Paper & Printing | Trends

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Advertising expenditure report: Sept 2014

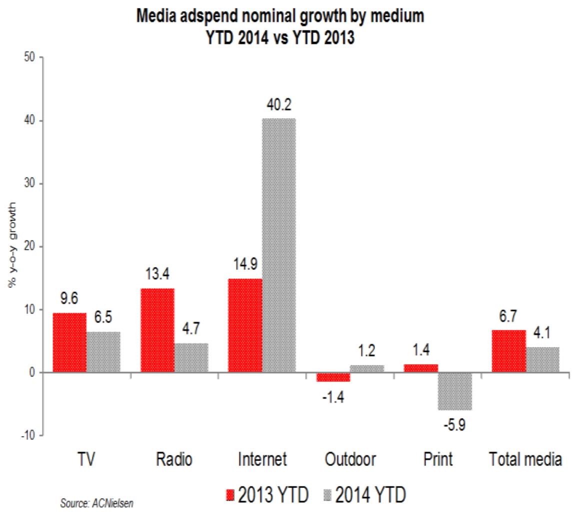
Unexpected negative growth in total media adspend in September

Outcome for September (nominal y/y % growth)

	Aug '14	Sept '14	Q2 2014	Q3 2014	YTD 2014	YTD 2013	2013
Total media adspend ▼	3.7[+]	**-1.0**	*6.3[+]*	***2.4***	*4.1*	*6.7*	*7.8[+]*
Print adspend ▼	-8.2[+]	**-8.3**	*-6.3[+]*	***-7.4***	*-5.9*	*1.4*	*1.1[+]*
TV ▼	8.7	**3.5**	*8.3*	***6.5***	*6.5*	*9.6*	*10.6[+]*
Radio ▼	8.7[+]	**-1.7**	*13.3[+]*	***3.2***	*4.7*	*13.4*	*13.0*
Internet ▼	8.1[+]	**-5.0**	*49.6*	***12.9***	*40.2*	*14.9*	*24.5*
Outdoor ▼	7.3	**-20.4**	*1.1[+]*	***-7.0***	*1.2*	*-1.4*	*0.2*
Cinema ▲	32.8	**54.0**	*110.3*	***68.8***	*76.9*	*-17.7*	*15.9*

+ Data revision

- Y/y growth in nominal **total media adspend declined to -1.0%** in September, from 3.7% in August. One would have hoped to see an improvement in advertising expenditure figures in September, considering that recent market indicators had suggested a pick-up in economic activity after the end of the strike action at the end of July. Instead, y/y growth in total media adspend declined for the second consecutive month in September to its **lowest level since December 2012**. In addition, the weaker-than-expected September figures contributed negatively towards the quarterly outcome: in Q3 2014, y/y growth in total media adspend was only 2.4%, compared to 6.3% in Q2 2014.
- The total nominal amount of media adspend was **R3.3 billion** in Sept '14
  - This was R73 million less than in August 2014 (-2.2%) and R35 million less than in September 2013 (-1.0%).
  - Nearly 53% of the total amount was spent in the TV category, while 24% was spent in the print category.
- Y/y growth in **print adspend** contracted once again in September, to -8.3%, from -8.2% in August. In fact, the print medium has been recording negative growth rates since Jan 2014. On average, advertisers have spent roughly R50 million less each month in 2014 than in 2013. One should also note that these figures are in nominal terms, i.e. not adjusted for inflation.
- The adjacent graph shows that the print medium is not the only category that registered growth losses in 2014. During the first nine months of this year, y/y growth averaged 6.5% in the TV category (compared to 9.6% in 2013) and 4.7% in the radio category (compared to 13.4% in 2013). On the other hand, YTD growth in outdoor and Internet adspend increased to 1.2% in 2014 (from -1.4% in 2013) and to 40.2% in 2014 (from 14.9% in 2013) respectively. Overall, YTD growth for total media adspend declined to 4.1% in 2014, from 6.7% last year.

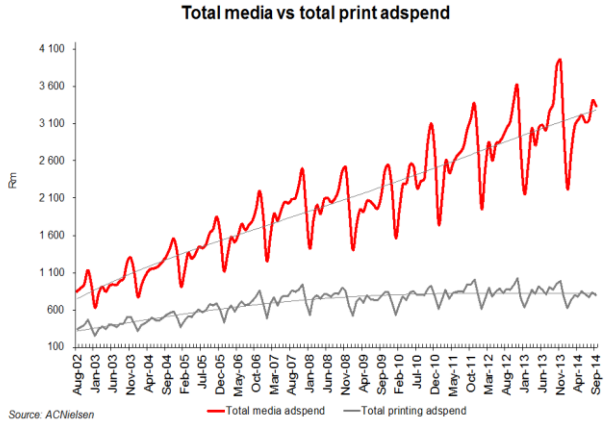


- In September, Unilever SA was once again the biggest media advertiser, while Pick'n'Pay was the biggest brand.

Reasons for outcome

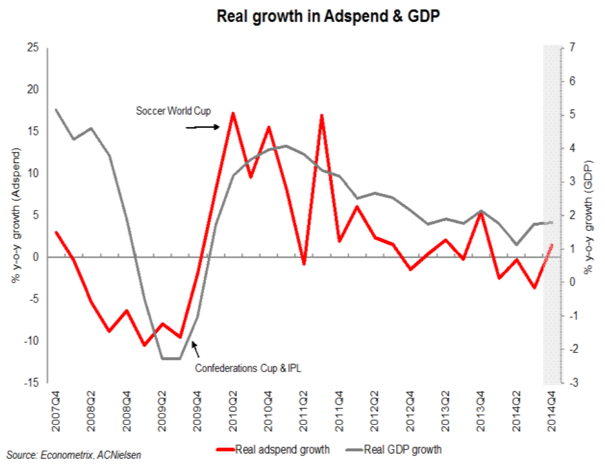
- The decline in growth of total media adspend in September was driven by **weaker-than-expected outcomes in all categories, except for cinema adspend**. There was low growth in TV adspend (3.5% y/y) and negative growth in radio (-1.7%), internet (-5.0%), outdoor (-20.0%) and print adspend (-8.3%). These results come somewhat as a surprise, as we expected a slight recovery in advertising expenditure due to the recent developments in real economic activity. Since the end of the strikes in the metals and mining industries at the end of July, indicators of economic sentiment have shown a marked improvement in business morale and output, especially in the vehicle, manufacturing and wholesale industries. However, adspend figures have not reflected the apparent pick-up phase of economic activity in August or September.
- **The declining trend in print adspend continues in September.** Y/y growth in total print adspend remains in deep negative territory, viz. -8.3% in September, from -8.2% in August. There were sharp declines in both subcategories, viz. *magazines adspend* and *newsprint adspend:*

- In September, y/y growth in total **newsprint adspend** worsened for the fourth consecutive month to -7.1%, from a revised 6.9% in August and -5.0% in July. The main reason for the decrease can be attributed to the fall in growth of weekly news adspend (a record low of -28.5%).
- The sharp decline in **magazine adspend** continued in September, with y/y growth in total magazine adspend plunging to -12.0%, from a revised -12.6% in August. The decrease in magazine adspend is the result of steep declines in growth of adspend for *consumer magazines, trade magazines and business and technology magazines.*



Outlook

- The September figures complete the Q3 2014 result, which turned out much weaker than expected. After adjusting the nominal growth in total media adspend for inflation, we obtain a real growth rate of **-3.6% y/y for Q3 2014**. This is the worst result since the 2009 recession and represents a marked deterioration in real growth of adspend in comparison to Q2 2014, viz. -0.3%, and Q1 2014, viz. -2.5%.
- Going forward, we suspect that advertising volumes are likely to increase in Q4 due to the upcoming festive season. However, in response to the weak performance in the first nine months of 2014, we have revised our forecast for **real growth in adspend in 2014 downwards** to -1% y/y, from 1% previously.



Top 10 advertisers and brands (all medium vs print)

Top 10 advertisers: all media (Sept 2014)	Top 10 advertisers: print (Sept 2014)
1. Unilever SA	1. Shoprite Holdings Ltd
2. Shoprite Holdings Ltd	2. Pick n Pay
3. SAB Miller	3. Massmart
4. Vodacom Communication	4. ABSA
5. Clientele Life	5. Spar South Africa
6. Pick N Pay	6. VIDI.CO.ZA
7. ABSA	7. National Government
8. Outsurance Insurance	8. Edcon
9. Standard Bank	9. Multichoice Africa
10. Procter & Gamble	10. JD Group

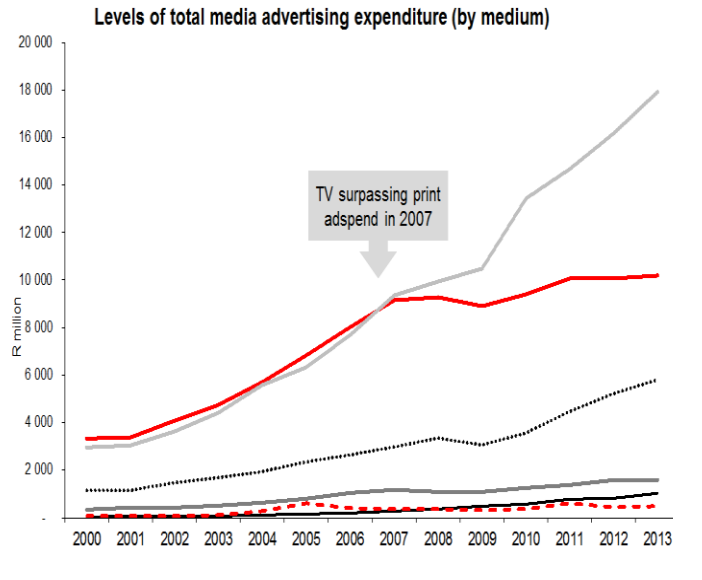
Top 10 brands: all media (Sept 2014)	Top 10 brands: print (Sept 2014)
1. Pick n Pay	1. Pick N Pay
2. Vodacom Communication	2. Checkers Supermarket
3. Checkers Supermarket	3. Spar South Africa
4. Kentucky Fried Chicken	4. VIDI.CO.ZA
5. Outsurance	5. Shoprite
6. Spar South Africa	6. Game Department Store
7. 1st For Women	7. Checkers Hyper
8. Shoprite	8. Multichoice Dstv
9. Vodacom Mpesa	9. Makro Wholesalers
10. Mcdonald Restaurant	10. Absa Bank

Analysis of South African adspend data[1]

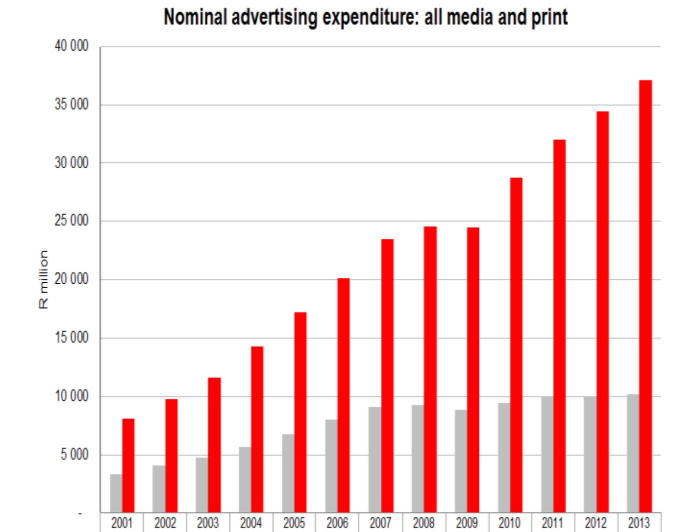
(Click on relevant section)

