CLICKCONSULT
PART OF CEUTA GROUP

A Click Consult whitepaper

Search & Digital Marketing Trends

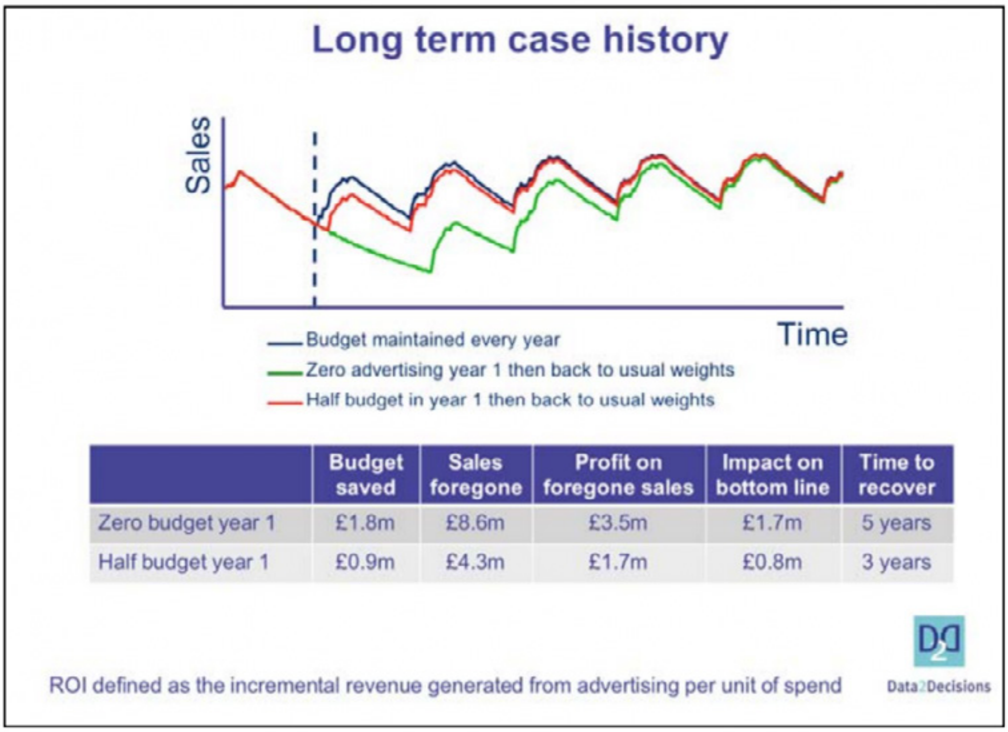
Marketing Trends Report (Q4 2018 – Q1 2019)

Contents

Introduction

There’s a lot going on right now – from the American/Chinese tariff stand-off to Brexit, not to mention imminent climate collapse, but while politics and ecology have been in a seeming downward spiral, there has been little transference of the doom and gloom to the search and digital marketing sector.

While studies have repeatedly shown that companies which increase marketing spend during economic downturns actually perform better than those that decrease spend, it is often the case that marketing budgets are among the first casualties of a slowdown. However, while things remain in the balance at present – with economist opinions mixed as to the potential of a recession, the search and digital sector is not yet suffering from the short termism that can afflict marketing at such times.



In the course of this whitepaper, we’re going to look at some of the most notable statistics and figures from the end of 2018 and the first quarter of 2019, and present the state of the industry as things stand.

Marketing & ad spend

UK ad spend surges, marking strongest quarter since 2014

Marketing Week - November 2018

At the end of November last year, Marketing Week reported that the UKs ad-spend increased by 6.4% year on year, reaching £5.6 Bn in quarter two of 2018. Astonishingly, this increase marks the 20th consecutive quarter of growth for the sector.

This, combined with an overall ad-spend increase of 7.2% during the first half of 2018 (rising to £11.4 Bn), this made 2018 both the strongest second quarter and first half financial year since 2014.

As a result of this record investment, full-year outlooks for the advertising industry in 2018 and 2019 were upgraded – with predicted growth now set to hit 6.3% and 4.9% respectively which translates to a projected ad-spend of more than £23.5 Bn for 2018 (and more than £24.5 Bn for 2019).

Market growth is being driven, by increased brand spending on online advertising - including spending increases by news brands, magazine brands, broadcasters, video-on-demand, and radio station websites. As such, online growth predictions have been upgraded to 13.3% which equates to a £13 Bn online advertising spend in the UK in 2018.

