Competition and Brexit Will Drive Down CPG's Share of Ad Spend in UK

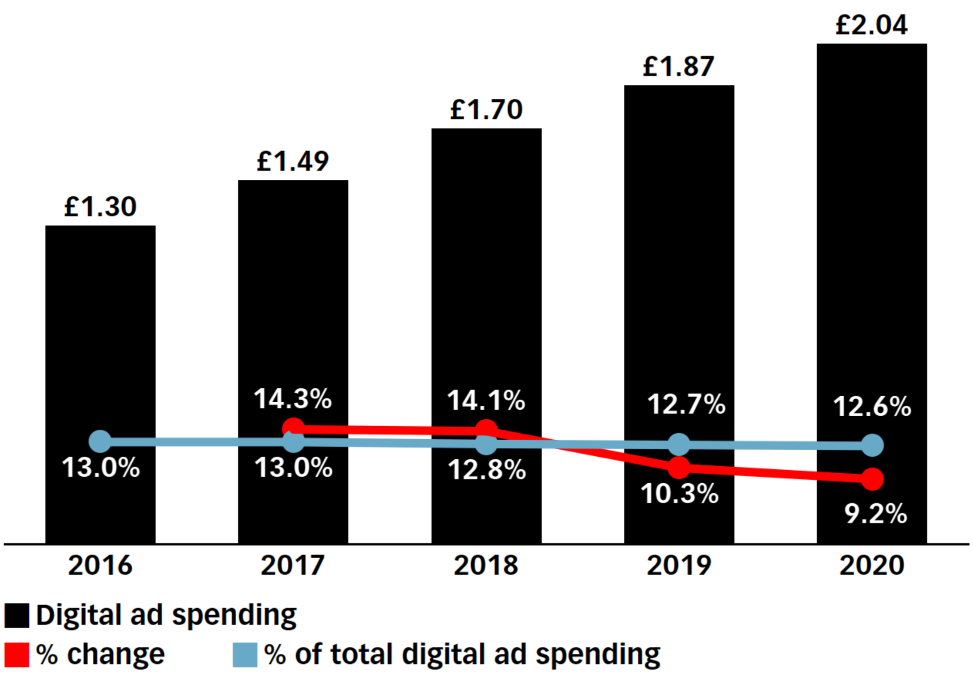
ARTICLE | AUGUST 29, 2019

Bill Fisher

The consumer packaged goods (CPG) industry in the UK has to deal with not only Brexit effects, but also strong competition from retailers' own-label products. As such, we predict that this industry will see a diminishing share of the digital ad spend market through 2020.

CPG advertisers in the UK will spend £1.87 billion ($2.49 billion) on digital ads in 2019, up 10.3% year over year. This rate of growth will slip into single digits in 2020, and CPG's share of the digital total will decline by 0.1 percentage points this year and next.

CPG & Consumer Products Industry Digital Ad Spending in the UK, 2016-2020
billions of £, % change and % of total digital ad spending



Note: includes food products, household products, packaged goods, tobacco, personal care products, toiletries and cosmetic products; includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices, and includes all the various formats of advertising on those platforms; converted at the exchange rate of US$1=GBP0.750089
Source: eMarketer, July 2019

T10436 www.eMarketer.com

Display will be far and away the most dominant format for CPG advertisers in 2019. The vast majority of digital spend—77.5% and £1.45 billion ($1.93 billion)—will go to this type of digital advertising. Search will account for just £0.28 billion ($0.38 billion), or 15.2%. Other digital marketing formats will make up an even smaller amount of spend—just £0.14 billion ($0.18 billion).

CPG & Consumer Product Industry Digital Ad Spending, by Format, 2019
millions of £, % change and % of total

Display	**£1,449.49**
—% change	15.5%
—% of total display	22.2%
Search	**£284.96**
—% change	9.6%
—% of total search	4.4%
Other	**£136.11**
—% change	-24.5%
—% of total other	7.9%
Total	**£1,870.55**

Note: includes food products, household products, packaged goods, tobacco, personal care products, toiletries and cosmetic products; includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices, and includes all the various formats of advertising on those platforms; converted at the exchange rate of US$1=GBP0.750089
Source: eMarketer, July 2019

T10440 www.eMarketer.com

One explanation for this is the growing prevalence and success of direct-to-consumer (D2C) brands. For startups that want to take advantage of low overhead, good first-party data and enviable customer relationships, this model segues well with social and display. But it isn't just startups that are looking to exploit the D2C model.

According to a February 2019 article from SAP Customer Experience, global CPG brands such as Nike and Levi's are making huge inroads here. Nike's D2C sales will reach an estimated $16 billion by next year, and Levi's D2C efforts helped increase its global revenues by 22% in 2018.

The display total may also be affected by traditional media preferences within the CPG industry, with video (TV spend, in traditional terms) accounting for a large proportion of ad spending.

By device, CPG brands will spend 78.2% of their digital ad budgets on mobile this year, compared with 21.8% on desktop/laptop ads. This equates to mobile spend of £1.46 billion ($1.95 billion) and £0.41 billion ($0.54 billion) on desktop/laptop ads. This positions the CPG industry as the one that assigns the largest portion of its digital spend to mobile.

For more analysis on how other sectors in the UK are spending money on digital ads this year, read our latest report.

Report by Bill Fisher Mar 28, 2019

UK Digital Ad Spending 2019

And for a deep dive on digital ad spending across Germany and eight verticals in the US, read our latest report collection.

Report by Ross Benes Aug 01, 2019

Digital Ad Spending by Industry 2019