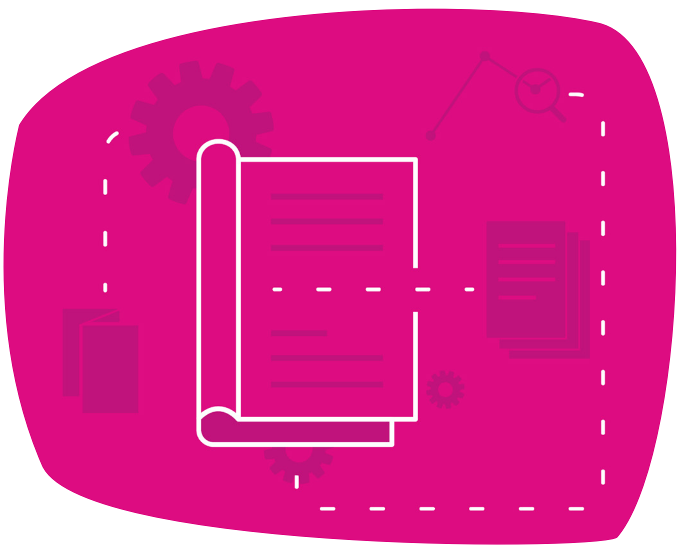

Annual inserts industry report 2017

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Introduction

The following report guides you through the state of the UK inserts market, summarising trends in magazines, newspapers and supplements, with additional insight into annual and quarterly trends.

According to the most recent statistics from the National Readership Survey, consumption of National Press through mobile devices has increased by 17% since last year, with a sharp rise in advertising budgets moving online. It will be of no surprise to learn that circulations and inserts volumes declined year on year.

Third Party inserts, however, have grown - a net change of 9.82% since 2014, although these accounted for only 20% of the total volume over that period.

This figure certainly backs up the notion that there has been growth in tactical brand partnerships using multimedia messaging within this more traditional sector.

Inserts may always be used as an independent channel or to complement other channels: they've been shown by MarketReach to give a significant boost as part of a multi-media campaign.

Even if print media volumes decline in light of GDPR, inserts still have a crucial role in the marketing mix due to their impact and tangibility.

When a consumer flips the pages of a newspaper over breakfast, ponders a creative DM piece they've picked up off the doormat or luxuriates with a glossy lifestyle magazine, that experience is real, relevant and undeniably engaging.

As marketers of print media we shouldn't necessarily view this report with gloom.

Although we will undoubtedly continue to see print circulations decline as the consumption of press moves online, inserts face a real opportunity to increase their cut-through through innovation, creative thinking and playing to the strengths of the medium - making impactful, tangible connections and delivering great ROI.

We hope you find this insight report useful.

Ben Briggs
Deputy Chair of the DMA Print Council
Planning & Brand Partnerships Director, Response One

Executive summary

Welcome to the DMA annual insert industry report 2017 from the DMA Print Council, which estimates the volumes of inserts: printed advertisements intended for delivery with other marketing media - usually newspapers, magazines, and direct mail.

Inserts are printed advertising material inserted into other publications or mail, not advertising space sold within the publications themselves.

Our key findings are:

- Total insert volume dropped by 570 million units in 2016 compared to 2015
- 70% of this decrease came from a drop in newspaper inserts
- Magazine and third-party insert volumes have remained relatively steady
- The inserts industry has declined by 18.83% since 2014
- The third-party channel has become increasingly popular since 2014, while newspaper and magazine volumes have declined

As newspaper inserts decline and magazine and third-party distributions take a larger share, insert advertising offers an opportunity to take advantage of this route to audience.

With the upcoming General Data Protection Regulation (GDPR) coming into force in May 2018, a possible shift away from digital will make inserts a more favourable alternative, especially as online retail, subscriptions and auto-replenishment services are increasingly common.