65% of digital media ad spend to be programmatic in 2019

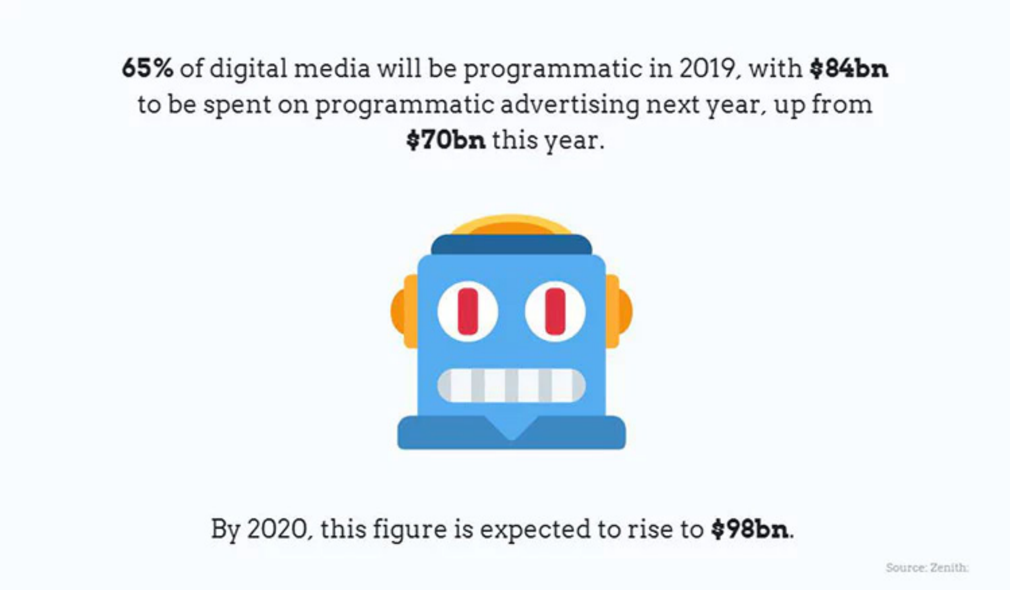
Zenith – November 2018

65% of digital media ad spend will be programmatic in 2019, Zenith suggests, equal to $84 Bn and representing an increase of 19% year on year from the $70 Bn advertisers spent in 2018.

Further to this, by 2020, advertisers are predicted to spend $98 Bn on programmatic advertising or 68% of their total digital media advertising expenditure.

The UK is, at present, the third largest market for programmatic advertising; with £3.7 Bn total programmatic ad spend, the UK only trails the United States and China which spend £26.6 Bn and £5.2 Bn respectively. In addition to this, Britain also traded 76% of all digital media programmatically in 2018, up almost 3% on 2017.

Zenith predicts that, by 2020, programmatic advertising will likely account for more than 80% of all digital media spend in the UK market, with total spend climbing to more than £4.6 Bn.



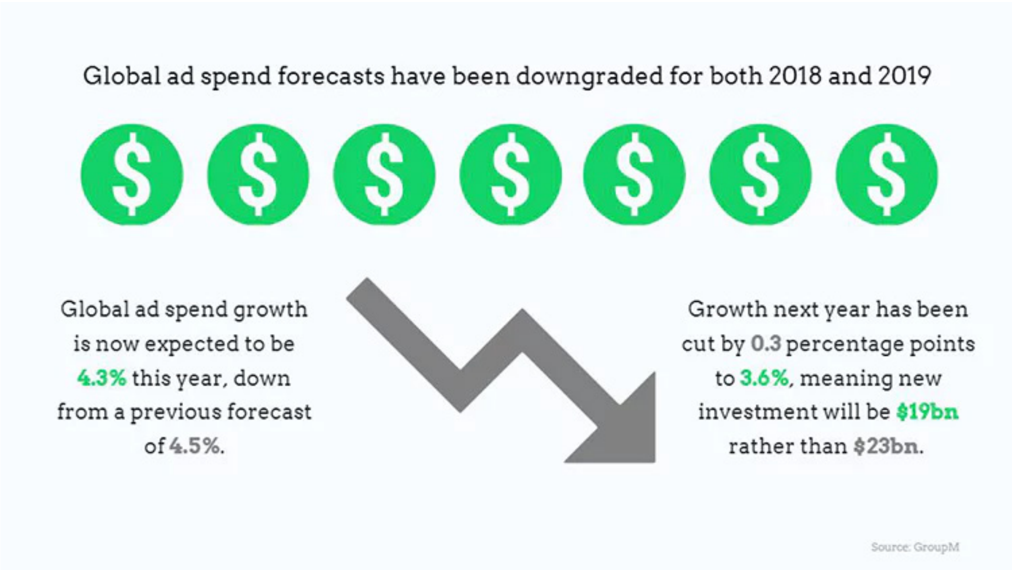
Ad spend forecasts cut as automotive industry and FMCG pull back on spending

GroupM – December 2018

Growth predictions for the global ad market were downgraded for both 2018 and 2019 - as "stress" in the automotive category, as well as a lack of rebound in FMCG investment in traditional media hit forecasts.

GroupM announced in the 2018 piece that they expected global ad spend to instead hit 4.3% in 2018 – down from a previous forecast of 4.5%. An additional cut to 2019s projection (by 0.3 percentage points to 3.6%), all in all meaning that new investment is expected to reach $19 Bn rather than $23 Bn.

Of that growth, however, just 10 countries will account for 83% of the increase. China will remain the largest contributor with investment expected to be up $4.84 Bn this year – though this will be the sixth successive year of single-digit ad growth, and the lowest growth recorded. The US, the second biggest spender overall, will contribute $4.30 Bn in new ad dollars, followed by India ($1.36 Bn), Japan ($1.34 Bn) and the UK (1.26 Bn).



