THIS YEAR NEXT YEAR

THE IRELAND MID-YEAR REPORT
JUNE 2020

groupm

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Ireland Mid-Year Forecast Report

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Overview

Everything is relative; the least bad is still bad. Ireland can be rightly proud of the collective effort that has meant, to this point, we have effectively managed the spread of COVID-19 within our borders. Certainly, we have fared better than the UK, the US and other EU member states such as Italy, France and Spain who all continue to struggle to control the virus and deal with its consequences.

However, the UK is our closest neighbour and biggest trading partner, the US is our aspirational touchstone and, as the European headquarters for many of the Silicon Valley behemoths, the increasingly influential bedrock for our future plans, and the EU is the mast to which we've nailed our colours to ensure relevance and influence on the world stage. Unfortunately, this means the more they continue to sneeze, the worse our cold gets.

Beyond this pandemic the spectre of Brexit, the skittish, introverted nature of the leadership of some of these key allies and the fractious, divisionary politics this has inspired means the medium-term prospects for our economy remain concerning.

As a counter, the Programme for Government laid out by the potential incoming administration offers a promising approach to managing our recovery. However, the key word here is "potential" and the prospect of another election cycle should this fragile, untested alliance fail is yet another unwelcome what if…

Socially, Ireland is in a cautiously optimistic place, so much so that the present government is confident enough to accelerate its phased plan to ease lockdown restrictions and reopen the country for business. Economically, we have a long way to go. The CSO estimates GDP growth rate at -12% for this quarter and -3.5% in 12 months time, a level worse than the crash of 2008; latest ISME numbers for business confidence and KBC/ESRI for consumer confidence also show record lows.

Hopefully we are through the worst and now we must pull together to begin our recovery.

> "… the more (the UK, the US and the EU) continue to sneeze, the worse our cold gets."

Impact on Media and Consumers

In tangible terms, as consumers increase their time at home, the pandemic has led to heightened levels of consumption of media, a commensurately rapid expansion of e-commerce activity and a subsequent acceleration in the pace at which businesses are looking to transform their online and offline activities.

There was high demand for news and opinion from trusted sources – credible publishers and broadcasters – with reach for news online +8% and in print +13%.

We have also seen growth of TV consumption that peaked with +49% growth in impacts among adults during the second half of March as schools were shut and lockdown restrictions imposed; even younger audiences saw double-digit bounces into April following years of gradual decline. On-demand and streaming consumption was up by even more with Disney+ bringing forward its planned launch to capitalise on the increased demand for in home entertainment.

Consumers also responded to the pandemic by changing their shopping patterns and the tide finally turned for online shopping in Ireland, the level to which it will normalise post-lockdown is still to be seen, but previously reluctant cohorts embraced it (55-64 year olds +23%), with grocery shopping seeing the biggest movement (+69%) according to survey work recently undertaken by our research team. Overall E-commerce sales grew by as much as 110% during Q2 in a retail sales environment that was down by -35%. Grocery stores were the biggest trend buckers, with March the biggest month of grocery sales ever recorded by Kantar.

While recent increases are unlikely to continue at such rates of growth through the remainder of the year (or the pandemic), they illustrate changes that have occurred and, in the case of digital activity, accelerated growth that will bring the economy's digital transition forward. Hybrid business models featuring purchases online with in-store or curbside pickups will only become significantly more common going forward.

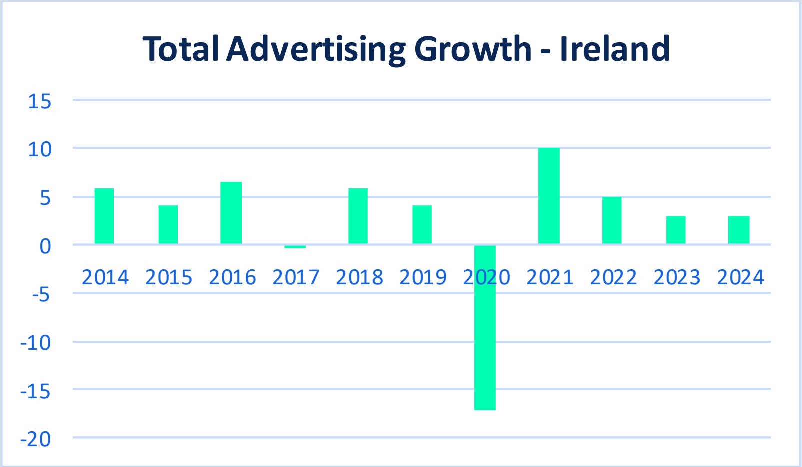
> "E-commerce sales grew by…110% during Q2 in a retail sales environment that was down by -35%."