1 *Source: AC Nielsen ADEX*

Levels of total media adspend

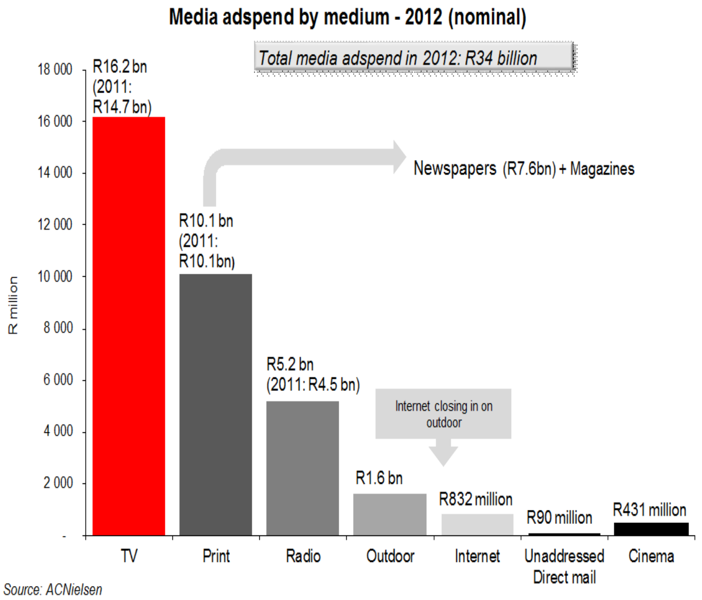


Source: ACNielsen



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Print	3 373	4 067	4 743	5 686	6 808	8 022	9 161	9 295	8 900	9 415	10 060	10 082	10 174
All media	8 153	9 811	11 621	14 309	17 135	20 099	23 437	24 565	24 418	28 702	32 011	34 413	37 144

Source: ACNielsen



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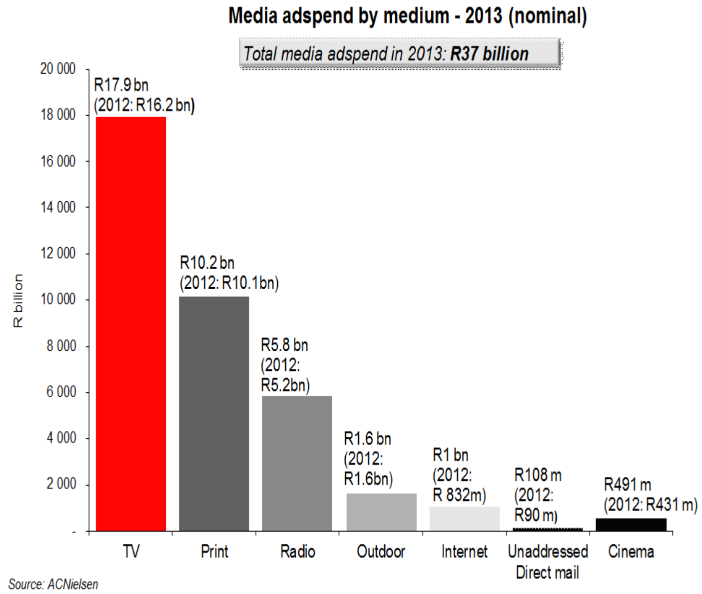
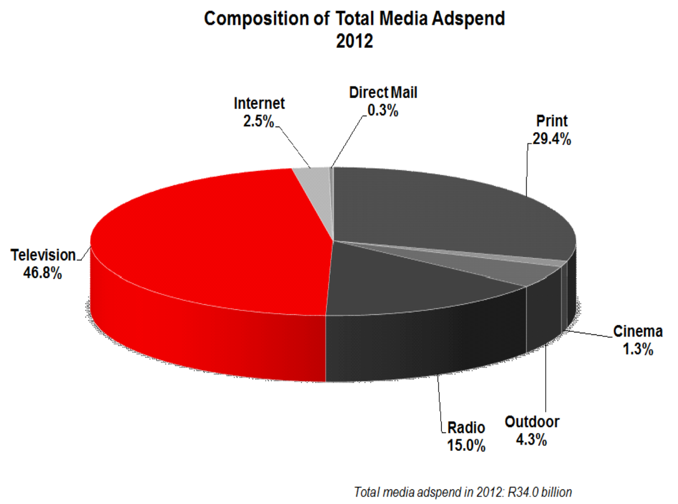
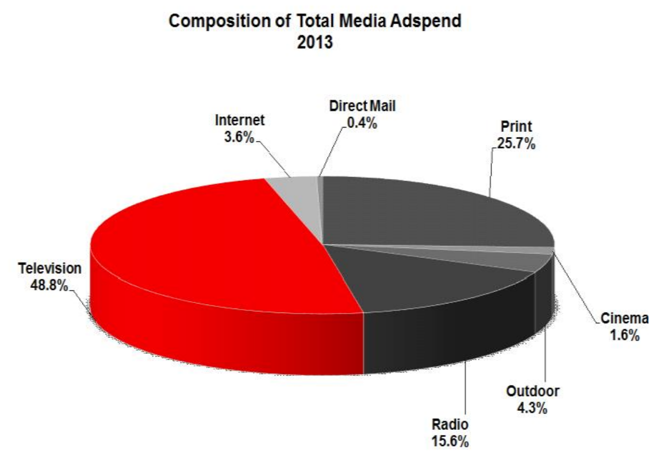


Source: ACNielsen

Composition of total media adspend

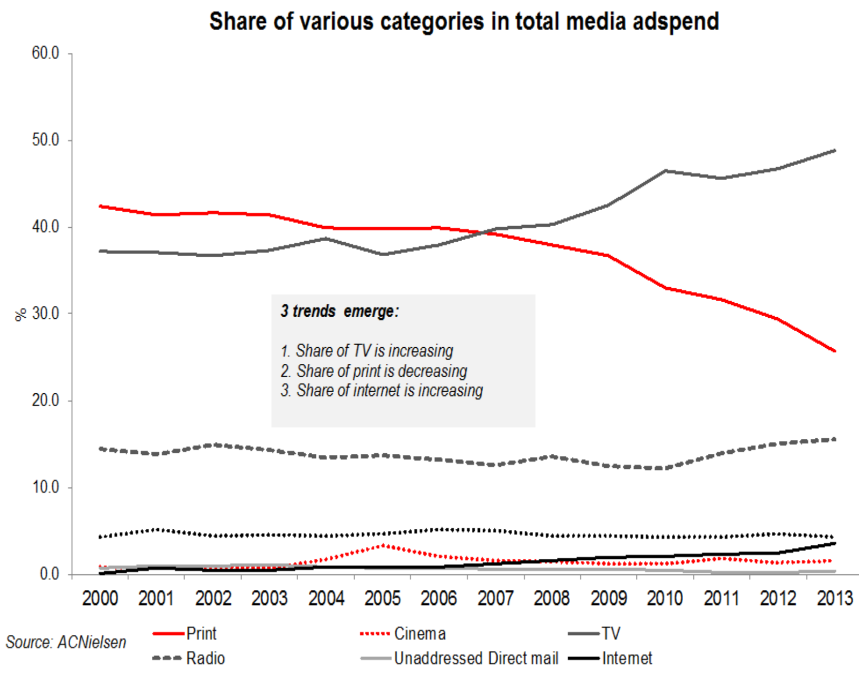


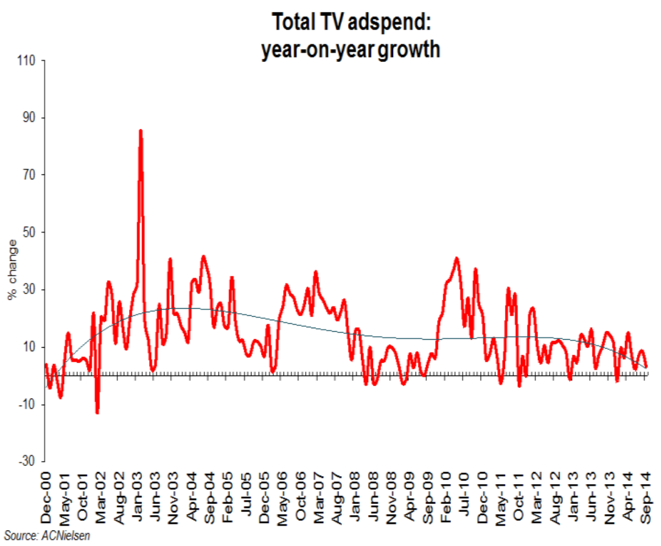
Source: ACNielsen

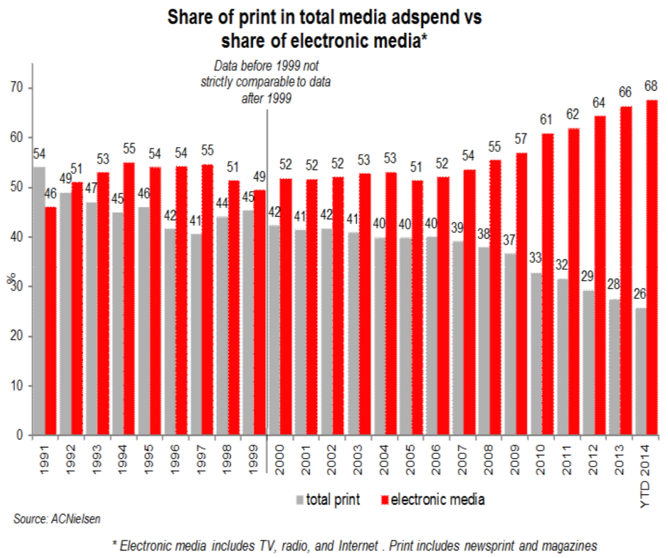


Source: ACNielsen

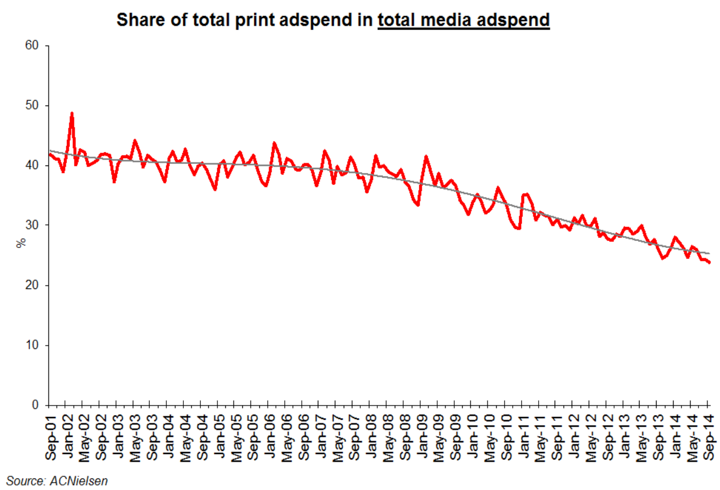
Share of various categories in total media adspend	Aug'14	Sept'14	*2013*	*YTD 2014*
Total print	24.0	23.9▼	27.6	25.7▼
TV	50.6	52.8▲	48.0	48.8▲
Radio	16.4	15.2▼	15.7	15.6▼
Unaddressed direct mail	0.3	0.4▲	0.3	0.4▲
Internet	3.4	3.0▼	2.7	3.6▲
Outdoor	4.0	3.3▼	4.4	4.3▼
Cinema	1.3	1.4▲	1.3	1.6▲
Total All Media	100.0	100.0	100.0	100.0