Marketing budgets increase, despite negative predictions

Marketing budgets increase, despite negative predictions

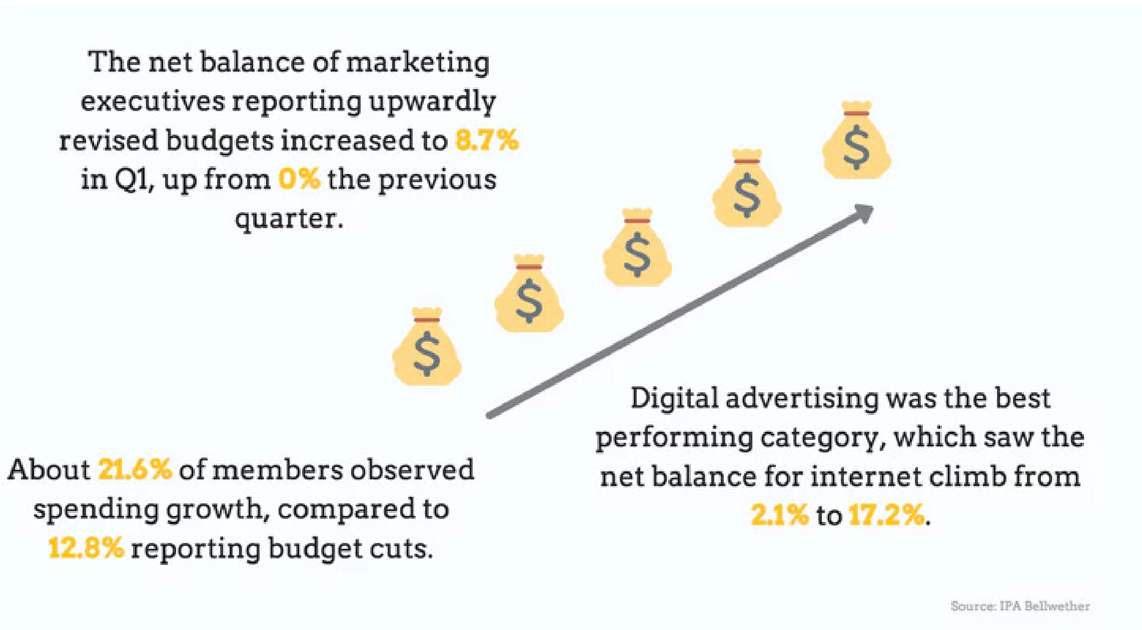
Bellwether Report – April 2019

According to the most recent Bellwether report, despite economic uncertainty, UK advertisers have invested more in advertising during the first three months of 2019 than they had in the same period in 2018.

Marketing executives, the report suggested, reported upwardly revising budgets – increasing to +8.7% for the first quarter of 2019. 21.6% of members surveyed had observed spending growth, compared to the 12.8% that reported budget cuts.

Digital advertising performed the best, with the net balance for online advertising having jumped from +2.1% in the fourth quarter of 2018 up to +17.2% in the first quarter of 2019. Search & SEO spend also grew from a predicted -3.9% to +14.2%, while targeted advertising on mobile was revised from -2.4% to +3.6% for the same period.

More traditional marketing however, such as market research, sales promotions, and direct marketing, faced the expected reductions, with net balances of -4.2%, -3.7%, and -3.5% respectively. The report also found that a net balance of -2.7% of marketers were optimistic about the financial prospects of their businesses in the first quarter, compared with -0.9% in the previous three months.



Marketing & ad spend analysis

While nothing is impervious to world trends, the growth of marketing spend – and specifically digital marketing spend – is tied up with a lot of other high growth areas, meaning that negative factors elsewhere can reasonably be expected to be balanced by growth in other areas.

However, as we'll see in the next section of the report, there is likely to be a slowdown (however ill-advised) in growth due to external political factors. What remains to be seen is how these external factors will impact spend – and whether it will again prove that maintaining or increasing marketing spend is, counterintuitive though it may be, the right technique.

In addition to this, with the vast majority of financial trading now done bot to bot, it's no great surprise that reports are indicating that ad buying is fairly close behind in adopting programmatic ad buying (essentially automated ad purchasing) – especially as Google looks to auto-enrol accounts into automated bidding strategies and increase the ML (machine learning) involvement in their paid search offering.

While I can't see the trend reversing, there are issues with paid search and programmatic that could slow growth unless addressed – such as growing concern around click fraud and brand protection issues that have cropped up repeatedly over the last few years. With Google recently announcing that they'll be featuring ads on the Google homepage following concerns around growth, it's likely they'll be pushing one of their main income streams a lot harder in coming months and years.

Thirdly, the automotive industry has often been a predictor of recession – with new car loans and car purchases often dipping in advance of economic downturns – but with 'trade wars' a matter of ongoing global concern, it's difficult to directly attribute any current downturn in spend in the automotive industry to an imminent recession (though it seems likely), however, as stated earlier, the persistent tendency to cut back on marketing spend despite evidence suggesting it's the worst possible decision is likely to continue.

Despite all of the doom and gloom from reports conducted in the last quarter of 2018, however, the most recent Bellwether report found that budgets increased despite fears to the contrary. Whether this is a last hurrah, due to the postponement of Brexit and the apparently diminishing chances of a no-deal Brexit remains to be seen, but the outlook seems less bleak than feared.

Brexit & budgets

No-deal Brexit could spark recession in UK ad market

Enders Analysis – January 2019

The UK ad market, Enders Analysis state, is poised on the brink of its first recession for more than a decade, and will be tipped in to it in the event of a no-deal Brexit – an event which would wipe out £1.36 Bn of advertising and marketing spend.

