**4,514**	**4,558**	**4,506**	**4,542**	**4,613**	**4,692**
Media and marketing services total £m	**17,626**	**15,673**	**16,812**	**17,320**	**17,687**	**18,322**	**19,337**	**20,493**	**21,711**

Media YOY% change	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
TV	-4.1	-11.1	14.8	3.1	-0.3	7.2	5.3	7.8	7.4
Radio spot	-8.5	-13.1	-0.8	8.9	2.7	-7.8	10.6	3.9	3.8
National newsbrands	-6.1	-15.4	6.3	-0.1	-5.9	-6.4	-4.7	-7.2	-6.1
Regional newsbrands	-15.8	-26.2	-6.4	-1.1	-10.8	-6.7	-4.3	-7.9	-7.5
Consumer magazine brands	-5.8	-20.9	2.3	9.6	-4.8	-4.8	-4.2	-7.4	-6.7
B2B magazine brands	-13.3	-34.1	-14.6	17.7	-14.8	-6.9	-4.5	-6.6	-4.3
Outdoor	-3.9	-16.6	12.5	0.7	9.6	2.0	2.9	3.9	3.9
Cinema	0.0	-5.8	-5.6	-6.4	12.0	-15.2	4.3	22.8	0.0
Pure-play internet	19.1	5.0	15.7	5.5	13.1	14.1	15.3	14.6	13.1
Media	**-2.2**	**-11.8**	**8.7**	**3.7**	**2.5**	**5.2**	**7.0**	**7.4**	**7.2**

Marketing services YOY% change	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
Direct mail	-6.7	-17.8	7.4	3.2	-2.2	-1.6	-1.6	-1.6	0.0
Broadcast partnership	7.2	-3.1	9.7	4.3	6.1	-20.5	0.9	3.9	2.9
Market Research	5.9	-4.1	0.5	-1.9	1.7	1.1	1.5	2.3	1.9
Public Relations	7.0	-5.4	1.0	4.9	4.0	2.0	4.1	5.1	4.1
Marketing services	**1.2**	**-9.1**	**3.4**	**1.1**	**1.0**	**-1.1**	**0.8**	**1.6**	**1.7**
Media and marketing services	**-1.3**	**-11.1**	**7.3**	**3.0**	**2.1**	**3.6**	**5.5**	**6.0**	**5.9**

% shares of media	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
TV	26.1	26.3	27.7	27.6	26.8	27.3	26.9	27.0	27.0
Radio	3.0	3.0	2.7	2.8	2.8	2.5	2.6	2.5	2.4
National newsbrands	12.0	11.5	11.2	10.8	9.9	8.8	7.9	6.8	6.0
Regional newsbrands	15.3	12.8	11.0	10.5	9.1	8.1	7.2	6.2	5.4
Consumer magazine brands	4.9	4.4	4.1	4.4	4.1	3.7	3.3	2.8	2.5
B2B magazine brands	5.5	4.1	3.3	3.7	3.1	2.7	2.4	2.1	1.9
Outdoor	5.8	5.5	5.7	5.5	5.9	5.7	5.5	5.3	5.2
Cinema	1.4	1.5	1.3	1.1	1.2	1.0	1.0	1.1	1.0
Pure-play internet	26.0	31.0	33.0	33.5	37.0	40.1	43.2	46.1	48.7
Media total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Television

THIS YEAR NEXT YEAR

Television

THIS YEAR +8%, NEXT YEAR +7%

Autumn brings ITV1's biggest programmes, but England's exit from the Rugby World Cup took a little bloom off the rose. It perished hopes of late demand to be accommodated at smuggler's rates, and of the corresponding lift in juicy impacts. 2015 has proved a bit tight for ITV1 in CRR terms. Using ITV comes with a risk of inflation on the main channel, but the market will bear this premium for now. We think it most unlikely any advertiser will exercise its right to withdraw funds pro-rata from ITV in 2016, as it still offers irresistible value across its portfolio. It could however do with a decent European Championship next summer. Our expectations of this and broad advertiser support are reflected in ITV1 outperformance in 2016, which is further flattered by our including VOD revenue.

We do not itemise 'broadcaster VOD' revenue here, but the IAB thinks that in 2014 it comprised £143.5 million of a total digital video sum of £442 million. We have subtracted our broadcaster VOD (and digital print) revenue from 'Internet' to avoid double-counting.

Sky has sold Five since June. To buyers this appears at face value to mean less competition and less autonomy for no change in price. However, change always contains potential advertiser advantage. Five is a large fish in the Sky Media pool: big enough to affect averages, and therefore audience efficiency, if managed properly. Five's revenue and impressions are folded into our Multichannel line from 2016, as it will be dealt as part of the Sky portfolio.

Channel 4's potential privatisation may be the talk of the Groucho, but is not a hot topic for us. It thinks a sell-off would imperil its programme budget and plurality, but a bit of private-sector cost discipline might equally secure more for less, like Richard Desmond did at Five.

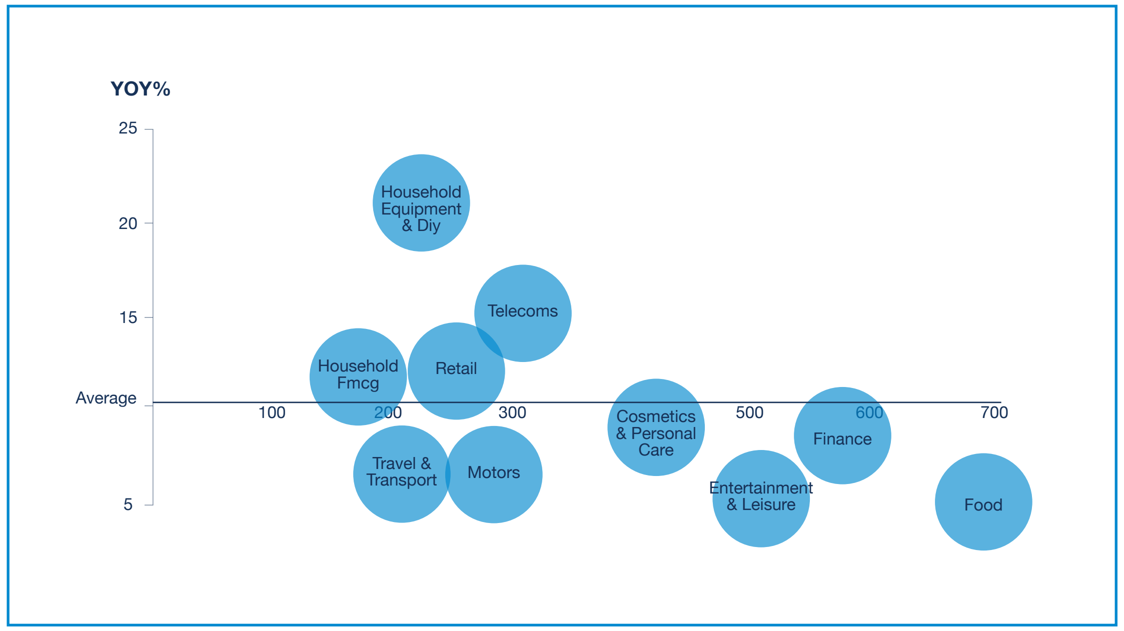
The 'broadcaster VOD' trajectory is still rising. The IAB's £143 million in 2014 implied a typical 4% A/V budget allocation to VOD that year, but there is a wide spread according to advertisers' individual needs and attitudes. Premium inventory is in short supply in some months, mainly when programmes do not perform as well as expected. Hard audience data are scarce, and analysis does not always favour VOD.

VOD is not suitable for broad audiences. Its costs-per-thousand only work for subgroups (young and old). Comparing CPTs to linear is not apples-to-apples, as VOD has valuable audience controls such as frequency capping or sequencing. Objectives and success are different to linear. Ad blocking has not so far undermined campaign delivery or value, because broadcaster VOD does not arrive following a request to an ad server, which is when ad blockers pounce.

Broadcaster-supplied data are not much used in practice because by definition these relate only to the fraction of the audience supplied by that media owner. The value of data is incremental, and the law of diminishing returns applies.

Sky's AdSmart is well-established. Advertisers are interested in what it can do, and will worry about missing out. Our advice is to know what you want from it. Neither AdSmart nor VOD is broadcast. AdSmart is a special-purpose vehicle –special audience, special message, special timing. Sky takes trouble to see it does what it says on the tin, and this builds trust. The 'tin', by the way, is a set-top-box in a postcode: to associate this with a particular viewer is 'probabilistic', albeit with a high degree of confidence.