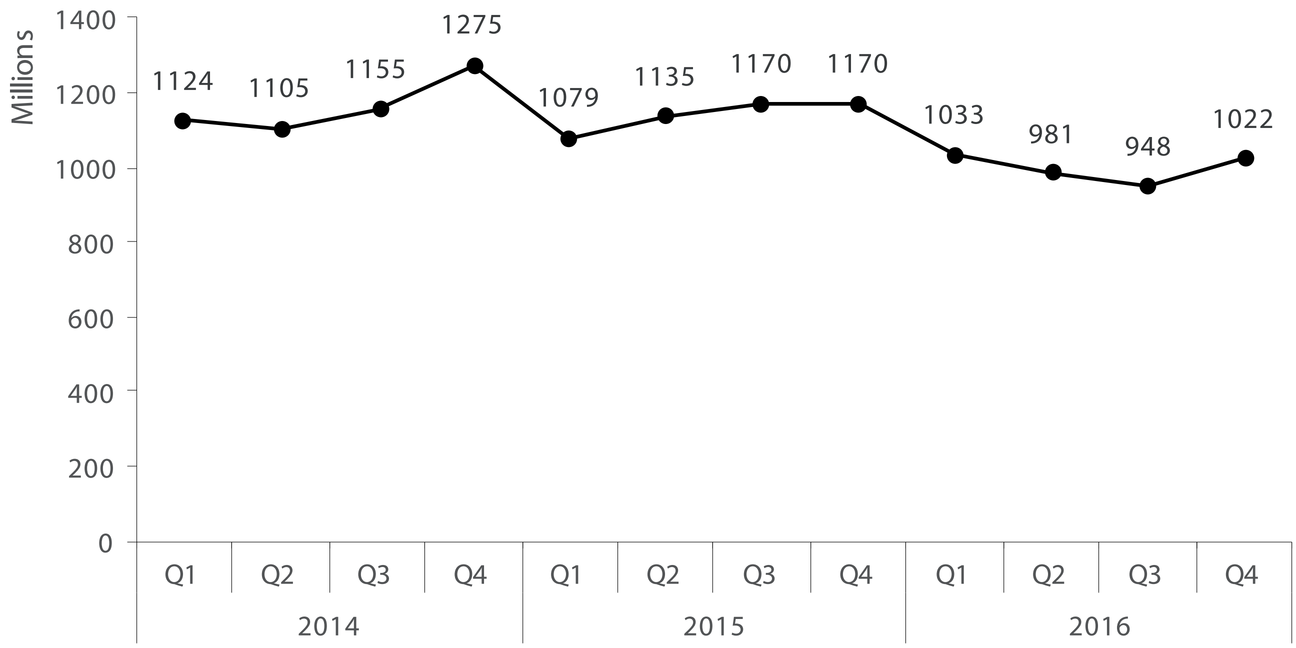
Inserts continue to offer a viable alternative to direct mail. As data protection legislation tightens, inserts give advertisers the opportunity to reach an audience without handling their personal data.

1. Total volume

We have tracked total volumes from our respondents over the past three years.

Distributed volumes of inserts are declining. In 2016 quarterly volumes reduced relative to the corresponding quarters in 2015 by: 46 million in Q1; 154 million in Q2; 222 million in Q3 and 148 million in Q4. This is a total fall of 570 million over the year, down from 4554 million in 2015 to 3984 million in 2016.

Quarterly volumes of inserts distributed, 2014-2016



There is strong seasonality in insert volumes. By analysing the variation in insert volume across quarters between 2011 and 2016, we have determined the seasonality of inserts. There are typically above average volumes in Q4 due to increased demand for inserts in the lead-up to Christmas, and below average volumes in the rest of the year. This seasonality can mask underlying trends in growth or decline and is something to be aware of when viewing quarterly figures.

