This Year Next Year

UK MEDIA FORECASTS

NOV 2018

groupm

Contents

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NOV 2018

GroupM
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Introduction

The government's 'Office for Budget Responsibility' has no special gift for astrology, but determines Brexit damage will be 'relatively small'. Another forecaster, Oxford Economics, reckons a no-deal Brexit would mean the economy grows 27% by 2030 instead of 31%. HSBC thinks 'no deal' would spell an immediate 2% recession. What is perhaps more illuminating is Deloitte's October 2018 CFO survey, which found 'Brexit being by far the biggest threat to British business over the next 12 months, ahead of weak demand, trade wars and geopolitics.'

This feeds into a gloomy narrative of cost reduction and deferred investment/hiring. The economy is actually doing OK, with GDP growth sequentially accelerating to 0.7% in the rolling quarter to end-August 2018; wages growing 2.9% May–July 2018, the fastest in more than three years; and in March the manufacturing sector (admittedly only 10% of the economy) marking its longest sustained period of job creation in 40 years. Weak sterling will have helped: a floating national currency is a gift the eurozone foreswore itself 20 years ago. Brexit might produce another surge: some would argue this is to be welcomed as an 'automatic stabiliser' and worth some short-term pain.

2017 media investment growth of 6.4% is looking more like the peak we suggested, as we shave our outlook for 2018 to 6.0% 2018 (from 6.1%) and 4.8% 2019 (from 5.1%). Pure-play internet growth appears to us to be slowing down. We have digital growth pegged back to 11% for the full year 2018 and another step down to 9% for 2019. This would still account for all net new growth in UK advertising investment.

As we see in other countries, TV price inflation arising from the loss of the measured 16–34 audience inflation is becoming painful for advertisers and killing growth in TV ad investment in developed economies generally. Facebook is still winning share of audio-visual investment, and is heavily video-biased for large advertisers. But TV is still doing the big basic things well: arguing its case for safety and certainty, with convincing proofs of ROI.

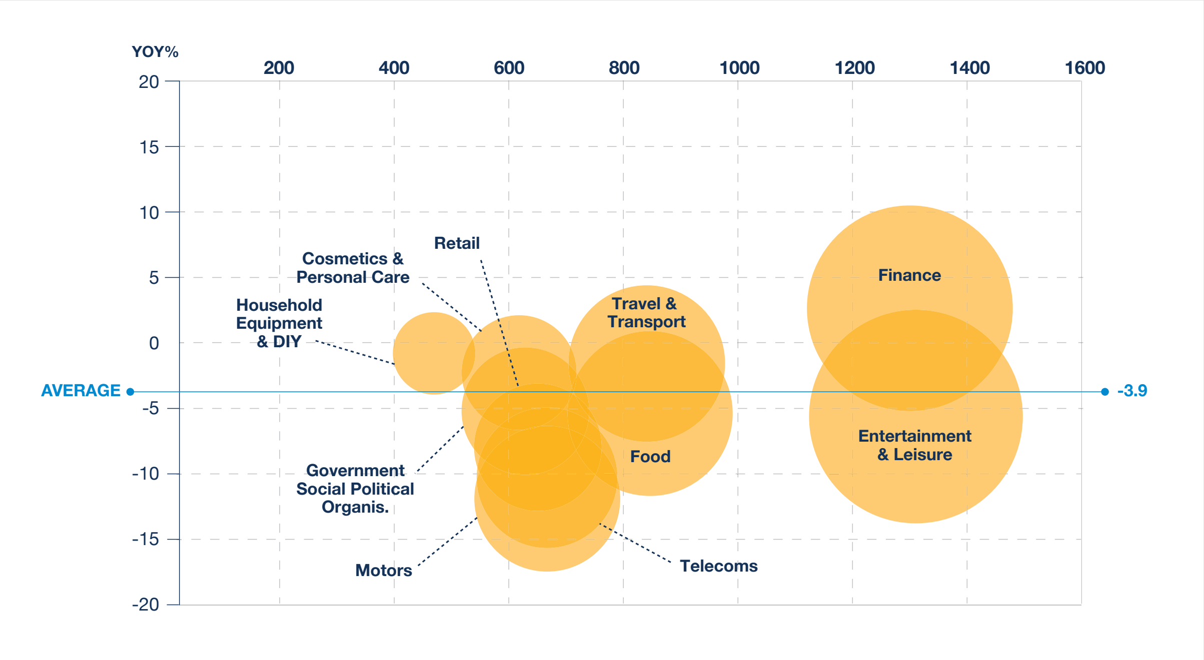
Print brands are still losing more in traditional than they gain in digital, but the medium is getting better at collective defence. In audience measurement, the new PAMCo system is already deployed tactically, and will shape advertiser strategy as it beds in. Sales point collaboration has progressed markedly with the national publishers' Ozone offer, and multi-title packaging remains a competitive and popular option for advertisers, buttressed by recent ownership consolidation.

Our radio forecast is up, as rising demand pours into well-sold inventory. Radio resilience comes from relatively limited loss of young audiences; from not depending upon them excessively for ad sales anyway; selling an ambiance rather than particular programmes; from being a passive medium; and being free to the listener. Sports popularity is under attack from festivals, gaming, social media and piracy. Radio suffers none of this.

Last time we thought out-of-home's digital build out had gone about as far as it could, but it is still going. There is enough digital capacity to get a solus-digital national campaign away in small sizes at high prices. The digital price is falling, and will have to fall a lot more before national campaigns on solus digital 48s are going to make sense. The day may yet come. Today our figures show digital commanding 50% of ad investment. 60% is in reach. Progress in advanced out-of-home targeting remains incremental, hemmed in by multiple standards and formats.

