

dentsu

Global Ad Spend Forecasts

January 2021





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Top 10 ad spend trends in 2021

- 1.** Global advertising spend is forecast to recover to 5.8% growth in 2021, reaching a total of US\$579 billion, based on proprietary dentsu data from across 59 markets.
- 2.** This represents a significant recovery to advertising expenditure, but not enough to recoup the 8.8% drop recorded over 2020.
- 3.** A return to positive growth is predicted for all regions in 2021, driven by Western Europe (7.5%), Asia-Pacific (5.9%) and North America (4.0%).
- 4.** Following steep declines in 2020, the fastest growing markets in 2021 are forecast to be India (10.8%), the United Kingdom (10.4%) and France (8.9%).
- 5.** By share of global ad spend, the top five markets in 2021 will be the United States, China, Japan, the United Kingdom and Germany.
- 6.** A Q2 recovery is expected, with ad spend increasing by 2%, 13%, 4% and 3% across quarters versus 2020 on a like-for-like basis, reflecting the severe impact of lockdowns on ad spend in Q2 2020.
- 7.** For the first time, digital will reach half of total advertising expenditure in 2021, powering overall growth at a rate of 10.1%.
- 8.** Social (18.3%), search (11.0%) and video (10.8%) are the leading sources of digital growth.
- 9.** Traditional TV ad spend is forecast to grow by 1.7% in 2021 to reach US\$169 billion—a 30% share of total ad spend. Sporting events, such as the UEFA European Football Championships and Tokyo Olympic & Paralympic Games, are expected to be key drivers of TV ad spend.
- 10.** Growth in 2021 is expected to lay the foundation for a return to pre-pandemic spending levels in 2022, when we expect expenditure to reach US\$619 billion (exceeding the US\$600 billion recorded in 2019).

Global outlook

Global advertising spend is forecast to recover to 5.8% growth in 2021 to reach US\$579 billion, based on proprietary dentsu data from across 59 markets. This follows a decline in ad spend of -8.8% in 2020 (see Figure 1). Prior to this, the global ad market had been growing for 10 consecutive years since the financial crisis of 2009 at an average of 4.5% each year. Based on the top 13 ad markets, a significant increase is expected in Q2 2021 versus 2020 on a like-for-like basis.

While Q1 2021 will grow by 2% year-on-year, this will increase to 13% in Q2 compared to the same period in 2020, when lockdowns went into effect in many countries.

Growth in 2021 will benefit from delayed events such as the UEFA European Football Championships (11 June to 11 July), Tokyo Olympic Games (23 July to 8 August) and Paralympic Games (24 August to 5 September).

See page 17 for more about the assumptions and methodology that underpin our forecasts.