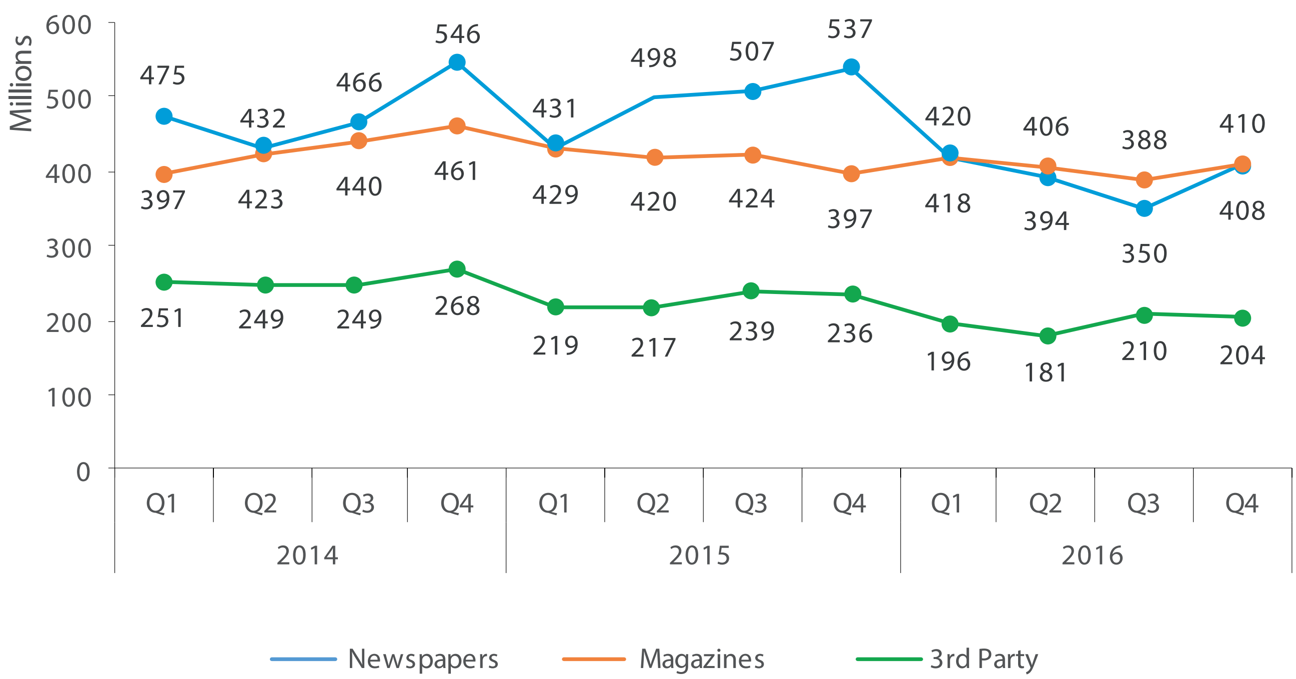
Seasonality of inserts industry (% of average)			
Q1	**Q2**	**Q3**	**Q4**
95.9%	93.0%	99.0%	112.1%

2. Volume by route

We also asked respondents to provide data on the distribution method of their inserts. We then compared newspaper, magazines and third party inserts to track their relative performance.

The overall drop in insert volume comes mostly from a decline in newspaper deliveries. Newspaper volumes (blue) have suffered a sharp decline compared to previous years. Annually, newspaper inserts declined by 399 million units, compared to 50 million for magazines and 121 million for third-party inserts. Newspapers alone account for 70% of the total decline in inserts. The decline in newspaper inserts has been so sharp that these are now roughly equivalent to, or lower than, magazine insert volumes.

Quarterly volumes of inserts distributed split by medium, 2014-2016



Analysing the seasonality of newspaper, magazine and third party inserts separately, using data from 2011 to 2016, shows third party inserts have the greatest variability, followed by newspaper inserts, and finally magazine inserts, which show weak seasonality.

The average values for each quarter vary most for third-party inserts, which is likely due to advertisers ramping up insert campaigns around the festive period.

