

7 October 2019

## **Social media overtakes print to become the third-largest advertising channel**

Global adspend growth to remain steady at 4.4% a year to 2021

- Adspend on social media expected to grow 20% in 2019 and account for a 13% share of global adspend
- Paid search advertising will exceed US\$100bn for the first time
- The US ad market is responsible for nearly half of global adspend growth as growth slows across Europe

Advertisers will spend more on social media platforms than on print for the first time this year, according to Zenith's *Advertising Expenditure Forecasts*, published today. Advertising expenditure on social media will grow 20% this year to reach US\$84bn, while advertisers' combined expenditure on newspapers and magazines will fall 6% to US\$69bn.

Social media will be the third-largest channel for advertising this year, with a 13% share of global adspend, behind television (29%) and paid search (17%). Its growth is slowing as it matures, and is forecast at 17% in 2020 and 13% in 2021, when it will account for 16% of all global adspend.

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

North America's ad market has been boosted by the flood of new small and medium-sized companies using Facebook and Google to advertise for the first time, as well as digital-native brands using both digital and traditional media to boost awareness. We now estimate that adspend grew by 8% in both 2017 and 2018, and forecast healthy 5% annual growth to 2021. The pace of change is set by the US, where advertisers spend 20 times more than they do in Canada. The US economy seems relatively robust, with a strong labour market and healthy consumption, though continuing arguments over international trade are tempering expectations for the year.

Meanwhile, paid search advertising will exceed US\$100bn for the first time this year, reaching US\$107bn by the end of 2019. Paid search is growing at 8% a year and will amount to US\$123bn in 2021, when it will account for 18% of total adspend. Television advertising continues to suffer from shrinking ratings in key markets, and will slip from US\$182bn in 2019 to US\$180bn in 2021, accounting for 27% of total adspend in the latter year.

### **The US drives global adspend growth as Europe and Asia slow**

The US ad market is now the source of nearly half of global adspend growth. Zenith expects it to contribute 48% of new ad dollars this year, and 46% between 2018 and 2021. The main sources of this growth are digital brands and small businesses whose ad budgets have been unlocked by the targeting and localisation capabilities of online platforms. Small businesses in the US are spending heavily on social media and paid search, and are fuelling much of the global growth of these channels. Their spending has been robust throughout 2019, supported by strong household consumption, and has not so far been undermined by worries about recession or escalating trade disputes with China. Zenith's expectations for the US ad market have held steady at 5.7% growth since the June edition of this report was published.

By contrast, Zenith has downgraded its forecasts for Europe as poor economic performance in key markets has eroded advertiser confidence. Germany and the UK registered small economic contractions in Q2, while year-on-year growth in Russia has fallen below 1%. Zenith now forecasts 1.9% adspend growth in Western Europe this year, down from the 2.4% forecast in June, and 4.7% adspend growth in Central & Eastern Europe, down from 6.1%.

In both European regions, expectations for 2019 are well down on 2018, when adspend grew by 4.0% in Western Europe and 9.6% in Central & Eastern Europe. Some of this decline can be attributed to the absence of sporting events like the Winter Olympics and the FIFA World Cup, but the weakening economy has also eroded underlying growth.

Adspend growth is also slowing in Asia Pacific, with 4.4% growth forecast for 2019, after 6.9% growth in 2018. In this case, though, conditions have not deteriorated materially since the June forecasts, and Zenith's expectations of growth for this year have held steady. China, Asia Pacific's largest market by some margin, has been slowing down for some time as its scale has increased. The trade war with the US has also had some dampening effect on adspend, particularly by international brands that have had to be more cautious about their messaging and visibility. Zenith forecasts 4.5% growth in adspend in China this year, down from 7.8% growth in 2018, and an average annual growth rate of 8.7% between 2013

and 2018. China will nevertheless still be the second-biggest contributor to global ad growth in 2019, accounting for 14% of new ad dollars.