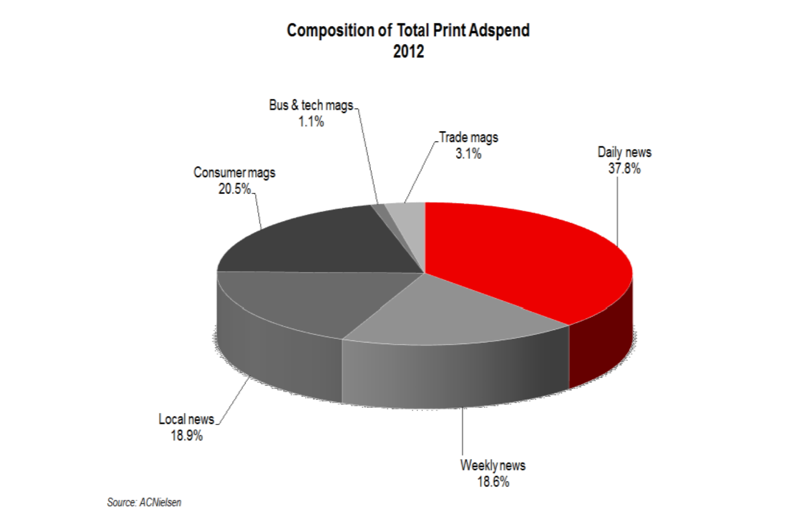


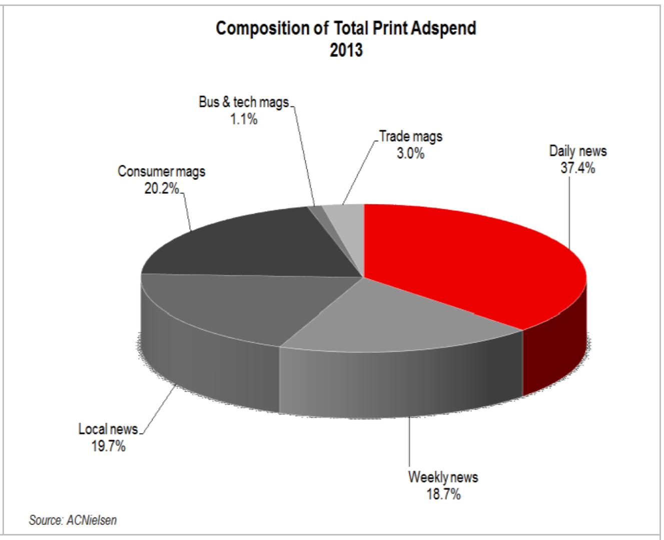


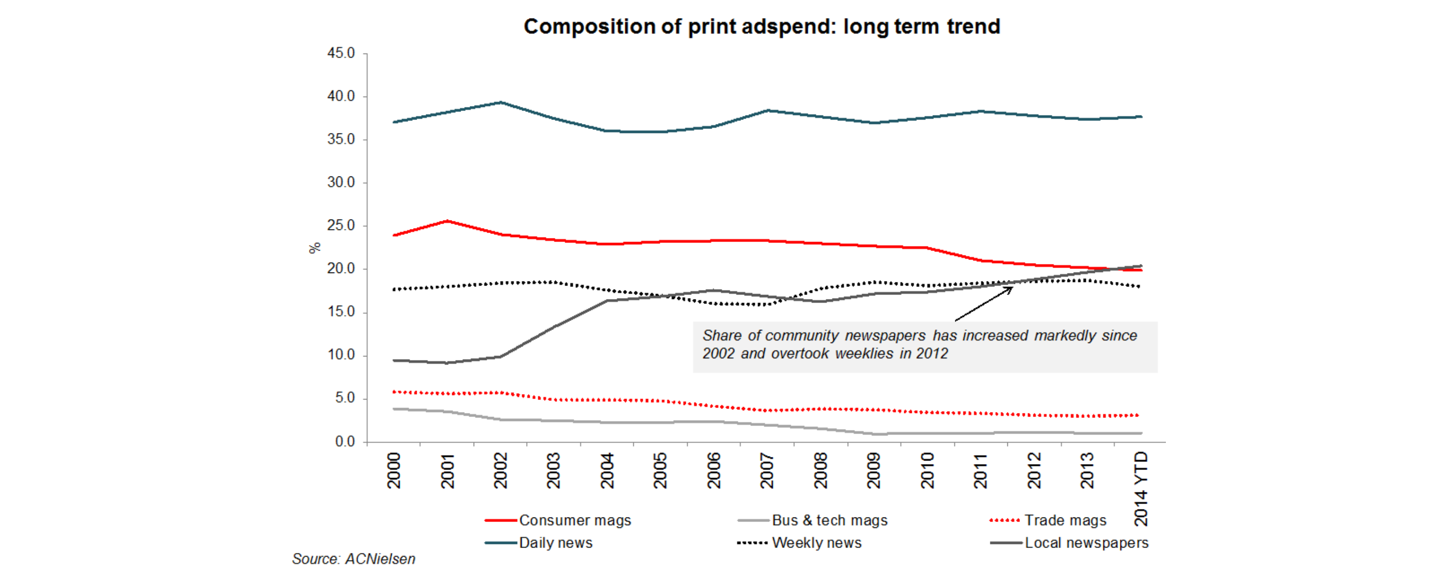
Composition of *print* adspend



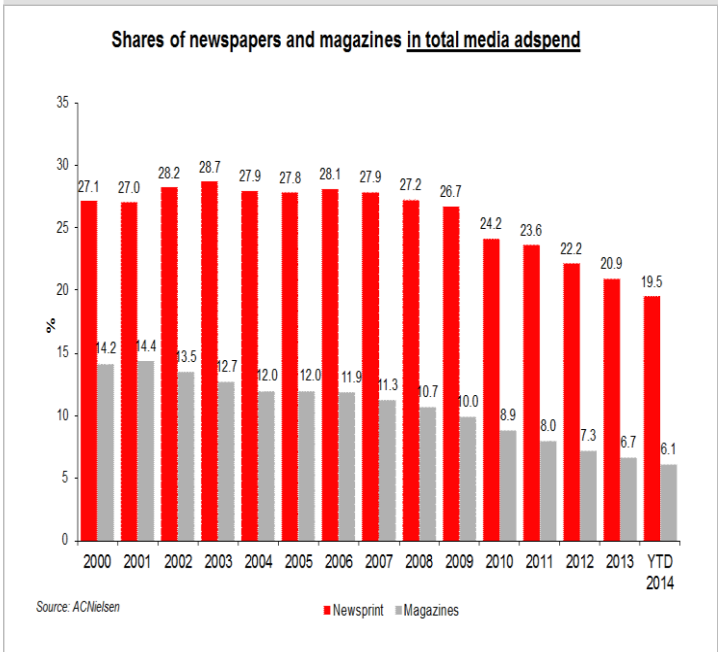
Share magazines and newspaper adspend in total print adspend	Aug '14	Sept'14	*2013*	*YTD 2014*
Magazines	22.4	25.3	*24.2*	*23.9*▼
Newsprint	77.6	74.7	*75.8*	*76.1*▲

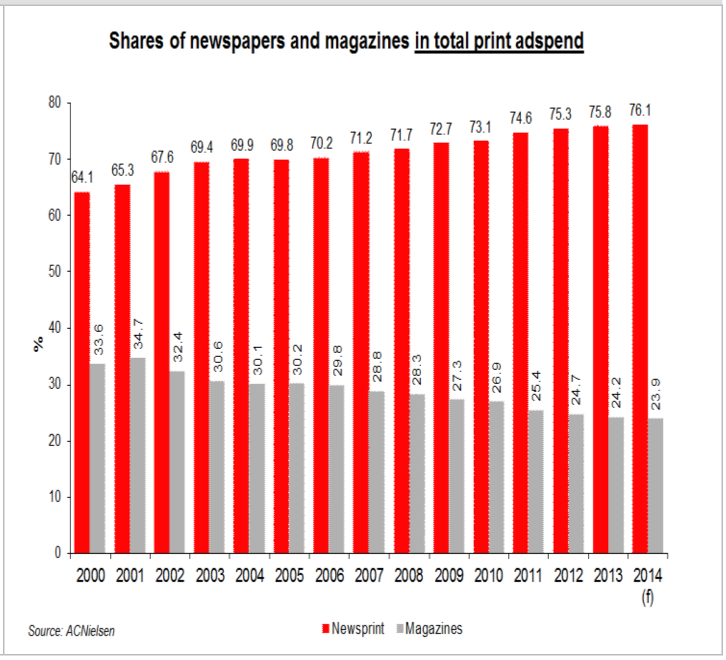




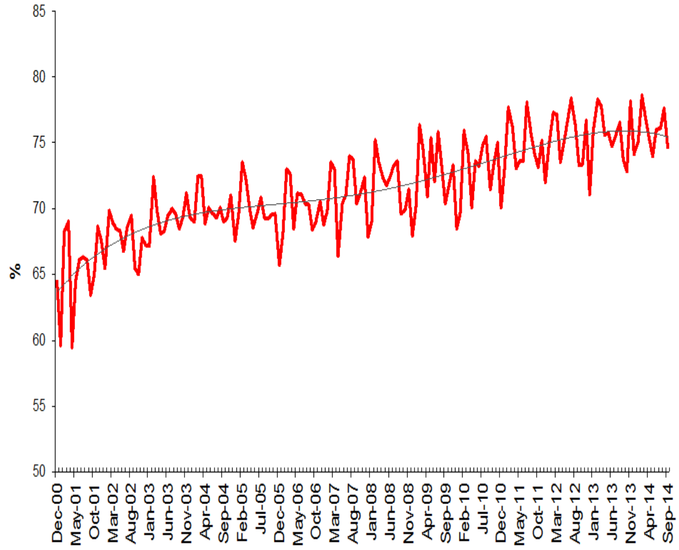


(a) Newsprint vs magazine adspend



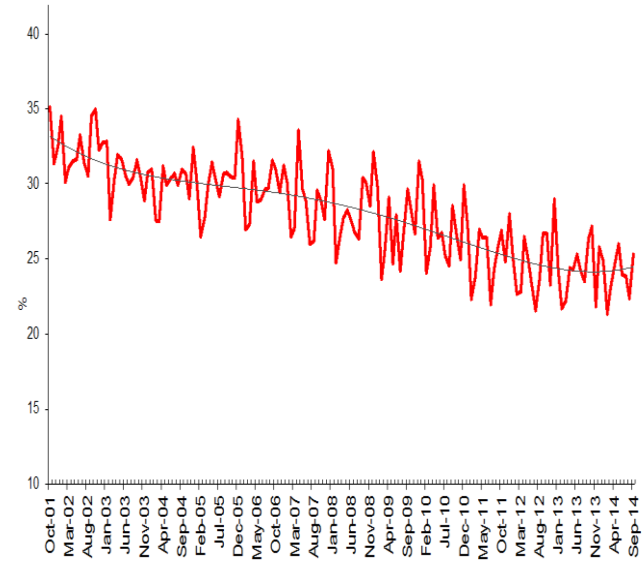


Share of total newsprint adspend in total print adspend



Source: ACNielsen

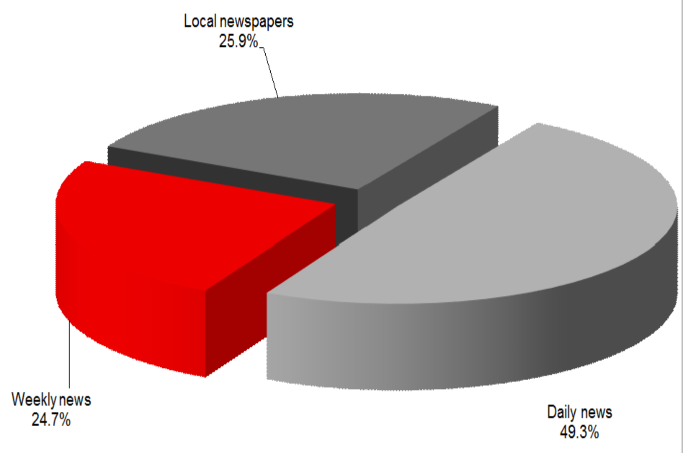
Share of total magazines adspend in total print adspend