Top Categories September 2014 to August 2015



Top Categories September 2014 to August 2015	£m	YOY%
Food	679	5.1
Finance	569	8.6
Entertainment & Leisure	502	5.6
Cosmetics & Personal Care	436	9.0
Telecoms	309	15.7
Motors	298	6.4
Retail	253	12.3
Household Equipment & Diy	222	21.1
Travel & Transport	212	6.0
Household Fmcg	191	11.7
Drink	180	10.3
Govt,social,political Organis	170	31.5
Pharmaceutical	162	8.6
Leisure Equipment	133	26.0
Media	121	-8.0
Electronics & Household Appl	102	17.0
Computers	89	-2.7
Clothing & Accessories	75	28.4
Online Retail	65	19.9
Games & Consoles	63	8.7
Business & Industrial	63	11.8
Average		10.1

Television

Net TV advertising revenue including broadcaster VOD since 2011

£m	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
ITV1	1,255	1,102	1,270	1,280	1,258	1,329	1,435	1,483	1,628
C4	618	535	599	588	553	532	535	610	635
S4C	3	3	3	2	2	2	2	2	3
Five	271	206	215	283	264	309	293	276	-
GMTV	59	51	58	56	50	57	57	58	59
MCh	1,148	1,086	1,279	1,320	1,394	1,547	1,654	1,855	2,277
Total	**3,355**	**2,983**	**3,424**	**3,530**	**3,520**	**3,776**	**3,976**	**4,286**	**4,601**

Equivalenced impacts (billions)

Adults	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
ITV1	236	232	237	234	222	227	208	198	197
C4	104	99	98	96	93	82	75	74	72
S4C	1	1	1	1	1	1	1	1	1
Five	67	66	65	63	63	61	59	57	0
GMTV	17	17	16	14	14	13	12	12	12
MCh	361	402	451	484	502	522	525	534	585
Total	**787**	**817**	**868**	**892**	**895**	**906**	**880**	**875**	**867**

Housewives	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
ITV1	158	157	159	155	148	150	136	131	131
C4	67	65	62	60	58	52	47	45	44
S4C	1	1	1	1	1	0	0	0	0
Five	45	44	44	42	42	42	40	38	0
GMTV	12	12	11	10	10	10	9	9	9
MCh	209	235	273	293	305	319	318	326	361
Total	**492**	**514**	**550**	**562**	**563**	**573**	**550**	**550**	**545**

ABC1 adults	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
ITV1	85	85	88	87	86	87	82	77	77
C4	44	43	41	40	40	37	35	36	35
S4C	1	1	0	0	0	0	0	0	0
Five	23	23	23	22	23	23	23	22	0
GMTV	7	7	6	5	5	5	4	4	4
MCh	156	175	180	187	197	205	211	211	231
Total	**315**	**332**	**338**	**341**	**351**	**356**	**355**	**351**	**348**

16–34s	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
ITV1	39	39	41	38	35	35	32	29	28
C4	28	27	28	25	24	22	20	18	18
S4C	0	0	0	0	0	0	0	0	0
Five	13	12	12	12	12	11	11	10	0
GMTV	3	3	3	2	2	2	2	2	2
MCh	108	121	124	129	132	138	133	123	132
Total	**191**	**203**	**208**	**207**	**206**	**208**	**197**	**182**	**180**

THIS YEAR NEXT YEAR

Television

Gross advertising revenue (NAR plus VOD/0.85)

£m	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
ITV1	1,477	1,296	1,494	1,506	1,480	1,563	1,689	1,745	1,915
C4	728	629	704	692	650	626	629	718	747
S4C	4	3	3	3	3	3	3	3	3
Five	319	242	253	333	311	363	344	325	-
GMTV	69	60	69	66	58	67	67	69	69
MCh	1,351	1,278	1,505	1,553	1,640	1,820	1,946	2,182	2,678
Total	**3,947**	**3,509**	**4,029**	**4,153**	**4,142**	**4,442**	**4,678**	**5,042**	**5,413**

Average cost-per-thousand impacts (£)

Adults	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
ITV1	6.26	5.59	6.30	6.42	6.66	6.90	8.11	8.82	9.70
C4	6.97	6.34	7.17	7.23	7.00	7.60	8.34	9.73	10.34
S4C	2.63	2.58	3.86	3.00	3.26	3.63	4.88	5.54	5.85
Five	4.76	3.67	3.89	5.27	4.90	5.95	5.81	5.73	-
GMTV	4.05	3.63	4.35	4.71	4.32	5.07	5.82	5.79	5.98
MCh	3.74	3.18	3.33	3.21	3.27	3.49	3.71	4.09	4.57
All commercial TV	**5.02**	**4.29**	**4.64**	**4.66**	**4.63**	**4.90**	**5.32**	**5.76**	**6.24**

Housewives	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
ITV1	9.35	8.25	9.42	9.68	10.02	10.40	12.40	13.37	14.66
C4	10.85	9.74	11.41	11.59	11.19	12.08	13.48	15.85	16.84
S4C	3.99	3.79	5.78	4.69	5.00	5.54	7.55	8.84	9.23
Five	7.16	5.49	5.76	7.85	7.32	8.67	8.60	8.47	-
GMTV	5.57	4.82	5.97	6.43	5.84	6.84	7.76	7.71	7.97
MCh	6.46	5.45	5.50	5.29	5.38	5.71	6.11	6.69	7.41
All commercial TV	**8.02**	**6.83**	**7.33**	**7.39**	**7.35**	**7.75**	**8.50**	**9.17**	**9.92**

ABC1 adults	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
ITV1	17.37	15.33	17.05	17.22	17.24	18.06	20.67	22.52	24.81
C4	16.49	14.79	17.01	17.36	16.37	17.05	18.02	19.75	21.06
S4C	6.06	5.76	10.67	7.52	6.52	7.32	9.96	10.80	11.15
Five	13.89	10.64	11.18	15.29	13.47	16.02	15.02	14.93	-
GMTV	10.60	9.17	11.30	12.85	11.58	14.10	17.23	17.30	18.20
MCh	8.68	7.31	8.36	8.32	8.31	8.87	9.22	10.33	11.58
All commercial TV	**12.53**	**10.58**	**11.91**	**12.17**	**11.79**	**12.46**	**13.19**	**14.36**	**15.56**

16–34s	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
ITV1	37.86	33.41	36.60	39.29	42.39	44.81	52.89	60.27	68.02
C4	25.82	23.17	25.13	27.23	27.12	28.24	31.49	39.54	41.98
S4C	22.74	21.61	37.45	36.93	23.72	33.11	62.92	86.05	96.16
Five	25.36	19.42	20.53	28.05	25.13	31.73	30.98	31.56	-
GMTV	23.39	20.22	25.59	26.83	27.29	31.81	38.48	41.91	44.25
MCh	12.51	10.53	12.13	12.07	12.39	13.23	14.68	17.75	20.28
All commercial TV	**20.68**	**17.30**	**19.37**	**20.08**	**20.12**	**21.33**	**23.71**	**27.70**	**30.13**

Television

TV advertising revenue

YOY % change	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
ITV1	-8.1	-12.2	15.3	0.8	-1.7	5.6	8.0	3.4	9.7
C4	-8.5	-13.5	11.9	-1.8	-6.0	-3.8	0.5	14.1	4.1
S4C	-5.8	-21.0	10.1	-16.2	-7.0	5.7	4.1	2.5	3.4
Five	-5.6	-24.1	4.5	31.7	-6.8	17.0	-5.3	-5.6	-
GMTV	4.8	-13.2	14.4	-4.0	-11.3	14.4	0.7	2.0	1.0
MCh	3.2	-5.4	17.8	3.2	5.6	11.0	6.9	12.2	22.7
Total	**-4.1**	**-11.1**	**14.8**	**3.1**	**-0.3**	**7.2**	**5.3**	**7.8**	**7.4**

Average cost-per-thousand inflation YOY%

Adults	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
ITV1	-7.5	-10.8	12.8	1.9	3.7	3.5	17.7	8.7	10.0
C4	-10.1	-9.0	13.2	0.8	-3.2	8.5	9.7	16.8	6.2
S4C	-8.9	-1.9	49.3	-22.2	8.7	11.2	34.7	13.4	5.5
Five	-7.8	-23.0	6.1	35.4	-7.0	21.4	-2.4	-1.3	-
GMTV	4.6	-10.3	19.8	8.3	-8.3	17.3	14.8	-0.5	3.3
MCh	-9.5	-15.0	4.9	-3.6	1.7	6.7	6.3	10.3	11.9
All commercial TV	**-9.8**	**-14.4**	**8.0**	**0.4**	**-0.6**	**5.9**	**8.4**	**8.5**	**8.3**

Housewives	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
ITV1	-8.0	-11.8	14.2	2.8	3.5	3.8	19.3	7.8	9.7
C4	-10.4	-10.3	17.2	1.6	-3.4	7.9	11.6	17.5	6.3
S4C	-9.9	-4.9	52.4	-18.9	6.6	10.9	36.3	17.0	4.4
Five	-7.8	-23.4	5.0	36.3	-6.7	18.3	-0.8	-1.5	-
GMTV	4.1	-13.5	23.9	7.8	-9.2	17.0	13.4	-0.5	3.4
MCh	-11.2	-15.8	1.1	-3.8	1.7	6.0	7.1	9.5	10.8
All commercial TV	**-10.3**	**-14.9**	**7.3**	**0.9**	**-0.5**	**5.4**	**9.7**	**7.9**	**8.2**

ABC1 adults	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
ITV1	-7.7	-11.8	11.2	1.0	0.1	4.7	14.4	9.0	10.2
C4	-9.3	-10.3	15.0	2.1	-5.7	4.1	5.7	9.6	6.6
S4C	-17.3	-4.9	85.3	-29.6	-13.2	12.1	36.2	8.4	3.3
Five	-12.6	-23.4	5.1	36.8	-11.9	19.0	-6.3	-0.6	-
GMTV	-2.5	-13.5	23.3	13.7	-9.8	21.7	22.2	0.4	5.2
MCh	-11.7	-15.8	14.4	-0.4	-0.2	6.7	4.1	11.9	12.2
All commercial TV	**-11.7**	**-15.6**	**12.6**	**2.2**	**-3.2**	**5.7**	**5.8**	**8.9**	**8.3**

16–34s	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
ITV1	-8.6	-11.8	9.5	7.3	7.9	5.7	18.0	13.9	12.9
C4	-5.6	-10.3	8.5	8.3	-0.4	4.1	11.5	25.6	6.2
S4C	-30.2	-4.9	73.3	-1.4	-35.8	39.6	90.0	36.7	11.7
Five	-2.5	-23.4	5.7	36.6	-10.4	26.3	-2.4	1.9	-
GMTV	15.8	-13.5	26.5	4.8	1.7	16.6	21.0	8.9	5.6
MCh	-7.5	-15.8	15.1	-0.4	2.6	6.8	11.0	20.9	14.2
All commercial TV	**-9.1**	**-16.3**	**12.0**	**3.7**	**0.2**	**6.0**	**11.2**	**16.8**	**8.8**