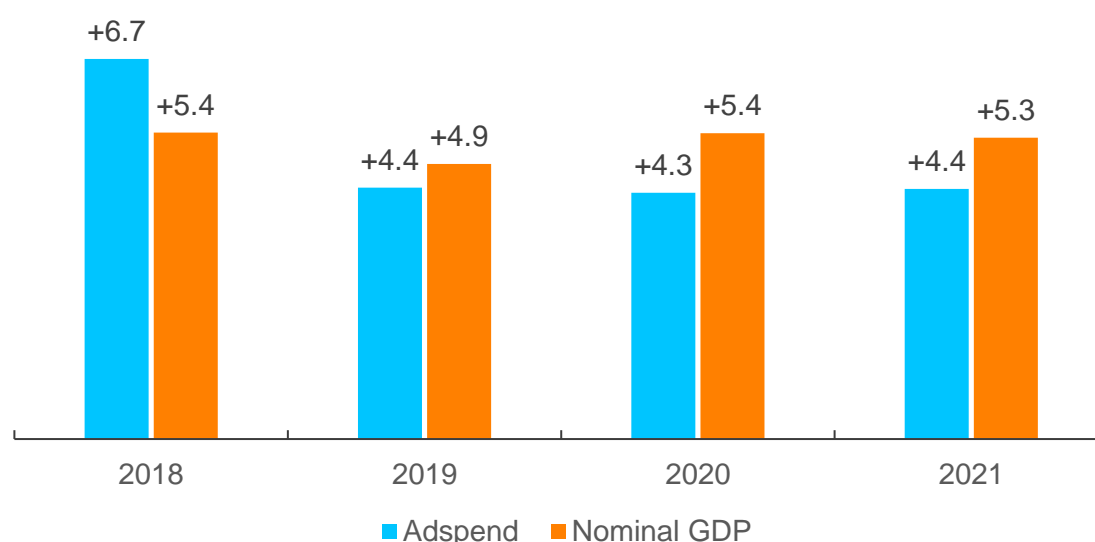
### Global adspend growth steady at 4.3% to 4.4% a year

Overall, Zenith forecasts that global adspend will grow by 4.4% this year to reach US\$640bn, down slightly from the 4.6% forecast made in June. Growth is expected to remain stable at 4.3% in 2020 and 4.4% in 2021 (as compared to the June forecast of 4.4% growth in 2020 and 4.3% in 2021). We would normally expect an increase in adspend in 2020, a 'quadrennial' year benefitting from US elections, the Summer Olympics and the UEFA Euro 2020 tournament. But given current political and economic uncertainty, brands are being cautious about committing to extra spending at the moment. This may change as the sports events approach, along with the opportunities they provide to reach valuable and engaged audiences. We will look out for signs of strengthening demand over the next few months.

"We have slightly downgraded our expectations for 2019 amid a marginally weaker trading environment," said Jonathan Barnard, Head of Forecasting at Zenith. "But growth should then remain steady out to 2021, powered by the robust US advertising market."

###

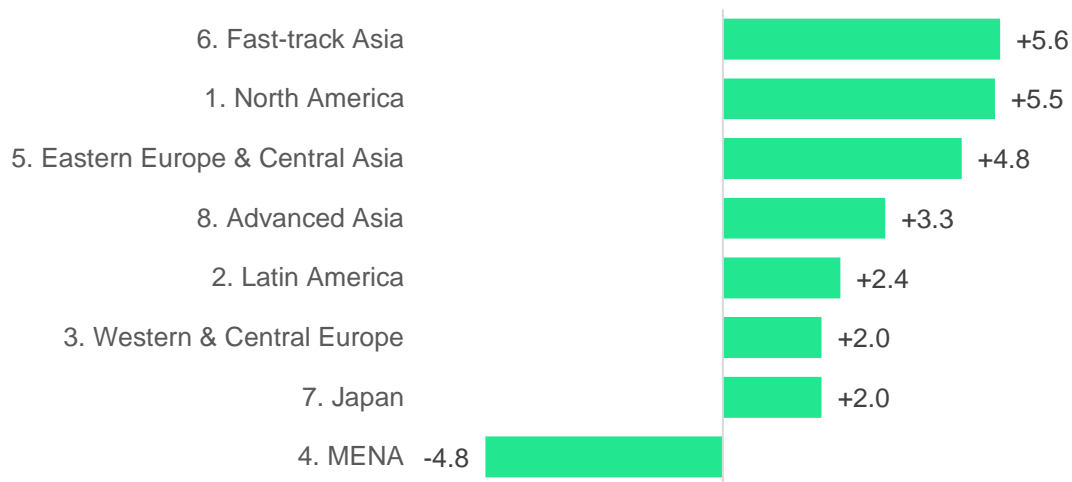
*Growth of advertising expenditure and GDP 2018-2021 (%)*