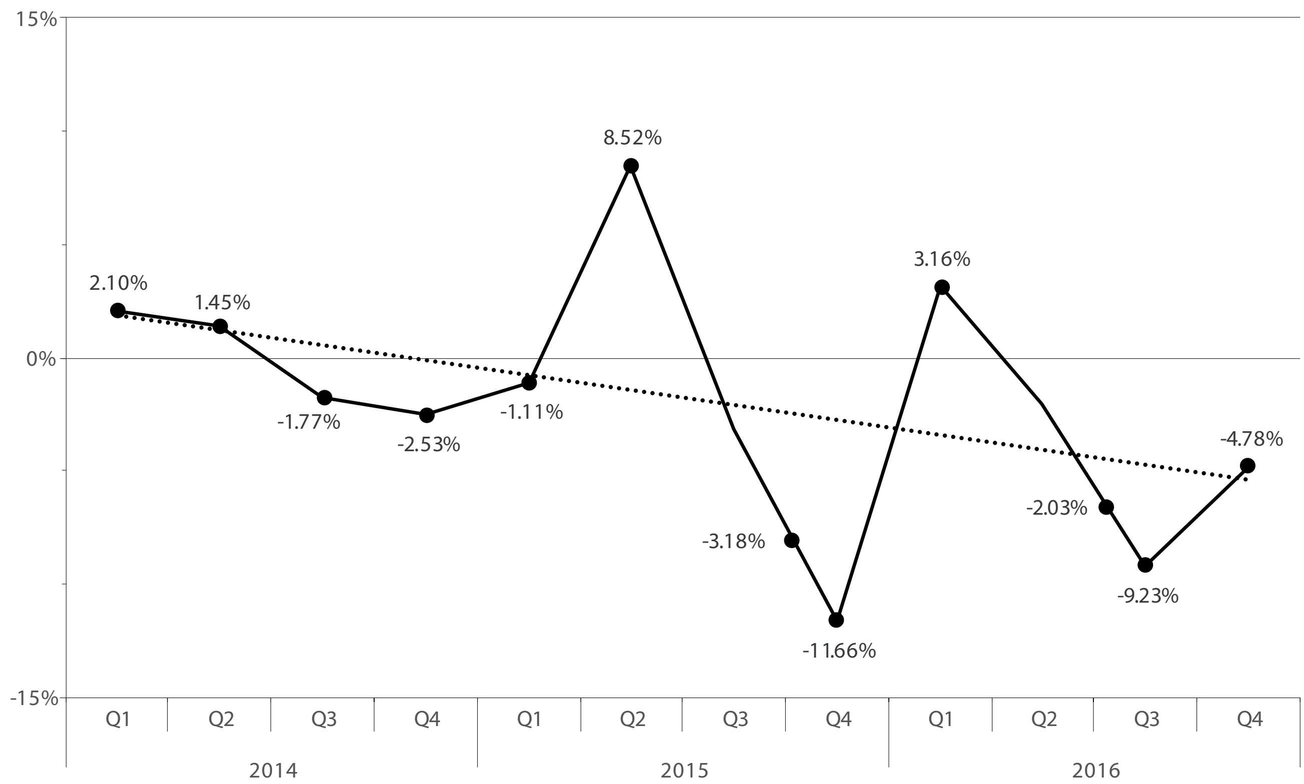
Seasonality of inserts by medium (% of average)				
	Q1	**Q2**	**Q3**	**Q4**
Newspapers	94.1%	90.4%	101.5%	114.0%
Magazines	97.3%	101.3%	95.2%	106.2%
3rd Part Inserts	98.4%	86.3%	96.6%	118.7%

3. Trends

Volumes were adjusted for seasonality to reveal the underlying growth. This is shown as a percentage of the total from quarter-to-quarter to give the overall change in trajectory for inserts volumes.

