

EMBARGOED: 0.01 BST/1.01 CET 27 March 2017

Internet adspend to exceed US\$200bn this year

Global internet advertising expenditure will grow 13% to reach US\$205bn in 2017, according to Zenith's new *Advertising Expenditure Forecasts*, published today. Internet advertising will attract 36.9% of all advertising expenditure, up from 34.0% in 2016. This will be the first year in which more money will be spent on internet advertising than advertising on traditional television (which will total US\$192bn).

The sheer scale of internet advertising means its growth rate is slowing. Internet adspend grew 17% in 2016, down from 20% in 2015, and we expect growth to slow to 13% in 2017, 12% in 2018 and 10% by 2019 (though it will continue to add US\$23bn-US\$24bn a year). In this environment it is vital that platforms and publishers address advertisers' valid concerns about viewability and brand safety to secure sustainable growth. As the market matures, advertisers need to know for certain that their ads are being actively viewed by real people in appropriate environments.

Social media to overtake newspaper advertising in 2019

We forecast advertising expenditure on social media to reach US\$55bn in 2019, overtaking advertising expenditure on printed newspapers, which will total US\$50bn. Social media advertising is the fastest-growing component of internet advertising – it grew 51% in 2016, and we forecast it to grow at an average rate of 20% a year to 2019. Newspaper advertising, meanwhile, is shrinking by 5% a year as circulations continue to fall. Newspaper adspend has shrunk every year since peaking at US\$113bn in 2007, and by 2019 will be back to levels last seen in 1985 – and that's without adjusting for inflation. Note that these newspaper figures only include advertising in printed editions – newspapers' online revenues are included in the internet advertising total.

Long streak of steady global adspend growth to continue

The global ad market has grown at a steady pace of 4%-5% a year since the beginning of the decade, and we expect it to continue to do so through to 2019. Our forecast for 2017 is for 4.4% growth (unchanged since we last published our forecasts in December), down slightly from 4.6% growth in 2016. We forecast another 4.4% growth in 2018, followed by 4.2% in 2019. These rates are slightly below the growth rates that the IMF forecasts for nominal GDP.

Advertising growth is concentrated in big cities

In recent years, big cities have been the focus of innovation, migration and trade. Their populations are younger and have higher incomes than populations elsewhere, although they also pay a lot more for their housing. As part of a wider project to identify the value of individual cities to advertisers, Zenith has conducted a study attributing advertising expenditure to individual cities, by estimating the amounts spent targeting the inhabitants of these cities (and their surrounding metropolitan areas) by advertising in local, national and international media.

We estimate that just ten cities will contribute 11% of all the growth in global adspend between 2016 and 2019: in descending order of contribution, New York, London, Los Angeles, Jakarta, Tokyo, Shanghai, Manila, Beijing, Dallas and Houston. Last year US\$61bn was spent targeting the population of these ten cities, and we forecast this total to rise to US\$69bn by 2019. The top 50 will contribute 27% of total global growth, and the top 250 will contribute 50%. New York is the world's most important city for advertising, where US\$15bn will be spent this year, followed by Tokyo (US\$13bn), Los Angeles (US\$9bn), London (US\$8bn) and Chicago (US\$6bn).

"Population numbers, productivity and disposable incomes are rising faster in cities than elsewhere," said Jonathan Barnard, Head of Forecasting at Zenith. "So city dwellers are becoming more valuable for advertisers seeking growth. Big cities are now driving growth in adspend."

"Internet advertising has contributed all of the growth in global adspend since the beginning of the decade, and has stimulated much of the innovation we've seen in the market," said Vittorio Bonori, Zenith's Global Brand President. "Innovation is proceeding as fast as ever, and we believe that this is what will continue to drive brand growth for advertisers."

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About Zenith

Zenith is The ROI Agency. The first agency to apply a rigorous and objective approach to improving the effectiveness of marketing spend, Zenith transforms businesses and brands through evidence-led thinking. Zenith is part of Publicis Media, one of four solution hubs within Publicis Groupe [Euronext Paris FR0000130577, CAC40], and has offices within Publicis One. As a leading global media services network, Zenith has over 5,000 people working across 95 markets. Supported by Publicis Media's Global Practices, Zenith offers its clients a full range of integrated skills across communications planning, value optimisation, performance media, content creation and data & analytics. We work with some of the world's leading global brands including Aviva, Coty, Kering, Lactalis, L'Oréal, LVMH, Nestlé, Nomad Foods, Oracle, RB, SCA, Sanofi, Toyota and 21st Century Fox.