Source: Zenith/IMF

---

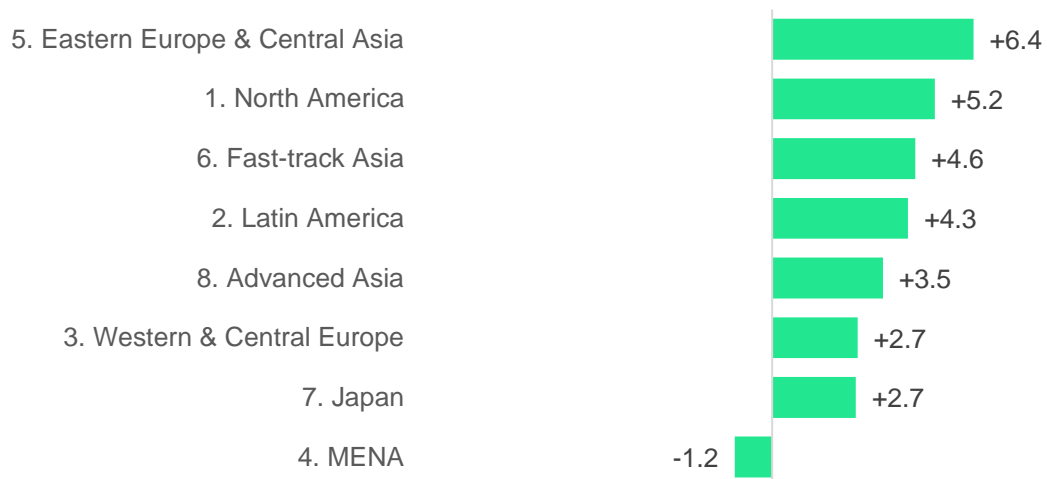
### *Growth in adspend by regional bloc 2018-2019 (%)*



Source: Zenith

---

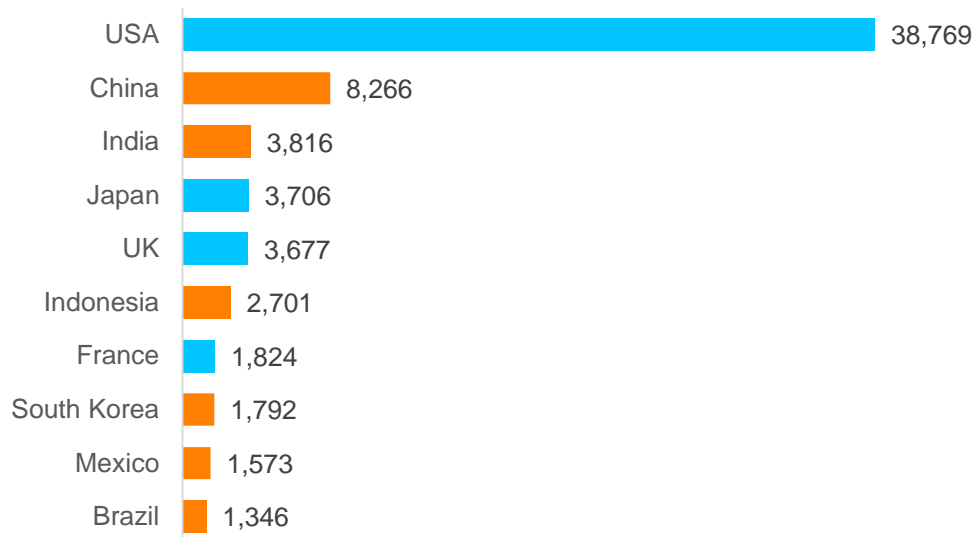
### *Average annual growth in adspend by regional bloc 2018-2021 (%)*