Enders Analysis' research suggests that advertising spend in the UK for 2019 will decline by 3% to £22.54 Bn if the UK leaves the EU without a deal.

The worst hit sector, the report indicates, would be display advertising which could be set to lose £1 Bn in the event of a no-deal Brexit compared to the projected spend following what is ambitiously termed an 'orderly withdrawal.' This includes online display advertising on sites such as Facebook and YouTube, which may stagnate if the UK cannot secure a deal.

TV advertising, including on catch-up sites such as ITV Hub and All4, is expected to fall by more than 9%, according to Enders Analysis, down £500 M on the £5.1 Bn spent last year. However, even if a Brexit deal is achieved, TV ad-spend is expected to drop by 2.9%.

While still a reduction in growth projections, the outlook is slightly more rosy if an 'orderly withdrawal' is made – with UK media spend on TV, newspapers, online, radio and billboards projected to rise by 2.7% to £23.9 Bn in 2019.

UK marketing budgets plateau for first time since 2012

IPA Bellwether – Q4 2018

IPA Bellwether released its Q4 2018 report, finding no change to overall marketing budgets for the first time since in any quarter since 2012.

However, spend in mainstream media advertising was down compared to Q3 (6.5%), as were other traditional marketing staples direct marketing (5.6%), market research (4.7%) and PR (4.1%).

Search and SEO budgets fell by 3.9%, the first drop in almost ten years. Online advertising overall, on the other hand, grew by 2.1% (though this is compared to a 13.6% growth in Q3).

UK ad spend to slow in 2019 "as the clock ticks down" to Brexit

Advertising Association/Warc Expenditure Report - 2019

Overall ad spend growth was forecast to slow to 4.6% in 2019, according to the Advertising Association/Warc Expenditure Report, with a no-deal Brexit likely to cause further decline,.

While overall ad-spend might slow if the UK government secures a withdrawal agreement from the EU, the study found, it will do so less if the government is able to minimise business disruption.

UK ad-spend increased by 5.1% year-on-year in 2018, reaching £5.6 Bn – with digital ad-spend acting as a key driver, growing an estimated 13.4% in 2018.

TV spend was flat during the quarter, said the same report, despite an 11.5% rise in video-on-demand revenue for UK broadcasters. Radio, however, grew by 5.0% and out of home by 7.3% year-on-year.

Stephen Woodford, Chief Executive of the Advertising Association, said:

"As the clock ticks down to our departure from the EU, it is crucial the Government provides the certainty we are all seeking in business. We are predicting continued ad spend growth of 4.6% in 2019 and an agreement with the EU that keeps disruption at a minimum and keeps trade and talent flowing will greatly help this growth."

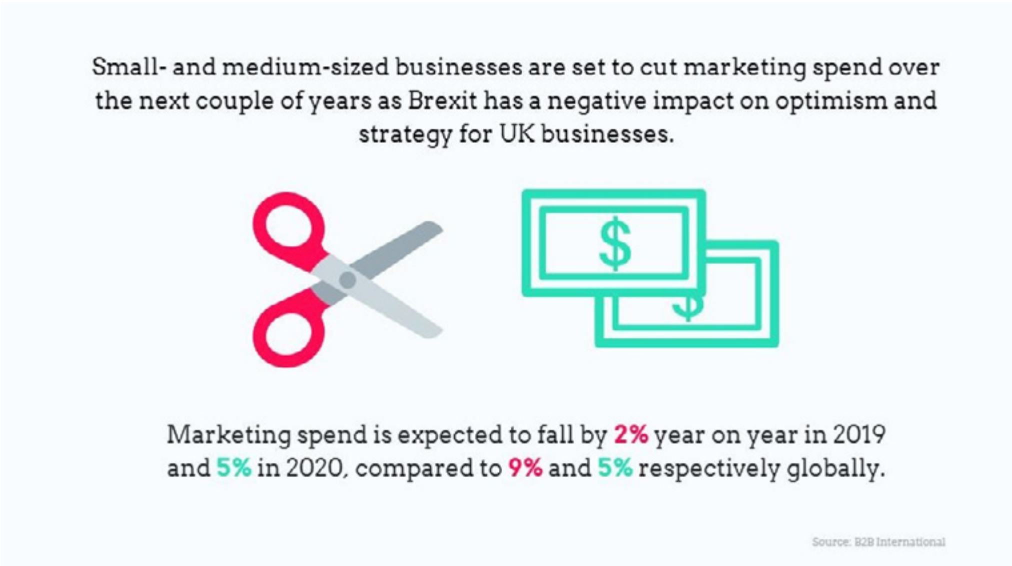
SMEs to cut marketing spend as Brexit bites

B2B International – April 2019

Brexit is set to result in SMEs over the next few years as the collective political and economic suicide looks set to cause a negative impact on optimism and strategy for UK businesses.

As a result, marketing spend is likely to fall by up to 2% (YoY) in 2019 and 5% in 2020, compared to 9% and 5% respectively globally. 46% of company decision makers have apparently downgraded their economic outlook for 2020, the report stated, with just 24% upgrading it and the rest unsure.

UK business, unsurprisingly, has the lowest optimism level of optimism – with only 18% of UK businesses 'very optimistic' about the outlook for Britain in 2020, compared to 45% in China, 41% in the United States and 38% in Germany. 30% of UK businesses are 'somewhat optimistic,' 24% 'neither pessimistic nor optimistic.' The main surprise from the report is that only 26% ranked as 'somewhat pessimistic' and 6% 'very pessimistic.'