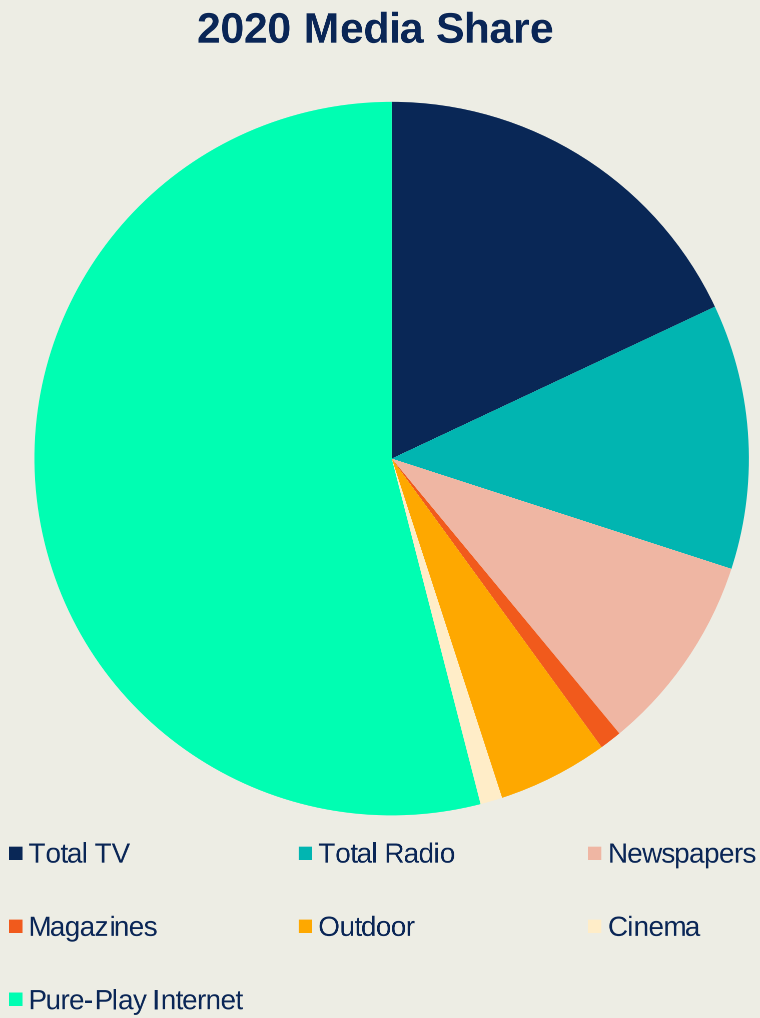
2021 and Beyond

Assessing the specific pace of improvement in the economy mirrors challenges in assessing the health crisis, how the government will act and how society will react. In our forecasts we make an assumption that a vaccine will be developed and distributed by some time in the first half of next year, although even the world's foremost experts are hardly certain.

To the extent that this does occur, we presume that all normal activities made particularly challenging with social distancing, including leisure-based travel and tourism, attending events or films with crowds, etc., will return in some form next year. Activities such as the postponed Euro's and Olympics are assumed to take place, as are the GAA All-Ireland Championships and all professional sports. We further presume that consumers and businesses generally find ways to adapt most of their other activities regardless of the course of the pandemic.

We are in the eye of the storm, so the forecast is at its gloomiest but global predictions and recessionary precedent mean we cannot foresee anything but a slow, awkward return to previous levels of output and activity, let alone growth.