Source: Zenith

---

### *Top ten contributors to adspend growth 2018-2021 (US\$m)*



Source: Zenith

---

### *Top ten ad markets*

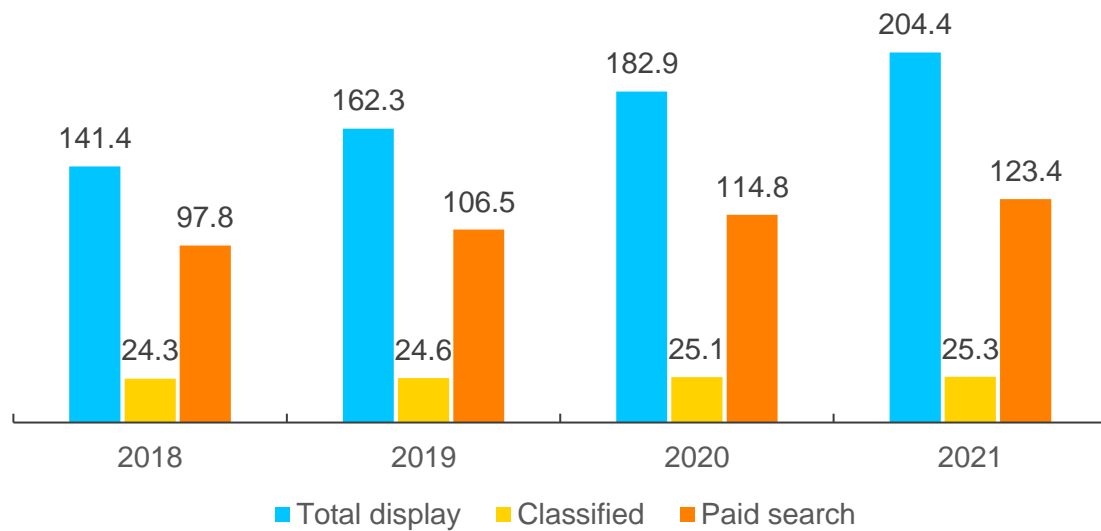
*US\$m, current prices. Currency conversion at 2018 average rates.*

| Country        | Adspend 2018 | Country        | Adspend 2021 |
|----------------|--------------|----------------|--------------|
| 1. USA         | 229,680      | 1. USA         | 268,448      |
| 2. China       | 87,077       | 2. China       | 95,343       |
| 3. Japan       | 45,135       | 3. Japan       | 48,840       |
| 4. UK          | 27,469       | 4. UK          | 31,146       |
| 5. Germany     | 24,917       | 5. Germany     | 25,146       |
| 6. Brazil      | 13,463       | 6. France      | 15,086       |
| 7. France      | 13,262       | 7. Brazil      | 14,809       |
| 8. South Korea | 12,891       | 8. South Korea | 14,683       |
| 9. Australia   | 12,429       | 9. Australia   | 13,126       |
| 10. Canada     | 10,781       | 10. India      | 12,748       |