Source: ACNielsen

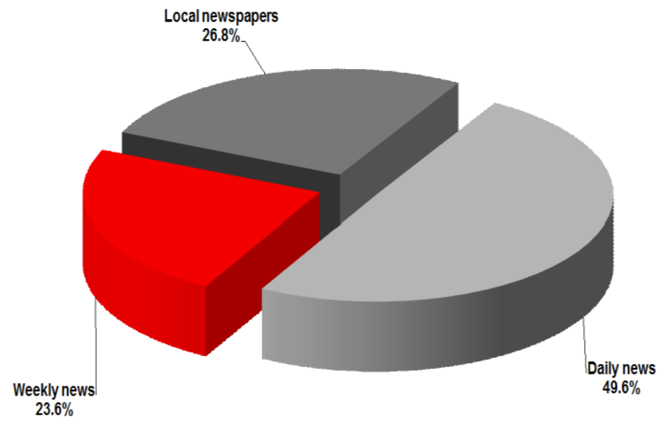
(b) Composition of newsprint adspend

Share of newsprint categories in total newsprint adspend: 2013



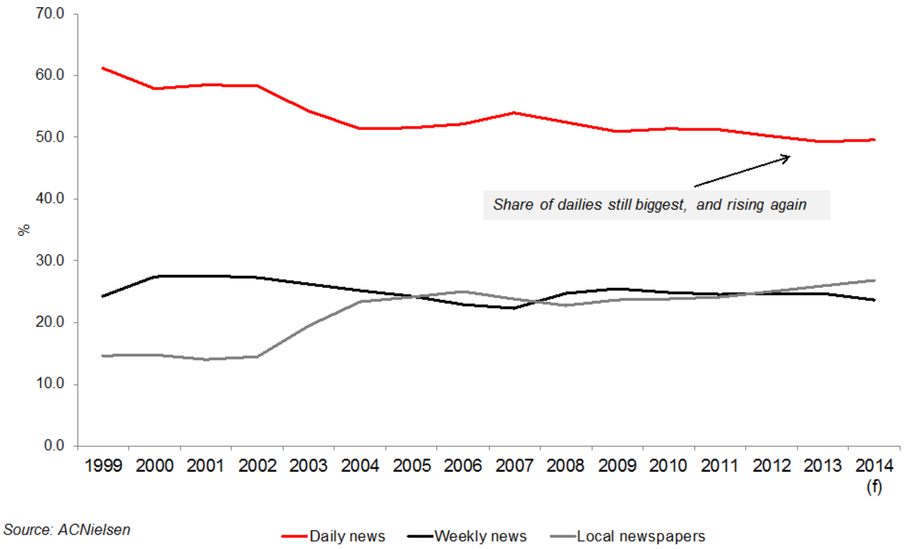
Source: ACNielsen

Share of newsprint categories in total newsprint adspend: 2014 YTD



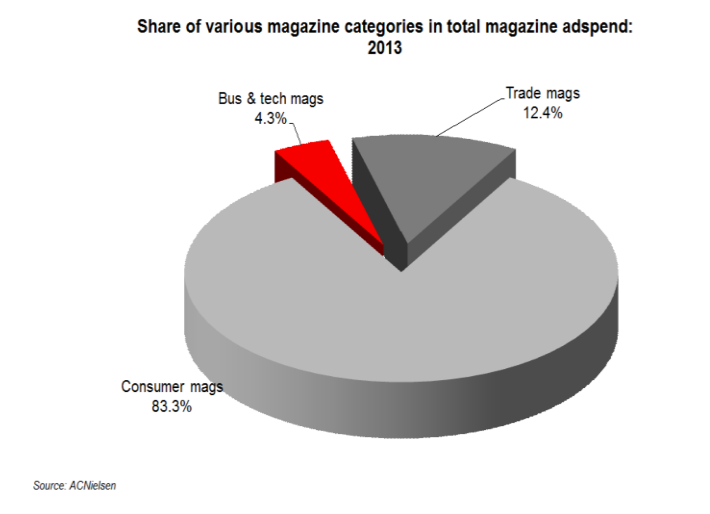
Source: ACNielsen

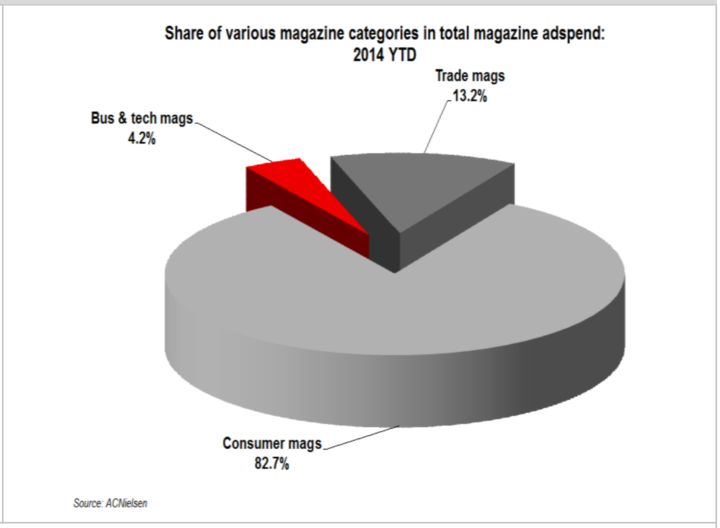
Share of various types of newspapers in total newsprint adspend

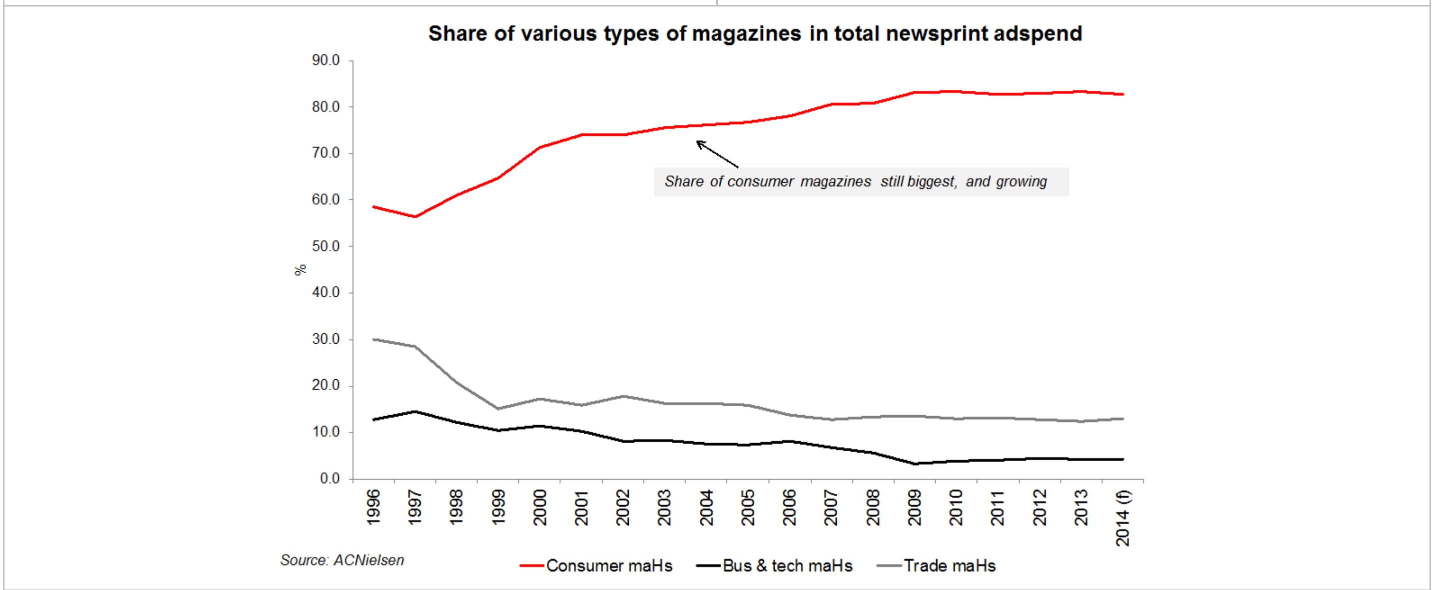


Source: ACNielsen

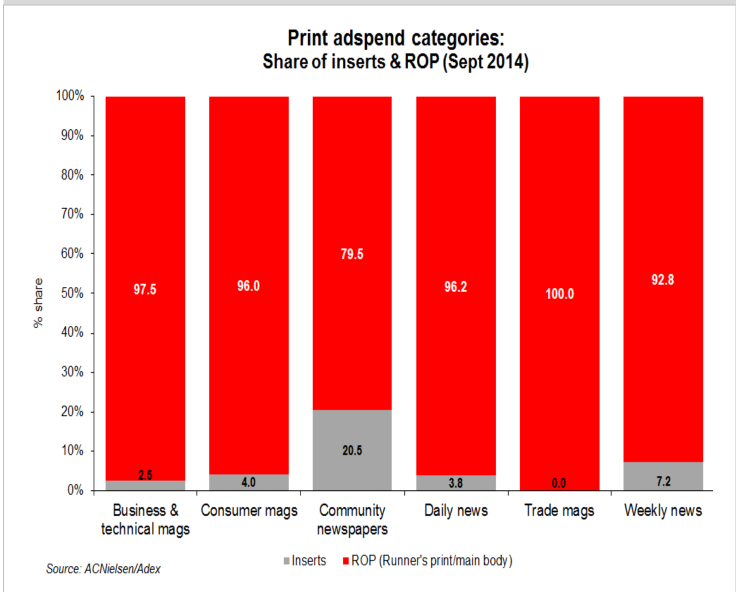
(b) Composition of magazine adspend

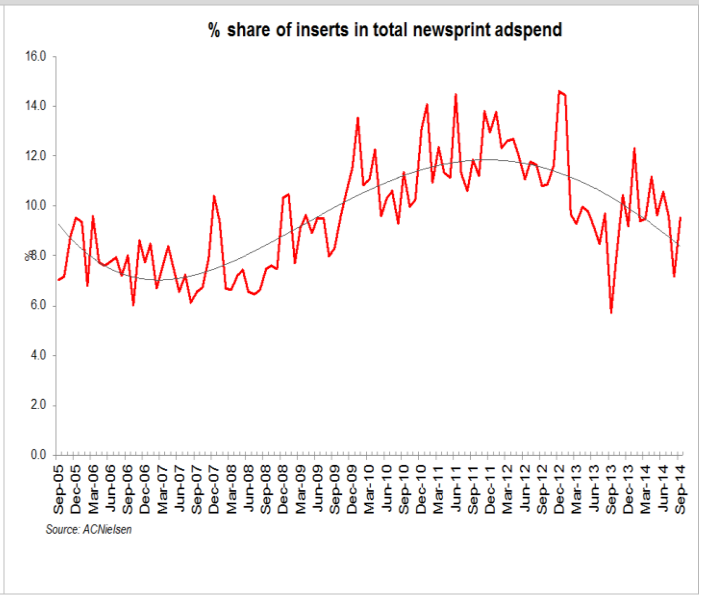


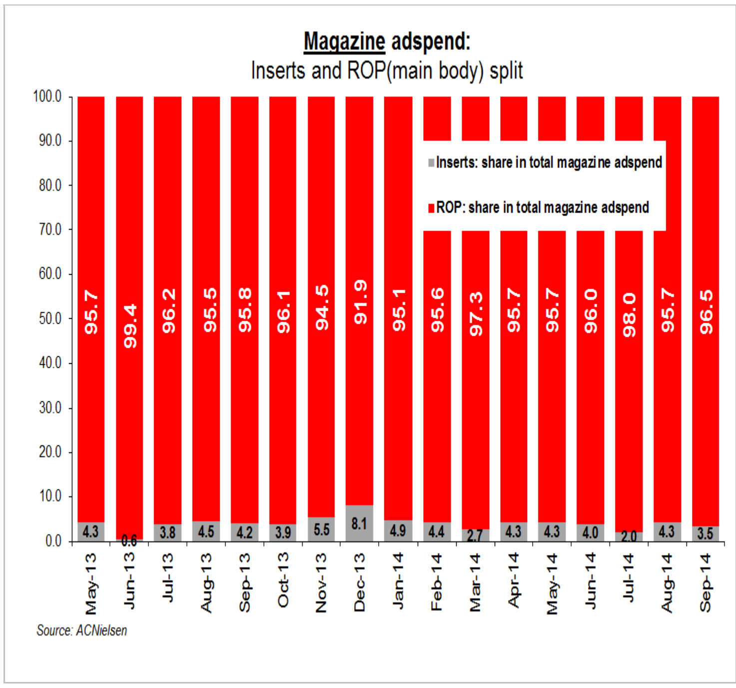


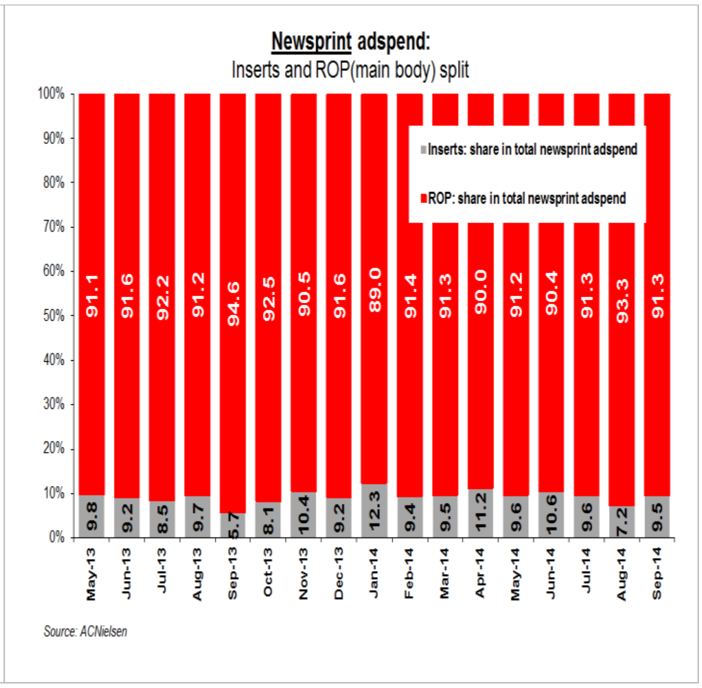


(d) Composition of total print adspend according to inserts and ROP









Growth in total media, and specifically print, adspend

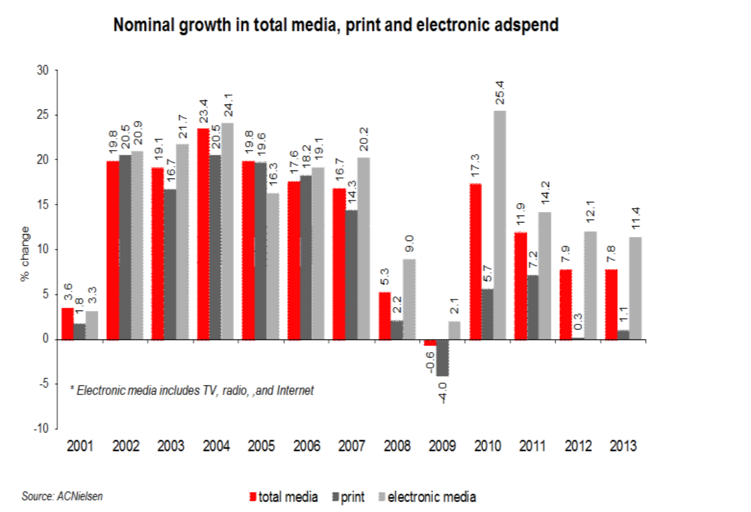
Adspend by media type: nominal year-on-year % growth