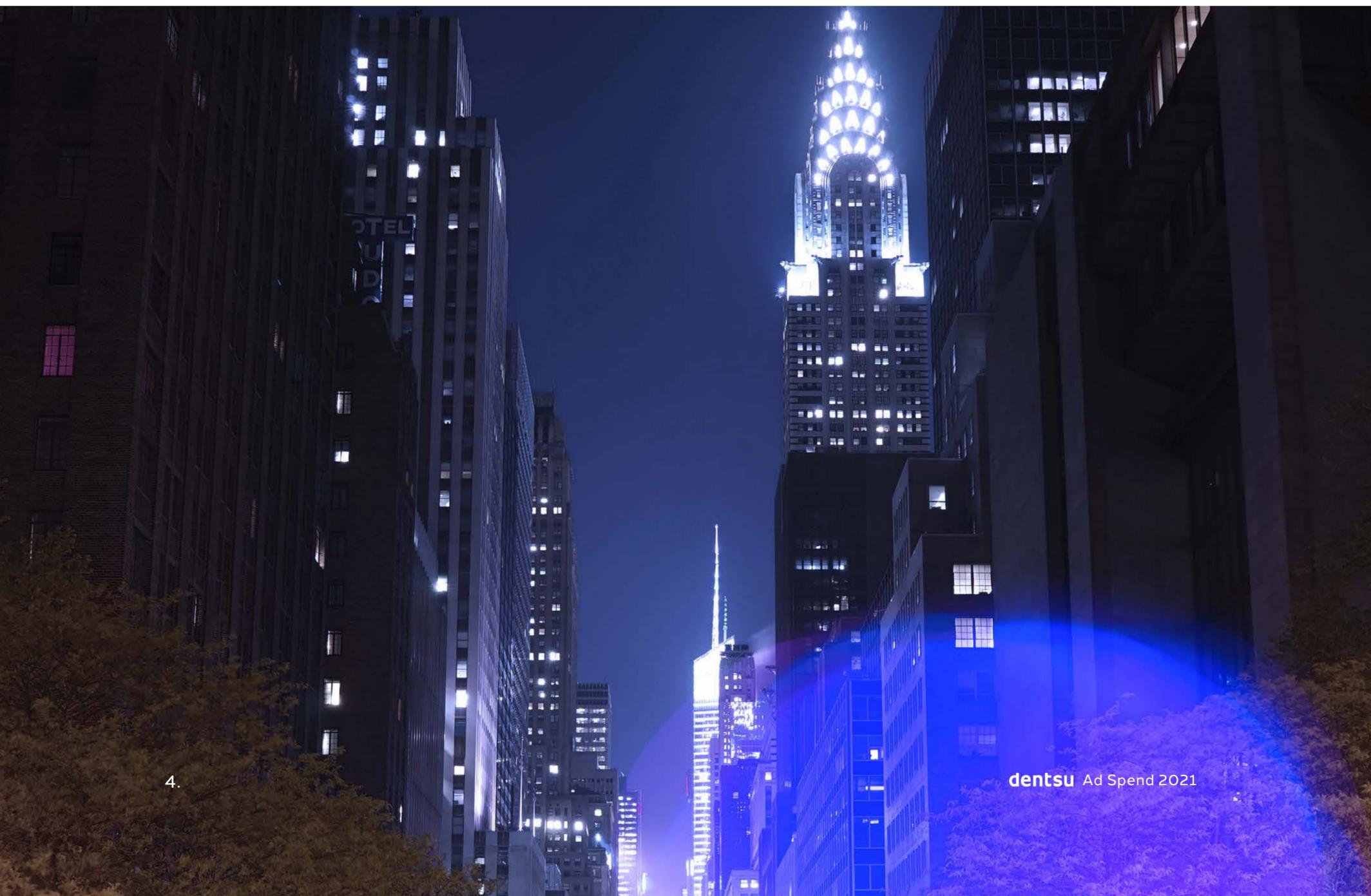




Figure 1: Growth in global ad spend 2019-2022

Year-on-year % growth at current prices

	2019a	2020f	2021f	2022f
Global	3.7 (2.6)	-8.8 (3.9)	5.8 (3.3)	6.9
N. America	5.1 (3.2)	-7.6 (3.8)	4.0 (2.8)	8.0
USA	5.1 (3.1)	-7.5 (3.8)	3.8 (2.8)	8.0
Canada	5.4 (5.4)	-9.6 (5.5)	7.2 (3.9)	9.3
W. Europe	3.4 (2.2)	-10.9 (2.6)	7.5 (2.4)	6.6
UK	6.1 (6.1)	-7.6 (6.0)	10.4 (6.3)	10.5
Germany	-1.1 (-1.1)	-8.4 (-1.5)	4.3 (-1.2)	2.5
France	7.1 (5.0)	-13.9 (5.1)	8.9 (4.5)	6.0
Italy	-1.3 (-1.6)	-14.4 (-0.1)	5.9 (-0.6)	3.2
Spain	-0.9 (-1.0)	-20.6 (-1.3)	4.5 (-1.6)	7.0
C&EE	6.1 (4.4)	-1.9 (5.1)	7.2 (5.1)	6.2
Russia	5.6 (4.4)	-5.9 (5.7)	3.0 (5.6)	3.3
Asia-Pacific	3.9 (2.3)	-8.0 (4.2)	5.9 (3.6)	5.8
Australia	1.8 (1.8)	-11.2 (3.8)	5.9 (2.7)	6.2
China	3.0 (3.1)	1.6 (5.6)	5.3 (5.0)	5.0
India	9.4 (9.4)	-17.5 (10.9)	10.8 (12.0)	12.4
Japan	6.2 (1.2)	-16.6 (2.0)	5.3 (1.0)	6.8
Latin America	4.6 (5.4)	-18.4 (9.5)	10.2 (6.3)	8.1
Brazil	1.8 (4.0)	-22.3 (8.9)	5.2 (3.4)	2.6

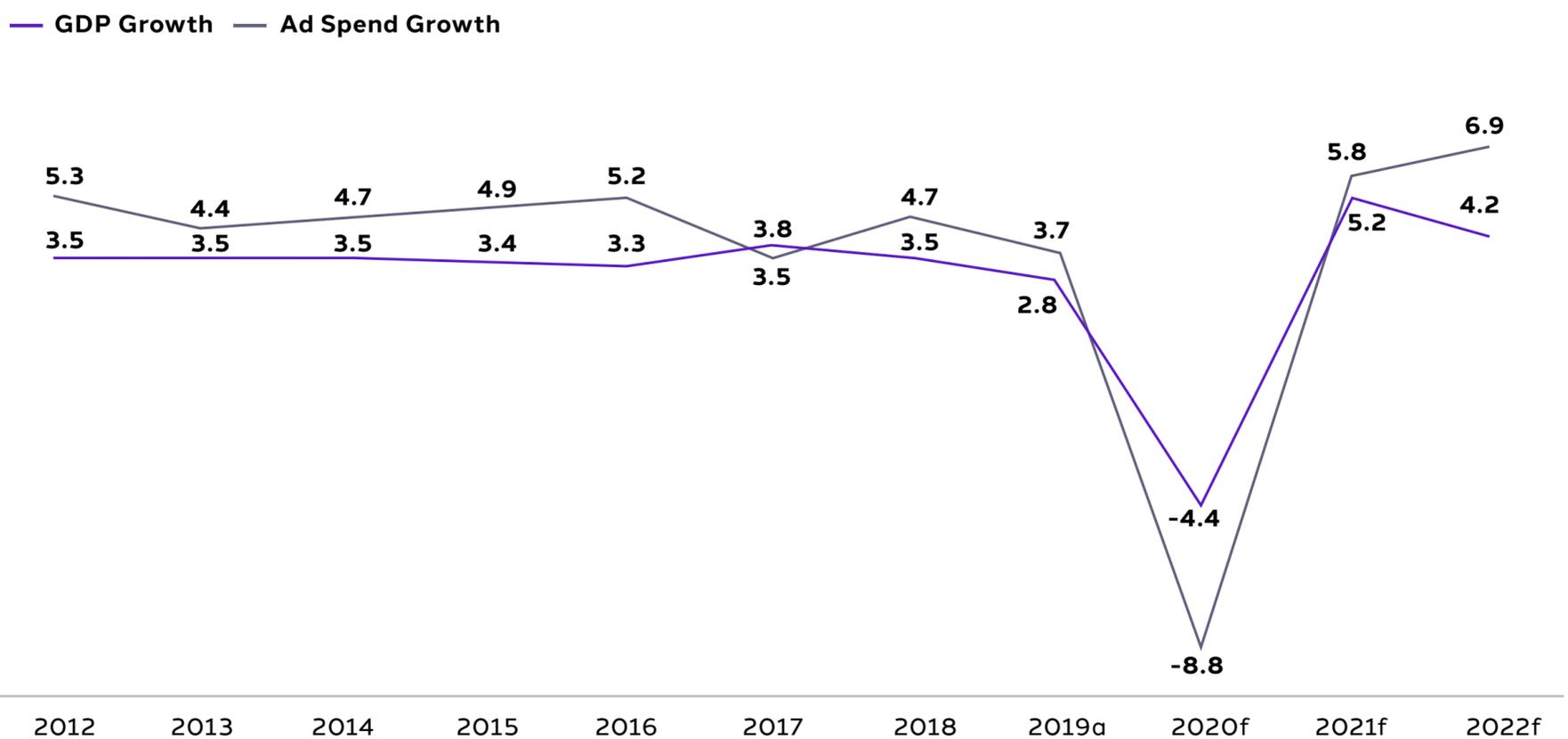
Figures in brackets show our previous forecasts from January 2020