Television

TV advertising revenue shares

£m	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
ITV1	37.4	36.9	37.1	36.3	35.7	35.2	36.1	34.6	35.4
C4	18.4	17.9	17.5	16.7	15.7	14.1	13.4	14.2	13.8
S4C	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Five	8.1	6.9	6.3	8.0	7.5	8.2	7.4	6.4	-
GMTV	1.8	1.7	1.7	1.6	1.4	1.5	1.4	1.4	1.3
MCh	34.2	36.4	37.4	37.4	39.6	41.0	41.6	43.3	49.5
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Shares of equivalenced impacts

Adults	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
ITV1	30.0	28.4	27.3	26.3	24.8	25.0	23.7	22.6	22.8
C4	13.3	12.1	11.3	10.7	10.4	9.1	8.6	8.4	8.3
S4C	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Five	8.5	8.1	7.5	7.1	7.1	6.7	6.7	6.5	-
GMTV	2.2	2.0	1.8	1.6	1.5	1.5	1.3	1.4	1.3
MCh	45.9	49.2	52.0	54.2	56.1	57.6	59.7	61.0	67.5
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Housewives	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
ITV1	32.1	30.6	28.8	27.7	26.2	26.2	24.7	23.7	23.9
C4	13.6	12.6	11.2	10.6	10.3	9.0	8.5	8.2	8.1
S4C	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Five	9.1	8.6	8.0	7.6	7.5	7.3	7.3	7.0	-
GMTV	2.5	2.4	2.1	1.8	1.8	1.7	1.6	1.6	1.6
MCh	42.5	45.7	49.7	52.2	54.1	55.6	57.9	59.3	66.3
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

ABC1 adults	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
ITV1	27.0	25.5	25.9	25.6	24.4	24.3	23.0	22.1	22.2
C4	14.0	12.8	12.2	11.7	11.3	10.3	9.8	10.4	10.2
S4C	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Five	7.3	6.9	6.7	6.4	6.6	6.4	6.5	6.2	-
GMTV	2.1	2.0	1.8	1.5	1.4	1.3	1.1	1.1	1.1
MCh	49.4	52.7	53.2	54.7	56.2	57.6	59.5	60.2	66.5
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

16–34s	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
ITV1	20.4	19.1	19.6	18.5	17.0	16.7	16.2	15.9	15.7
C4	14.8	13.4	13.5	12.3	11.6	10.6	10.1	10.0	9.9
S4C	0.1	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Five	6.6	6.2	5.9	5.7	6.0	5.5	5.6	5.7	-
GMTV	1.5	1.5	1.3	1.2	1.0	1.0	0.9	0.9	0.9
MCh	56.6	59.8	59.6	62.2	64.3	66.1	67.2	67.5	73.5
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Radio

THIS YEAR NEXT YEAR

Radio

THIS YEAR +4%, NEXT YEAR +4% (SPOT ONLY)

Radio growth is supported by more categories using it, and by Motors continuing as the medium's first £100-million investor. Government and Retail are radio stalwarts growing in double digits, with the smaller categories in bottom half of the table growing 30% in the year to end-August. These keen spenders resist the siren call of low-cost digital video, because that is not broadcast, and radio is.

Radio is finally shedding its decades-long reputation for vexing creatives. Digital economics have revived cheap and fast creative boutiquery: radio names include Eardrum, Radioville and Audio Experts. Their market share is small, but will grow as advertisers bear down on 'non-working' spend and media agencies capture creative responsibility.

We quantify Radio S&P revenue under sponsorship/partnership. Last time we reported slow growth, but things are improving. Spot ad loads have risen to as much as 16 minutes an hour, which is the practical limit. There is heightened competition in certain segments such as sport content (heavily occupied by Sky and BT) and among motors. Multi-year commitments are rising, which creates scarcity. 'Digital everywhere' in other media has spurred radio to improve its integration of content, advertisers and talent, raising the value advertisers attach to association and shareability.

The Global-owned automated ad platform DAX is not yet the industry standard. One-third of its inventory is Global's, but the remainder does not make DAX the in-stream universe. It is however dominant. We do not know what it bills, but if it was a million a year ago, it is multi-millions now. As with Videology, a successful platform provides scale, simplicity and optimises advertiser-first.

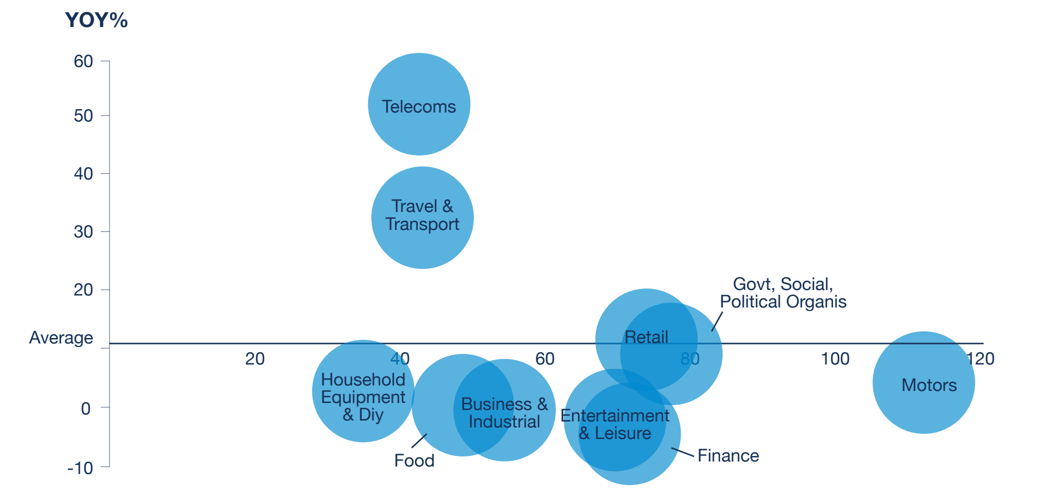
Spotify was briefly in DAX, and could one day return, but is for now 'insertion-order' only, with no automated matching. It reports impressions in real time. MediaCom has helped translate these into ratings, reach and frequency. In September, Spotify reported the results of TNS evaluation of, among other things, its incremental reach (to radio) and quality of attention (compared to radio): a clue perhaps to whose money Spotify has its eye on.

The second DAB multiplex is expected on air in March/April, led by Bauer. Audience data will emerge about six months later. Trading is finely balanced between Bauer and Global, so even a small shift in audience distribution will have market consequences. DAB 2 opens hours up for TalkSport which will be happy to invite listeners from a BBC making economies, in sports rights especially.

Half of Rajar diaries are now online, with a target of all of them. Online diaries are cheaper and more accurate.

Gabbled mandatories (for example, for car lease terms) are mercifully becoming scarcer; Copy Clearance now allows a simple 'T & Cs apply' if the proposition is clear.

Top Categories September 2014 to August 2015



Top Categories September 2014 to August 2015	£m	YOY%
Motors	113	7.0
Govt, Social, Political Organis	75	12.5
Retail	73	13
Finance	72	-4.7
Entertainment & Leisure	70	2.1
Business & Industrial	52	3.3
Food	48	3.9
Travel & Transport	42	31.6
Telecoms	42	52.3
Household Equipment & Diy	35	6.5
Media	28	22.8
Property	15	43.1
Computers	14	36.9
Pharmaceutical	13	29.0
Drink	9	30.0
Average		10.6

National Newsbrands

THIS YEAR -7%, NEXT YEAR -6%

There is a widespread uptick in the last quarter of 2015 from banks, supermarkets and digital brands, but not enough to compensate the grimness of the preceding nine months – and the market is signalling a tough 2016 ahead for print. Ad revenue in print remains on its 10% annual downwards trajectory, ameliorated in our headline now we include the digital display and classified formerly accounted within 'Internet'.

Paid-for print is locked in perpetual battle with free content on line and in print. This casualises readership, undermining loyalty and therefore purchase frequency. Free papers feel the equivalent pressure in falling pass-on readership. There is renewed appreciation of the authority of the medium, but even with digital gains it is losing ground. Departing cash has three main destinations: to fund TV inflation; to sample innovation in other media; and into social and other pure-play digital media. Facebook supply is in flood. Physical print is shrinking, but paradoxically its problem is oversupply. The symptoms include giving free space away and accommodating demand at shorter notice than any other medium, which is unfortunately both a weakness and a strength.

Digital Newsbrands

Agencies have an occluded view of the money going into digital newsbrand advertising. We see clearly our 'insertion orders' (I/Os) booked direct with the media owner, or what we place on their owned-and-operated exchanges. I/O inventory for luxury brands is sold out, but aggregate demand for I/O is falling, sometimes aggravated by indifferent ad selling. We cannot however easily gauge the revenue to volumes of newsbrand inventory sold in open exchanges, to which newsbrands are big suppliers. We have good historic data from the Ad Association, but forecasts are uncertain. We are however confident that revenues are growing, though unequally distributed between publishers. The shift from I/O to exchanges will depress pricing, but it helps publishers that large-advertiser demand is migrating from anonymous open exchanges to private marketplaces (PMPs) where scale and relationships still count.

Automation is growing as brand advertisers warm to 'audience buying' as opposed to 'media buying'. 'Audience buying' is possible only in digital media because only this kind of inventory can be 'conjoined' with behavioural and other data, and made subject to frequency and other controls. It has to be automated as the data and permutations are too many to handle manually. 'Audience buying' does not imply disregard of context. Context is important to reputable brands, and newsbrands score well on engagement, safety and quality – but automated audience buying enlarges the field of potential suppliers, so newsbrands struggle to remain on the 'preferred' list.

To little surprise, News UK relaxed the Sun's paywall this year, from 30 November. This released a torrent of impressions. Quite how many will take a few weeks to confirm. This segment is not very well differentiated, giving the Sun an opportunity to bring its formidable brand to bear to win ad share from the Mirror and Mail Online. News UK has not ruled out a 'change of direction' for the strictly-paywalled Times, whose cross-platform Access One advertising offer is meanwhile growing well – no surprise as it increases reach by about 30%.

