

Brexit: The story so far.



**ADVERTISING
ASSOCIATION**

Representing UK advertising to Government

The Advertising Association connects the advertising sector – agencies, brands and media-owners – to Government. So Brexit, as you might expect, is top of our agenda in 2017.

This was a landmark decision with the potential to disrupt every industry – particularly the most mobile, global and interconnected. Our goal is to ensure that advertising's voice is clear and understood as the negotiations begin in earnest.

Last year, Credos – advertising's think-tank – examined advertising's export value. Our balance of payments surplus is the healthiest in Europe, but is particularly geared towards the continent. Across the Creative Industries, **43%** of exports are to Europe. In advertising, the figure is **61%**.

Since then, Credos has surveyed nearly 200 companies to explore Brexit's impact on employment, business opportunity and investment across the advertising and marketing sector. Conducted in late 2016 it found, unsurprisingly, plenty of concern. Two-thirds of respondents believe the UK is now a less attractive place to do business. A fifth have already lost business. People are worried about access to talent with **72%** employing staff from outside of the UK, most commonly in

management (**13%**), digital (**12%**) and research (**10%**) roles. On average, one-fifth of company workforces are non-British EU nationals.

But there's optimism too. For the majority, investment decisions remain unchanged. **64%** have made no changes to UK investment plans, rising to **75%** for investment in non-EU markets. Nearly a quarter of respondents believe Brexit is an opportunity for growth.

We believe there's another opportunity. Not only to push Government for the best Brexit for our sector, but in the process to promote advertising's role at the heart of the UK economy.

What next?

The Prime Minister is expected to trigger Article 50 before the end of March – firing the starting gun for two years of negotiations. All 27 other Member States will need to agree the deal and the UK can't formally start talks with other trading nations until the EU-UK divorce is final.

It's now clear that leaving the EU means leaving the Single Market – but the message from Number 10 is that we are open

for business – with Europe as well as the rest of the world.

Plans have already been mooted for a 'Great Repeal Bill' – one Act to enshrine all existing EU law in UK law, whilst also repealing the European Communities Act 1972, which provides the legal authority for EU laws to have effect in the UK.

Brexit and UK advertising

By rejecting the single market, the Prime Minister has ruled out the most direct way to ensure UK goods and services remain legal and tradeable in Europe. This can still be achieved, but we now face more questions and uncertainty around, for example, data and broadcast regulation.

Advertising spend held firm in the months after the vote, growing at **4.2%**, but the AA/Warc's forecast has softened to **3.2%** growth in 2017.

The Prime Minister is talking confidently about Britain's future as a global and European trading partner and clearly, Government wants a business-friendly environment. This is the context as we push our status as a global hub for advertising to Government, as the new Department for International Trade ramps up support – including reaching out to markets like Dubai.

Talent and skills

The aim to secure an early reciprocal deal for EU citizens is particularly important, given our survey suggests as many as 1 in 5 working in UK advertising are from the EU.

It's future immigration policy, however, that will determine our ability to recruit the right people and skills from around the world. As demand for digital skills outstrips supply, the AA is arguing for flexibility, allowing UK-based agencies, media and brands to recruit from a global talent pool.

In parallel, we need to help Government shape the education system so that it addresses a shortage of maths, technology and coding talent. And we must continue to encourage people from more diverse backgrounds to consider a career in advertising.

Our relationship with Europe

The UK – and London in particular – is a popular base for international media companies and global brands, in part thanks to European rules. The country of origin principle, for example, means that broadcasters can access the whole of Europe with a single licence.

Advertising-funded publishers value the EU's framework for intellectual property and copyright.

And then there's data. The UK is start-up friendly and a world-beater in data-driven digital and e-commerce services. It took years to get the Data Protection Regulation to the statute books. By May 2018 and regardless of the decision to leave, companies collecting and using data for business purposes will need to show that they are compliant in order to move data, trade and advertise across Europe.

Longer term, Brexit will inevitably mean an end to UK influence as EU legislation is written, and we'll need to look to the industry's European associations to safeguard the UK's cross-border interests. However, Westminster will now be able to set rules more appropriate for British companies trading in the UK, and may be able to benefit from new trade deals.



New Credos data – updating the Advertising Pays story – shows that £20bn spent on advertising in 2015 returned £120bn to GDP. We have set out five priorities for Government that support that contribution:

- 1 Safeguard the UK's competitive position as a global and European hub for advertising and media businesses.
- 2 Develop an immigration policy that encourages global talent to the UK and longer term, work with our sector to address skills shortages through education policy.
- 3 Negotiate the UK's position on media and advertising-related EU rules to safeguard as much market access as possible, through equivalence in UK law.

- 4 Provide market certainty and support advertiser confidence with a clear commitment to domestic advertising self-regulation through the ASA.
- 5 Longer term, consider lifting EU rules on advertising that benefit neither consumers or business.

How we'll get there and how you can help

In meetings with Secretaries of State and Ministers from DCMS, BEIS, DIT and DExEU, one message has been consistent: provide as much information as possible.

The AA has surveyed industry views, concerns and priorities because we need to help Government understand advertising – how it works, what it needs and why it should be a priority in Brexit negotiations and the future industrial strategy.

We have submitted evidence to three Select Committee inquiries. We are working within a wider set of the Creative Industries Council – a unique forum, chaired by the Secretaries of State for DCMS and Business and Facebook's EMEA Vice President, Nicola Mendelsohn. We're also working with the Professional Business Services Group, as well as with the CBI on its Making a Success of Brexit report.

There's a long way to go to make advertising's case. If you want to help, get involved, share your data or case studies – please do get in touch.

7th Floor North
Artillery House
11-19 Artillery Row
London SW1P 1RT
020 7340 1100
aa@adassoc.org.uk
www.adassoc.org.uk
@ad_association



**ADVERTISING
ASSOCIATION**