Source: Zenith

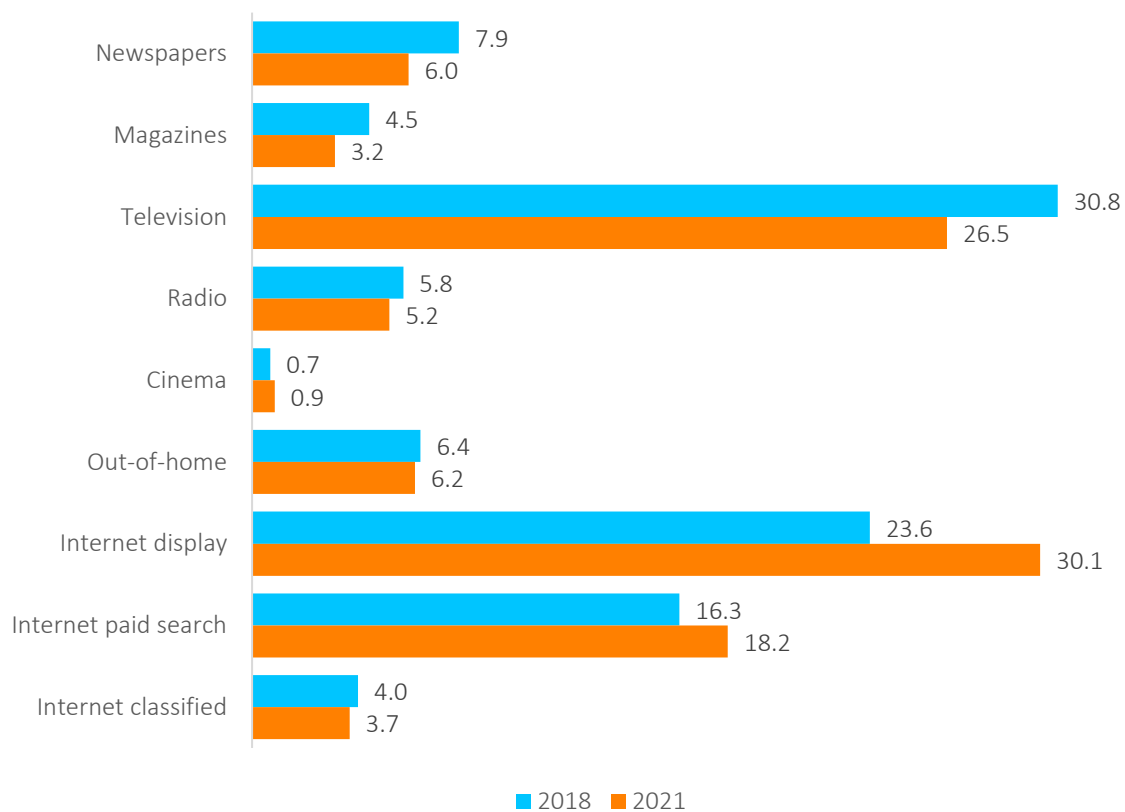
---

### Internet adspend by type 2018-2021 (US\$bn)



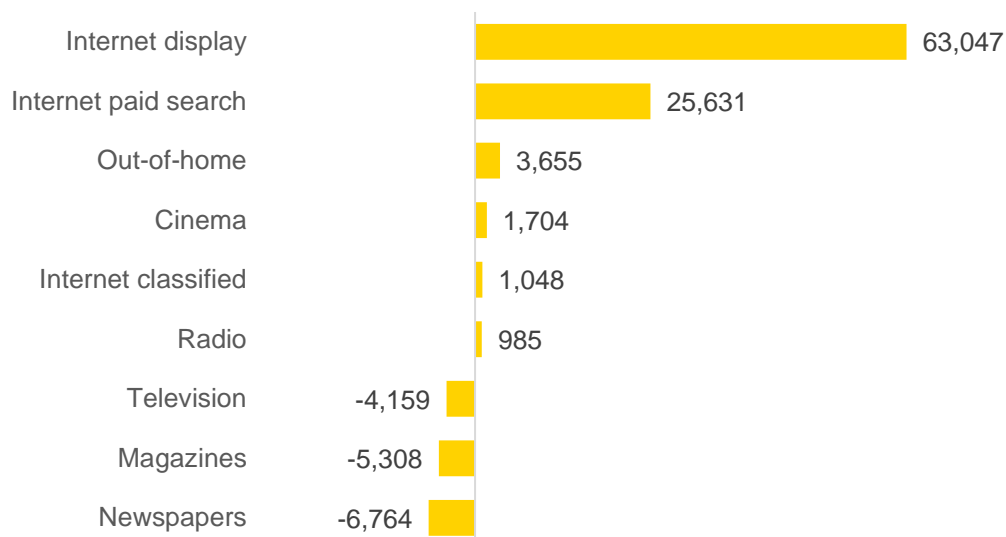
Source: Zenith

### Share of global adspend by medium (%)



Source: Zenith

*Contribution to global growth in adspend by medium 2018-2021 (US\$ million)*



Source: Zenith

---

### **About Zenith**

Zenith is the ROI agency. We blend data, technology and brilliant specialists to scout out new opportunities, solve complex challenges and grow our client's businesses. Zenith is part of Publicis Media, one of four solution hubs within Publicis Groupe [Euronext Paris FR0000130577, CAC40], and has offices within Publicis One. We have over 6,000 brilliant specialists across 95 markets. We are experts in communications & media planning, content, performance marketing, value optimisation and data analytics. Zenith works with some of the world's leading brands including Electrolux, Essity, Kering, Lactalis, Luxottica, Nestlé, Nomad Foods, Oracle, Perrigo and RB.