GroupM Global Year-End Ad Forecast Is ‘Less Bad’ Than Expected

Not many companies would say 2020 was great for business. But GroupM’s global end-of-year forecast found that things weren’t quite as bad as expected, especially compared to the dire outlook of the media investment company’s mid-year forecast.

According to the just-released global report, “This Year Next Year,” advertising weathered the storm relatively well. Revenues declined by just 5.8% on an underlying basis (excluding U.S. political advertising), a much better expectation than GroupM’s June forecast of an 11.9% drop for 2020.

That said, the focus on three markets—the U.S., the U.K. and China—disproportionately impact the numbers, according to GroupM’s global president of business intelligence, Brian Wieser, the author of the report. To be clear, the GroupM data isn’t measuring ad spending—it’s media owner ad revenue, a subtle but important difference. As Wieser noted, “Ad spending implies spending on various services that we’re not estimating.” It’s also much harder to make estimates of ad spend at a medium level than it is to track media owner ad revenue at a medium level)

“If you look at our June forecast, we were expecting 2020 ad revenues to show a 12% decline within the median country of the roughly 60 that we are tracking. Now, we estimate the median decline will be 11%, but the mean is about a 6% decline. The difference is because of the outperformance of China, the U.S. and U.K. while the typical country is likely

to end up only slightly better than we anticipated at mid-year," Wieser told Adweek.

He said the massive growth in advertising is primarily going to Google and Facebook, which Wieser argues is a function of a "secular trend that relates to creative destruction, the idea that the typical business that exists today did not exist eight years ago. The kinds of new businesses that, in the U.K., the U.S. and China, have a heavy digital skew."

But overall, based on GroupM's newly revised figures in the study, "the company estimates that during 2020, there will be $591 billion in advertising revenue for the world's media owners, including those who sell advertising in digital environments, television, audio properties, newspapers, magazines, outdoor media and cinema."

Some other facts to consider from the forecast:

- The nature of the downturn and new consumer behaviors forced businesses to rapidly adapt to ecommerce models, and digital advertising benefitted. As such, GroupM updated its 2021 outlook for the global advertising market from the June forecast of 8.2% to 12.3% growth.
- Each of the top eight markets is expected to grow by nearly 2% and better in 2021.
- During 2020, digital extensions of TV, radio, print and outdoor advertising should equal $37 billion, 15% of traditional media activity, up from $23 billion, or 7%, five years ago. Digital extensions will equal 16% of advertising spending on traditional media by 2024.
- Television advertising will decline by 15.1%, excluding U.S. political advertising, before rebounding to grow 7.8% next year.
- Outdoor advertising is estimated to decline by 31% during 2020, including digital out-of-home media. Next year should see a partial rebound, with 18% growth.

Forecasting during a pandemic is admittedly difficult and different for GroupM, and the study states that a better way to look at the new forecasts is to focus on longer-term figures.

“Expectations through 2024 are commonly more elevated now than they were before—both from our June estimates and from pre-pandemic levels. This is, at least in part, because there is a widespread expectation that digital advertising will grow faster than previously anticipated, and from a higher plateau, driven by faster-than-expected growth for ecommerce alongside supporting advertising activity,” Wieser wrote in the forecast.

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