Publishers have embraced the new aggregator Apple News, presumably in hopes of winning referred traffic. Facebook's equivalent app is Notify and Twitter's is Moments. Publisher participation in Facebook's separate Instant Articles, which lets publishers keep all the ad revenue they can sell, requires Facebook quality approval and for the publisher to produce fast-loading articles for the publishers' own pages or the Instant Articles page in the Facebook app. Publisher take-up for all these new outlets seems enthusiastic. Contently.com describes it as 'like a cross between Christmas and a funeral' for publishers.

Pamco

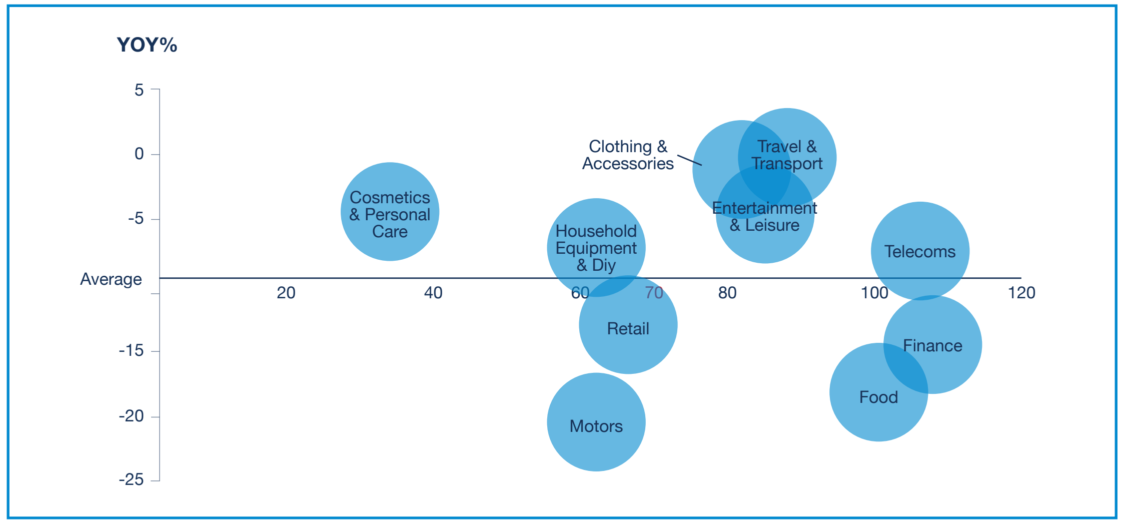
The new IPA/PPA/NMA-funded survey will start when testing is complete, probably July. It will begin as a Pamco/NRS blend with Pamco's takeover phased in over the first year. Pamco will give deduplicated 'net breadth' across all platforms, without limit to the number of titles, and with specific issue readership. It is likely to begin with about 90 brands including bigger regional dailies and magazines. This will help some publishers to grasp their true sales proposition. These are all welcome improvements we could happily have used five years ago.

National Newsbrands

£m net	2009	2010	2011	2012	2013	2014	2015f	2016f
National press display	1,090	1,183	1,115	1,024	923	844	759	691
National press classified	216	204	169	150	142	139	126	114
National newsbrand digital			102	131	156	182	195	210

YOY%	2009	2010	2011	2012	2013	2014	2015f	2016f
National press display	-13.3	8.6	-5.8	-8.2	-9.8	-8.6	-10.0	-9.0
National press classified	-24.8	-5.4	-17.3	-11.5	-5.4	-2.1	-9.0	-10.0
National newsbrand digital				28.4	19.6	16.4	7.1	7.7

Top Categories September 2014 to August 2015



Top Categories September 2014 to August 2015	£m	YOY%
Finance	113	-14.7
Telecoms	106	-7.6
Food	100	-18.3
Travel & Transport	88	-0.16
Entertainment & Leisure	85	-4.6
Clothing & Accessories	82	-1.1
Retail	66	-13.0
Motors	63	-20.5
Household Equipment & Diy	63	-7.1
Cosmetics & Personal Care	34	-4.5
Govt,social,political Organis	34	11.3
Mail Order	32	12.2
Media	24	-27.8
Electronics & Household Appl	24	-15.4
Drink	23	-15.4
Business & Industrial	23	-6.4
Pharmaceutical	22	-6.4
Computers	14	-38.7
Average		-9.7

Regional Newsbrands

THIS YEAR -8%, NEXT YEAR -8%

We now incorporate regional newsbrands' digital ad revenue in the medium, and reduce internet display correspondingly. According to the AA it represented 14% of regionals' ad revenue in 2014. Publishers expect big growth in the coming months. Part of this is simply moving from one pocket to the other, classified more so than display. We are taking a conservative view to start with. The medium as a whole is still losing share, but including digital makes a noticeable improvement.

It has been a tough twelve months for regional press (ink-on-paper) across all categories. Retail, travel, telecoms and motors have been particularly weak. We see supermarkets as the core of the retail problem; travel migrating online (newly online's top display category, according to the IAB) and beset by terrorism; and motors, which appears to be tapping print to fund other media.

The market therefore remains welcoming to buyers, with sellers offering more value and imagination than merely making concessions to shrinking physical circulation. Sales points are eager to please their publisher clients, so look hard for ways to get mastheads onto schedules even when buyers' increasingly data-driven selection may have excluded them from the first cut. For digital, it helps that over the past year, regional newsbrand digital CPTs have drifted down from £3-£6 to £2-£5 thanks to increased supply and to an extent automation.

The industry has two underlying problems. It remains profitable, which sometimes breeds complacency. And the print audience loses variety as it retreats, exacerbating the loss of reach. Advertisers therefore control frequency by buying fewer insertions, or control cost by buying smaller spaces, and make up the reach in radio, outdoor and of course digital.

Regional news brands are continuously improving their digital assets. A recent example is The Scotsman's 'Digital First', in which the print version becomes a snapshot of rolling digital journalism, and ad buys are automatically cross-platform unless otherwise specified. The industry could however improve its digital skills in such as data and tagging: the recent TM/Local World consolidation should raise standards. Trinity already sold the advertising in the Local World titles.

We still do not know how many regional titles the forthcoming Pamco will embrace: we assume it will be those already in TGI and NRS, being a majority of the 75 city dailies. This will inhibit national/regional campaign hybridisation, but at least Regional has the consolation that its existing JICREG already de-duplicates across analogue and digital. This relies on modelling, but it is good enough.

Geotargeting alternatives to newsbrands remain widely used. Well-used regional digital outlets include Facebook, Twitter, Blismedia, Drawbridge, xAd, Xaxis and Maxpoint, which has about 8,000 'digital zip codes' and can identify IP behaviour. Weve is a little diminished, being O2-only since buying out partners EE and Vodafone in May. It also faces competition from new in-app text ads offered by publishers such as Trinity Mirror for the Mirror and its top regional dailies.

Digital ad growth is mostly social and mobile, and to secure sufficient scale is mostly bought on geography – typically towns - rather than demography or editorial context. This puts solus local news websites at a disadvantage, especially if they have small audiences.

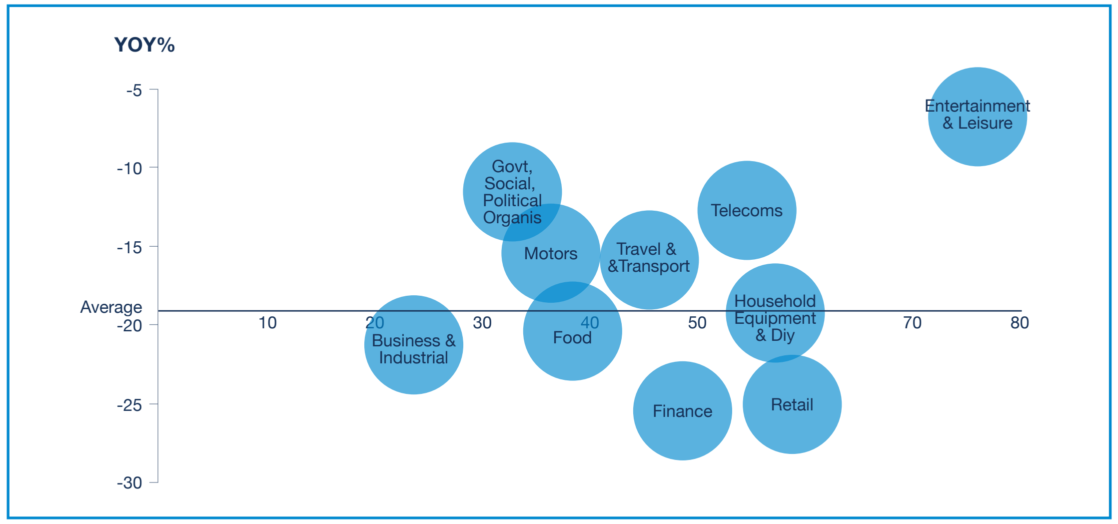
Entry costs are important in a business with many small campaigns. Much ad tech has a minimum spend of £5,000, and a few £10,000. To a degree this has unfortunately suppressed the automation of regional and with it the use of data. Sometimes it is possible to lump small campaigns together to get the budget over the line. Where it is not, traditional print has the advantage as long as it can offer a reasonable CPT or perhaps throw in creative services free.