Brexit & budgets analysis

The digital sector is, like all sectors and industries, essentially captive to the outcome of Brexit. What demonstrates the strength of the UK's digital sector, however, is that it is predicted to grow regardless of outcome. While many MPs say a no-deal Brexit should be avoided at all costs, the overall outlook for digital remains one of steady growth through 2019.

This is backed by the previously mentioned Bellwether Report – which found increases in marketing budgets despite predictions of a slump. What the Bellwether Report knew that the other surveys did not, however, was that Brexit would be delayed beyond the expected April date, so – again – we have to take the turnaround with a pinch of salt and recognise that it may not represent a complete change of heart, but a reflection of the 'facts on the ground' so to speak at the time of each reports compilation.

Investment & growth

53% of marketers plan to increase AI spend in the next three years

Quantcast and Forbes – January 2019

A Quantcast and Forbes Insights study suggests that due to positive results from investment in AI, marketers are looking to increase spending.

The survey, which asked questions of 500 marketers, saw 52% of respondents report that they have seen an increase in sales, and 51% that they had seen increases in customer retention since introducing AI capabilities.

As a result, brands are increasingly interested in investment or further investment in AI, with 53% of marketers surveyed planning to make between 25% to 49% increases in their AI spend over the next three years, while 17% advised of prospective increases of between 50% and 74%.

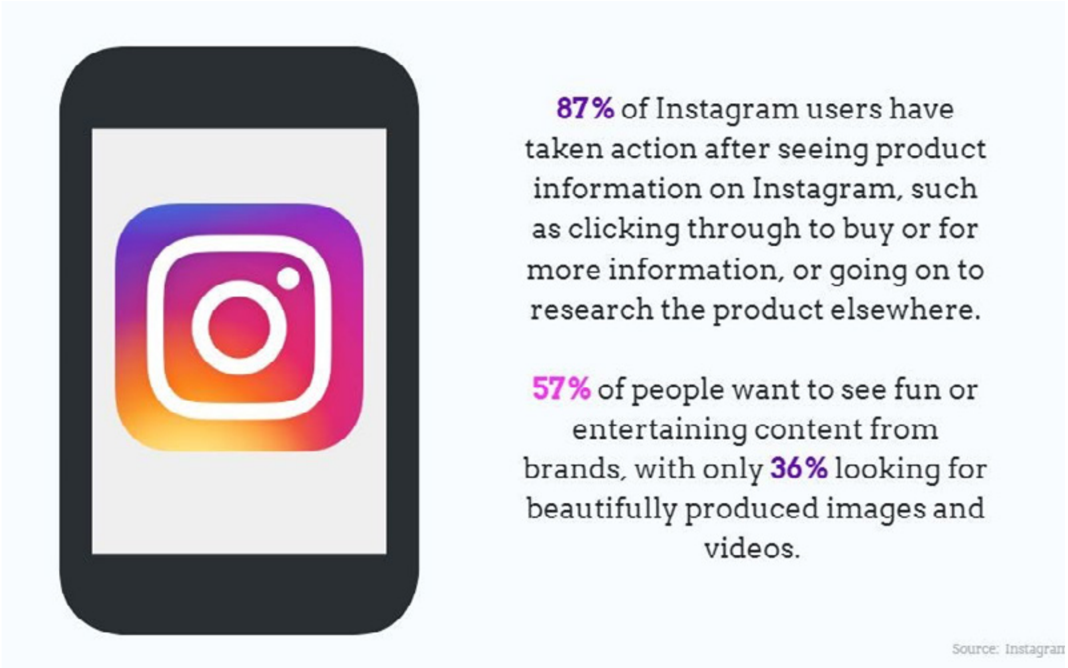
Marketers are also optimistic about the results. 80% said AI technology will enable them to focus more time on strategy and less on day-to-day tasks, 58% said it will help them to refine the online customer experience, and 55% said it will help them generate personalised messaging.

Agencies say search, social spend will rise, but increases target 5 platforms

The same survey also found that second-tier platforms less likely to benefit from increased spending in 2019. Amazon and LinkedIn rank in the top five, while the Google and Facebook duopoly dominates predicted spending increases.

87% of people take action after seeing product info on Instagram

Instagram – April 2019



87% of Instagram users have apparently taken action after seeing product information on Instagram, the social media firm has reported. This includes clicking through to buy, or to find out more information – or researching the product elsewhere (though one of the previously cited studies suggests these actions are almost certainly information related).

21,000 Instagram users (13 to 64) were polled, with results showing that 83% use Instagram to help discover new products and services. However, users expressed a desire to see brands showcase their personality, rather than just post images.

57% of people want fun or entertaining content from brands, while 36% looked only for 'beautifully produced images and videos.' Over a quarter (29%) want content that brings communities together on the topics and interests they love. A further 53% stated that they follow a brand for its content alone – even if they aren't a fan of the brand itself.

Usage of Instagram stories has grown 21% since March 2018

Socialbakers - 2019

A Socialbakers report examines how brands are taking advantage of influencer marketing (and related social media platforms).