Overall, 2021 global ad spend is forecast to remain below the pre-pandemic level of US\$600 billion recorded in 2019. However, expectations are that global ad spend will recover and exceed this level in 2022, when we forecast spending of US\$619 billion and a growth rate of 6.9%. Clearly, all forecasts are dependent on the evolution of the global pandemic, government restrictions and the development and implementation of a vaccine.

In line with historical performance, ad spend continues to track GDP closely (see Figure 2) and as a leading indicator of growth reflects expectations of a recovery in 2021—subject to the caveats above.

Figure 2: Global ad spend vs GDP growth 2012-2022 (%)



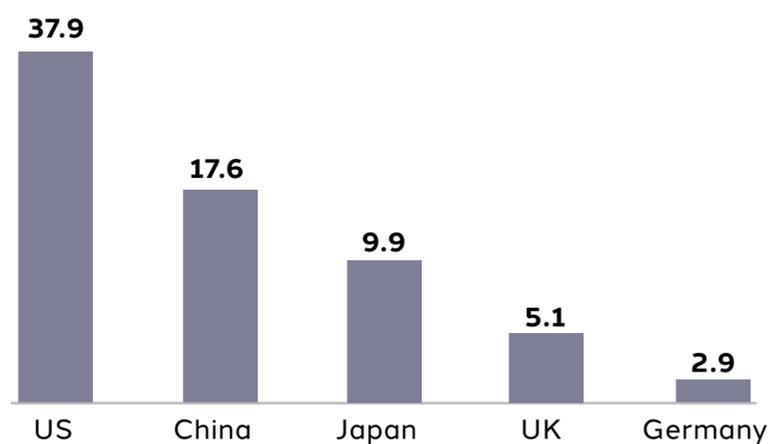
Source: dentsu Ad Spend Forecasts; IMF World Economic Outlook, October 2020

Market outlook

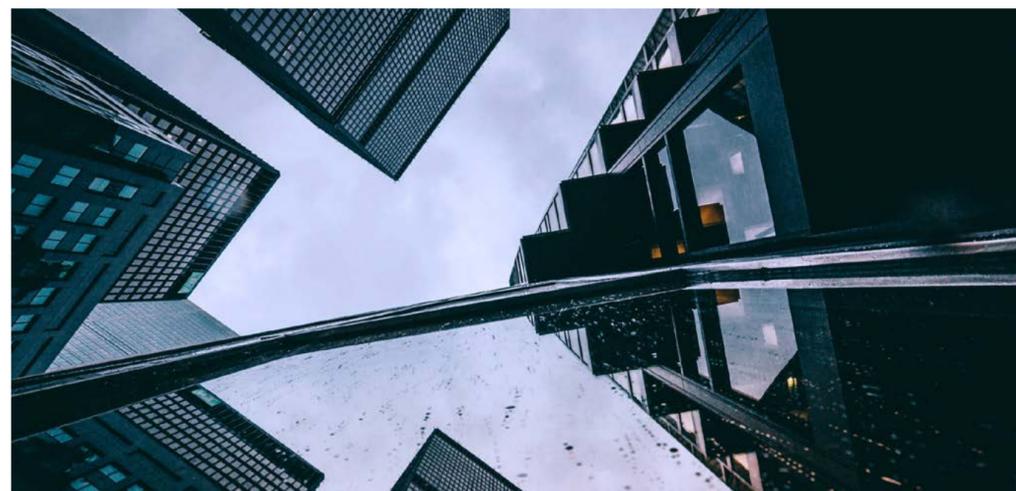
A return to growth is predicted for all regions in 2021 driven by Western Europe (7.5%), Asia-Pacific (5.9%) and North America (4.0%). As with the global outlook, this represents a significant recovery, but with ad spend remaining below pre-pandemic levels.

By market, the top five contributors to the forecast US\$32 billion of incremental ad spend growth in 2021 will be the United States, China, Japan, the United Kingdom and France. The United States continues to be by far the largest ad spend market, accounting for nearly 38% of global spend in 2021—more than the next top four markets combined (see Figure 3).