Regional Newsbrands

£m net	2009	2010	2011	2012	2013	2014	2015f	2016f
Regional press display	587	587	558	497	456	426	384	349
Regional press classified	865	772	670	585	530	491	427	363
Regional newsbrand digital			116	116	131	153	175	200

YOY%	2009	2010	2011	2012	2013	2014	2015f	2016f
Regional press display	-12.6	0.1	-5.1	-10.9	-8.2	-6.6	-10.0	-9.0
Regional press classified	-33.2	-10.8	-13.1	-12.7	-9.4	-7.4	-13.0	-15.0
Regional newsbrand digital				-0.1	13.0	16.4	14.5	14.3

Top Categories September 2014 to August 2015



Top Categories September 2014 to August 2015	£m	YOY%
Entertainment & Leisure	77	-7.8
Retail	58	-27.3
Household Equipment & Diy	55	-19.0
Telecoms	53	-13.7
Finance	48	-25.3
Travel & Transport	46	-17.5
Food	36	-20.9
Motors	35	-15.2
Govt,social,political Organis	31	-11.9
Business & Industrial	24	-22.1
Clothing & Accessories	19	-4.0
Pharmaceutical	16	-29.9
Cosmetics & Personal Care	13	-10.4
Property	10	-2.1
Drink	10	-11.3
Electronics & Household Appl	10	-25.9
Media	9	-16.1
Average		-18

Consumer Magazines

THIS YEAR -7%, NEXT YEAR -7%

Total print sales fell 4% in the January-June ABCs with frees limiting the damage but Celebrity & Fashion Weeklies absorbing most damage in the paid-for sector.

Digital circulation rose 21% but is still only 1% of all distribution, which is not enough to offset total decline. Most advertisers need scale. Some big magazine categories like luxury, cars and beauty still buy specific digital titles, but for the general advertiser single digital titles lack scale so they use networks like Collective or Undertone, tending to commoditise the digital medium.

'Extended brand reach' is where the spectacular progress is to be found. 10 magazine sectors have enjoyed triple-digit mobile unique user growth, bringing Britain's total magazine uniques to what must be a near-saturation 52 million to desktop's 31 million. Food & Travel sector has powered most of this, though other sectors pulling their weight include Women's Monthlies & Weeklies, Men's and Motors.

Magazines' aggregate Facebook likeage actually shrank period-on-period, but at 71 million it remains a very large fund of social goodwill. Twitter has yielded 37 million Followers, and Instagram 6.5 million Likes, both on the up. Fashion & Luxury continues to capitalise on Instagram's premium positioning with Marie Claire rocketing to nearly half a million followers in the first half from an almost standing start. Others growing their Insta-footprint include Men's, Motors and even the news weeklies.

Turning meta-footprints into money is the hard part. September's iOS9 killed Newsstand, once heralded as the saviour of traditional publishing, and gave birth to Apple News. This resembles the Flipboard newsfeed aggregator, corresponding to and enlarging the user's declared interests – which Apple will probe and probe at setup until the user tires of answering. Advertisers can place ads using the iAds platform, and to lure publishers Apple has offered originators up to 100% of the ad revenue they attract. Facebook Instant Articles makes the same offer, or 70% if the publisher asks Facebook to sell the ad space.

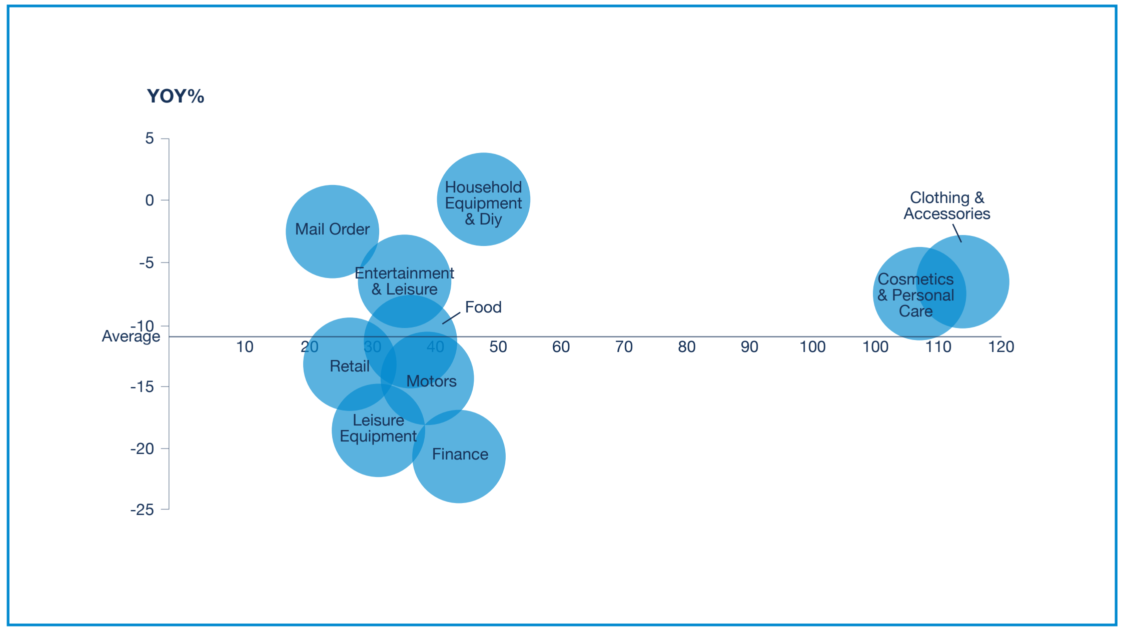
In the past Apple has been reluctant to share data but all this looks set change. Tracking and collaborative smart targeting give advertisers insight they've long wanted from Apple. For publishers, Apple News and Instant Articles are richer creative environments.

Plurality of platform and audience has created measurement problems for all media. Pamco's forthcoming single-source cross-platform reach data will be a welcome planning tool. It would be good if magazines complement this by projecting their superiority in the intangibles of loyalty and engagement.

THIS YEAR NEXT YEAR

Consumer Magazines

Top Categories September 2014 to August 2015



Top Categories September 2014 to August 2015	£m	YOY%
Clothing & Accessories	113	-2.3
Cosmetics & Personal Care	109	-8.8
Household Equipment & Diy	46	0.8
Finance	41	-20.1
Motors	38	-13.8
Entertainment & Leisure	36	-8.1
Food	34	-10.7
Leisure Equipment	30	-18.4
Retail	26	-11.3
Mail Order	23	-3.1
Pharmaceutical	22	-13.9
Travel & Transport	20	-8.58
Electronics & Household Appl	18	-10.2
Business & Industrial	17	-14.0
Telecoms	16	-10.2
Govt,social,political Organis	16	-8.2
Drink	15	-13.7
Property	13	4.9
Household Fmcg	12	-35.1
Average		-10.5

Consumer Magazines

ABC Circulations By Selected Sectors, UK Actively Purchased

	Press active purchase			Digital editions circ.					
	Jan-Jul 2014	Jan-Jul 2015	% change (print)	Jan-Jul 2014	Jan-Jul 2015	% change digital)	% change (press + digi)	% digi of press + digi last time	% digi of press + digi this time
Women's monthlies	2,098,276	2,098,096	0	22,208	21,994	-1	0	1	1
Celebrity & Fashion Weeklies	2,573,068	2,140,036	-17	25,297	22,015	-13	-17	1	1
Traditional & Real Life	2,771,816	2,573,009	-7	3,796	3,795	0	-7	0	0
TV Weeklies	3,824,762	3,666,577	-4	6,556	6,248	-5	-4	0	0
Men's weeklies & monthlies	1,594,158	1,507,269	-5	43,049	39,379	-9	-6	3	3
Home & Gardening	1,841,852	1,707,850	-7	13,145	14,071	7	-7	1	1
Fashion & Luxury	556,959	543,485	-2	9,320	9,679	4	-2	2	2
News & Business	686,255	623,875	-9	27,455	74,328	171	-2	4	11
Motoring	474,081	448,850	-5	3,134	11,894	280	-3	1	3
Food & Travel ex. supermarket frees	684,411	652,522	-5	21,133	13,972	-34	-6	3	2
Health & Wellbeing	683,900	753,471	10	17,267	17,154	-1	10	2	2
Music	133,967	122,652	-8	3,058	1,729	-43	-9	2	1
Baby & Parenting paid-fors	31,613	24,044	-24	1247	644	-48	-25	4	3
Grey	1,041,123	924,281	-11		934	-	-		
Teen & pre-teen	440,692	408,078	-7			-	-		
Frees									
Asda Magazine	1,987,633	2,109,560	6			-	-		
Tesco Magazine	1,932,187	1,956,313	1			-	-		
Waitrose Kitchen	680,925	693,179	2			-	-		
Sport	304,160	304,401	0						
Totals	**24,341,838**	**23,257,548**	**-4**	**196,665**	**237,836**	**21**	**-4**		

Only continuously-reported ABCs included; press titles transiting to yearly reporting excluded. Most sport titles are transiting in 2015.

Outdoor

THIS YEAR +4%, NEXT YEAR +4%

The year picked up well in Q3 against soft year-on-year comps with growth in most categories. Digital has helped support this broad recovery as it attracts the more time-sensitive advertising which cannot cope with 14-day tenancies. Most digital activity is shorter than this, and can be dayparted. Digital OOH also offers variable pricing, which would become more fluid if the market turns to CPT trading in future.

Digital has long been the main or sole source of revenue growth in out-of-home. The stock of inventory is still expanding, though our forecast shows a peak in revenue acceleration this year. This reflects market maturity as digital conversions move to ‘core broadcast’ roadside 6s and 48s, and the industry has to devote more resources to maintaining and upgrading its substantial digital estate.

Digitisation has not grown outdoor’s market share much, but nor do we know the lost share which might have occurred without it. It may however be improving media owner margins: the kit is cheaper, and digital screens are cheaper to maintain than paste-and-paper.

Rising advertiser investment in digital is creating pressure for better reporting standards. The market does not know what the prevailing digital occupancy rate is. It is hard for the media owners to track it with campaigns running irregular cycles. Paste-and-paper is well-known for ‘overshow’ (a poster staying up after the tenancy has expired), but digital has the risk of ‘undershow’, for example when an inadvertently oversold panel is rotating eight campaigns instead of six. This is not a big problem, but we expect to see universal standards and validation in 2016.