Some of the report's key findings include:

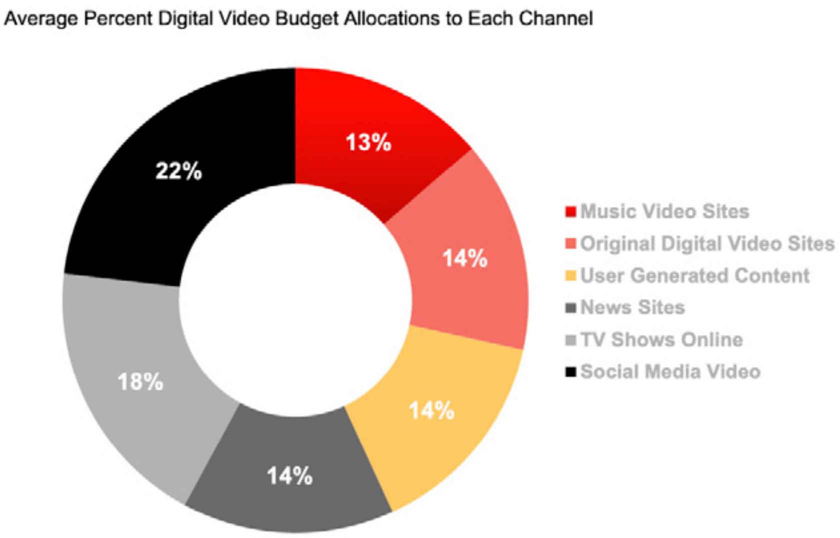
- Instagram Stories remain a valuable source of engagement for brands, with the format usage growing by 21% since March 2018.
- Images remain the top content format preferred by influencers. However, the gap between is closing.
- In January 2017, images accounted for 91% of influencer content, while in the first quarter of 2019 images represent only 71% of influencer content, with video at 10%, and carousel posts representing 18%.
- Transparency in influencer marketing is on the increase, with the number of influencers using the #ad hashtag on Instagram increasing by an impressive 133% in 2018.

Advertisers to spend an average $18m on digital video ads in 2019

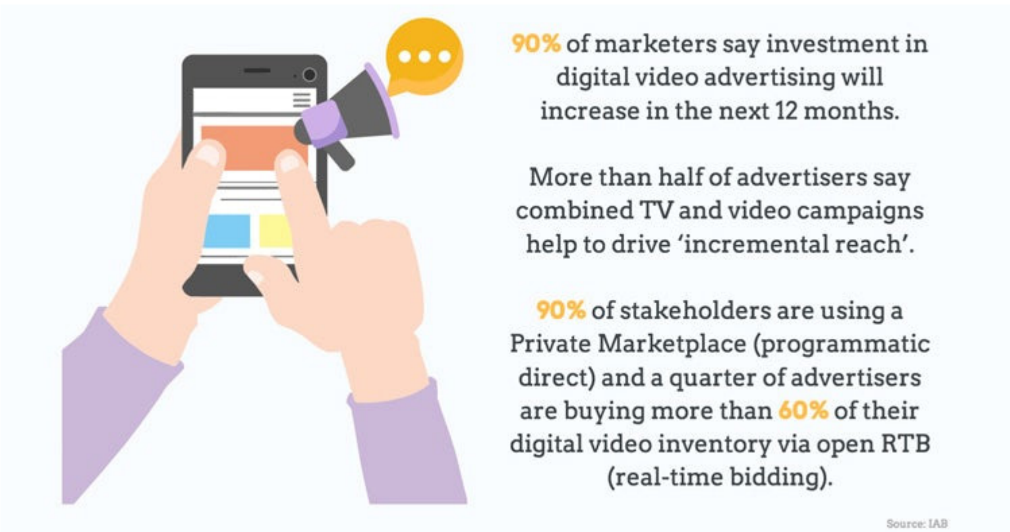
IAB – 2019

The recent IAB report found that brand spend on digital video ads is set to rise, with respondents indicating that they expect to spend an average of $18 M in 2019—an increase of around 25% on 2018.

Spend on video ads has grown across all verticals since 2018, with media and entertainment brands leading the way with a three quarter increase YoY, apparel brands weren't far behind, however, with spend increasing by almost half.



The report also states that almost two-thirds of digital budgets were set to be allocated to video in 2019, split between desktop and mobile video formats. 22% of this is set to be spent on social media, with 18% for streaming television.



Investment & growth analysis

While self reported statistics from Instagram – a subsidiary of Facebook which has a long history of over reporting user behaviour – can be taken with a pinch of salt, it's been more than apparent that Facebook has thrown its full weight behind the Instagram platform, with greater and greater integration between the platforms developing throughout 2018 and Q1 of 2019. Included in this has been a 'share to story' option appearing in Messenger and various story prompts in the Facebook app.

Whether or not the stats are inflated, however, the investment Facebook is making in Instagram, and the status of the platform as the influencer's choice makes Instagram an attractive proposition for brands. The main concern marketers should have when allocating budget, however, are a number of reports that have found reduced trust in high-profile influencers and a less than solid capacity for predicting and calculating ROI for influencer marketing in general.