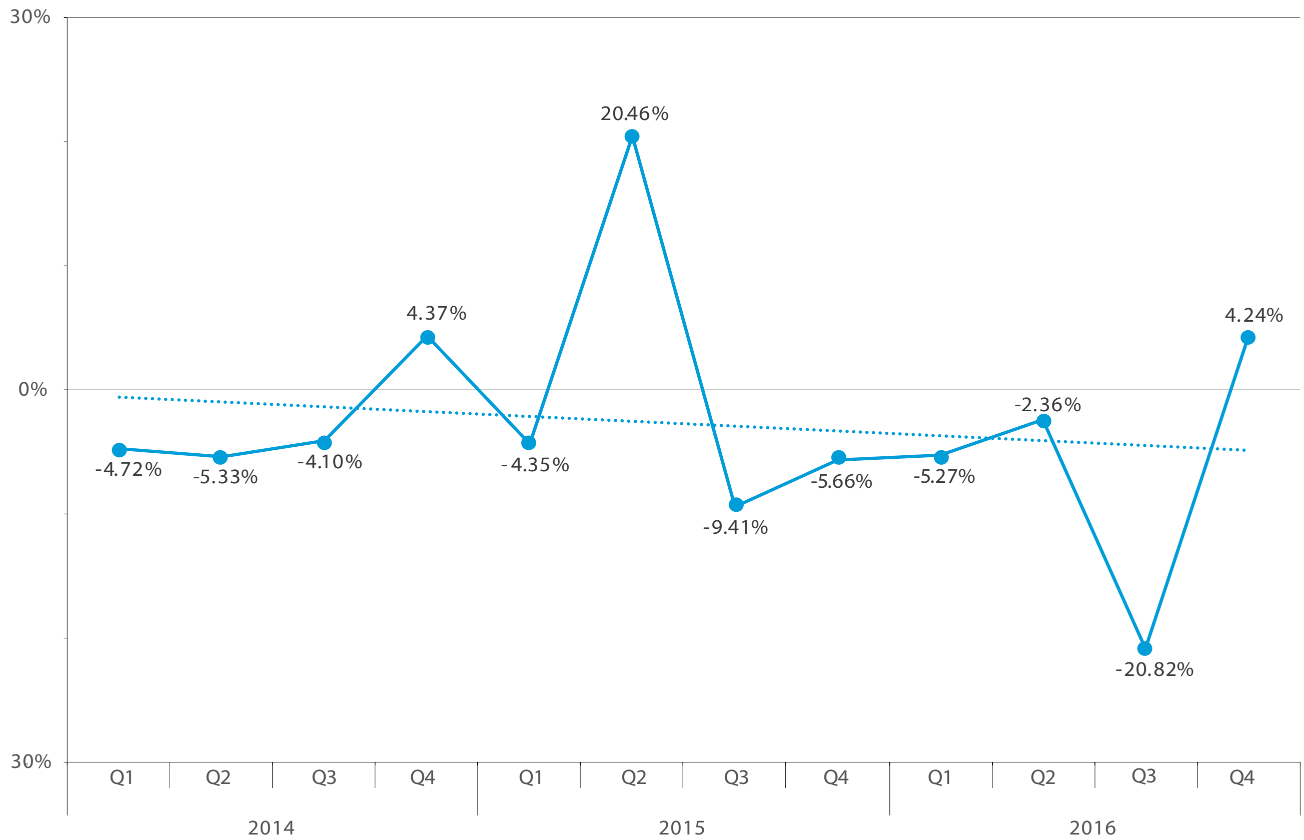
When using all inserts data to calculate growth trends, there is a 19.2% net decline in volume between 2014 and 2016.

Growth trends in total insert volumes 2014-2016 (seasonally adjusted)