Figure 3: Top five markets by share of total ad spend in 2021 (%)



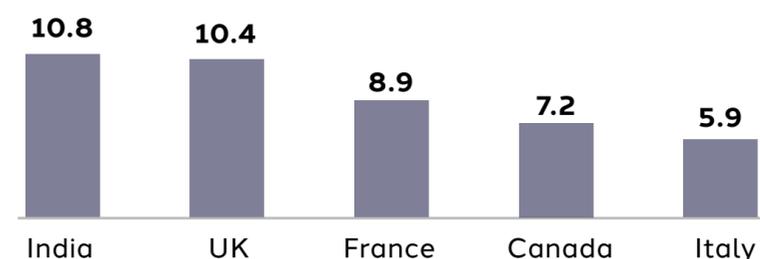
Source: dentsu Ad Spend Forecasts 2021



And in terms of growth rates, India, the United Kingdom and France are forecast to grow fastest in 2021 (see Figure 4). For the United Kingdom, a growth rate of 10.4% will see ad spend exceed pre-pandemic levels.

A summary of expected performance in these select markets is included below.

Figure 4: Top five markets by ad spend growth rate (2021, year-on-year % growth)



Source: dentsu Ad Spend Forecasts 2021

Canada

The Canadian ad market is forecast to grow by 7.2% in 2021 (recovering from -9.6% in 2020) to reach CAD12.3 billion. This will be driven by digital spend, which is expected to grow by 9.1% in 2021, and in particular growth in video and improved video placements in social media. Spend will be boosted by the return of high-profile sport, such as NHL and NBA. The additional uplift from the 2020 Tokyo Olympic & Paralympic Games is estimated at CAD570 million.

China

Following growth of 1.6% in 2020, ad spend in China is predicted to increase by 5.3% in 2021 to reach RMB701 billion. Overall, forecasts reflect China's improved economic outlook of 8.2% real GDP growth in 2021, following 1.9% in 2020 (according to the IMF). At 70% share of total spend, digital is expected to continue its rapid growth at 9.1% in 2021, driven by social media (29.6%) and e-commerce (12.6%).

France

Advertising spend in France is forecast to grow by 8.9% in 2021, reaching €11.9 billion. Growth will be driven by digital ad spend, forecast to return to growth in 2021 at 9.9% following a decline of 5.7% in 2020. At €6.1 billion, digital ad spend in 2021 is expected to exceed the 2019 spend level of €5.9 billion while traditional media spend will continue to be lower than pre-pandemic levels.

Germany

At 4.3%, a moderate improvement in total ad spend is expected in Germany. A continued year-on-year decline (-0.7%) is forecast in Q1 as government restrictions continue, however with progress in the effective implementation of a vaccine, expectations are that consumer spending will rise and ad spend will return to growth from Q2 onwards, when we forecast an increase of 15% on a year-on-year basis.

Japan

Q1 2021 is expected to see spend continue to decline, despite the 'Go to Travel,' 'Go to Eat' campaigns and other government-led initiatives to generate consumer demand. However, with full-scale marketing activities picking up around the Tokyo Olympic and Paralympic Games, growth is forecast to reach 13.3% in Q2 and 15.1% in Q3. Overall, ad spend in Japan is forecast to grow by 5.3% in 2021 and account for 6,094 billion yen.





India

The ad market in India is expected to grow by 10.8% in 2021, following a sharp decline of 17.5% in 2020. With the economy recovering (the IMF forecasts real GDP growth of 8.8% in India in 2021) and the gradual easing of lockdown measures, both consumer and advertiser sentiment are expected to bounce back strongly. The second half of 2020 has seen a number of large advertisers post impressive sales growth numbers, taking momentum into 2021.



Italy

Ad spend in Italy is expected to increase by 5.9% in 2021 to account for €6.8billion, following a 14.4% decline in 2020. TV continues to be the leading media channel with around 50% of total spend. TV ad spend is forecast to increase by 4.2% in 2021, with an expected €90-100million uplift from the UEFA European Football Championships.