TOP ADVERTISERS (HOLDING COMPANY LEVEL) OCT 2017 TO SEPT 2018	£M	YOY%
BT Group Plc	211	-7.7
Procter & Gamble Ltd	192	-10.4
Sky UK Ltd	186	-22.0
McDonald's Corporation USA	116	27.8
L'Oreal UK Ltd	106	-1.9
Tesco Plc	106	-7.2
Unilever Plc	105	-11.6
Marks and Spencer Group Plc	96	53.2
Reckitt Benckiser Plc	96	-2.3
Amazon.com Inc	95	-23.9
Volkswagen Ag	93	-18.3
Apple Inc	92	90.1
CCS Crown Commercial Ser	83	7.0
J Sainsbury Plc	78	-31.7
Dixons Carphone	74	-7.2
Walmart Inc	73	19.9
Lloyds Banking Group	73	9.2
Schwarz Beteiligungs Kg	69	-9.4

TOP CATEGORIES OCT 2017 TO SEPT 2018



TOP CATEGORIES OCT 2017 TO SEPT 2018	£M	YOY%
Entertainment & Leisure	1,312	-6.1
Finance	1,300	3.1
Food	850	-5.9
Travel & Transport	838	-2.0
Motors	689	-12.2
Telecoms	663	-10.9
Retail	629	-8.0
Government Social Political Organisation	620	-5.8
Cosmetics & Personal Care	606	-3.2
Household Equipment & DIY	479	-1.7
Electronics, Household Appliances & Tech	437	-9.4
Computers	390	10.0
Clothing & Accessories	371	11.3
Mail Order	363	-16.0
Pharmaceutical	323	8.6
Business & Industrial	317	15.5
Drink	310	-3.3
Media	244	-7.8
Household FMCG	231	-10.5
Leisure Equipment	214	-4.2
Average		**-3.9**

Summary

Media, £m, net	2014	2015	2016	2017	2018f	2019f
TV	3,962	4,375	4,407	4,301	4,315	4,359
Radio spot	403	416	429	454	500	535
National newsbrands	1,165	1,039	929	877	843	764
Regional newsbrands	1,065	1,000	868	789	723	660
Consumer magazine brands	486	466	443	402	371	351
B2B magazine brands	358	334	303	274	267	264
Outdoor	816	846	902	915	938	964
Cinema	145	176	180	183	185	187
Pure-play internet*	6,725	8,205	9,207	10,599	11,773	12,784
Media total	**15,126**	**16,857**	**17,668**	**18,795**	**19,916**	**20,867**

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

Media YOY% change	2014	2015	2016	2017	2018f	2019f
TV	4.9	10.4	0.7	-2.4	0.3	1.0
Radio spot	10.8	3.1	3.3	5.8	10.0	7.0
National newsbrands	-4.7	-10.8	-10.6	-5.6	-4.0	-9.4
Regional newsbrands	-3.6	-6.2	-13.2	-9.1	-8.3	-8.8
Consumer magazine brands	-4.2	-4.2	-4.9	-9.3	-7.5	-5.6
B2B magazine brands	-4.5	-6.5	-9.4	-9.5	-2.4	-1.2
Outdoor	3.0	3.7	6.5	1.5	2.5	2.7
Cinema	4.3	21.5	2.0	1.8	1.0	1.0
Pure-play internet	17.2	22.0	12.2	15.1	11.1	8.6
Media total	**7.9**	**11.4**	**4.8**	**6.4**	**6.0**	**4.8**

% shares of media	2014	2015	2016	2017	2018f	2019f
TV	26.2	26.0	24.9	22.9	21.7	20.9
Radio spot	2.7	2.5	2.4	2.4	2.5	2.6
National newsbrands	7.7	6.2	5.3	4.7	4.2	3.7
Regional newsbrands	7.0	5.9	4.9	4.2	3.6	3.2
Consumer magazine brands	3.2	2.8	2.5	2.1	1.9	1.7
B2B magazine brands	2.4	2.0	1.7	1.5	1.3	1.3
Outdoor	5.4	5.0	5.1	4.9	4.7	4.6
Cinema	1.0	1.0	1.0	1.0	0.9	0.9
Pure-play internet	44.5	48.7	52.1	56.4	59.1	61.3
Media total	**100**	**100**	**100**	**100**	**100**	**100**

Television

THIS YEAR PAR, NEXT YEAR +1%

16–34 inflation is not itself driving money away, but clients are taking a closer interest in managing it. This and moribund topline TV advertising revenue is a pattern repeated in many developed countries. Share dealing offers no protection against price shocks, but remains the dominant mode of trading because advertisers continue to prize more highly their relative advantage to the market without volume commitment, and this fits today's ZBB zeitgeist.

Further, share dealing survives in spot trading, even as sales points roll up reported headline revenue from spot, VOD and sponsorship into a big grey ball (noting Channel 4 has never expressly included sponsorship, as far as we know). The alternative to share dealing usually involves some kind of price fix/cap/collar and a promise to spend a specified minimum. This has always existed for certain programme 'specials' like 'Bake Off', but not routinely across swathes of UK broadcaster inventory.

Hybrid trading — part share, part volume — makes TV inventory less 'fungible'; vendors cannot toggle between different methods to fix supply problems, and those problems can become the advertisers' problems when real-world campaigning gets disrupted. But this hybrid is likely to become more common as audience measurement struggles to cover every screen the same way, and vendors see more monetisation potential in their peripheral/'unmatched' audiences than in winning an inch or two in the trench-warfare battle for share.