18%	Total TV
12%	Total Radio
9%	Newspapers
1%	Magazines
5%	Outdoor
1%	Cinema
54%	Internet

Advertising Forecasts

By now, the Irish ad market is starting to stabilise after an initial freefall that began in late March. While a large chunk of spending is lost for the rest of the year, and forever in some cases, the portion that was deferred is returning. As a result, some sectors are now increasing spending to take advantage of market opportunities. A few continued to invest through the chaos as they grasped an opportunity to build disproportionate share of voice and long-term brand equity.

The well published phased easing of restrictions related to the lockdown and individuals' willingness to incrementally return to normal activities will help support sequential improvement as the year progresses; however, it seems unreasonable to expect a resumption of annual growth before the end of the year, primarily because of the likely state of the economy.

Following on seven years of low to mid-single digit growth, as of early June, we estimate that in 2020 the advertising market will decline by -17%, followed by +10% growth next year. For reference, during 2008, the global financial crisis produced a -11% decline. Considering that economic growth will be significantly worse in 2020 relative to what was observed in 2008/9, it follows that the outcome for advertising in 2020 is proportionally worse despite, or perhaps because of, the plethora of communications options now available to brands.

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Digital

Digital advertising's responsiveness to changing conditions meant that, as the economy suddenly came to a halt in March, substantial volumes of spending were paused or simply evaporated. Categories such as travel would have had virtually no possibility of realising a near-term benefit from spending, while others faced uncertain circumstances under which they would be operating. Subsequent cuts for them were entirely understandable as a result.

It is less clear to what degree a large/small advertiser divide may have emerged. While we think most large brands that reduced their spending during the early stages of the pandemic would have applied these cuts to digital as well as traditional media, some either sustained or potentially increased spending despite – or perhaps potentially because of – the existential threats they faced. We can infer from global data that Shopify has provided for April that growth in e-commerce activity among small businesses accelerated. We also know that declines in global ad revenue from Google and Facebook, both heavily skewed toward small businesses, were much more modest than expected in April too. To the extent that these trends occurred in Ireland as well, we expect digital advertising to decline by only -6% during 2020. We expect a rebound next year with growth of +12%, and total spending higher than 2019 levels.

We expect that search will outperform digital media's average rate, aided by lag effect of Irish advertisers accelerating their investment into their online properties and e-commerce capabilities as previously mentioned. The current year for non-search will be hampered particularly by the negative impact from travel, entertainment and motors which accounted for a significant share of spending, and so we expect a -17% decline in 2020 followed by a +13% gain in 2021.

Our overlapping sub-category of digital extensions (digital ad revenue realised by traditional media owners for their traditional properties and the pure-play digital media owners with directly competitive products) that accounted for around 12% of total internet-related media and 6% of all media last year, will under-perform other digital media this year before rebounding quickly next year. We estimate that total digital extensions will decline by -21% during 2020 and grow by +15% during 2021. During 2020, radio and other audio digital-related ad revenues, including podcasts, are expected to grow by +24% from an admittedly low comparative base while BVOD ad revenues are expected to decline by -14% during 2020, well ahead of traditional TV.

Television

We anticipate television advertising declining by -23% in 2020 and then growing by +9% next year. This includes -24% for linear TV in 2020 and +8% in 2021 as a disappointingly high share of the spend cancelled during the second quarter of this year has effectively been lost forever. Some will have been deferred, returning alongside pent-up consumer demand and a presumed return of otherwise "normal" trends next year, but we fear the default prominence TV has traditionally held for brands may be reducing.

When we assess the health of the marketers that will drive the medium this year and next, it is the breadth and range of brands that has fallen dramatically. Many of the traditional TV-first categories, Telcos, Supermarkets and Finance, have continued to duke it out for share of voice; reach-led FMCG, Food and Drink advertisers have sought to optimise and spread their investment thinner whilst further extending into BVOD and other video environments. The short term burst from Government agencies and value opportunists that has papered some cracks will not be sustained so the challenge is to reassert the efficiency and effectiveness of TV in the face of stiff competition.

Broadcasters must look to collaborate better, innovate more and continue to evolve their offerings to regain pre-eminence. Ongoing investment into best in class measurement that captures the totality of viewing and Addressable solutions are key to this as a means of attracting new spend, regaining that which has been lost and capturing more of existing supporters budgets.