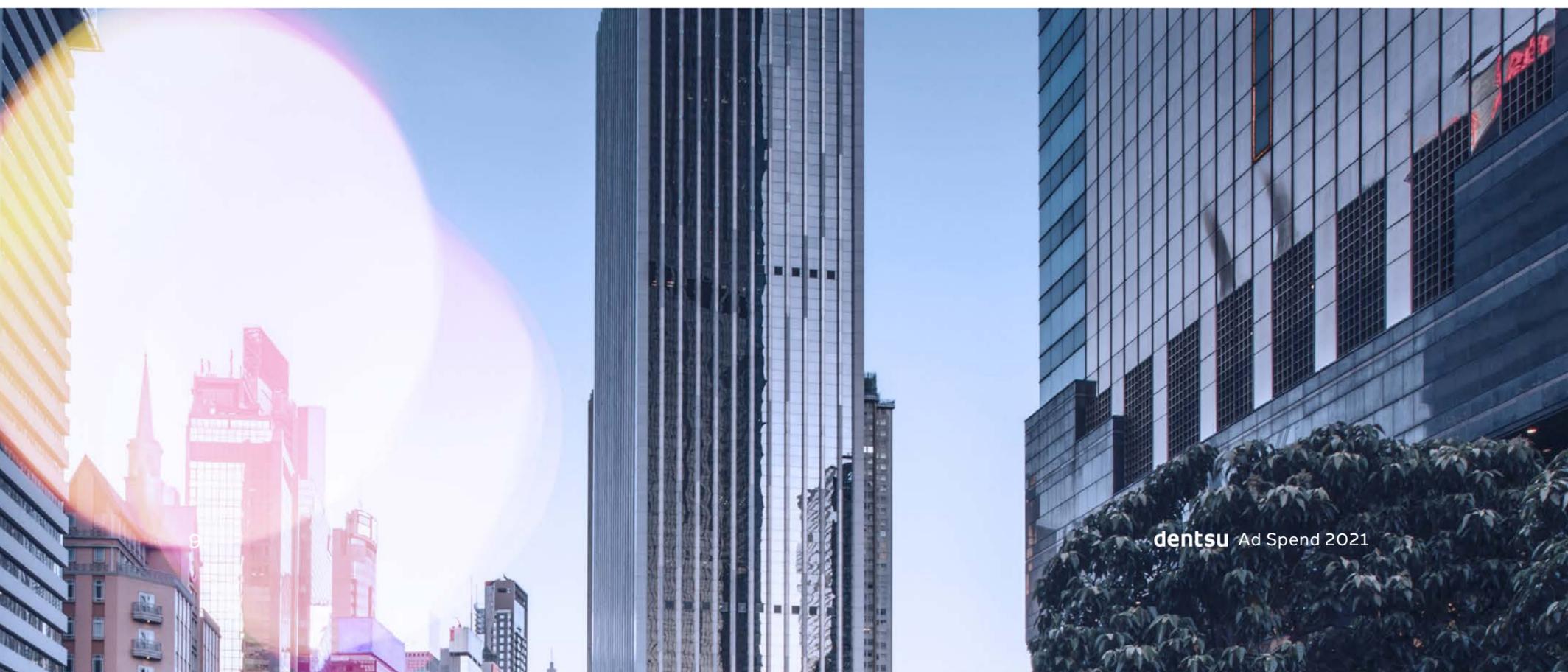
United Kingdom

The UK ad market is forecast to grow by 10.4% in 2021 to reach £23.1billion. This will be largely driven by forecast growth in digital spend of 10%, which will account for around 70% of overall ad expenditure. With recent lockdown restrictions being imposed, a less positive Q1 is expected however we continue to predict significant year-on-year increases in Q2 of 2021 vs 2020, when the impact of lockdowns was strongest. This will help ad spend in the United Kingdom exceed pre-pandemic levels (£23.1 billion in 2021 versus £22.6 billion in 2019).



United States

The US ad market is forecast to grow by 3.8% in 2021. At US\$219 billion, this represents a US\$8 billion uplift compared to 2020 and will see the United States contribute a quarter of the new global ad dollars in 2021. Following declining ad spend in 2020, growth is expected to return to the US ad market from Q1 2021.

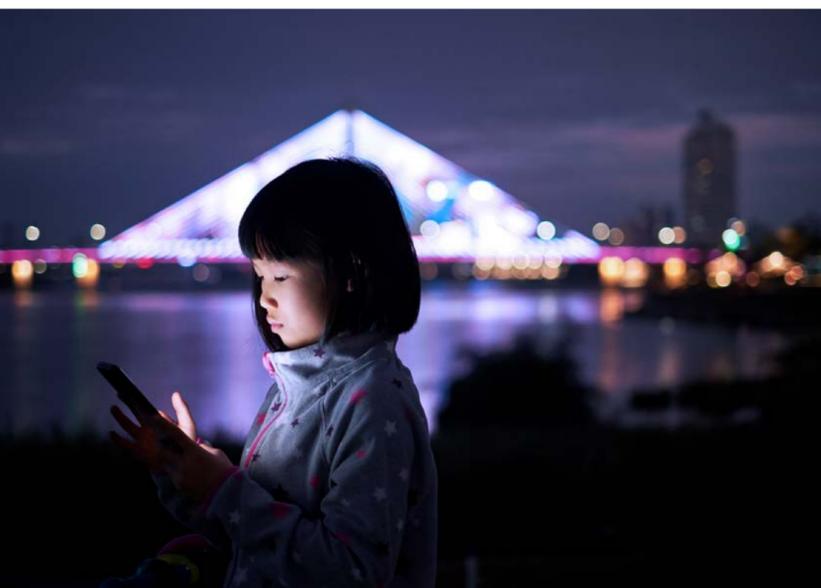




Media outlook

The COVID-19 pandemic has changed the way we consume media. With people confined to their homes, the way we work, learn and socialise has by necessity switched online.

While we expect a gradual return to normality as lockdowns ease in 2021, the impact on media consumption behaviours is likely to endure. However, understanding permanent vs temporary changes in consumer behaviour will be the number one challenge facing many brands.!



Digital crosses the divide

In 2021, digital ad spend is forecast to grow by 10.1% (see Figure 5), having proved resilient over 2020 with growth of 3.2%. In 2021 digital will account for US\$284 billion and a 50% share of total ad spend, the first time it has reached this milestone (see Figure 6). This continues a steady trend over the last decade that has seen digital's share of ad spend increase from 13.5% in 2010 to half today.