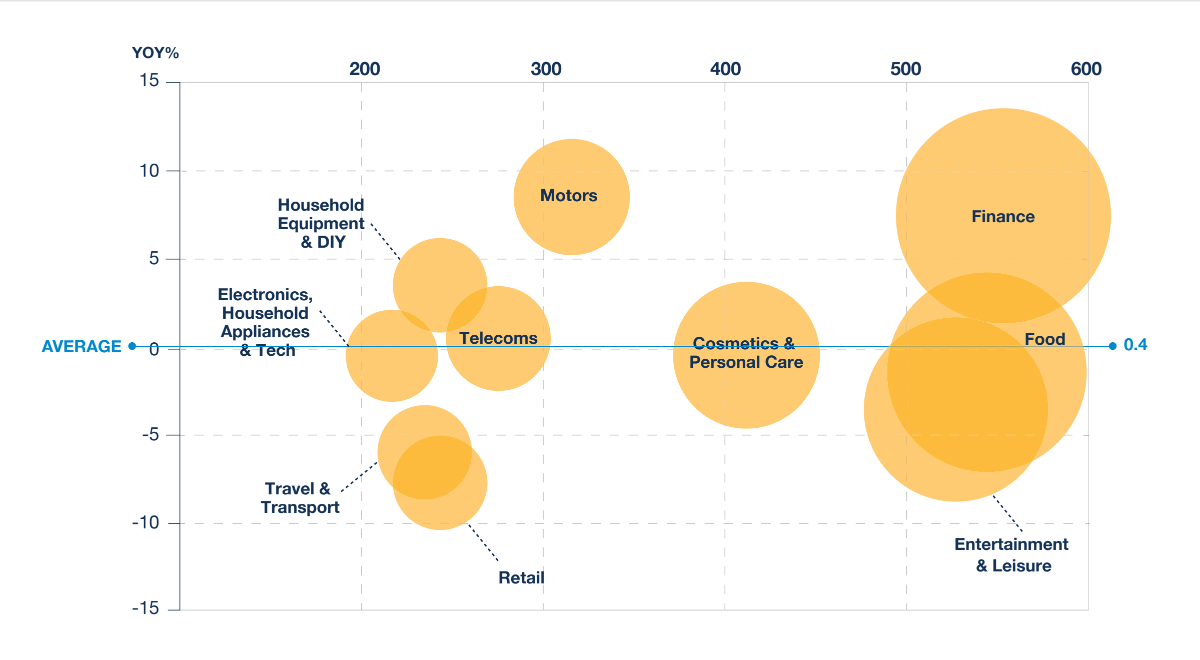
Facebook is still winning share of audio-visual, and is heavily video-biased for large advertisers. The main reason is convenience and the lust for 'performance'. Advertisers are however taking more care in how they use Facebook, which partly explains its slower growth in 2018. These checks include using only made-for-platform copy, as opposed to testing audience patience with uncut TV copy; more systematic explanation of channel selection (cheapest first is a useful rule); being more alive to diminishing returns and opportunity cost; and being on guard when Facebook makes investment so beguilingly quick and easy.

Advertising and user experience seem increasingly uncomfortable in each other's company. The excellent Sky Q invites users away from interruptive advertising, and may be stoking ad cost inflation in consequence. In Europe, it is commonly assumed Netflix (and Amazon Prime) complement more than substitute existing TV. The USA is certainly a different TV market, but Morgan Stanley makes the interesting observation that 20% Netflix penetration marked the peak of linear TV viewing in the US, which then decayed in near-perfect correlation to Netflix's rising penetration. It seems likely that over time more UK homes will opt out of more TV advertising, the snowball starting in affluent homes in peak.

Where it has dominion, ad-supported TV remains hands down the most effective advertising medium. It consistently and convincingly argues for its safety and certainty, with proofs of ROI. Measurement and validation is a long-term struggle, but BARB remains the global gold standard, striving to satisfy almost infinite expectations.

In May and June ITV offered an advance-booking-penalty amnesty in response to criticism that Google and Facebook are open and happy to welcome customers 24/7, whereas TV shakes latecomers down. That is an unfair characterisation, as any advertiser consenting to share dealing will concede. The gesture might have had more impact if Sky and C4 had joined in too, but they probably have greater need to levy AB premiums to offset discounts in their main book. We saw no rush of unpenalised money flowing to ITV during the amnesty, but it seems to us ITV AB deadlines have become less painful since then.

TOP CATEGORIES OCT 2017 TO SEPT 2018



TOP CATEGORIES OCT 2017 TO SEPT 2018	£M	YOY%
Finance	553	7.8
Food	542	-1.9
Entertainment & Leisure	523	-3.2
Cosmetics & Personal Care	417	0.3
Motors	322	8.7
Telecoms	275	0.4
Household Equipment & DIY	245	3.3
Retail	245	-7.6
Travel & Transport	235	-6.0
Electronics, Household Appliances & Tech	218	0.9
Household FMCG	194	-4.7
Pharmaceutical	184	5.6
Government Social Political Organisation	184	14.0
Leisure Equipment	160	-5.0
Drink	135	2.4
Media	107	-13.7
Average		**0.4**

Radio

THIS YEAR +10%, NEXT YEAR +7% (SPOT REVENUE)

Our raised forecast arises from rising demand competing over pretty much maxed-out inventory. There is no sign here of contamination from a soft TV market. Radio resilience comes from suffering relatively less loss of youngs; not depending upon them for ad sales anyway; selling an ambiance rather than particular programmes; being a passive medium; and being free to the listener. Sports popularity is under attack from festivals, gaming, social media and piracy. Radio suffers none of this.

Radio CPTs are still small. Annual negotiations will however be tougher, and advertisers will head into streaming for some respite, where breaks are rising from an established one minute per hour to two and three, compared to traditional radio at 10 minutes.

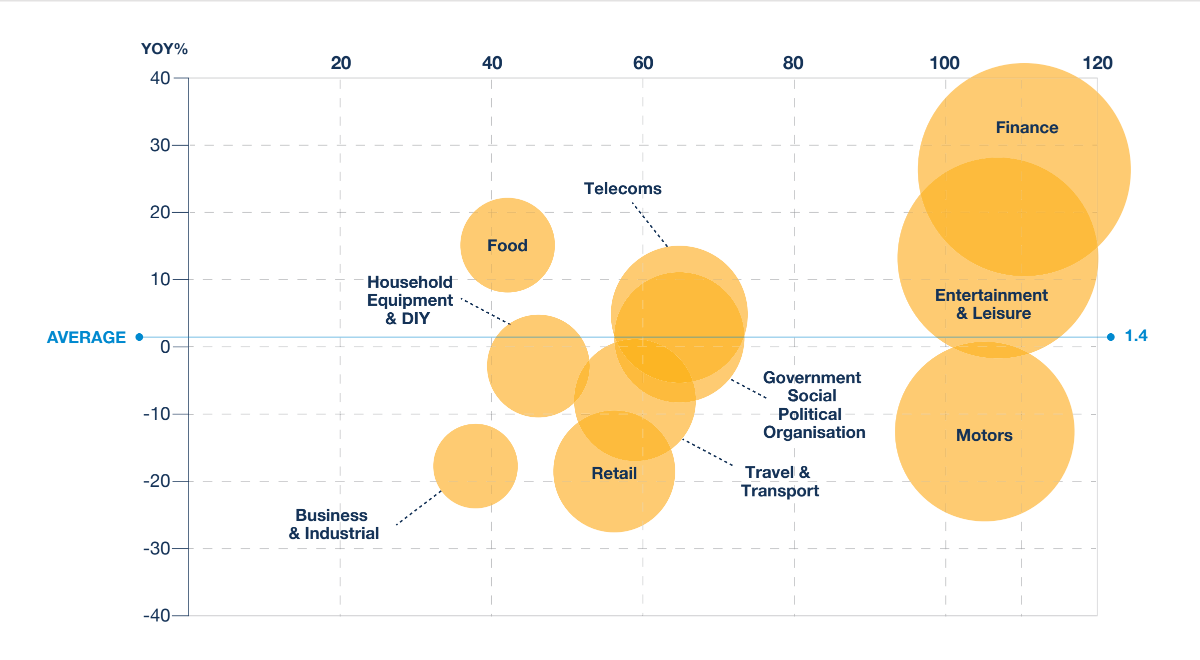
Global's diversification into out-of-home is rational. The competition regulator had already frozen its share of the radio market. Out-of-home complements on-the-go audio, from drivetime to podcasts, with synchronisation possibilities from the simple to the sophisticated. Few media have the technical capacity to measure unduplicated reach and frequency in cross-media campaigns, but one proxy used in radio is to measure awareness scores, giving some idea of the best mix. Common ownership makes unified measurement easier. We imagine Global will offer a reach-and-frequency dashboard, perhaps impressions-based.