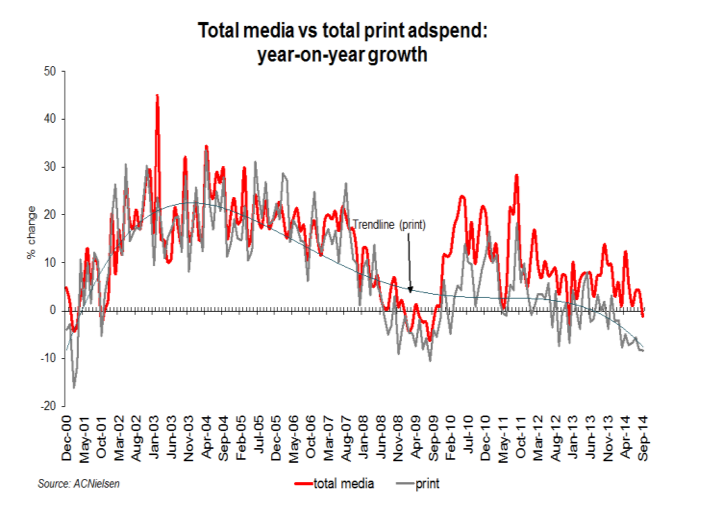
Media type	2011	2012	Avg. 2006-2013	2014Q1	2014Q2	2014Q3	Aug-14	Sept-14	2013
TV	10.1	10.8	14.4	4.7+	8.3	*6.5*	8.7	*3.5*	10.6+
Radio	30.5	16.6	13.3+	-2.4+	13.3+	*3.2*	8.7+	*-1.7*	11.0+
Internet	30.8	15.1	31.2	58.2	49.6	*12.9*	8.1+	*-5.0*	24.5
Total electronic media	14.2	12.1	14.2+	5.2	11.0+	*6.0*	8.7+	*2.0*	11.0+
Outdoor	11.6	17.4	10.2	9.6	1.1+	*-7.0*	7.3	*-20.4*	0.2
Cinema*	83.4	-23.5	8.0	51.6	110.3	*68.8*	32.8	*54.0*	15.9
Print	7.2	0.4	5.6	-4.0	-6.3	*-7.4*	-8.2+	*-8.3*	1.1+
Newsprint	*9.5*	*1.4*	*6.8*	*-4.6+*	*-6.6*	*-6.3*	*-6.9+*	*-7.1*	*1.8+*
Daily news	*9.5*	*-0.8*	*6.5*	*-4.8+*	*-9.4*	*-3.7*	*-12.0+*	*3.1*	*0.2+*
Weekly news	*9.6*	*2.0*	*7.4*	*-9.0+*	*-4.1*	*-11.9*	*10.4+*	*-28.5*	*2.4*
Community	*10.9*	*6.5*	*7.9*	*0.3+*	*-3.0+*	*-3.2*	*-12.1+*	*2.5*	*5.6+*
Magazines	*1.0*	*-2.5*	*2.8*	*-2.3*	*-5.3*	*-10.6*	*-12.6+*	*-12.0*	*-0.5*
Consumer	*0.4*	*-2.5*	*3.9*	*-4.2+*	*-5.0*	*-8.0*	*-13.5+*	*-8.7*	*0.1+*
Bus & tech	*9.0*	*17.5*	*4.9*	*28.8+*	*1.3*	*-31.2*	*2.3*	*-35.7*	*6.3*
Trade	*4.1*	*-6.0*	*-0.4*	*1.2+*	*-7.5*	*-15.9*	*-10.7+*	*-21.8*	*-2.5*
Total media	**11.9**	**7.9**	**10.5**	**3.4**	**6.3+**	**2.4**	4.2+	1.0	**7.5+**

* *Adex stopped reporting on cinema data in September 2012 and the then started again in January 2013; therefore data from September 2012 – December 2012 are estimates*

\+ *Figures deviate slightly from previous report due to data revision*

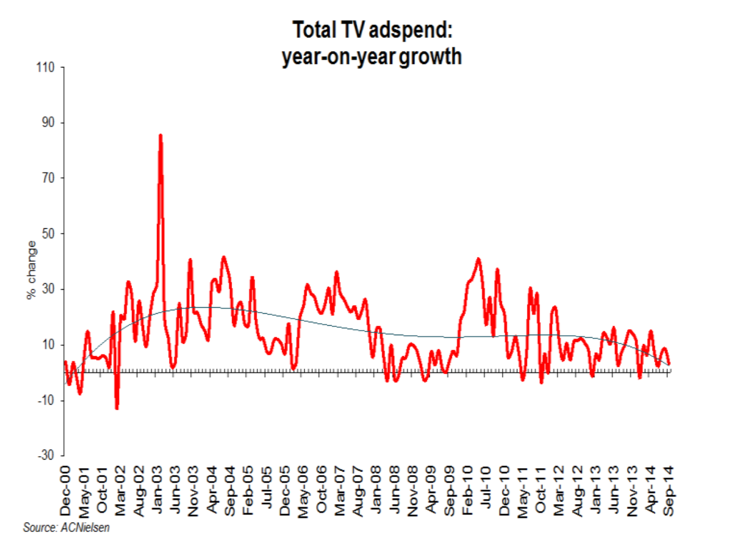
Media, print, electronic

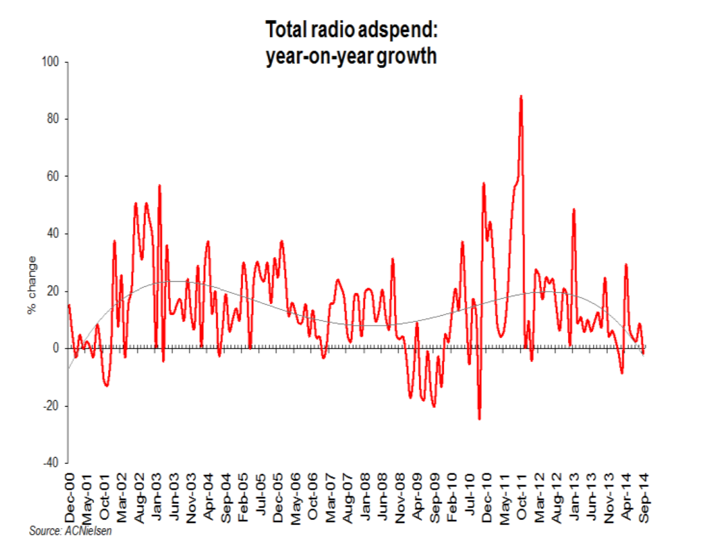


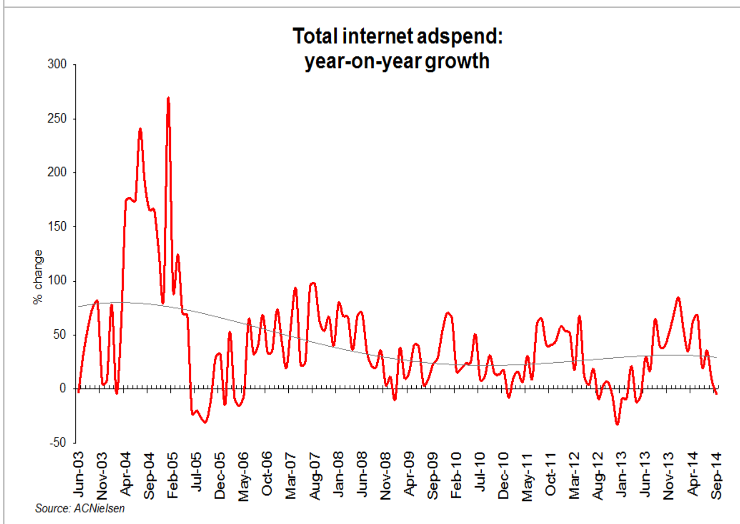


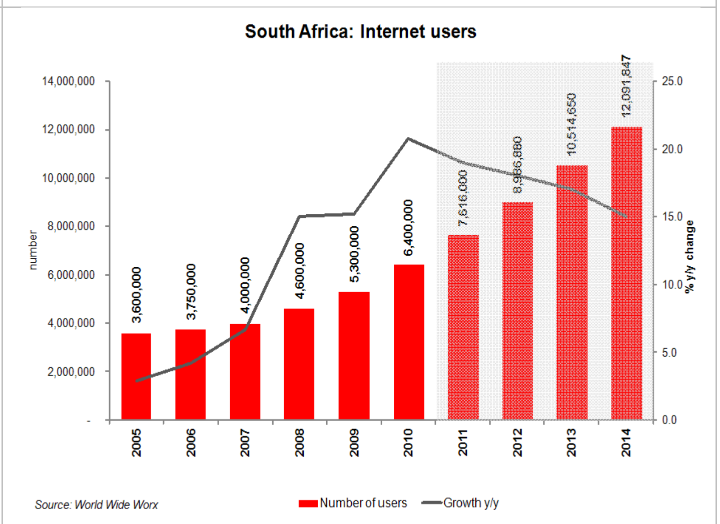
Y-o-y growth of various media categories (YTD Jan – Sept)

	YTD 2013	YTD 2014
Cinema	-17.7	76.9 ▲
TV	9.6	6.5 ▼
Radio	13.4	4.7 ▼
Internet	14.9	40.2 ▲
Outdoor	-1.4	1.2 ▲
Print	1.4	-5.9 ▼
Total media	6.7	4.1 ▼