Figure 5: Growth in global ad spend by media, 2019-22 (% y-o-y)

	2019a	2020f	2021f	2022f
Television	-0.6 (-1.8)	-13.6 (0.6)	1.7 (0.0)	5.9
Newspapers	-9.3 (-8.5)	-23.3 (-7.1)	-3.1 (-10.2)	-3.4
Magazines	-7.5 (-7.4)	-20.1 (-6.3)	-14.3 (-11.5)	-6.4
Radio	-0.8 (-0.3)	-10.1 (1.7)	4.7 (0.8)	1.6
Cinema	10.1 (9.7)	-58.3 (5.0)	41.7 (4.8)	23.0
Out-Of-Home	1.4 (1.5)	-23.3 (2.4)	14.9 (2.5)	9.6
Digital	11.8 (11.2)	3.2 (10.5)	10.1 (9.5)	9.3

Figures in brackets show our previous forecasts from January 2020

Figure 6: Share of global ad spend by media, 2019-22 (%)

	2019a	2020f	2021f	2022f
Television	33.1 (32.7)	31.1 (31.5)	29.9 (30.5)	29.6
Newspapers	6.9 (7.0)	5.7 (6.3)	5.3 (5.4)	4.7
Magazines	4.5 (4.6)	3.9 (4.1)	3.2 (3.5)	2.8
Radio	6.0 (5.8)	5.8 (5.7)	5.8 (5.6)	5.5
Cinema	0.6 (0.6)	0.3 (0.6)	0.4 (0.6)	0.4
Out-Of-Home	6.2 (6.2)	5.1 (6.1)	5.6 (6.0)	5.7
Digital	42.8 (43.0)	48.0 (45.7)	50.0 (48.3)	51.2

Figures in brackets show our previous forecasts from January 2020

Key drivers of digital growth in 2021 will be social (18.3%), search (11.0%) and video (10.8%)—see Figure 7. In this context, consumer desire for content to help fill the void of live experiences has led to an explosion of demand in some categories. For example, while event ticket revenue within the sports

category fell by 55% in 2021ⁱⁱ, research with senior sports industry professionals found more than 50% predict growth in sports media across digital channels in the coming years as a result of COVID-19, from original content/documentaries (78%) to team/athlete-generated content (82%).ⁱⁱⁱ

Figure 7: Growth in global ad spend within digital, 2019-22 (% y-o-y)

Global year-on-year % growth at current prices within digital

	2019a	2020f	2021f	2022f
Display	7.9 (8.3)	-3.0 (8.6)	8.1 (9.7)	7.2
Online Video	16.0 (16.1)	-2.0 (14.6)	10.8 (13.5)	11.5
Social Media	26.9 (22.4)	13.9 (19.8)	18.3 (16.4)	16.6
Paid Search	9.8 (9.9)	10.1 (8.4)	11.0 (9.3)	8.7
Classified	4.0 (4.1)	-4.0 (4.1)	3.5 (4.2)	4.1

Figures in brackets show our previous forecasts from January 2020



TV times

In recent years, global TV ad spend has been on a moderate declining trend as viewing habits have shifted to on-demand content. However, during the pandemic in 2020, TV audiences increased across key demographics, including young adults. Looking ahead to 2021, TV ad spend forecast to increase globally by 1.7% to reach US\$169 billion, with sporting events such as the UEFA European Football Championships and the Tokyo Olympic & Paralympic Games helping to drive growth. Broadcaster Video-On-Demand

(BVOD) will continue to be a key area of growth for the TV broadcasters in 2021 across devices, including connected TV. While BVOD will continue to drive growth, it will likely face increasing competition from social media platforms boosting premium video content as well as Advertiser Funded Video On Demand services such as YouTube. Growth in subscription television is expected to continue with the entrance of new platforms and services, as consumers are increasingly willing to pay for premium content.