Spotify has been hiring, and ad sales service has improved. In common with many digital media, streaming audio can be sliced and diced by place and people, but in practice most streaming is bought at network level, with only the audience refined. Discrimination by place can also be achieved by dynamic creative.

Sponsorship is sold out. It is hard to create more opportunities, but Global is still working on untapped potential in festivals. The promotion side is flat for the opposite reason — it can be a lot of work creating bespoke events.

Digital and streaming revenues are not included in the Ad Association figure. In our mid-2018 edition we estimated this at between £40m and £50m. The mix of static and dynamic activity makes this very hard to pin down, but the run rate is probably above £100m already.

TOP CATEGORIES OCT 2017 TO SEPT 2018



TOP CATEGORIES OCT 2017 TO SEPT 2018	£M	YOY%
Finance	111	27.6
Entertainment & Leisure	107	13.4
Motors	105	-13.8
Telecoms	65	4.5
Government Social Political Organisation	64	1.1
Travel & Transport	59	-8.5
Retail	57	-18.5
Household Equipment & DIY	46	-3.1
Food	42	15.3
Business & Industrial	38	-17.4
Electronics, Household Appliances & Tech	24	9.3
Media	21	3.4
Pharmaceutical	16	24.0
Computers	16	14.9
Drink	13	-15.0
Average		**1.4**

Consumer Press

National Newsbrands

THIS YEAR -4%, NEXT YEAR -9%

Advertising revenue will shrink again, but 2018 has been an encouraging year for print, with renewed advertiser enthusiasm for the medium and PAMCo proving its impressive broadcast reach potential.

There has been a rare outbreak of truly effective collaboration. Ozone (Sun, Times, Daily Telegraph, Guardian) offers quality content and data at scale in a way which is anathema to a walled garden, and has captured advertisers' imagination. The same vendors also offer Verified Marketplace for video ads, promising truth, trust, transparency and first-party data on its 33 million uniques. Newsworks choreographs the Impact package, a 'roadblock' of front and home pages for a ratecard £400,000, and impossible to have imagined just a few months ago.

Reach (the old TM) has been a master packager for three years. The N&S titles bring in many new permutations from 22 paid-for regionals and nationals. Incremental cover is always attractive, and a competitive national CPT will practically sell itself. We hope to see this happen within 2018.

PAMCo was never intended to be a one-stop campaign planner, and could not be given it does not weight impressions from different sources. It should instead be ingested into other software. One of our agencies is developing an optimiser this way, which will be opened to everyone if it works. It is similar to Guardian's existing optimiser, which optimises to criteria typically including a CPT and a budget. PAMCo today is integrated into downstream planning tools such as Telmar, but this is the post-budget, tactical realm. PAMCo has the capacity to influence strategy and budget-setting. This is just a matter of time, and sustained championing. We hope to see progress by mid-2019.

£m net	2014	2015	2016	2017	2018f	2019f
National print display	844	714	607	532	492	399
National print classified	139	139	126	112	99	88
National newsbrand digital	182	186	196	233	252	277

YOY%	2014	2015	2016	2017	2018f	2019f
National print display	-8.6	-15.4	-15.0	-12.4	-7.5	-19.0
National print classified	-2.2	0.1	-8.9	-11.4	-12.0	-11.0
National newsbrand digital	16.4	2.5	4.9	19.3	8.0	10.0

Regional Newsbrands

THIS YEAR -8%, NEXT YEAR -8%

To a degree, advertisers are moderating their migration from regional editorial content to Facebook, partly because of raised scrutiny of Facebook value, and partly a positive perception of newsbrand editorial. This is naturally the most evident among those advertisers who are capable of accurate attribution and who are satisfied print is delivering. Regional newsbrands are however still losing share of regional marketing.

PAMCo has not made a great impression yet, being used mainly as a nationals deduplicator to calculate net reach. It captures only a small sample of the 900-odd regional news titles, which planners are still content to manage using existing JICREG data on Telmar.

Ozone now includes Reach, which commands three red tops – the Mirror, Star and Daily Express. Reach offers the Big City package, which like all packages requires continuous topping-up from additional titles to maintain a stable circulation CPT for advertisers. Fortunately, Reach has a stable of 30-odd regional paid dailies to do this. The next step could be blending in a national red top.

Precedent exists in Johnston Press' blending i with Scotsman and Yorkshire Post for its upmarket (and competitive) Premier Package.

Reach also offers The National, including ES, and NQ and Johnston. Thus the market is converging both media owners and regional/national properties, in a benign way which is increasingly agnostic and audience-led.