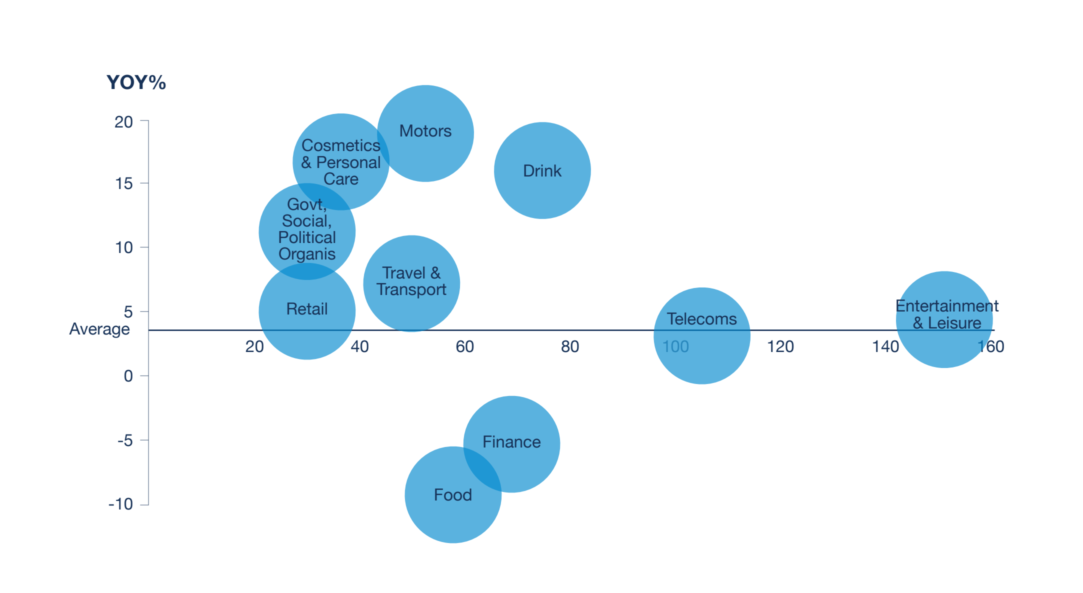
There is efficient supply of quick-service/low cost digital creative executions thanks to specialists such as Grand Visual and the media owners themselves.

Today, only JC Decaux’ Tesco estate is traded on impressions. The whole market could if it wished move to cost-per-thousand impressions trading tomorrow based on Route data, but it will not as Route gives average audience values rather than audiences to specific campaigns. This will be solved in respect of digital with universal reporting standards – ‘accountability of playouts’. What might follow is hybrid trading of digital impressions alongside old-school tenancies for traditional ‘core broadcast’ paper-and-paste. Or the market could move to CPTs across everything, tolerating averages for paper. For better or worse, impressions trading would make outdoor a ‘gross rating point’ or GRP medium like TV, similar to the direction print is moving in. This is another thing to watch in 2016, as is the emergence of automated workflow. The medium is still some way from algorithmic matching.

On 1 January 2016 JC Decaux becomes the sales operator for TfL’s bus shelters. This will bring more and larger 84” digital faces. We will find out who has won the London Underground tender in the first quarter of 2016.

Outdoor

Top Categories September 2014 to August 2015



Top Categories September 2014 to August 2015	£m	YOY%
Entertainment & Leisure	152	4.3
Telecoms	102	3.4
Drink	77	16.6
Finance	74	-5.1
Food	53	-9.7
Motors	51	19.3
Travel & Transport	50	7.7
Cosmetics & Personal Care	38	17.2
Govt,social,political Organis	31	10.4
Retail	31	4.4
Media	30	-6.5
Computers	20	-15.1
Business & Industrial	20	8.2
Clothing & Accessories	19	30.5
Average		3.9

Outdoor

£m net	2009	2010	2011	2012	2013	2014	2015f	2016f
Total	**626**	**704**	**709**	**777**	**792**	**815**	**847**	**880**
Transport	202	223	219	248	238	246	243	242
Roadside	304	338	326	327	327	318	287	262
Point-of-sale/retail/leisure	61	62	62	56	56	34	34	33
All digital	59	81	102	146	171	217	283	344

YOY%	2009	2010	2011	2012	2013	2014	2015f	2016f
Total	**-16.6**	**12.5**	**0.7**	**9.6**	**2.0**	**2.9**	**3.9**	**3.9**
Transport	-22.5	10.7	-1.8	13.1	-4.2	3.7	-1.3	-0.7
Roadside	-17.7	11.1	-3.3	0.2	0.0	-2.7	-9.8	-8.9
Point-of-sale/retail/leisure	-9.5	2.6	-1.3	-9.1	0.0	-40.0	0.0	-2.4
All digital	10.4	36.2	26.0	43.3	17.6	26.6	30.6	21.5

Share by type %	2009	2010	2011	2012	2013	2014	2015f	2016f
Transport	32	32	31	32	30	30	29	27
Roadside	49	48	46	42	41	39	34	30
Point-of-sale/retail/leisure	10	9	9	7	7	4	4	4
All digital	9	11	14	19	22	27	33	39

£m including commission	2009	2010	2011	2012	2013	2014	2015f	2016f
Total	**782**	**880**	**886**	**971**	**990**	**1,019**	**1,059**	**1,100**
Transport	252	279	274	310	297	308	304	302
Roadside	380	422	408	409	409	398	359	327
Point-of-sale/retail/leisure	76	78	77	70	70	42	42	41
All digital	74	101	127	182	214	271	354	430

YOY%	2009	2010	2011	2012	2013	2014	2015f	2016f
Total	**-16.6**	**12.5**	**0.7**	**9.6**	**2.0**	**2.9**	**3.9**	**3.9**
Transport	-22.5	10.7	-1.8	13.1	-4.2	3.7	-1.3	-0.7
Roadside	-17.7	11.1	-3.3	0.2	0.0	-2.7	-9.8	-8.9
Point-of-sale/retail/leisure	-9.5	2.6	-1.3	-9.1	0.0	-40.0	0.0	-2.4
All digital	10.4	36.2	26.0	43.3	17.6	26.6	30.6	21.5

Share by type %	2009	2010	2011	2012	2013	2014	2015f	2016f
Transport	32	32	31	32	30	30	29	27
Roadside	49	48	46	42	41	39	34	30
Point-of-sale/retail/leisure	10	9	9	7	7	4	4	4
All digital	9	11	14	19	22	27	33	39

Cinema

THIS YEAR NEXT YEAR

Cinema

THIS YEAR +23%, NEXT YEAR ZERO

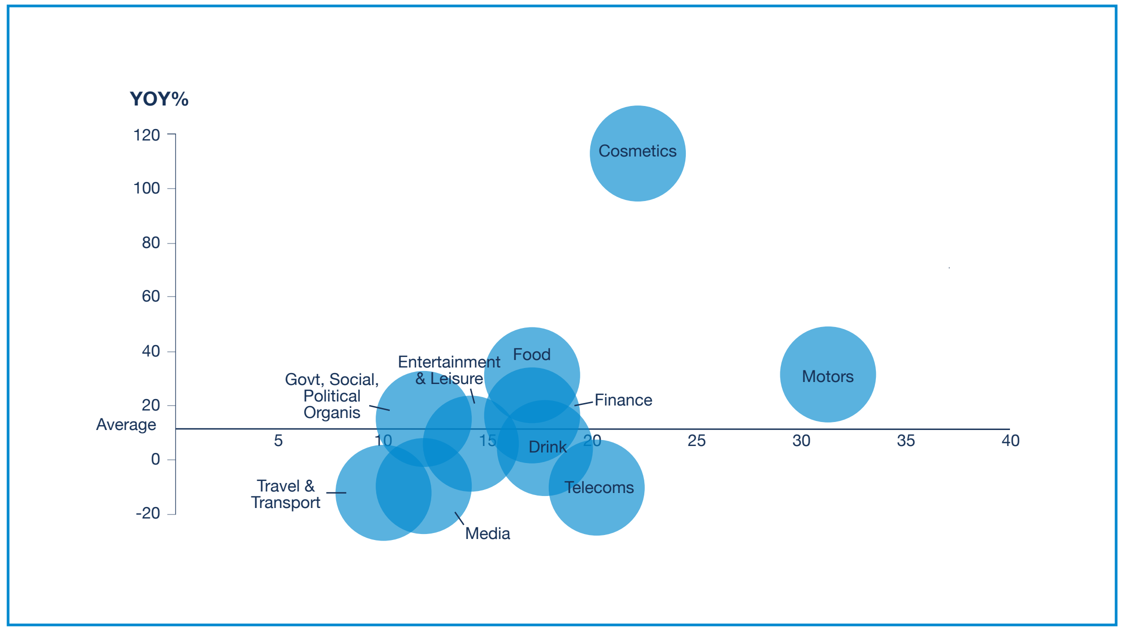
2015 was always going to be big, following a softish 2014. Bond lifted annual ad revenue about 11% on its own, and the year has yet to round out with Star Wars. The year has still produced some ordinary surprises too. Children's box-office is up 50%, with big thanks to the two Pixars Inside Out (a top-fiver) and Home. Emerging in a relatively quiet June, Jurassic World stomped all over its £15 million forecast to do £65 million in admissions in the UK, helping it to the number-three slot worldwide behind Avatar and Titanic. We have ad revenue up 11% for the year, and admissions about the same.

Advertiser demand for cinema has a good supporting cast: TV inflation; no late-booking penalties; lead time down from analogue weeks to digital days; being able to adapt existing TV ads, which most are; the fact cinema audiences think these ads are different (mostly they are just longer cuts); and immunity from digital curses of viewability, adblocking and 'non-human traffic'.

Industry consensus predicts flat admissions for 2016, even allowing for the Meerkat twofer extension from one to two days lifting the YoY until its anniversary in April. The slate is more weighted January-August next year, so having passed the seasonal Oscar uncertainties in February, we should know by Easter whether parity admissions is optimistic or realistic. Of course there are a few big titles coming next year, but what we know of is not enough to beat 2015 admissions. We have a Batman and a Superman; more nineties nostalgia in Independence Day – Resurgence; and Finding Dory, picking up the Nemo scent from 2003. Star Wars (The Force Awakens) is released for the Christmas holiday this year, so will overlap into 2016. Its sequel, Rogue One, will do the same a year hence.