A potentially important assumption behind our forecasts relates to the return of GAA and professional sports. As of the time of writing this document, sports will be allowed to resume under strict conditions including a prohibition on spectators at venues; however, whether schedules will proceed as intended remains to be seen. While some advertising growth would certainly follow from the resumption of play (i.e. gambling, drink), the potential increase in spending is uncertain because much of what would end up in sports inventory would end up elsewhere if sports did not resume.

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Radio/Audio

Radio media, or perhaps now best classified as Audio, is expected to fall by -15% this year and then grow by a +7% next year. While the medium's exposures to retail, local and smaller business advertising will be generally unfavorable, other negatively impacted sectors, such as travel, represent a minimal share of activity. Furthermore, Radio's short lead times and relatively simple requirements for creative meant they have benefited from decent repurposed spend from other broadcast media as well as a high share of Government messaging. Countering against this is a traditionally high level of direct and local advertisers, coupled with a reliance on Summer promotions centred around outdoor events, that has evaporated.

Overall, audio remains a cost-efficient vehicle and the growth in digital formats, especially podcasts, is generally making the medium more appealing to marketers. Digital streaming services should roughly double their revenues over the period between 2021 and 2024 as a result, while the overall medium will likely see low single digit annual expansion.

Print

Print media, including newspapers, magazines and their digital extensions, accounted for 14% of media owners' ad revenue last year. After experiencing a revenue decline of around -8% during 2019, we expect a further fall of -36% in 2020 and +4% gain in 2021. Newspapers are likely to fare worse, with an expected decline of -37% in 2020 followed by a +3% gain in 2021, a long way from recouping most of this year's lost revenues. By contrast, magazines are expected to decline "only" -23% this year, followed by a +2% gain next year.

Ongoing falls for both types of print media, including their digital extensions, are expected to resume in 2022 and beyond; however, the medium is at a critical juncture with widespread closures and consolidations appearing inevitable, particularly for regional titles. The resilience of the medium can only be supported by better monetisation of digital iterations, product improvements, including the creation of branded content and other rapid adaptations to consumers' interests.

OOH

Out-of-home advertising is set to suffer more than most media during 2020, with a -38% decline expected this year and a +9% rate of growth expected for next year. New demand for outdoor advertising essentially stopped during the worst of the pandemic, generally only leaving media owners with the limited revenue that was associated with longer-term budget commitments and long-term ad placements.

While some spending will return as consumers increase the time they are spending away from home over the course of 2020, our assumption regarding the lack of a vaccine prior to next year means we similarly assume consumers will not fully resume normal out-of-home behaviours until that time. To the extent that marketers follow suit, this will delay a rebound for outdoor advertising until the start of 2021. Increasing use of digital inventory and the flexibility that follows from digitisation, including programmatic trading, will further help to invigorate favourable ongoing trends.

Cinema

Cinema revenue has been heavily impacted by coronavirus, which forced the closure of all cinemas from mid-March. Revenues are expected to fall -56% this year and recovery will be slow as social distancing measures remain when cinemas reopen, currently scheduled for August. This will affect auditorium volumes and, therefore, admission levels for an unknown period of time. Innovations such as drive-in cinemas have launched to offer customers an alternative environment to watch film, though this will account for a slim share of revenue.

On its current schedule, the second half features a range of high-profile releases that will attract advertisers back to the big screen, including “Bond: No Time To Die,” which is now in the coveted pre-Christmas release window. Reduced admissions will, however, subsequently affect revenue volumes. We do expect revenue growth of +50% in 2021 as clients seek presence in much of the film slate that was deferred from 2020. Admissions growth will likely outpace this presuming capacity restrictions are removed.

Conclusion

Returning to the broader context in which marketers should be assessing these numbers, it is important to remember that industry average growth rates are simply averages. Although “average” might be a satisfactory standard for some, we think it is critical for all marketers to look for how to best grow their businesses in ways that are above average, especially under challenging economic circumstances. This will often mean making decisions while ignoring the conventions and benchmarks that reflect the choices of competitors who may be going down different paths.