£m net	2014	2015	2016	2017	2018f	2019f
Regional print display	427	404	361	346	332	309
Regional print classified	491	426	344	293	254	224
Regional newsbrand digital	147	169	164	150	137	127

YOY%	2014	2015	2016	2017	2018f	2019f
Regional print display	-6.5	-5.3	-10.7	-4.0	-4.0	-7.0
Regional print classified	-7.4	-13.2	-19.4	-14.9	-13.0	-12.0
Regional newsbrand digital	24.6	14.9	-3.4	-8.3	-9.0	-7.0

Consumer Magazines

THIS YEAR -8%, NEXT YEAR -6%

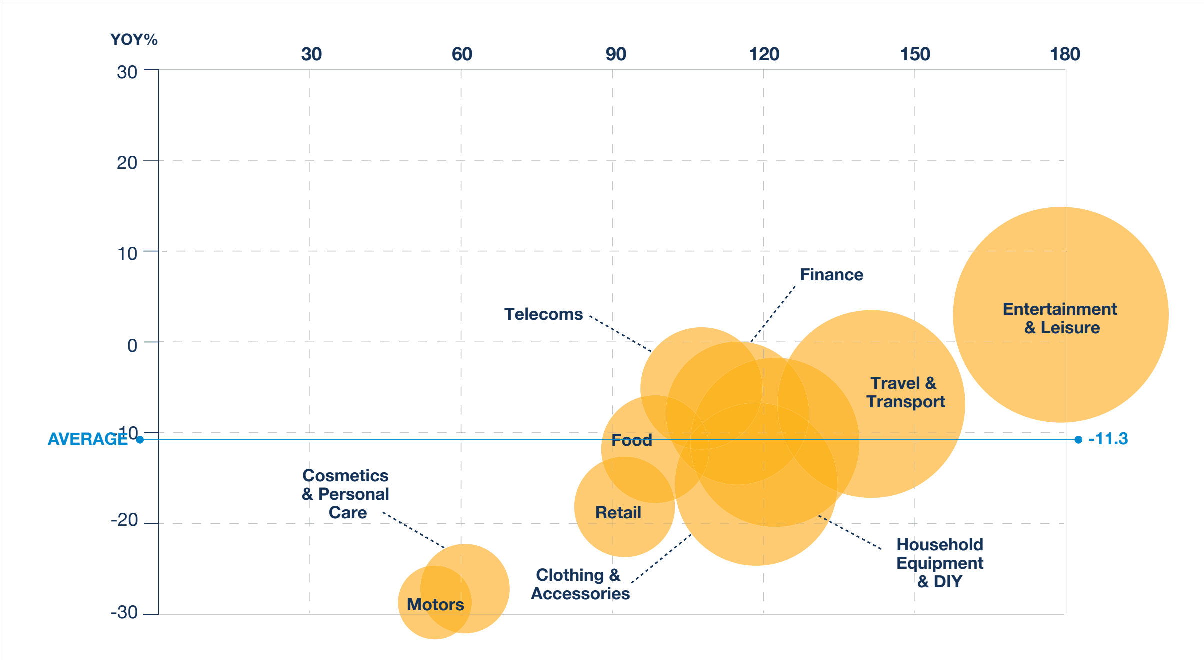
A notable new collaboration in magazines is the Hearst, Dennis, Immediate and TI Media's 'single-invoice' package for the home and tech sectors. This followed on the heels of Magnetic's PAMCo-powered 'Home Truths', which demonstrates how editorial print amplifies the performance of a universe of motivated eight million, pulling home and tech brands into the purchase funnel.

It is a shame no other publisher has followed Hearst's dynamic distribution model. We wonder if it might have worked for Glamour, for instance. Dynamic Distribution was a long game, the buy side always bound to be cautious of giveaways at first, but the halo of performance and reputation generated by frees such as Stylist is now helping Hearst.

Monthly magazines remain lodged in the perception as brand media, with long advertising lead times, while advertisers' preference for attribution-driven 'performance' media remains marked, though maturing. Unfortunately, advertisers willing to support branding are also liable to prefer online campaigning too, but even good online magazine titles are often subscale and underappreciated. Luxury goods will always need certain magazines, because theirs is a more interdependent marketing mix of advertising and PR. The same is true for premium financial marketing.

£m net	2015	2016	2017	2018f	2019f
Consumer magazines (print)	372	345	298	256	220
Consumer magazines (digital)	94	98	104	115	130
B2B magazines (print)	188	161	132	107	88
B2B magazines (digital)	146	142	142	160	177
Consumer magazines (press)	-7.5	-7.3	-13.6	-14.0	-14.0
Consumer magazines (digital)	11.4	4.7	5.8	11.0	13.0
B2B magazines (press)	-12.4	-14.6	-18.0	-19.0	-18.0
B2B magazines (digital)	2.4	-2.7	0.0	13.0	10.0

TOP CATEGORIES OCT 2017 TO SEPT 2018



TOP CATEGORIES OCT 2017 TO SEPT 2018	£M	YOY%
Entertainment & Leisure	179	3.6
Travel & Transport	142	-7.9
Household Equipment & DIY	122	-11.1
Clothing & Accessories	119	-15.9
Finance	115	-8.4
Telecoms	108	-5.0
Food	98	-11.9
Retail	92	-18.0
Cosmetics & Personal Care	61	-27.2
Motors	55	-29.5
Mail Order	54	-15.6
Electronics, Household Appliances & Tech	47	-2.5
Pharmaceutical	47	-6.0
Government Social Political Organisation	46	-14.1
Business & Industrial	42	-4.5
Drink	29	-10.1
Media	28	-8.8
Average		**-11.3**

Outdoor

THIS YEAR +3%, NEXT YEAR +3%

Last time we thought digital build out had gone about as far as it could, but it is still going. From the vendor's perspective, the operational economics of digital vs. man-and-van evidently still appeals in at least some sites in sub-100,000 towns. There is enough weight to get a solus digital national campaign away in small sizes if you don't mind paying £6-8 per thousand instead of under £2 for a blend.