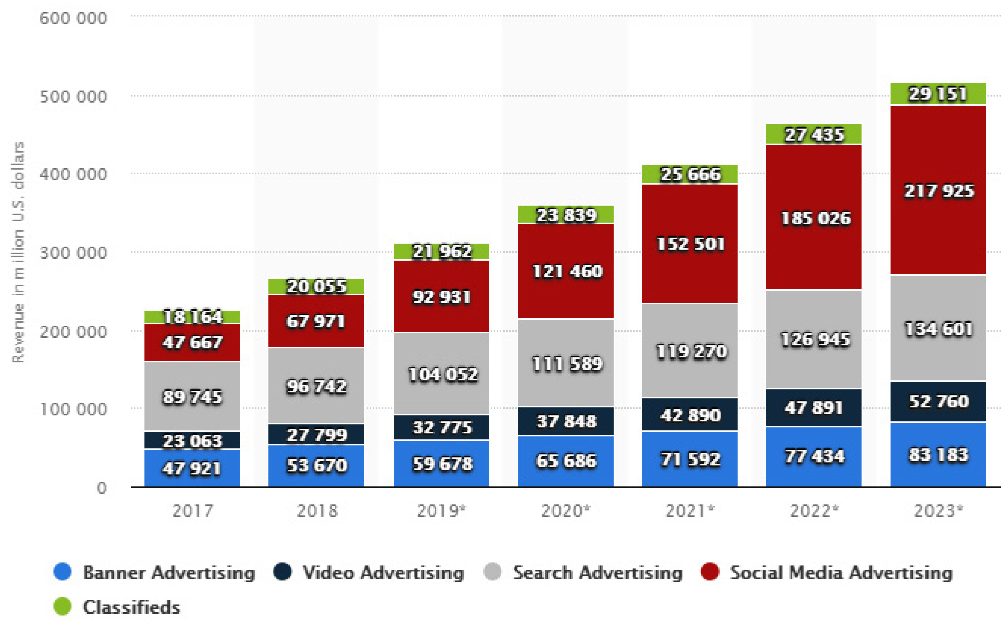
Much of the other information on investment comes in the form of a familiar refrain – 2019 is the year of video, much like every one of the last several. While the recurring nature is no indication of fallibility, it should also be noted that video for video's sake is as poor an investment as the content for content's sake trend that predated it. This, for example, was one area Facebook was forced in to an admission over in 2018 – with their view figures often skewed by more than 1000%.

There will undoubtedly be innumerable brands that will be looking to remove page after page of video content from sitemaps over the next few years, and more lamenting the sizeable proportion of budgets essentially wasted on low quality video – again, just as happened during the written content push.

As Google develops the ability to understand video content (just as it has done with audio – see their recently added podcast parsing for search terms, returning relevant audio), video budgets would be better spent creating one or two high quality pieces of evergreen video content useful as clips and long form pieces, with savings spent on less costly audio only content than, than spending what could be diminishing budgets on hours of video that may prove useless in the long term.

What can brands learn to improve digital spend?

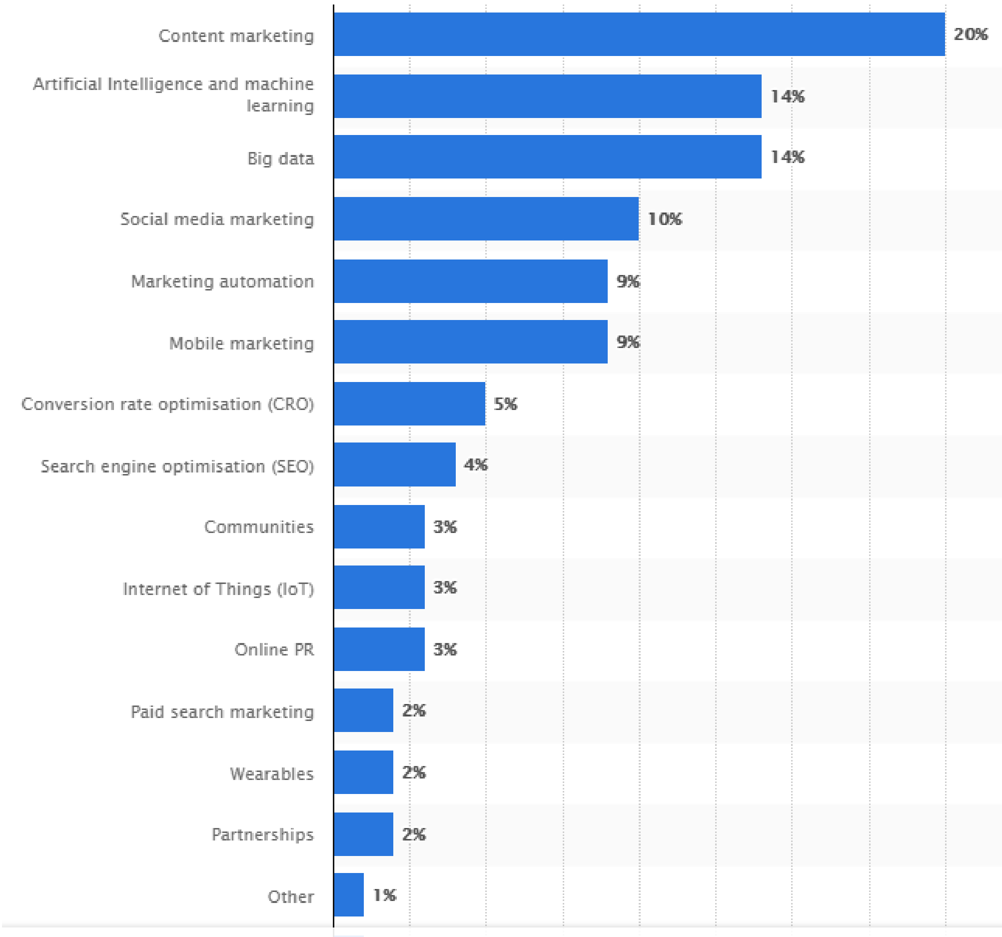
The overall state of digital advertising remains strong, with Statista predicting steady global growth over the next five years in all areas.