Cinema should consolidate its gains in 2016. We had put in 5% ad growth before we knew how big Bond was, but growth of any sort would be hard with that to follow. Brand count is up, repeat business is up. Facebook is a notable newcomer, and a useful endorsement of the medium. The Gold Spot has a £10 million price tag but remains untenanted while advertisers queue to use it: tenancy also carries a cost of having to keep up a consistent or refreshable narrative. The Family Gold Spot is also untenanted, but available for something around £3 million. Cinema ad reels remain full to capacity. The medium does not kick any advertisers out, but imposes a mild form of price tiering which discriminates between high and low admissions. Rates have not otherwise changed, so demand presently self-regulates by how much clutter it will tolerate. We are not past any limits yet, but we note the small Curzon chain has moved its sales from P&D to DCM with an ambition to do more S&P and fewer spots.

Top Categories September 2014 to August 2015



Top Categories September 2014 to August 2015	£m	YOY%
Motors	31	26.5
Cosmetics & Personal Care	22	117.7
Telecoms	20	-14.09
Drink	18	5.4
Food	17	23.6
Finance	17	15.4
Entertainment & Leisure	14	8.4
Govt,social,political Organis	11	17.3
Media	11	-14.9
Travel & Transport	10	-18.7
Retail	10	142.3
Games & Consoles	7	-3.1
Clothing & Accessories	4	-11.2
Average		10.8

Internet & Mobile

THIS YEAR NEXT YEAR

Internet & Mobile

THIS YEAR +15%, NEXT YEAR +13%

We have transferred 'broadcaster VOD' and print brands' display and classified to their parent media so now attribute only 'pure play' display and classified to 'Internet'. We have also deleted the mobile breakout from these estimates because pure-play revenue data are not available at this level.

The IAB says all digital display ad investment grew at 26% in 2014. We originally predicted 15% in 2015, which would have been remarkable, but we seriously underestimated digital's multiplier effect of supply, demand and innovation. In the first half of 2015, the IAB tells us it accelerated to 28%, which makes the UK and Australia the only mature online economies where this has happened. Not bad for a medium lately doubted for its 'value, viewability and validation', ad blocking and complication. Automation rolls back complication, and as it embraces larger and richer formats, it suits brands better. Complementing this, technology creates ad formats better suited to automated handling, replacing labour-intensive rich-media networks.

28% display growth in the first half looks high but was possible, and might be sustained for the whole of 2015. Facebook's current global ad growth rate is around 50% (including Instagram), and Google's in the UK accelerated to 18% in the third quarter – with mobile search cited as the main accelerator, though the YouTube growth rate is high too. Google and Facebook are capturing nearly all the growth in the market. Some display suppliers are standing still and some even going backwards.

Our search forecast of 8% for 2015 agreed with the IAB's first half. Our own paid search business is running hotter than this, but some of this is display ads booked by search people using AdWords, and is consequently logged as 'search'.

Facebook, addressable and targetable at scale, has made itself much easier for advertisers to use and understand. Advertisers long struggled to translate community into commercial rationale, while Facebook progressively limited organic reach. Now it is a mostly paid-for ad platform with great reach, tools, automation, and is managing to pull off the impressive trick of stretching dwelltime while increasing ad loads. Google Preferred has meanwhile streamlined YouTube into a complement to broadcaster VOD, if not quite yet a challenger on price or quality.

In July Facebook's Instagram revealed it had 14 million UK MAUs, a prelude to opening its doors to advertiser self-service in September along with an API and welcoming more video. The former preserve of well-heeled advertisers with an existing Instagram personality, it is now open to all. It is a social goldmine as long as it remembers its users are golden geese. Its 400+ million worldwide geese now eclipse Twitter's slower-growing 320 million. Twitter's ad sales are still almost doubling, however, as it adds new formats, including video which autoplays with sound unless you scroll away. Even with usership rising only 13%, Twitter has plenty of room to increase the ad load as it offers video, at reasonable scale, in a safe environment. Its problems include a lack of youth, uneven content, and not knowing enough about its own users.

Viewability and blocking

ComScore continuously monitors UK viewability according to industry standards: in November it found 38% of served ads complied.

Facebook has been criticised for deeming three silent seconds of in-feed video an 'impression', but America's Media Rating Council (the de facto global authority) sets the industry standard at only 50% in view for two seconds. It is up to each advertiser to set its own expectation of viewability, and what it is worth.

Some advertisers demand 100% viewability for a specified duration, and some vendors will guarantee it. A market solution exists if regulation fails. In this vein, Facebook analytics reveals actual viewing persistence and whether a video was played with sound. This fosters trust and improvement of media and creative, just like the test-and-learn tradition of direct marketing. Spontaneous, exuberant creativity escapes any bounds, but the other 99 percent of creative perspiration welcomes the growing body of reliable guidance from media agencies.

To validate viewability without Facebook analytics, publishers must allow advertisers to tag ads so that third parties such as Moat, Tapad, Meetrics or Integral Ad Science can say what appeared on screen. The validators use different methods and results vary, so viewability is not yet consistent enough to be a trading currency. Not all publishers cooperate, and these should expect to shrink.

The advertiser's first line of defence against blocking is decent ads and trustworthy partners. (Many think reputable publishers should restrict free access to users with blockers.) GroupM agencies use only Media Rating Council-approved ad servers. Non-approved ones are liable to be hoodwinked by ad blockers masking themselves. To minimise the risk of click fraud we use verified 'whitelists' of reputable publishers.

Another defence is to pay 'per engagement', defined for example by viewing persistence or mouseover-to-expand. Actions like this are also a defence against 'non-human traffic' or bots. Per-engagement is most often used for video ads or content distributed widely, which in turn is usually higher-impact messaging in higher-quality environments.

Content

Content creation is another consequence of brands' embrace of digital. In a new measure, the IAB reckons it comprised 25% of online display investment in the first half of 2015, up from 21% in the prior year period. We can believe this. Our own content-related work has roughly doubled in two years, taking us ever further into the PR and creative-agency realms. Its growth has probably stunted advertiser-funded programming, which is less agile, and perhaps product placement too.

A piece of content is a well-mannered ad. Indeed, many spot ads meet that definition. This is familiar territory to brands. The new screens of media reward good manners (and punish bad ones with ad blocking.) The digital environment suits short-form professional content because it encourages browsing, discovery and sharing at broadcast scale. There is increasing discrimination between two types of content: the 'partnership', capturing the halo and traffic of the editorial host; or the 'owned', pushed into paid or other realms. Content marketing is used more for branding than 'performance' (sales response) so the objectives are often intangible. 'Engagement' is prima facie evidence of success. Video completion rates reveal more than simple impressions: any fool can pile up cheap views. Comments and shares are useful measures. Conscientious tagging and tracking is good practice.

Channel 4's digital platform All4 has high completion rates because it is a reputable, sticky 'broadcast' experience interspersed with unique, short-form content ('Shorts') and personalised by its viewer database. Other publishers setting standards include Hearst, Bauer, Time Inc (IPC as was), the Telegraph, the Guardian and the free titles Stylist and Shortlist, all combining static and video as the brief demands. Content campaigns often have many other dimensions: talent, merchandising, IP rights, and experiential.

'Content' might once have meant blogging, but now is typically video, which is much easier to distribute. Shareability is important, and easier on Facebook. YouTube is a talent magnet, but is still a search engine; a 'pull' medium without a social graph to propel sharing. Facebook is a 'push' medium with built-in shareability. Reach is therefore easier on Facebook, even though both penetrate similar majorities of the population and YouTube/Google+ has many more touchpoints. The talent in YouTube's multi-channel networks do however make this the leading outlet for commercial content creation.

Mobile

Despite its size and maturity, paid search growth seems to be accelerating. Mobile already accounts for half of queries, but is still an engine of search because the Chrome browser is becoming more popular. It works well on mobiles, and is standard on Android, and Apple owners prefer it to Safari. Like fifty or so other Google sites, it signs in to Google+. Initiating searches on smart watches might make a difference too. Wearability is immediacy, which intensifies the utility and intention of search.

Internet & Mobile

Customer journeys often begin on mobile and end on desktop. 'Sequential storytelling' is the latest iteration of what older readers may have learnt as AIDA. Mobile is cheaper than desktop, so rightsizing the mobile budget matters. 80%-90% of Facebook and Twitter dwelltime is now on mobile devices, and both have in-app web browsers. (Some sites will detect they have been pulled this way, which allows them to sell inventory as a Facebook/Twitter proxy!)

Weve: Mobile sales rep Weve has now works only on its parent O2 network since it bought out EE and Vodafone from its opted-in universe in May. EE and Vodafone inventory came off the market, but Weve now offers an enlarged pool of users – from 18 million to 25 million, it claims – by adding Wi-Fi hotspot access and encompassing O2's Priority Moments voucher app. Weve's staple is however SMS, which is becoming dated, and its display inventory is expensive. Geotargeted competition is a theat.

Viewability: There is no industry standard for mobile viewability yet. These things come out of the USA (to ensure global consistency) and we expect consultation in the new year with a view to roll-out a matter of months later. America's Media Rating Council's interim guidance for mobile browsers is 50% of pixels for one second for static, and 50% and two seconds for video. The market might solve the problem better than regulation. Some media owners offer 100% viewability guarantees, with validation. Where circumstances allow, advertisers can avoid paying for poor impressions by paying instead for 'secondary actions' such as cost-per-click. 'Non-human traffic' is less of a problem on mobiles than desktop as interaction is more purposive.

Ad blocking: Off-app static ads are the most affected at present. Pre-roll and video are less blockable because the site directs the user to another URL containing the video as opposed to requesting it from an ad server, which blockers intercept. Off-app native ads are equally exposed, but ad blockers tend to discriminate in their favour. In-app ads are less affected, but not immune, and phone operators are free to deploy them as a subscriber benefit.