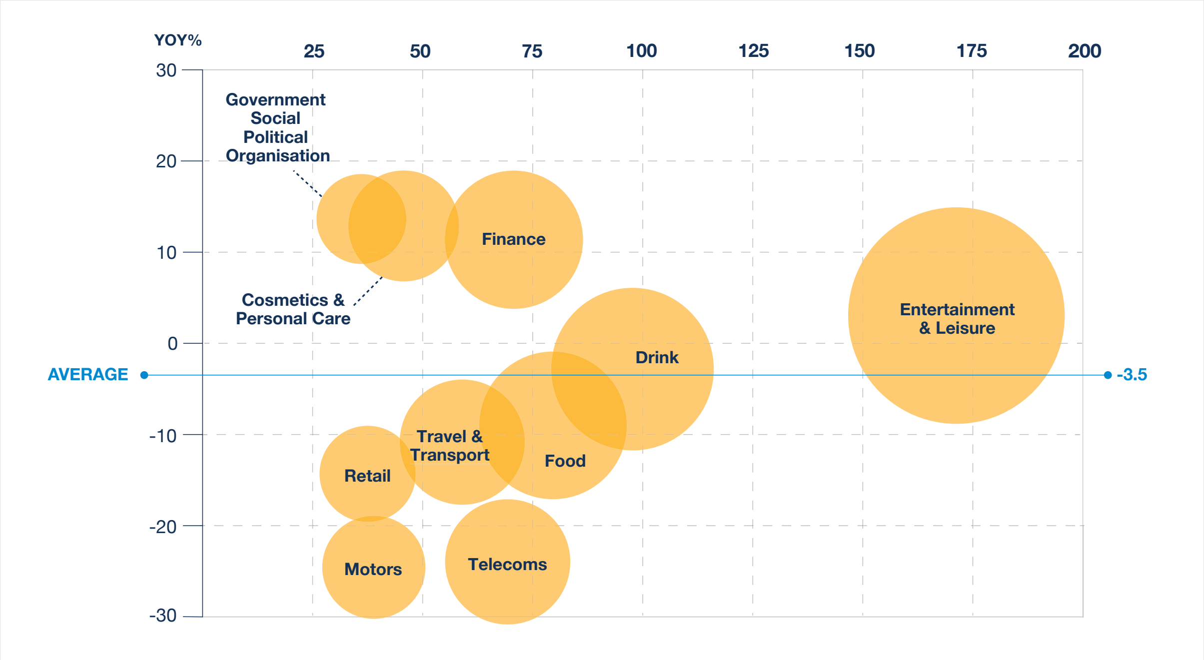
48-sheet digital sells at around a 4x multiple: say £200 for a paper tenancy versus £600-800 for a digital face. The digital price is falling. It will obviously have to fall a lot more before national campaigns on solus digital 48s are going to make sense. The day may yet come. Today our figures show digital commanding 50% of ad investment. 60% is in reach.

Progress in advanced targeting is incremental, driven by both vendors and agencies. JC Decaux's VIOOH (pronounced 'view') is a leaderly initiative, but limited. Kinetic's Aureus management system is interfacing contractors and formats one by one. There is still no standardised playout reporting (i.e., certifying your ad has appeared on a digital face). Each contractor reports differently, which agencies have laboriously to reconcile.

Kinetic projects designed to attract money destined for performance media, without sacrificing price, include an inventory sweeper (digital and traditional faces) intended to achieve a predetermined CPT, and a hypertargeted digital-only package builder using Route, Mobsta and YouGov data to predict where and when the audience has the best opportunity to see your ad.

February's reverse takeover of Ocean has yet to IPO, and we cannot be certain of its market share until we see a prospectus. Global beat it to Primesight and Outdoor Plus in September, giving Global 10% of UK OOH revenue. Primesight is a mixed, national estate including airports, InLink BT phone points and small formats at convenience stores. Outdoor Plus is all digital and London. Global followed up by acquiring Exterion in October, raising Global's market share to more like 30%. Exterion holds the London Underground contract and is a leader in digital OOH.

TOP CATEGORIES OCT 2017 TO SEPT 2018



TOP CATEGORIES OCT 2017 TO SEPT 2018	£M	YOY%
Entertainment & Leisure	171	3.0
Drink	97	-3.1
Food	79	-9.4
Finance	70	11.3
Telecoms	67	-24.3
Travel & Transport	58	-10.6
Cosmetics & Personal Care	45	12.8
Motors	41	-24.5
Retail	37	-14.5
Government Social Political Organisation	35	13.0
Computers	32	72.9
Media	30	-18.0
Clothing & Accessories	26	3.8
Business & Industrial	21	-1.2
Electronics, Household Appliances & Tech	21	65.5
Average		**-3.5**

£m net	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018f	2019f
Total	**750**	**626**	**704**	**709**	**777**	**792**	**816**	**846**	**902**	**915**	**938**	**964**
Transport	260	202	223	219	248	238	246	247	262	243	234	224
Roadside	370	304	338	326	327	327	318	297	271	238	222	212
Point-of-sale/retail/leisure	67	61	62	62	56	56	34	33	27	14	13	12
All digital	54	59	81	102	146	171	218	270	342	420	470	516

YOY%	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018f	2019f
Total	**-5.8**	**-16.6**	**12.5**	**0.7**	**9.6**	**2.0**	**3.0**	**3.7**	**6.5**	**1.5**	**2.5**	**2.7**
Transport	-5.2	-22.5	10.7	-1.8	13.1	-4.2	3.7	0.3	5.8	-7.0	-3.9	-4.1
Roadside	-6.6	-17.7	11.1	-3.3	0.2	0.0	-2.7	-6.8	-8.6	-12.4	-6.4	-4.7
Point-of-sale/retail/leisure	-14.7	-9.5	2.6	-1.3	-9.1	0.0	-40.0	-2.4	-17.1	-47.1	-11.1	-6.3
All digital	49.2	10.4	36.2	26.0	43.3	17.6	27.1	23.9	26.7	23.0	11.8	9.9

Share by type %	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018f	2019f
Transport	35	32	32	31	32	30	30	29	29	27	25	23
Roadside	49	49	48	46	42	41	39	35	30	26	24	22
Point-of-sale/retail/leisure	9	10	9	9	7	7	4	4	3	2	1	1
All digital	7	9	11	14	19	22	27	32	38	46	50	54

Cinema

THIS YEAR +1%, NEXT YEAR +1%

We peg growth back to +1% for 2018 and the same for 2019. The main reason is contagion from weak TV sentiment, where cinema advertisers witness inflation, money slipping from month to month and into performance, and client-specific spending restrictions. 'James Bond' going AWOL hasn't helped, either.