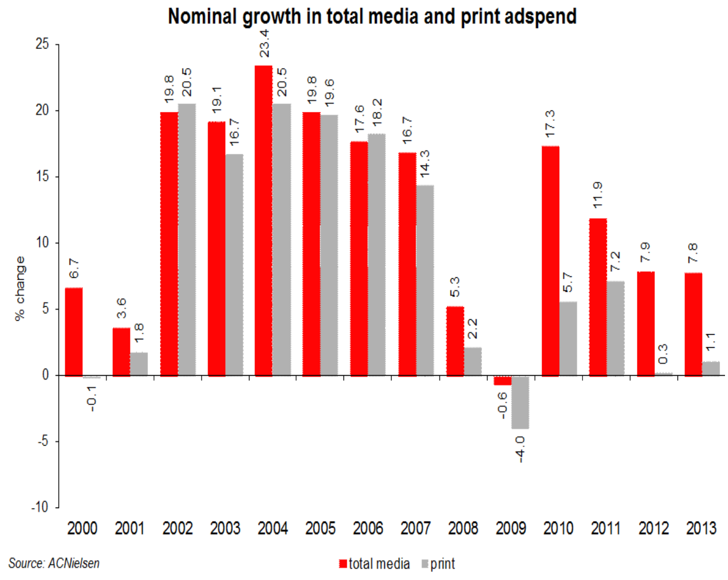


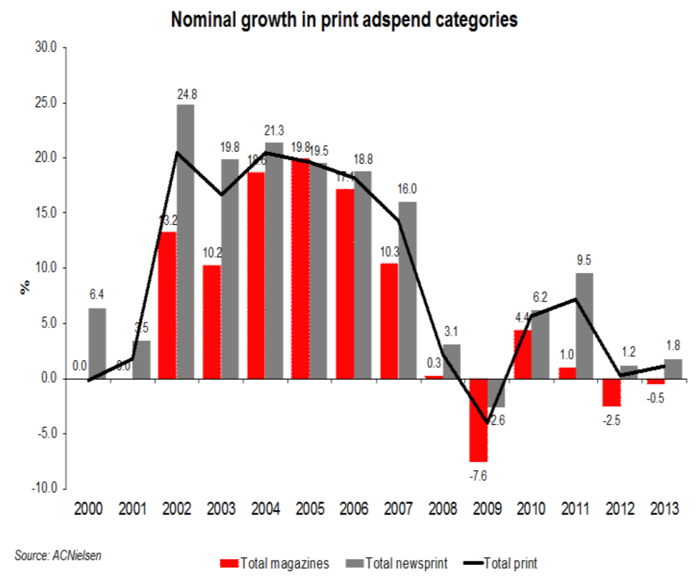




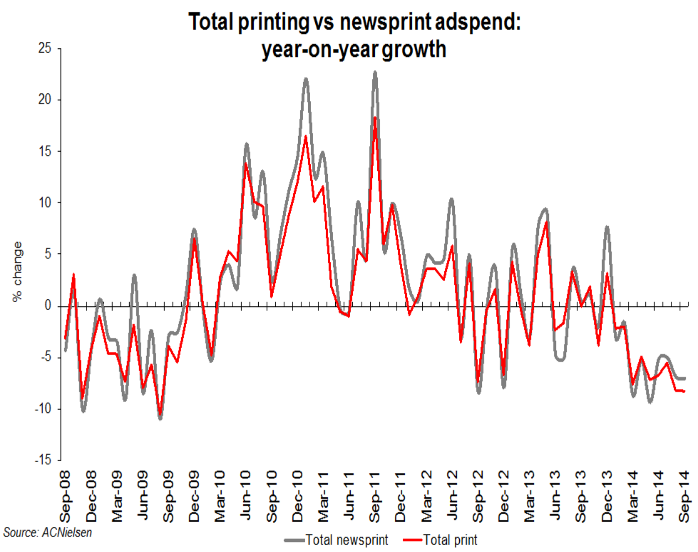


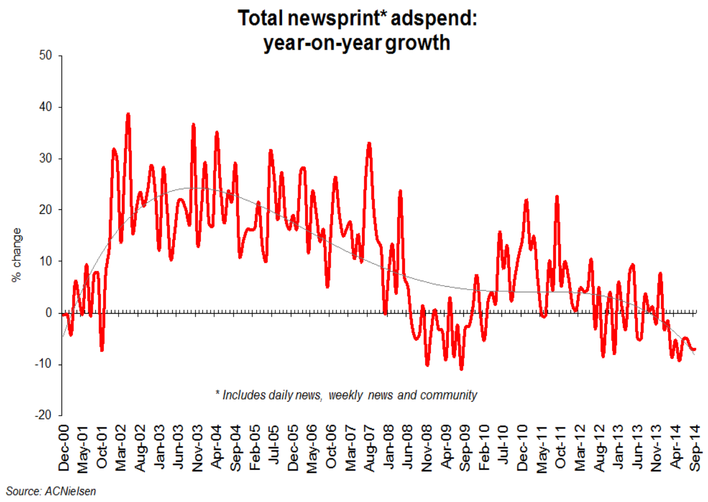
Print categories

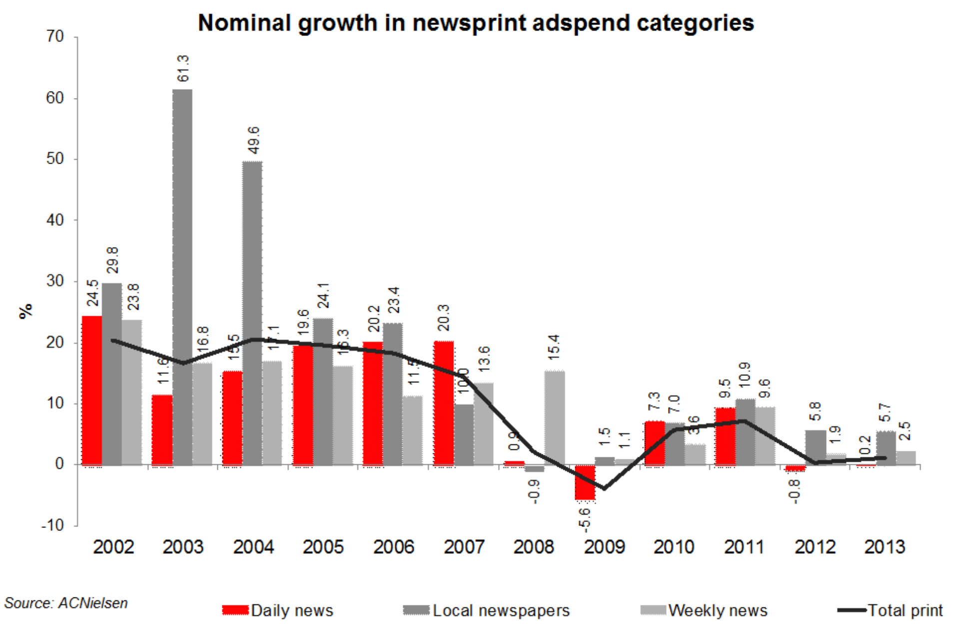


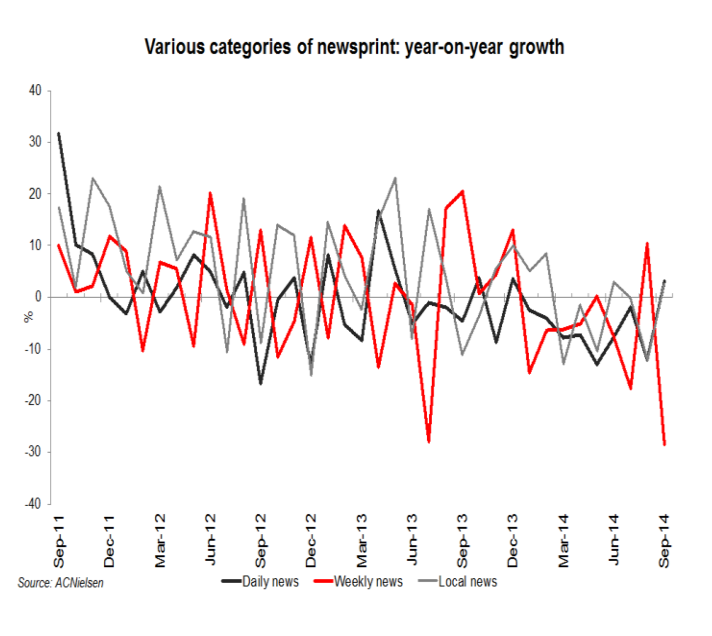


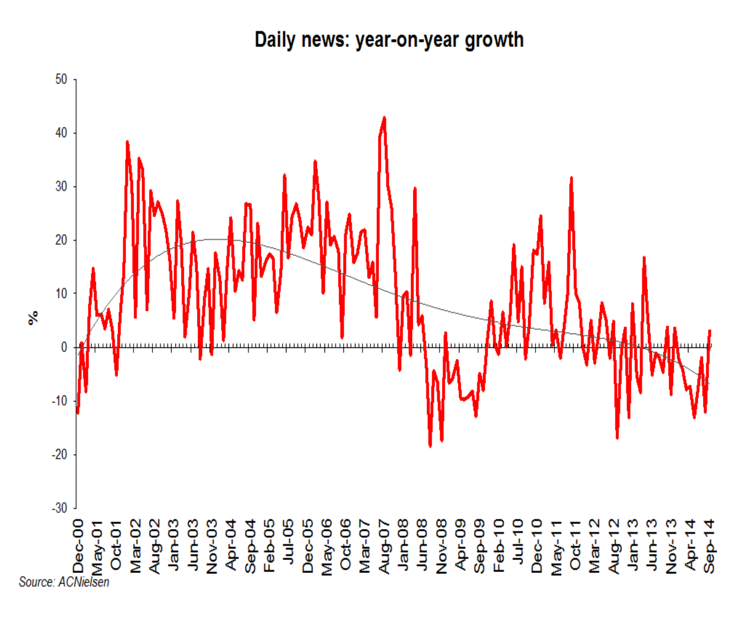
Newspaper category

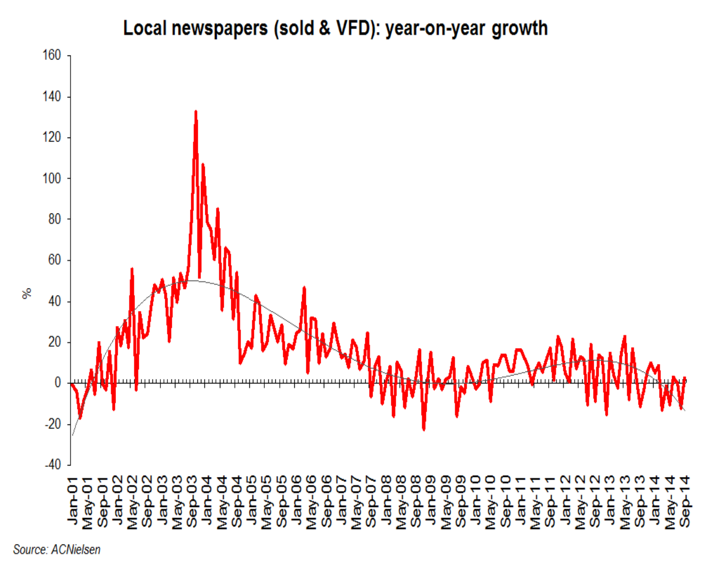


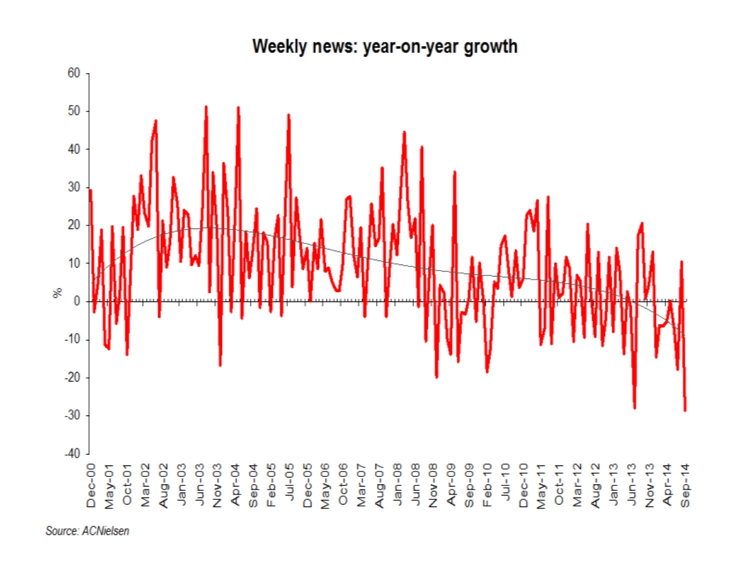




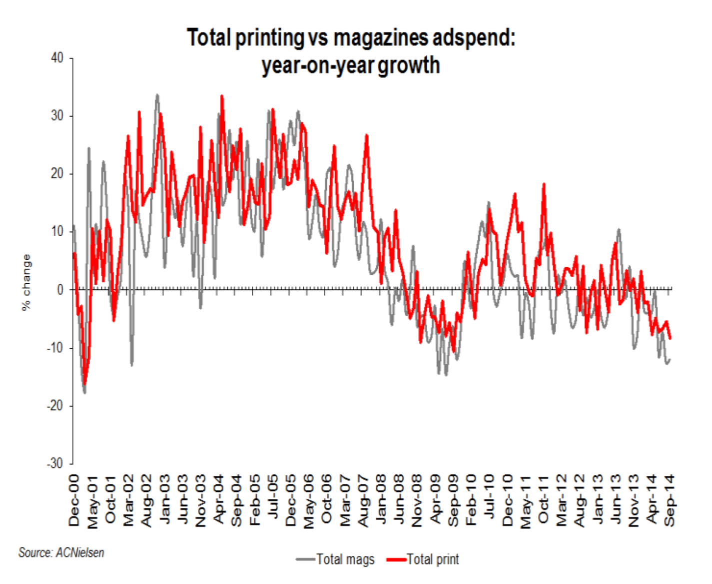


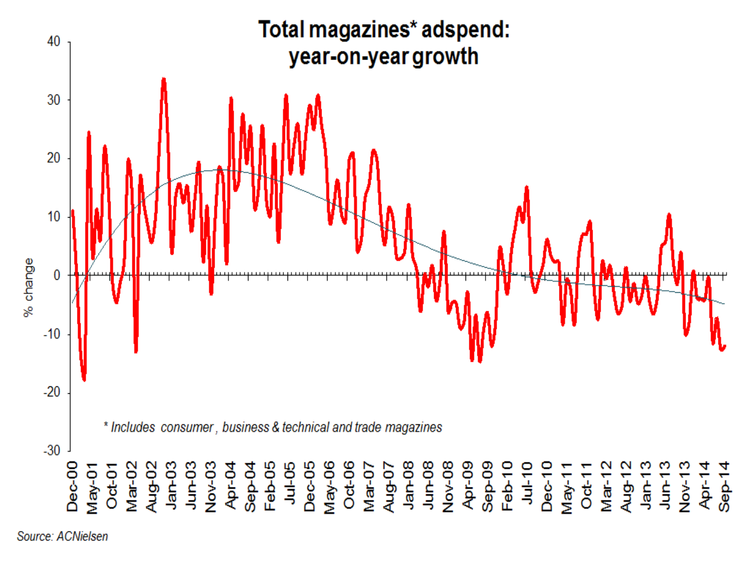