Transforming print

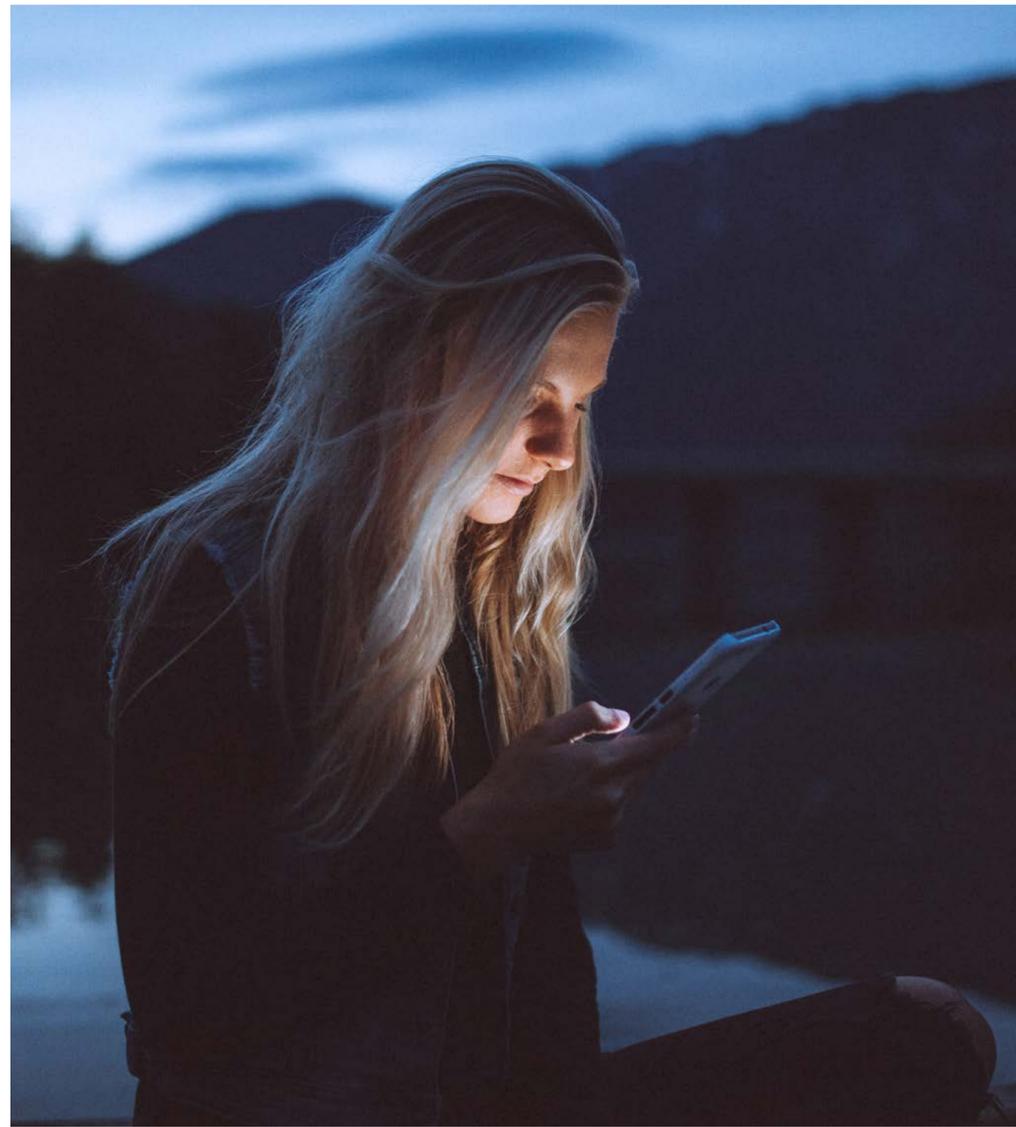
The focus of the print industry will continue to be on digital transformation, growing digital subscriptions and ad spend, while leveraging the value of existing brands to diversify revenue through digital channels. Traditional newspapers and magazines are expected to continue to decline in terms of ad spend in 2021 by -3.1% and -14.3%, respectively.

Out-of-home and back in growth

With restrictions on social activity, outdoor advertising and related out-of-home media (such as cinema) was disproportionately impacted by the crisis. With the recovery of auto and passenger traffic, OOH ad spend is expected to recover at 14.9% growth in 2021. Digital OOH is evolving quickly, both its offer (including programmatic capabilities) as well as demand (advertisers' use of this media).

Box office performance

Cinema ad spend is forecast to recover by 41.7% in 2021 (following a drop of 58.3% in 2020), reflecting the expected return to movie houses around the world. New innovations will help attract new audiences too. For example, in June 2020, Fortnite announced a Christopher Nolan-themed movie night on their platform, representing the potential in a post-lockdown world to attract a new generation of consumers seeking a more immersive cinematic experience.^{iv}



However, the recovery of cinema may be tempered by the accelerated release of blockbusters directly to Transaction Video-On-Demand (TVOD)—for example, Disney's 'Mulan' released on Disney+ for a premium fee.

Resilient radio

Radio overtook traditional Newspaper's share of spend in 2020 and is expected to grow by 4.7% in 2021. Radio has been impacted by the elimination of commuting for many consumers, however the industry has been supported through government spending and some category increases. Podcast and streaming have also been drivers for the radio industry in 2020.

An industry lens on spend

Which sectors will drive ad spend growth in 2021? Based on our forecasts across Australia, Brazil, China, France, Germany, Italy, Japan and the United States, it seems that the sectors that restricted advertising spend the most in 2020 are set for the biggest recovery in 2021.

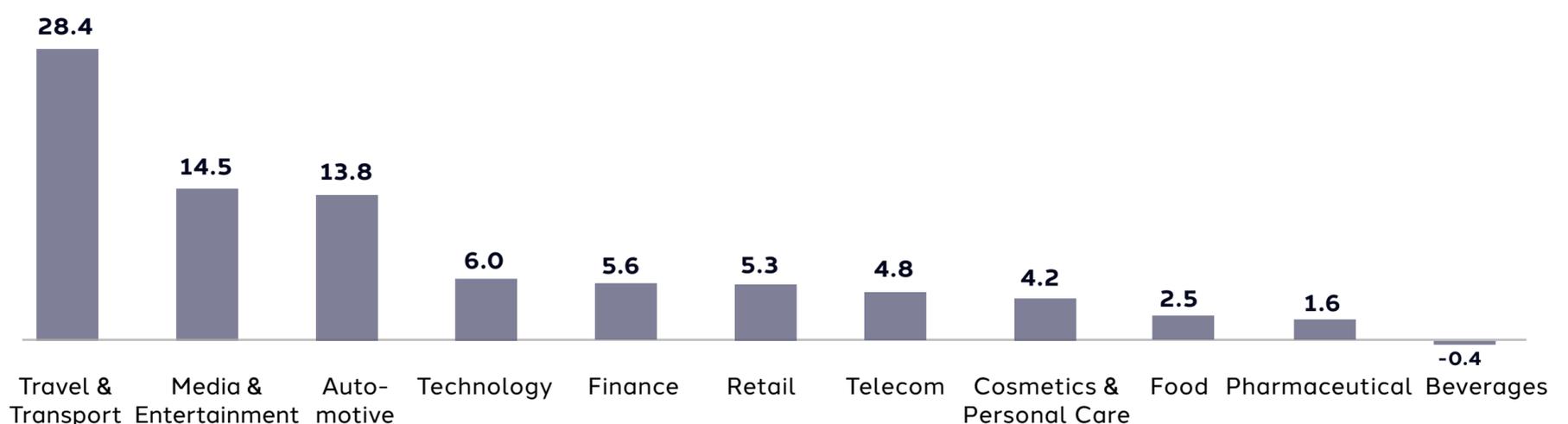
Ad spend in travel and transport companies is forecast to grow by almost 30% in 2021 (see Figure 8), following a 38% decline in 2020, as anticipation for a return to restriction-free travel grows among consumers and businesses. Air travel passengers in particular are expected to rise in number by 62% from their reduced 2020 base.^v