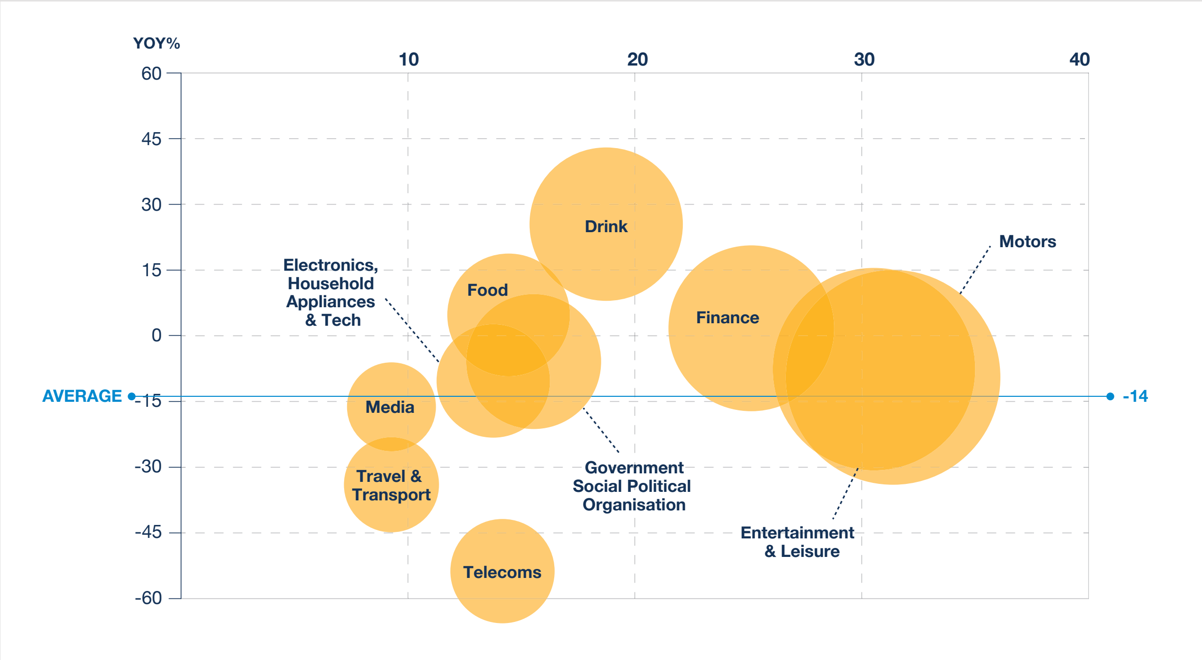
Attendance did not wilt in 2018's hot summer, furnishing 'Mamma Mia' with a £64 million box office and a number-two spot on the leader board. Admissions are resilient, but variety is important with Netflix at arm's length in half the country's homes. With 'Bond' a 2020 TBC, 2019's slate is a little samey: family-heavy, adult-light; not especially upmarket; nothing much to compel advertisers to plop out the cheque books a year in advance, as they do to bag 60-second solus 'Bond' Gold Spots.

Brand count is still rising, but cinema pricing is brittle. Advertisers tolerate only controlled and occasional price rises, and require some justification of higher value. The most recent was February's creation of a new 'super blockbuster' tier for the half-dozen titles which exceed £50m box office in a year, the previous banding having been £15 million for plain 'blockbusters'. It is harder to premiumise a samey slate, though.

Chains investment continues. Cineworld will have 22 4DX screens in place by end-2019: so far, so good.

In order of likely success, 2019 releases include 'Star Wars: Episode IX'; an 'Avengers'; 'The Lion King'; 'Frozen 2'; 'The Secret Life of Pets 2'; a 'Spider-Man'; 'Aladdin'; 'Captain Marvel'; and 'The Lego Movie 2'.

TOP CATEGORIES OCT 2017 TO SEPT 2018



TOP CATEGORIES OCT 2017 TO SEPT 2018	£M	YOY%
Motors	32	-12.6
Entertainment & Leisure	31	-7.5
Finance	25	1.0
Drink	18	26.12
Government Social Political Organisation	16	-6.7
Food	14	5.5
Electronics, Household Appliances & Tech	13	-12.8
Telecoms	13	-53.9
Travel & Transport	9	-33.3
Media	9	-16.48
Cosmetics & Personal Care	8	-10.6
Retail	6	-23.4
Clothing & Accessories	6	9.6
Household FMCG	4	-5.48
Average		**-14**

Digital

THIS YEAR +11%, NEXT YEAR +9%

In its first wholly modelled, headlines-only appraisal of online ad investment growth, the IAB concludes the market grew 15% in the first half of 2018. We stick to a prediction of 11% for the full year, which obviously implies quite a deceleration. We ourselves see directly only about 10% of the market, and have seen volatility increase this year in certain formats. We may be overestimating the 'read-across' to the long tail, and Q4 could yet 'pop': it is a big quarter, especially for Amazon. We think the IAB is about right for the first half, noting that since GDPR volume has shifted from proprietary outlets and smaller publishers to the big three.

The arrival of GDPR produced a three-week wonder of compliant vendors fishing for premiums, but 2018 price inflation has been confined to certain premium media. Everything else self-regulates with expanding supply. Broadcast VOD is a good example. Less easily explained is why in-feed/outstream is inflation-prone, given it has no natural supply constraint. There may be an element of premiumising as Teads now represents The Economist and Apple News' estates.

GDPR left access to some audiences quite unaffected, but it hit some of the larger DMPs hard, some losing 50%+ of their inventory. Location data was particularly impaired, briefly. Google was the big winner from reduced ID 'interoperability'. A week before GDPR, citing grounds of privacy and user experience, Google stopped all identifiers arising from data transfer files. A consequence was to impede attribution models, which among other things challenge investment into search. Google restricts such modelling to advertisers with a minimum 50 identities with identical data trails, which in practice is too many for most analyses.

Google hastily launched Ads Data Hub to compensate for the GDPR restriction. It can ingest second- and third-party data, but admits only advertisers already using Google Cloud to analyse their first-party data. It is still in beta, and does not offer the machine learning necessary for advanced analytics.

Location is often less important to advertisers than context, but GDPR briefly inconvenienced advertisers relying on fulfillment data. In the event, there was no flight to contextual, and location consent is back to 95% of pre-GDPR volumes at one of the big DSPs we know. The 'consent signal' pipeline soon stabilised, but could still do with a good purge. Reuters noted third-party cookies on newsbrand pages fell 22% pre- and post - GDPR, with the UK the top at 45%. This is not a bad thing, and probably the result of a clear-out.