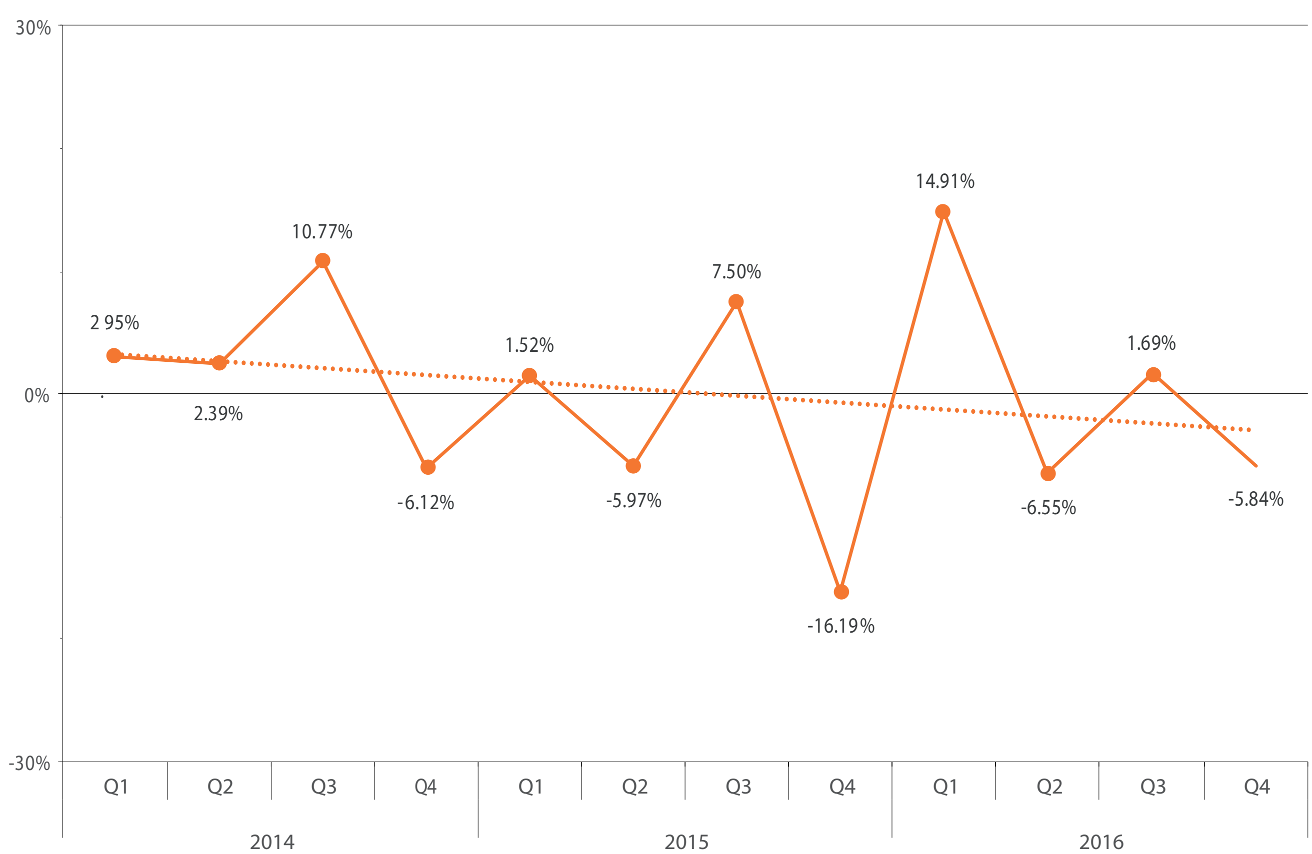


Seasonally adjusted growth trends using data for newspaper, magazine and third-party inserts have also been calculated separately. Newspaper inserts have declined by 18.83% since 2014. Across the same period, magazines have shown a less marked decline, a net 10.45% fall. However, third-party inserts increased by 9.82% over the same period, although these accounted for one-fifth (19.85%) of the total inserts volume over this period.