Instead, marketers should always start with improving their understanding of evolving consumer and customer needs, developing new offerings to meet those needs and investing against new ways to transact. Marketing strategies and media choices should follow from those efforts, which will render averages as meaningful only after the fact, primarily as points of reference rather than goals to aspire to.

IRELAND

Figures Include Digital Extensions in Traditional Media Lines

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
€ in m											
Total TV	**190.8**	**196.4**	**199.6**	**187.3**	**191.5**	**188.1**	**144.0**	**156.2**	**161.7**	**164.1**	**166.5**
Growth	5.0%	2.9%	1.7%	-6.2%	2.2%	-1.8%	-23.4%	8.5%	3.5%	1.5%	1.5%
Total Radio	**128.8**	**131.7**	**134.4**	**130.2**	**119.1**	**114.1**	**96.5**	**103.3**	**105.3**	**105.0**	**104.4**
Growth	-1.4%	2.3%	2.1%	-3.2%	-8.5%	4.2%	-15.5%	7.1%	2.0%	-0.3%	-0.6%
Total Newspapers	**206.4**	**180.4**	**172.4**	**145.4**	**129.0**	**118.0**	**74.2**	**76.6**	**75.1**	**71.7**	**67.9**
Growth	-3.7%	-12.6%	-4.4%	-15.7%	-11.3%	-8.5%	-37.1%	3.2%	-2.0%	-4.5%	-5.3%
Total Magazines	**18.2**	**18.4**	**18.4**	**18.4**	**17.2**	**15.9**	**12.2**	**12.4**	**12.5**	**12.4**	**12.2**
Growth	0.5%	1.2%	0.1%	-0.4%	-6.6%	-7.6%	-23.0%	1.6%	1.0%	-1.1%	-1.4%
Outdoor+Cinema	**67.6**	**71.6**	**74.0**	**76.7**	**76.4**	**78.3**	**47.5**	**53.1**	**55.8**	**57.4**	**59.2**
Growth	8.3%	5.8%	3.4%	3.7%	-0.4%	2.5%	-39.4%	11.9%	5.0%	3.0%	3.0%
Pure-play internet	**194.1**	**240.2**	**293.9**	**331.7**	**408.9**	**465.9**	**437.4**	**491.3**	**527.2**	**555.1**	**584.4**
Growth	25.7%	23.8%	22.4%	12.8%	23.3%	13.9%	-6.1%	12.3%	7.3%	5.3%	5.3%
Search	137.0	176.0	219.0	245.0	288.9	307.8	291.5	326.4	349.0	365.9	383.4
Growth	42.7%	28.5%	24.4%	11.9%	17.9%	6.5%	-5.3%	12.0%	6.9%	4.8%	4.8%
Display/Other	57.1	64.2	74.9	86.7	120.0	158.1	145.8	164.9	178.2	189.2	201.0
Growth	-2.2%	12.4%	16.7%	15.7%	38.4%	31.8%	-7.8%	13.1%	8.1%	6.2%	6.3%
Media total £m	**806.1**	**838.7**	**892.8**	**889.7**	**942.1**	**980.2**	**811.8**	**892.9**	**937.6**	**965.7**	**994.7**
Growth	5.8%	4.0%	6.5%	-.04%	5.9%	4.1%	-17.2%	10.0%	5.0%	3.0%	3.0%

SOURCE: GroupM, Nielsen, IAB, The Association of Advertisers in Ireland/WARC, Company Reports

GroupM's This Year Next Year is published twice a year with the goal of informing analysts and marketers of GroupM's market observations.

GroupM is the world's leading media investment company responsible for more than $50B in annual media investment through agencies Mindshare, MediaCom, Wavemaker, Essence and m/SIX, as well as the outcomes-driven programmatic audience company, Xaxis. GroupM's portfolio includes Data & Technology, Investment and Services, all united in vision to shape the next era of media where advertising works better for people. By leveraging all the benefits of scale, the company innovates, differentiates and generates sustained value for our clients wherever they do business.

Methodology: Forecasts based upon observations of GroupM's industry-leading client base. Historical figures informed by internal estimates, data from Nielsen, the IAB and the AAI/WARC and analysis of public company reports.

Questions? Contact: bill.kinlay@groupm.com

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