Consent management is part of the plumbing now. Some larger vendors run their own consent clearance, especially when the user is highly motivated (e.g., Amazon deliveries; Google Maps). The IAB Framework is the most popular shared template, and the likes of Quantcast offer proprietary systems (Quantcast's is free).

Facebook's extraordinary growth in 2017 was bound to have consequences. Advertisers are aware of dependency risk. Facebook's response to Cambridge Analytica was to restrict third-party validation, which only encourages wariness. Larger advertisers are also discriminating more carefully between invoiced ('entry') CPTs versus effective ('exit') CPTs reconciled to a viewability or other standard. The difference can be alarming, especially if advertisers use unsuitably long copy for Facebook's rapidly transiting eyes. (A growing majority of the video we serve is 12 seconds or less.) Facebook's PR travails prompted some to subject Facebook to a mini-pause — though for some this was a pretext for trimming budgets before Brexit. Facebook growth remains vigorous, but is itself growing more dependent on SMEs. Instagram is where Facebook raises the most new money from large advertisers now, and at growth rates hundreds of times those of core Facebook. FB rewards advertisers for using both platforms, but does not let advertisers toggle-optimise between them. We notice advertisers exercising more logic and accountability in managing influencers.

Amazon ad products had a slow start, but recent heavy investment by Amazon should see these blossom in 2019. Rights acquisition has progressed from burnishing Prime to becoming a serious shot at an ad-supported offer to viewers. Amazon's data has been stuck behind mediocre technology, but will soon become much more usable by advertisers with and without an existing Amazon relationship.

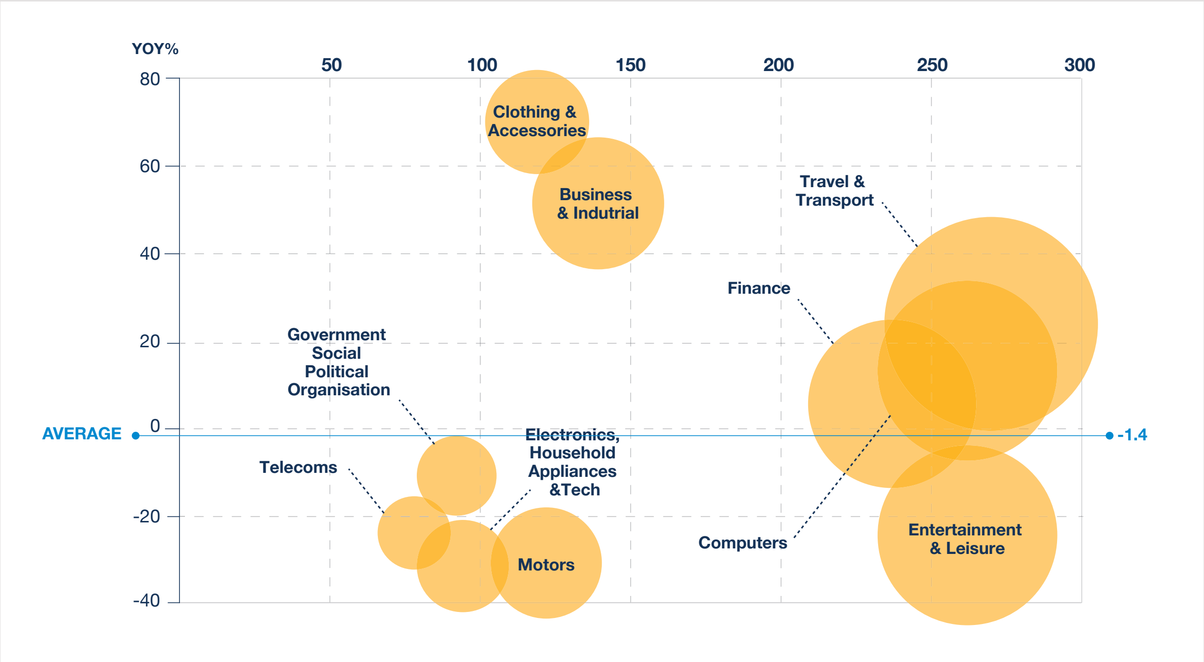
In-housing remains a threat, even though WPP described the effect as 'marginal' in its third-quarter results. A large European in-houser in consumer goods recently described support from the triopoly was good, but in assessing effectiveness the advertiser was on its own. We infer this advertiser appreciated that campaign setup, optimisation and reporting is becoming cleverer and more automated every year, saving on training and experience. Managing attribution is trickier. Vendors continually tweak their outputs to try to beat attribution algorithms, so the algorithms must be updated continually, too. Standard reporting outputs from the vendors are no use. Advertisers need good data scientists to tell them what's going on. In our experience, the two main reasons in-housing goes wrong are when its principal objective is saving money, and when talent is nowhere to be found.

£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	3,884	4,279
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**	**11,773**	**12,784**

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	14	10
Classified	38	8	20	10	12	0	1	1
Total	**17**	**14**	**17**	**22**	**12**	**15**	**11**	**9**

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

TOP CATEGORIES OCT 2017 TO SEPT 2018



TOP CATEGORIES OCT 2017 TO SEPT 2018	£M	YOY%
Travel & Transport	267	23.9
Computers	261	14.2
Entertainment & Leisure	261	-24.4
Finance	241	5.7
Business & Industrial	141	53.1
Motors	122	-30.9
Clothing & Accessories	121	69.7
Electronics, Household Appliances & Tech	93	-32.8
Government Social Political Organisation	91	-11.2
Telecoms	78	-23.1
Retail	76	30.7
Cosmetics & Personal Care	64	-9.0
Food	56	-30.6
Media	45	27.0
Average		**-1.4**

GroupM is the world's leading media investment company responsible for more than $113B in annual media investment through agencies including Mindshare, MediaCom, Wavemaker, Essence and m/SIX, as well as the outcomes-driven programmatic audience company, Xaxis. GroupM creates competitive advantage for advertisers via its worldwide organization of media experts who deliver powerful insights on consumers and media platforms, trading expertise, market-leading brand-safe media, technology solutions, addressable TV, content, sports and more. Discover more about GroupM at www.groupm.com.

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