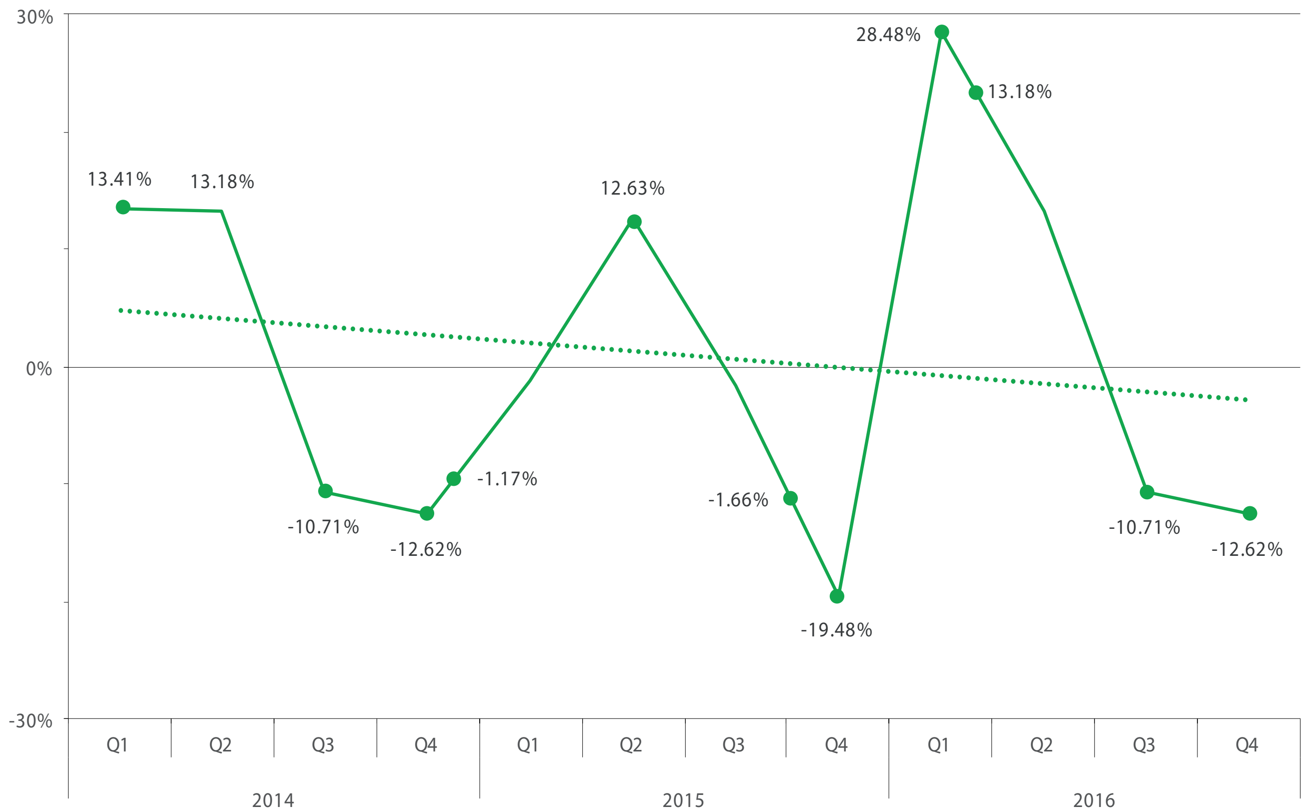
Growth trends in newspaper insert volumes 2014-2016 (seasonally adjusted)



Growth trends in magazine insert volumes 2014-2016 (seasonally adjusted)



Growth trends in third party insert volumes 2014-2016 (seasonally adjusted)



Conclusions

While the overall decline in newspaper inserts should be a cause for concern, the rise of the third party route, fuelled by an explosion of online shopping and subscription services, has generated a plethora of pre-filtered consumer mailing lists.

These routes are readily available to advertisers, allowing them to reach an active and engaged audience in a new way against a backdrop of declining newspaper volumes and a shrinking audience for more traditional publications.

Inserts offer advertisers an opportunity to shift away from digital marketing. Acquisition and engagement through digital and data-driven channels will become more challenging under the GDPR so a return to traditional channels such as inserts offers a way to target consumers, even within an online and subscription-based market.

Inserts are able to be targeted and relevant, whilst respecting privacy and personal data. Magazine and third-party subscriptions are pre-screened by taste and interests, effectively segmenting them without the need to own and operate large databases of personal data – an ideal route to engage with consumers post-GDPR. Inserts give marketers and advertisers the targeting advantages of data-driven marketing but with the flexibility of mass marketing - all without the need to handle consumers' personal data.

Methodology

This survey seeks to estimate the volumes of inserts, i.e. printed advertisements intended for co-delivery with other marketing media: newspapers, magazines, direct mail, etc. This covers printed advertising material mechanically inserted in to other publications and specifically not advertising space sold within the publications themselves.

Quarterly volume data were provided by anonymous contributors. Analysis was carried out in-house by the DMA Insight team. The sample covers a range of insert advertisers, large and small, operating in the UK. This information was collected between March and May 2017 and the data corresponds to January to December 2016. These data are confidential and only aggregate figures are reported.

Seasonality in the industry was calculated from historical quarterly inserts industry volume data (2011-2016).

The report was written by the DMA marketing and insight teams, with input from DMA Print Council members and the DMA inserts research hub.

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