£m net	2012	2012	2013	2013	2014	2014	2015	2016
							like-for-like	*like-for-like*
Paid search	3,087		3,471		3,741		4,150	4,560
Pure play display (gross)	1,055		1,315		1,691		2,161	2,634
Pure play classified	651		701		886		935	999
Other	64		57		72		77	90
Total	**4,857**		**5,544**		**6,390**		**7,323**	**8,283**

YOY%	2012	2012	2013	2013	2014	2014	2015	2016
		like-for-like		*like-for-like*		*like-for-like*	*like-for-like*	*like-for-like*
Paid search	14	15	12	14	8	9	11	10
Display	15	12	25	22	29	26	28	22
Classified	9	6	8	9	26	12	6	7
Total	**13**	**13**	**14**	**15**	**15**	**14**	**15**	**13**

Shares	2012	2012	2013	2013	2014	2014	2015	2016
							like-for-like	*like-for-like*
Paid search	64		63		59		57	55
Display	22		24		26		30	32
Classified	13		13		14		13	12
Other	1		1		1		1	1

TV Partnership

THIS YEAR +8%, NEXT YEAR +6% (including ITV)

Sponsorship prices remain healthy at the top end, and the market well-sold. The Meerkat's three-year deal with Coronation Street ends this year, with future pricing likely to be around £11 million per year. X-Factor trades in this bracket, and other price ideas are Emmerdale £8 million, BGT £7 million, ITV Drama £6 million and Six Nations £4 million for two seasons. Sponsors should beware of 'price illusion'. Sellers will often anchor asking prices in relation to prevailing spot costs-per-thousand. Spot CPTs are rising, partly from natural changes in supply and demand, but partly from unnatural causes such as broadcasters dropping VOD revenue into NAR without VOD's corresponding impressions to 'sterilise' the resulting inflation.

Channel Five sponsorship has gone quiet since it joined Sky in June, which is a shame as it was an innovative partner. Sky is naturally less sponsorship-oriented. It sells a few big properties like drama and sport, but its own individual shows do not have the reach, and imported content is also harder to activate. We hope Sky revives Five.

Channel 4 innovation includes 'contextual ads' – spot ads tied to the surrounding programme. Examples are Wilkinson Sword ads in Made In Chelsea, or the Electoral Commission in Gogglebox, both featuring cast members. These can form part of a wider partnership. Established sponsors like British Gas and Alfa Romeo have made All4 Shorts, which extends the partnership into Four's digital platform without being tied into a particular programme. You might describe this as 'content creation' or a form of 'audience buy'.

A Shorts project might involve £100k for production and further £500k for a guaranteed volume of digital impressions. The client then keeps the content for further use, which these days is likely to see it 'optimised' as part of hubbed marketing involving social media, paid-for support and search engine optimisation, now also known as 'organic performance'.

To sponsor a particular programme gives the security of a known and quantified environment. To uncouple therefore requires heightened vigilance. This starts with a 'content strategy' to control distribution and quantify objectives – typically to reach a sufficient quantity of the right audience. 'Reach' will often be described in terms of engagement in the form of viewing persistence or response or similar, as opposed to simple tonnage of impressions.

TV Partnership

Broadcast partnership

£m net	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
TV Broadcast (ex ITV from 2013)	167	160	181	185	190	120	124	130	136
Branded Programming	7	10	12	16	19	21	23	22	22
Product placement				2	4	11	14	14	15
Radio Branded Content	90	86	87	90	97	94	88	91	93
Total	**264**	**256**	**280**	**292**	**310**	**246**	**249**	**257**	**266**

YOY%	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
TV Broadcast	8.4	-4.4	13.1	2.5	2.3	-36.8	3.5	4.7	4.3
Branded Programming	18.8	42.1	29.6	25.5	22.6	10.5	9.5	-4.3	0.0
Product placement					150.0	160.0	23.1	2.9	7.1
Radio Branded Content	4.3	-4.2	1.1	2.8	8.3	-2.8	-6.9	3.5	2.2
Total	**7.2**	**-3.1**	**9.7**	**4.3**	**6.1**	**-20.5**	**0.9**	**3.4**	**3.4**

Public Relations

THIS YEAR +5%, NEXT YEAR +4%

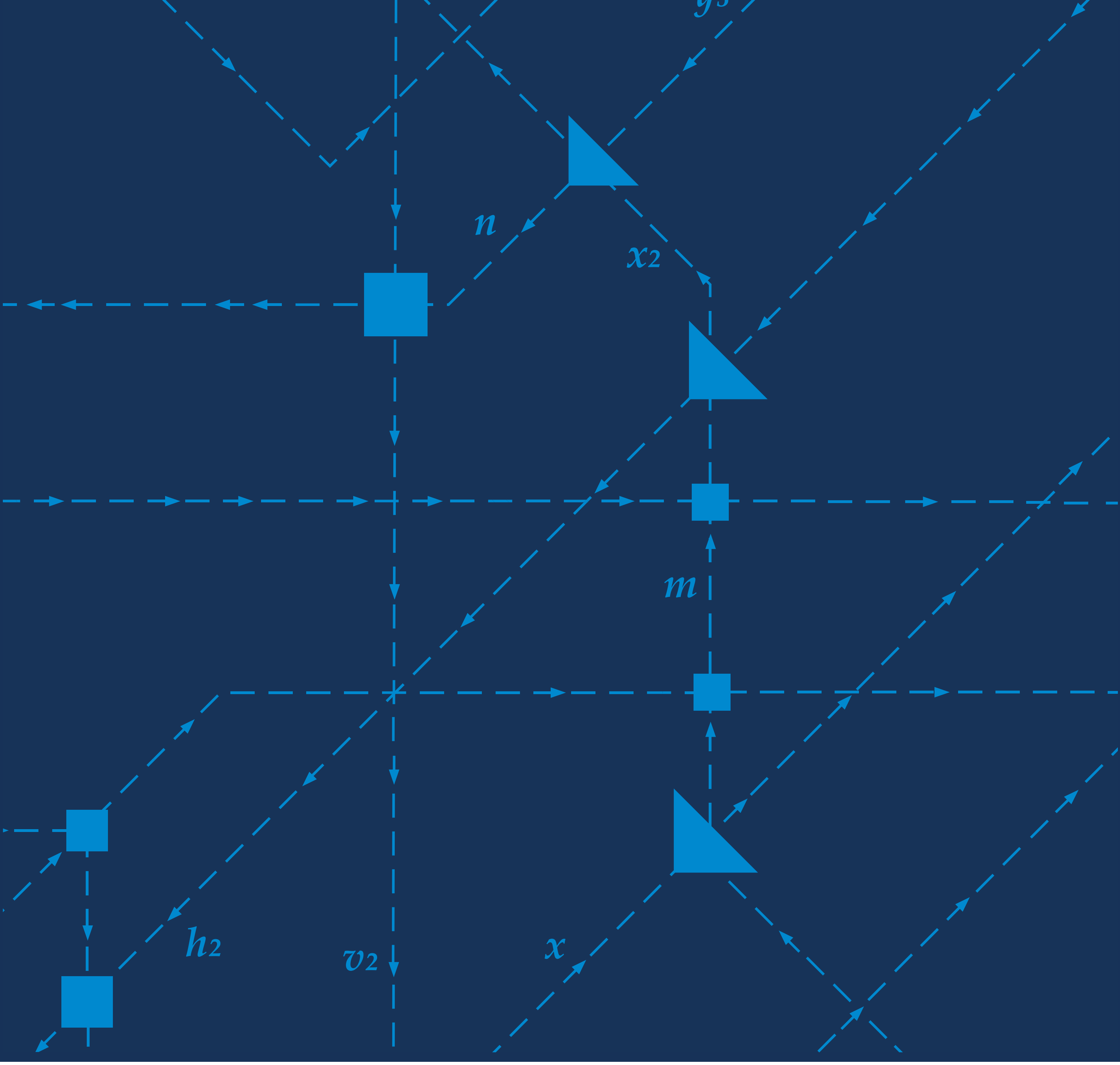
2015 gave us ample reminder of reputation in the marketing mix, with Fifa, athletics doping, car emissions and data escapes. Less alarmingly, it has been a good year for everyday PR, with confidence restored after the election, even if it feels south-east-centric.

'Newsrooming' remains as popular as ever, being continuous buzz monitoring and rapid intervention with newslike content. We are however seeing more resources put behind occasional 'hero-driven content', being planned events with 'paid media' production values: media agencies are doing more of this too.

Experiential marketing is also in favour among some advertisers disappointed with digital advertising – or perhaps more accurately with the performance of digital specialists. Experiential offers something more tangible and immediate for your buck: the promise to turn consumers into customers. The most perfectly 'curated' audience does not always ring the tills.

Another shift is towards 'audience building', illustrated by pharma putting the patient before the clinician, or regulated sectors (energy, financial) cultivating influencers and advocates – the technique media agencies once applied to Facebook before agencies' impatience for scale eventually transformed Facebook advertising. Tracking and tagging is central to harnessing influencers and their 'connectivity': the independent GlobalWebIndex is a notable tool for this. Measures of PR effectiveness are improving, but it is always hard to find enough R&D in small budgets. This is where agency scale is useful: Hill & Knowlton's proprietary evaluation method is available to all clients, for example.

2016 brings the known events of the Olympics and UEFA European Championship, PR preparation for which is just getting underway. No doubt 2016 will bring some unknown events too, to remind us again of the value of standby strategies.



GroupM is the leading global media investment management operation serving as the parent company to WPP media agencies including Mindshare, MEC, MediaCom, and Maxus, each global operations in their own right with leading market positions. GroupM's primary purpose is to maximize performance of WPP's media agencies by operating as leader and collaborator in trading, content creation, sports, digital, finance, proprietary tool development and other business-critical capabilities. GroupM's focus is to deliver 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
Central Saint Giles
1 St Giles High Street
London
WC2H 8AR
T +44 (0) 20 7969 4083

A WPP Company