JUL 31
Bill Fisher

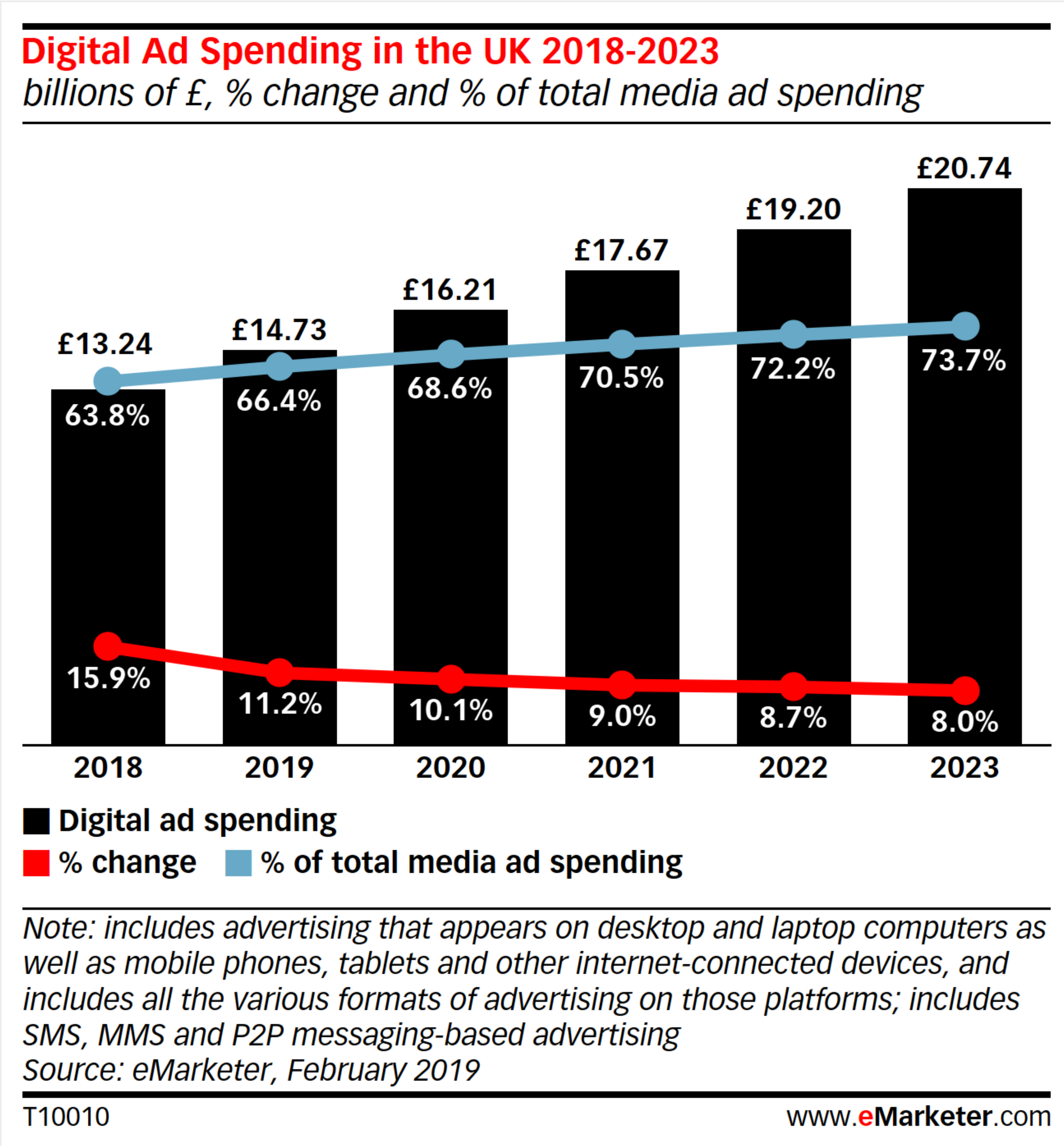
Boris and Brexit: How No-Deal Might Affect the UK Advertising Industry

Article

Boris Johnson, who was sworn in as the new British prime minister last week, declared early on that the UK will leave the EU by October 31. The divisive topic has already claimed two prime ministers and on the surface, there's a tone of certainty about Johnson's plans: He has filled his cabinet with Brexiteers, and he's adamant that a no-deal Brexit will be the default option for "Brexit Day v2" should negotiations with the EU come to nothing.