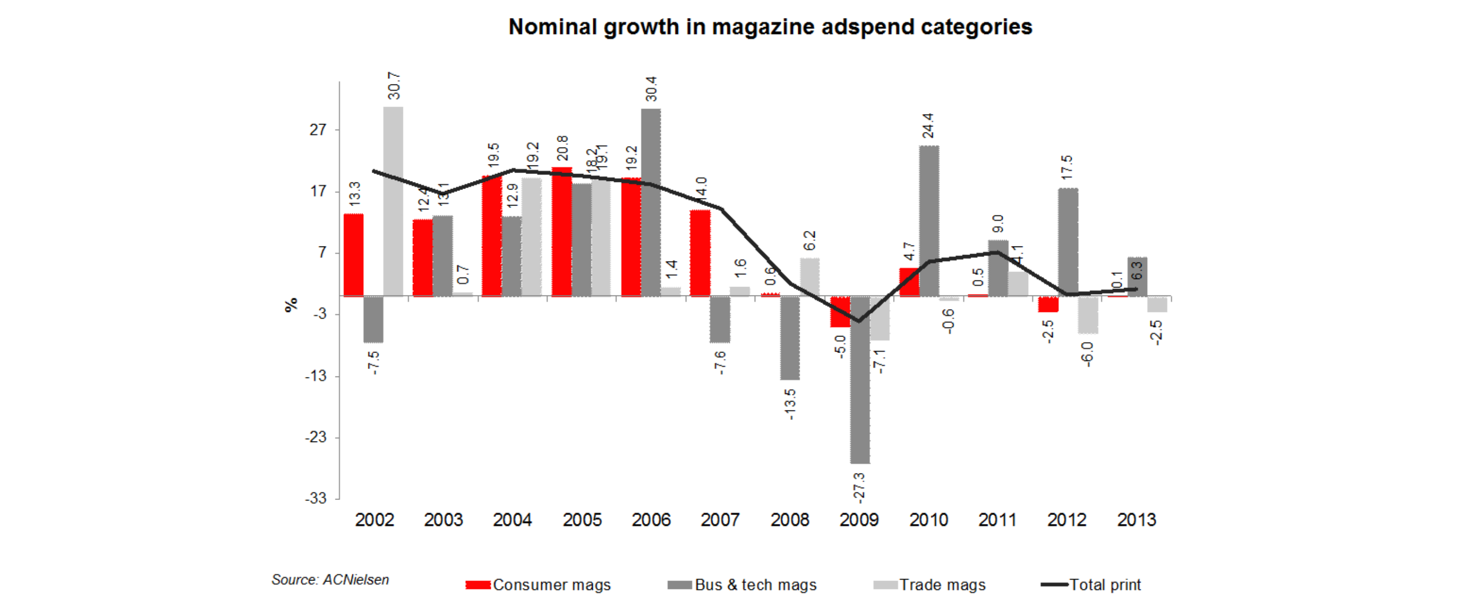


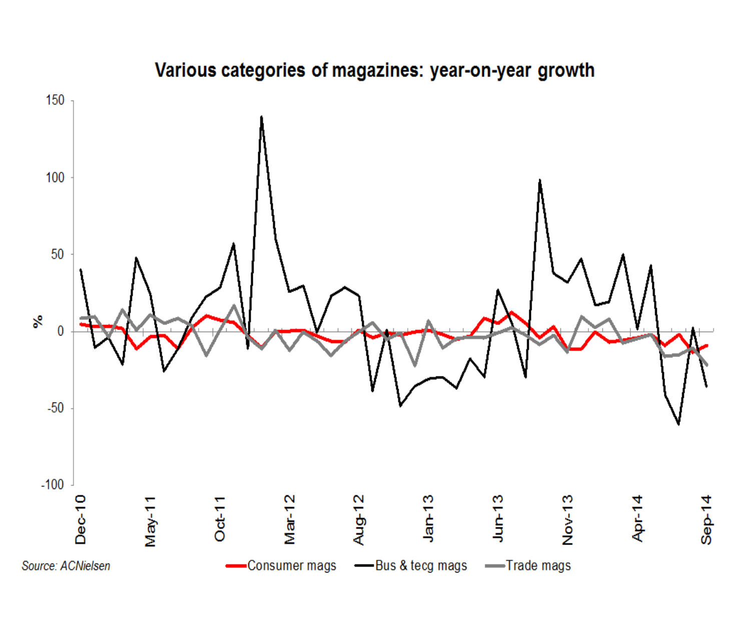


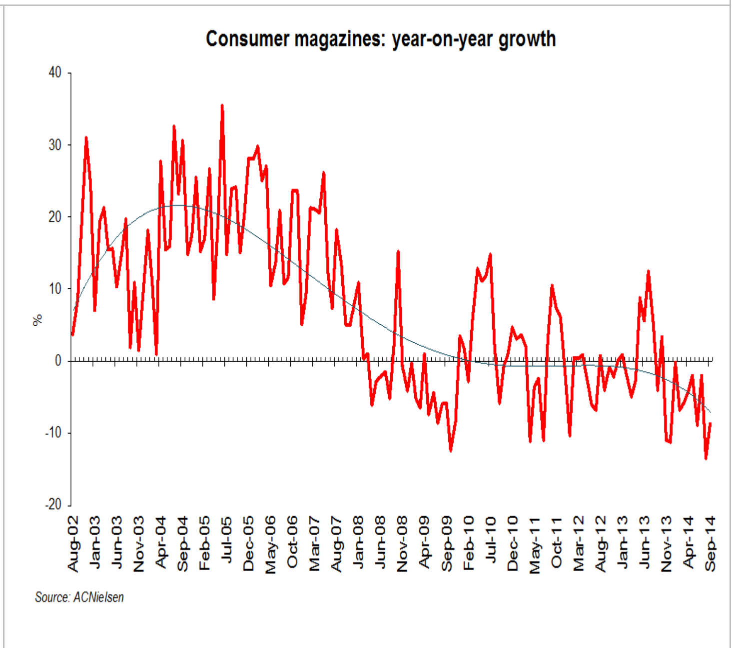
Magazine category

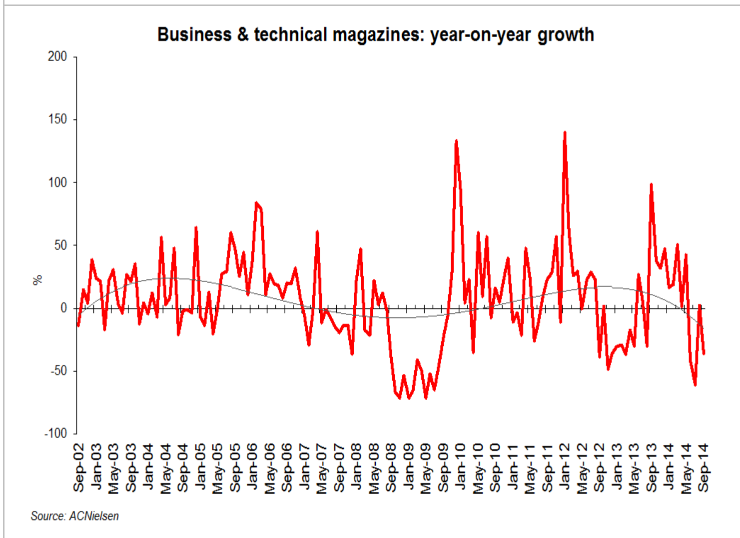


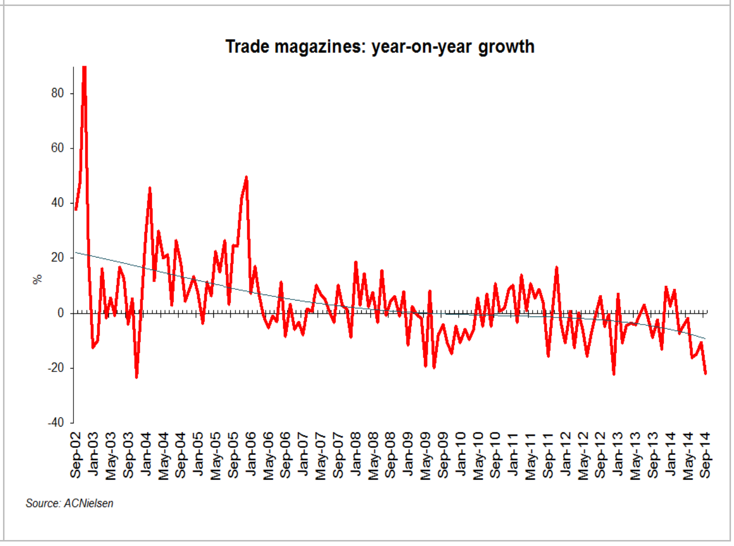



Nominal growth in magazine adspend categories
%
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
Source: ACNielsen
Consumer mags
Bus & tech mags
Trade mags
Total print


Various categories of magazines: year-on-year growth
%
Source: ACNielsen
Consumer mags
Bus & tecg mags
Trade mags