Ad spend in media and entertainment will grow nearly 15%, close to the 19% reduction experienced in 2020 driven by the continued success and expansion of in-home entertainment options enabled by this year’s digital acceleration, as well as the potential for out-of-home experiences later in the year.

Automotive advertising is set to grow at nearly 14% from -24% growth in 2020, as carmakers look to encourage more consumers back on the garage forecourt after a challenging year in which the top 20 global manufacturers saw profits decline by approximately \$100 billion—roughly six-percentage-points down from just two years ago.^{vi}

Figure 8: 2021 ad spend growth forecasts by industry (based on 8 markets)

Global year-on-year % change at current prices



Source: dentsu Ad Spend Forecasts 2021



Brand recommendations

Brands' ability to react and adapt to an uncertain environment will continue to be tested next year. Here are some key considerations to help guide them:

- The first quarter of 2021 presents a good opportunity for brands to get ahead and start communications in a less cluttered media environment. For brands that reduced or stopped advertising this year, learning from those that have kept consumers close over this period can help to identify the most appropriate moment and message to increase engagement.
- The pandemic has influenced consumers' brand loyalty and many will stick with the new choices made in 2020. As in other downturns, price will become a more prominent factor in purchase choices. Trust, however, is also a key factor and developing this relationship through messaging will support brand relationships in the long-term.
- Using data to understand permanent changes in media consumption, social interaction and decision-making behaviour will also help brands stay on top of continued disruption in real time. Maintaining customer trust on data and privacy concerns will become a point of differentiation and a potential source of competitive advantage.
- Developing more personalised offers, messages, and services to drive higher impact and relevance among target audiences will also be a key opportunity for brands to test and learn the new consumer values that shape a category. Such insights also present an opportunity for brands to reshape their image in light of changing values and attitudes.

- Investing in channel-specific innovations that offer enhanced targeting and new formats for advertisement delivery, such as TV on demand and addressable TV, will also be a key feature of 2021. Connected TV will reach a tipping point in terms of scale and reach, emerging as a powerful medium for connecting the dots between awareness and attribution.
- Marketers will need to think through a much broader range of shopping experiences, coordinating with sales and operations teams across the business. The preference for self-checkout or scan-and-go behaviours may also change traditional store boundaries and layouts. Consumers may be more willing to shop display walls, for example, where items are shown and can be scanned for delivery.
- Continued supply chain disruption and potential resource scarcity will present a challenge for many brands. New partnerships and continued investment in direct-to-consumer/e-commerce will enable brands to transition beyond convenience to virtual experiences where consumers feel safe, in control, valued and part of a community.
- In some markets, event advertising is predicted to heighten across the summer with increased mobility leading to a resurgence in OOH in particular. The return of shared experiences, such as the European Football Championships, and event TV, will be key territories for advertisers to achieve maximum reach and create brand affinity with feel-good moments that unite nations.



References

ⁱ dentsu CMO survey, 2020.

ⁱⁱ Statista, 'Digital Media Outlook: Event Tickets Worldwide', 2020.

ⁱⁱⁱ PwC, 'Sport Industry: System Rebooting', 2020.

^{iv} Epic Games, "Movie Nite @ Party Royale's Big Screen Features inception, Batman Begins or the Prestige", 2020.

^v International Air Transport Association, 'Recovery Delayed as International Travel Remains Locked Down', 2020.

^{vi} McKinsey, 'Reimagining the auto industry's future: It's now or never', 2020.

Assumptions & methodology

These forecasts should be read in the context of significant ongoing uncertainty related to the global pandemic and government measures to contain it. The forecasts are based on the assumption that an effective global vaccination programme will be rolled out in 2021, enabling key media events to take place (even if scaled back) such as the Tokyo Olympic & Paralympic Games and the UEFA European Football Championships. Dentsu will be closely monitoring market ad spend throughout 2021 and figures are subject to change.

Advertising expenditure forecasts are compiled from data collated from around dentsu's brands and based on our local market expertise. We use a bottom-up approach, with forecasts provided for 59 markets covering the Americas, EMEA, Asia Pacific and Rest of World by medium: Television, Newspapers, Magazines, Radio, Cinema, Out-of-Home and Digital Media. The advertising spend figures are provided net of negotiated discounts and with agency commission deducted, in current prices and in local currency. For global and regional figures, we convert the figures centrally into USD with the average exchange rate. The forecasts are produced bi-annually with actual figures for the previous year and latest forecasts for the current and following year.

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Part of dentsu, dentsu international is made up of eight leadership brands - Carat, dentsu X, iProspect, Isobar, dentsumcgarrybowen, Merkle, MKTG, Posterscope and supported by its specialist brands.

Dentsu International helps clients to win, keep and grow their best customers and achieve meaningful progress for their businesses.

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