However, such certainty might not necessarily help the advertising industry. So how will Johnson's leadership affect ad budgets?

The digital advertising industry in the UK has held up well amid Brexit uncertainty against a backdrop of modest growth in overall ad spending. Digital ad spend will grow 11.2% this year, to account for two-thirds of total media spend. However, overall media spend growth of just 6.8% indicates troubles most everywhere else outside of digital. The Brexit stasis has had a hand to play here.



A worst-case scenario would be that the UK leaves the EU without a deal. Some industries have been particularly sensitive to Brexit concerns, leading to direct impacts on marketing budgets. According to our recent report, “UK Digital Ad Spending by Industry 2019: In a

Digitally Advanced Market, Top Five Industries Spend at Similar Rates," the automotive sector will account for a decreasing proportion of digital spend in 2019 and 2020, with growth coming in at well below the industry average. Traditional ad spending isn't picking up any of the slack. Among the top 10 auto advertisers in the UK, traditional ad spending in 2018 was down slightly from the year prior, according to May 2019 data from Nielsen AdIntel.

Top 10 UK Auto Advertisers, Ranked by Traditional Ad Spending, 2017 & 2018
millions of £

	2017	2018
1. Ford Motor Company	£31.2	£28.7
2. Renault UK	£26.7	£27.5
3. Vauxhall Motors	£18.6	£25.9
4. Jaguar Land Rover	£19.5	£23.7
5. BMW	£24.7	£22.4
6. Mercedes-Benz	£15.2	£21.3
7. Toyota	£23.1	£20.2
8. Volkswagon UK	£25.2	£19.8
9. Audi UK	£21.6	£19.5
10. Nissan Motor GB	£17.9	£17.0
Total	**£361.8**	**£352.1**

Source: Nielsen AdIntel as cited in press release, May 21, 2019
247573 www.eMarketer.com

This is more than just a blip. The UK auto industry is under a great deal of stress. Many manufacturers with plants in the UK have already announced plans to retrench or shut down operations entirely. The Society of Motor Manufacturers & Traders (SMMT), a trade association, indicated that as of May 2019, year-to-date car production dropped by 21.0% compared with May 2018.

Referring to the SMMT's similar April figures, Mike Hawes, the group's chief executive, laid the blame at the feet of Brexit: "Today's figures are evidence of the vast cost and upheaval Brexit uncertainty has already wrought on UK automotive manufacturing businesses and workers. Prolonged instability has done untold damage, with the fear of 'no deal' holding back progress, causing investment to stall, jobs to be lost and undermining our global reputation."

Other industries aren't immune from such concerns. The BBC recently reported on the case of a dairy exporter from Melksham, Wiltshire. Around a third of its business is made up of exporting cheese to Canada. Under a current trade deal with the EU, the exports are tariff-free. However, Canada has chosen not to roll over a similar deal with the UK should it leave the EU, meaning that its cheese exports would attract an eye-watering 245% tariff. It's perhaps unsurprising, then, to see digital ad spend for consumer packaged goods (CPG) also coming under pressure. We still forecast growth this year but, like the auto industry, at a rate below the overall digital average.

The digital advertising industry, while performing relatively robustly in the past three years of Brexit uncertainty, won't be safe from the negative impacts a no-deal Brexit.

Of course, Johnson might pull off a political miracle and achieve in three months what his predecessor couldn't in three years. Let's see how that plays out.