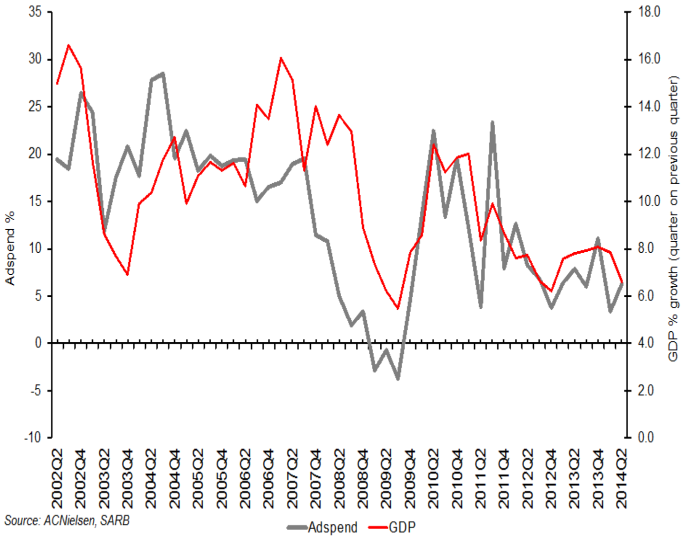

Consumer magazines: year-on-year growth
%
Source: ACNielsen


Business & technical magazines: year-on-year growth
%
Source: ACNielsen


Trade magazines: year-on-year growth
%
Source: ACNielsen

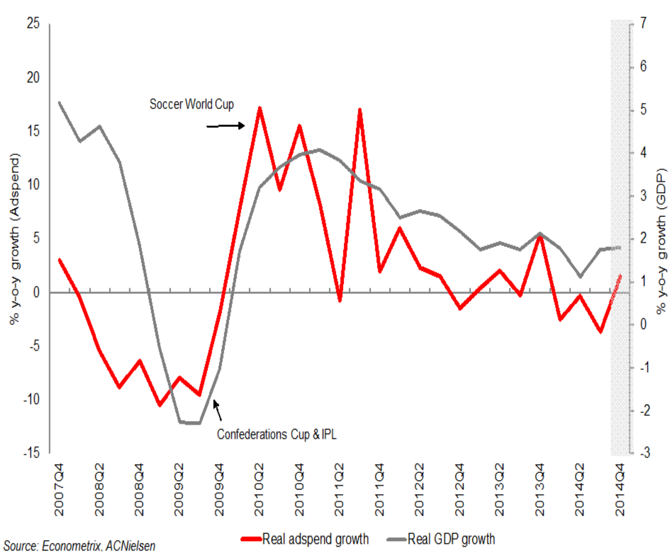
Outlook for adspend (including relationship with various economic variables)

Media adspend vs nominal GDP growth



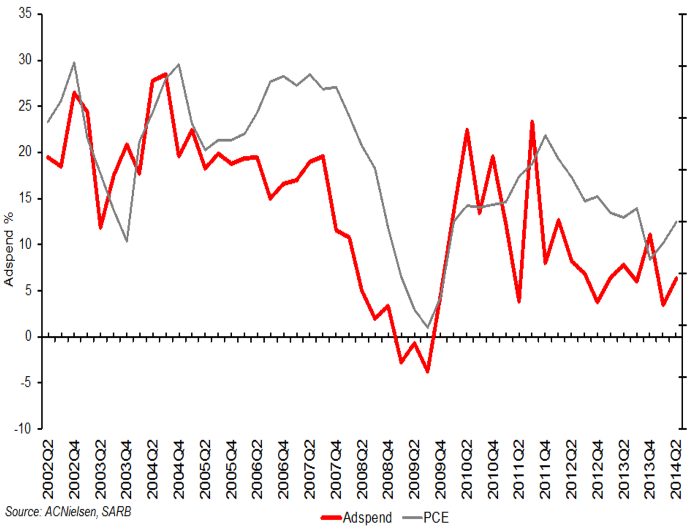
Source: ACNielsen, SARB

Real growth in Adspend & GDP



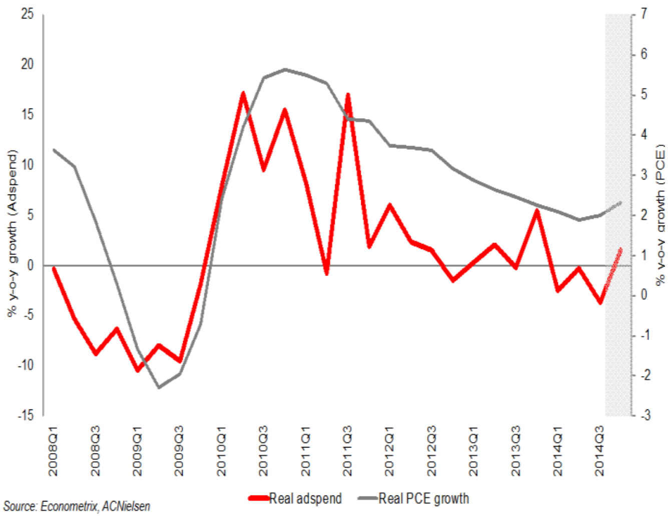
Source: Econometrix, ACNielsen

Media adspend vs nominal household consumption growth



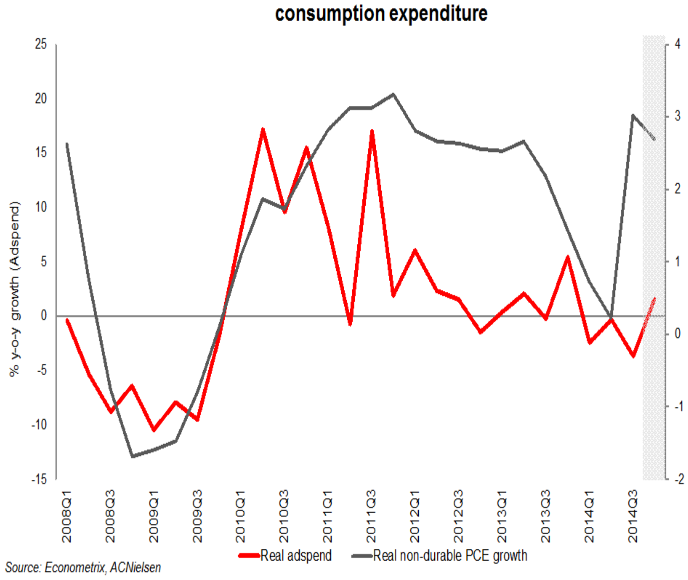
Source: ACNielsen, SARB

Real growth in Adspend & household consumption expenditure



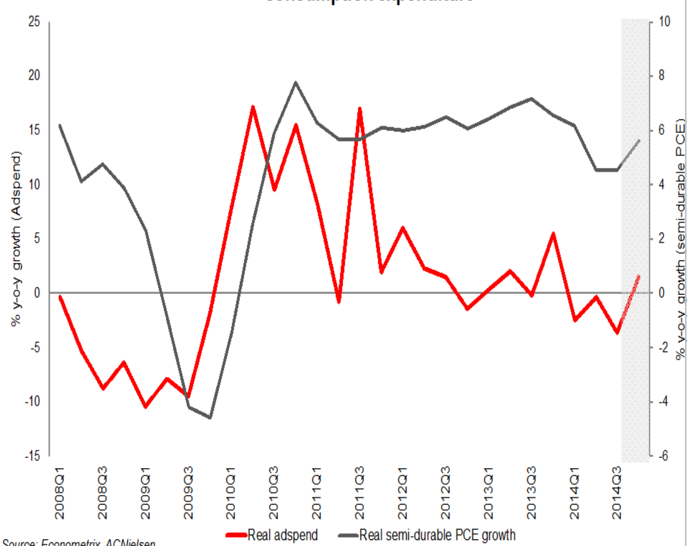
Source: Econometrix, ACNielsen

Real growth in Adspend & non-durable household consumption expenditure

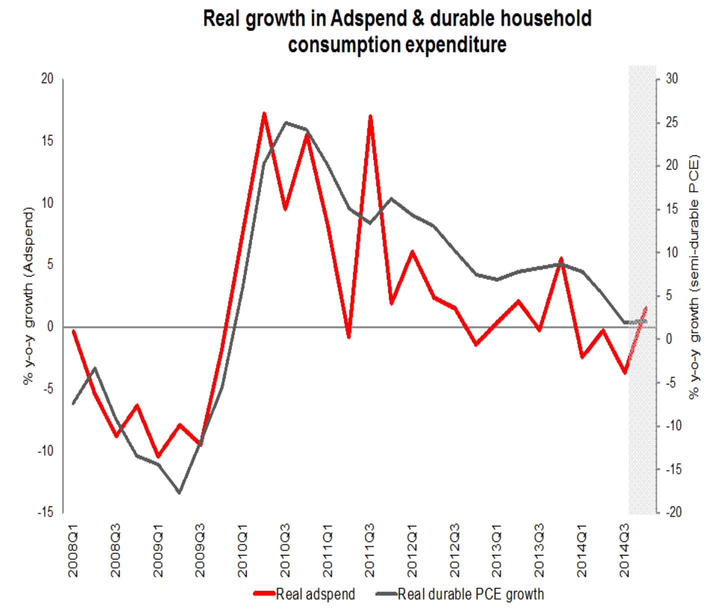


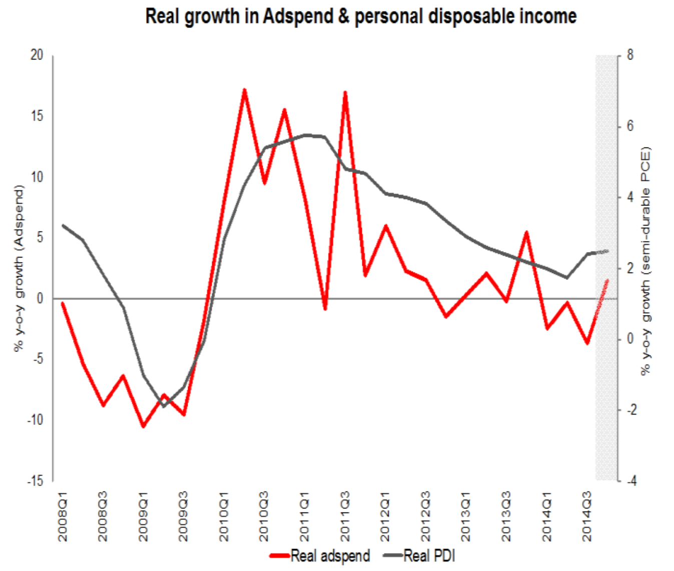
Source: Econometrix, ACNielsen

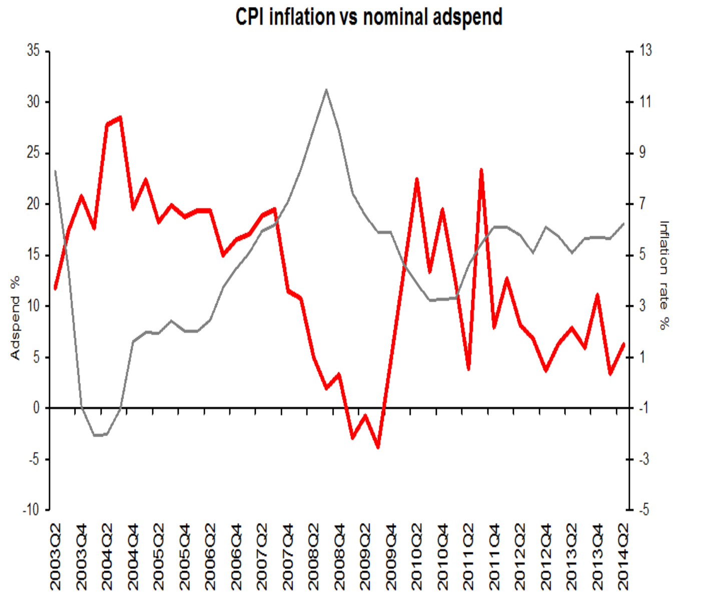
Real growth in Adspend & semi-durable household consumption expenditure



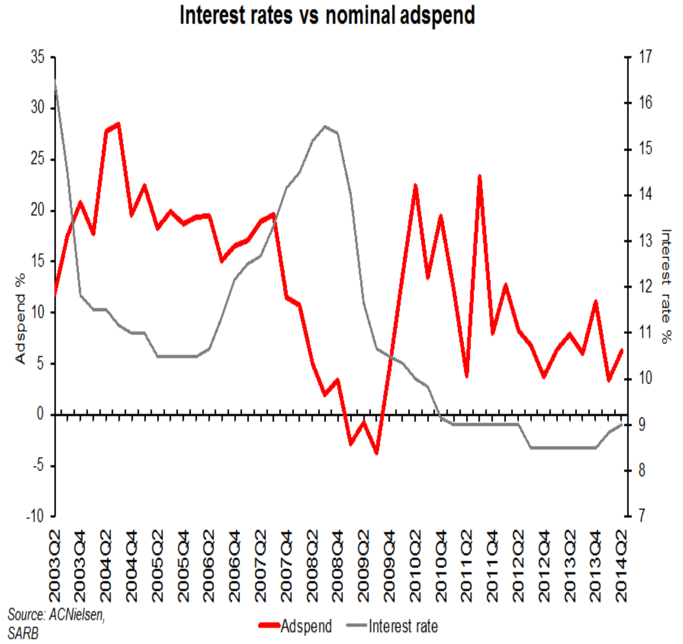
Source: Econometrix, ACNielsen







Source: ACNielsen, SARB



Source: ACNielsen, SARB

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