While the verisimilitude of these predictions is necessarily dependent on how things progress in the five year period, with various global socio-economic issues holding the potential to impact global expenditure – from the slowdown of the Chinese economy, the various tariff wars, Brexit and possible EU wide stagnation or recession dependent on the outcomes of various member state national elections set to be held over the time period – it is likely to produce a downgrading of the optimism displayed by prediction of a near doubling of spend, than it is a shrinkage.

This means that brands will be faced with a tricky decision – while reducing spend has been persistently proven to be counterproductive in the long term, marketing can be one of the first departments to face budget cuts, meaning that marketers will need to ensure they are choosing the right places to invest their money.

In this regard, Statista also surveyed marketers in a separate study, with the aim of identifying the channels with the highest regard – those that marketers reported were the ones with either the best – or at least best potential – ROI.



The major issue here is that, while there is often wisdom in crowds, like every industry, marketing professionals can fall prey to shiny things – and while big data can be a valuable asset, many of those with access will fail to employ the data scientists that could best provide insight. Similarly, while it remains to be seen how much impact the IoT will have on marketing, while a repeated failure to correctly differentiate between machine learning and artificial intelligence in various think pieces leaves me questioning the potential of the crowd to correctly identify its value.

We would be interested to see how the digital split would break down if things were differently phrased. For example – machine learning and marketing automation is almost certain to play a big part in the mid-term, while social media marketing could easily be split with community building (especially as Facebook has begun to push its group offering more forcefully).

Content marketing, on the other hand, would appear to contain all forms of content – which means it combines the possibly overstated influence of video and the often underrated value of written and image content.

All in all, what is best for each brand will be a diffuse mix of many options – so it is vital that your marketing department or partner agencies is able to really understand the aims of the brand to develop a truly bespoke marketing mix rather than attempting to transfer a static marketing model from one brand to the next which is likely to be counterproductive.

Conclusion

Ups and downs

While various political and socio-economic trends and occurrences offer the potential to slow growth in marketing spend, it is clear from precedent that brands continuing with a flat spend or increasing marketing spend have been more successful than their competition, and from survey results that the majority of marketers will be looking to increase spend in areas of proven ROI.

While this has meant a potentially ill advised contraction of spend on traditional marketing verticals – such as direct and outdoor marketing – the digital spend is likely, by virtue of its demonstrable ROI is likely to continue to grow steadily.

Future martech

What will be interesting is how well marketers move from collecting data to analysing it, and how well machine learning is integrated in to the marketing automation and customer service requirements. While we can agree that big data and machine learning/AI have great potential, some of the money that will be spent on implementation of strategies will doubtless be wasted without employing data scientists and upskilling marketers in TensorFlow and other machine learning technologies.

Traditional digital?

As for the staple digital skill-sets, the low ranking for SEO is of particular concern – especially as technical SEO plays such an important part in ensuring the right data is collected and that machine learning algorithms are able to correctly parse the content on a site. In essence, not only can a good SEO strategy provide benefits on its own, it's also a prerequisite for unlocking the benefits of various other new marketing technologies.

The problem for PPC will be two-fold – while it is undoubtedly one of the most comprehensively trackable and traceable marketing investments, it has come under criticism from a brand protection perspective and due to issues with click fraud. However, nothing can detract from the success that brands of all shapes and sizes can achieve through good paid search strategies – regardless of the drawbacks, it remains a potentially fantastic investment and if the trend to automation is handled well – which will require careful oversight of paid search accounts to ensure what is being automated, by Google specifically, is in the accounts best interests.

What brands should do

While advice to wait and see is never helpful, for all but the largest brands, the investment required to capitalise on some of the new technologies can be prohibitive – but while immediate investment may not be advised, beginning to upskill staff for the near future when prices for entry drop, or seeking partners which are doing so, is something most brands can do.

The vast majority of everything else will depend on whether budgets grow, shrink or remain steady – but investment in the core digital skills of content, paid search and SEO should be sacrosanct – especially as the importance of SEO and content grow in the age of machine learning, while paid search will continue to be one of the best branding exercise a brand can carry out online.

Our accreditations

Our awards

About Click Consult

Click Consult is a multi award-winning digital and search marketing agency with a focus on organic (SEO) and paid search (PPC). Part of global consumer brand business Ceuta Group, we have a team of 70-plus specialists and a portfolio of more than 60 clients worldwide.

Our complementary services include content marketing, outreach, social media, conversion rate optimisation (CRO) and international/multilingual search marketing. We can also offer training and consultation to support your teams or existing strategy.

Click was named Search Agency of the Year and Digital Agency of the Year 2018, adding to our long list of other awards and accolades, and also ranks within Econsultancy's 'Top 100 Digital Agencies', and Prolific North's 'Top 50 Digital Agencies'. We're also a Google Premier Partner, a Bing Select Partner and feature in The Drum Recommends.