The following trends are based on a broad, balanced view of the marketplace, defining the general trajectory of media inflation by channel. Data and information have been collected across multiple systems and teams, evaluating elements of supply, demand and the business forces driving change in the marketplace. Please note that industry and client specific trends can vary based on any number of variables impacting the buy, including the mix of premium placement, direct response, upfront, scatter, programmatic, integrated, etc. These inflation trends include forecasts, projections and other predictive statements that represent assumptions and expectations in light of the most currently available information. In this way, these media inflation estimates are subject to change.

**Media Inflation Outlook – 2H 2017/1H 2018**

If there were one guiding principle that has emerged for advertisers today, it would be that digital communications is no longer just a disruptor; it’s a game changer. There isn’t an industry remaining that hasn’t felt the impact of digital media on its business. Every sector is actively navigating their legacy business into the digital age. Move too fast, and a brand risks cannibalizing existing revenue streams; move too slow, and it loses future opportunity. Yet, the reckoning is upon us. Digital media has changed the fundamentals in every hallway of the business.

A complicating factor of this new environment has been the rapid rate of change, compounding the complexities of navigating the inflection point. Strategy implementation now necessitates cross channel discipline; the ability to integrate a buy even in the absence of a unified publisher relationship; performance orientation; and the live stream of data driven insights to help inform strategic and tactical maneuvers. The result is a perpetual planning cycle.

Emerging from this dynamic are media buying teams functioning more like financial portfolio managers than traditional specialists or practitioners. Media investment teams are consistently balancing the portfolio. And clients are a driving force of this change as they regard the media budget more as an investment and less as an expense. Each media dollar is designed to engage consumers throughout the consumer decision journey, and more and more often, each dollar is tied to a core KPI.

Media interactions are now cumulative, simultaneous, integrated, and experiential. Media investment strategists are now tasked to orchestrate the optimal mix of offline and online channels. The following analysis offers a perspective of the general media inflation trend in the marketplace with the intent of providing a benchmark against which to gauge your own CPM growth rate.

**National TV**

Over-the-top players continue to steal eyeballs, and cord cutters are ever more prevalent, forcing advertisers to recalibrate their video strategies. And while overall demand is not as strong this year, we continue to expect strong single digit inflation over the next broadcast season. Despite a steady, linear decline in ratings, a stable economy is still driving advertisers to grab coveted national inventory. And advertisers are finding themselves in a familiar position, having to buy more units to achieve baseline audience deliveries.

CPMs for total national TV, as a balance of the upfront and scatter market, are expected to trend at 6.5%. In Cable TV CPM growth is expected to trend at approximately 6.4%, driven by strong demand of top tier programming.
Local TV
Following every presidential election year, Spot TV CPMs have fallen. The influx of political dollars hyper inflate prices as candidates eat up the vast majority of local TV units. Post-election, demand evaporates. This dynamic presents key opportunities for advertisers seeking to leverage unwired buys as well as for advertisers pursuing share dominance strategies in key geographies. But it’s best to anticipate a swell of activity leading into 2018. The 2018 political climate will reflect the most intense local market battle for house and senate control. Inventory will be heavily absorbed by PAC and special interest as supporting hot topics such as health care, immigration and the environment, putting consistent pressure on inventory across the country both in and outside of political windows.

Local TV CPMs are expected to decline 3.4%.

Online Video
Online video is the fastest growing channel, posting strong double digit increases in year-over-year revenue. And advertisers and publishers alike want in. Cord cutters have created a unique dilemma for brands, necessitating the overlay of online video placement to recapture eyeballs no longer participating in the offline video ecosystem. Rising demand is expected to gain momentum, especially for premium content.

Online Video CPMs are expected to grow +3.0%.

Magazines
Like the glaciers of Greenland, the legacy Magazine business is at risk of a runaway melting. Last year reflected paging loss of glacial proportions. And while online print is expected to grow, its momentum appears too slow to help offset the contraction in the core business. While the industry at large is expected to contract, select titles will continue to remain relevant and strong. This is one media industry for which digital extensions will play an increasingly important role.

Magazine CPM growth is expected to trend at 3.0%, driven primarily by top 40, broad reach and fashion titles.

Newspapers
Every year seems to bring a near death experience to newspapers. Despite rapid growth in digital subscriptions, overall circulation continues to decline, making it harder for publishers to attract new advertisers and offset loss in revenue. The reality is that the fundamental dynamics in how consumers access news have changed. To the chagrin of many journalists, social media has emerged as a key source of news for many consumers, stealing vital eyeballs. Production costs, however, continue to rise, requiring advertisers to pay more for fewer readers. On the other hand, Newspapers still reach an educated, more affluent audience, making the medium an attractive advertising environment.

In 2017, Newspaper CPMs are expected to grow 3.5%.

Radio
Radio continues to be a viable format with an extended list of benefits for advertisers: efficient, local effectiveness, community engagement, target-ability, and captive in-transit audiences. Additionally, audio strategies are reaching a more diverse group of connected consumers through digital. Radio
offers advertisers an ability to efficiently create ubiquity of presence, complementing almost any communications platform. Moreover, streaming radio is proving to supplement, not replace, listing habits. Some formats will benefit from the influx of political spend as the political environment heats up as we approach 2018 elections.

In 2017, CPMs are expected to grow 1.7%.

**Outdoor**
Outdoor advertising is as strong as ever. Outdoor naturally intercepts physical consumer pathways, enabling efficient and effective communication. And with the expansion of digital outdoor formats, Outdoor advertising is proving to be strong driver of digital behavior, stimulating mobile engagement with branded content. Outdoor is no longer a standalone medium presenting pithy taglines. Rather, it’s emerging as an integral component of a more complex consumer touchpoint strategy.

In 2017, CPMs are expected to grow 3.7%.

**Display (Desktop)**
While advertisers continue to find innovative ways to break through the challenge of banner blindness, issues of transparency and fraud continue to plague the Display advertising industry. These concerns are key reasons for a decline in Desktop Display revenues in 2016, according to the IAB. But advertisers have a greater range of choices when considering their allocation of digital investment. In this way, the industry is seeing a consistent shift away from desktop display toward mobile. As the shift continues, anticipate programmatic to continue to drive Display growth.

In 2017, CPMs are expected to grow 1.9%.

**Paid Search**
Search remains a cornerstone of any integrated communications strategy. Search is ingrained in consumer behavior with information always at one’s fingertips. Search dynamics are also evolving as the industry watches an ongoing transition between desktop to mobile, the growth of PLAs, and geo-targeted placement, to name a few. As Search behavior and options diversify, anticipate greater complexity in SEM strategies.

In 2017, overall Search CPCs are expected to grow 1.5%, while Mobile Search is expected to outpace the category with a 2.5% growth rate.

**Mobile**
Mobile is hot (the understatement of the year)! Mobile advertising jumped 77% in 2016, according to the IAB, representing 51% of total digital advertising. And it’s no surprise as Mobile offers numerous communications benefits: interactive, personal, efficient, accessible, measurable, ubiquitous, instantaneous.... not to mention the explosion of location-based data that has now become an industry in itself - providing incredible insights into real-world behavior and attribution of ad messages to retail visits. Additionally, the explosion of Mobile advertising reflects the rapid expansion of formats available in Mobile: display, search, video, social. Mobile reflects the one advertising environment where all channels converge and extend from the traditional touchpoint. On average, people touch their phones 2,617 times per day, according to a study conducted by Dscout, representing an ever-present opportunity to connect with consumers.
Overall, Mobile CPMs are expected to grow 1.0%, while Mobile Video is expected to outpace the category at 5%.

### CPM Matrix

<table>
<thead>
<tr>
<th>CPM</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>Estimate 2H17/1H18</th>
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<tbody>
<tr>
<td>National Broadcast TV</td>
<td>10.6%</td>
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<td>12.0%</td>
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<td>1.0%</td>
</tr>
<tr>
<td>Spot Radio</td>
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</tr>
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</tr>
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</tr>
<tr>
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<td>Paid Search*</td>
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</tr>
<tr>
<td>Mobile</td>
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<td>-</td>
<td>-</td>
<td>1.0%</td>
<td>1.0%</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

*Search based on cost per click