

adex

BENCHMARK
2022

STUDY
JULY 2023

Introduction



Townsend Feehan
CEO, IAB Europe

Welcome to the latest edition of IAB Europe's AdEx Benchmark Report, the definitive guide to the state of the European digital advertising market. Now in its seventeenth year, this report offers comprehensive insights into 29 European markets, providing essential facts and figures related to market size, growth, and digital advertising investment across key channels and formats.

In the latest report, which looks at investment in 2022, the European digital advertising market showcased remarkable growth, expanding by 9.8% to reach a total of €86 billion. Despite facing unprecedented macroeconomic and geopolitical challenges, such as the war in Ukraine and rising inflation, the digital advertising market demonstrated exceptional resilience, with an increase of €7.7 billion from 2021. Turkey emerged as the most dynamic market, achieving a total growth rate of 93.3%.

Notably, the geographical coverage of the AdEx Benchmark study underwent changes, with Belarus and Russia being excluded and Estonia, Latvia, and Lithuania added as new markets. This expansion allows us to present a more comprehensive overview, encompassing a wider range of markets.

The growth of the European digital advertising market in 2022 can be attributed to the infusion of creative brand advertising and the exploration of new channels. Budget allocations to previously untapped digital opportunities, such as Retail Media, contributed significantly to this surge. Furthermore, our findings highlight audio as the fastest-growing format, experiencing a remarkable increase of 22.1% to reach €0.7 billion. Video also witnessed substantial growth,

with a 13.6% increase, valuing the format's investment at €18.3 billion. Display advertising demonstrated a steady growth rate of 9.5%, amounting to €40.1 billion, while search advertising experienced a 10.7% increase, reaching €37.4 billion.

Amidst the challenges posed by COVID-19 and the prevailing economic and political turbulence, it is truly encouraging to observe such positive growth in our industry. This accomplishment serves as a testament to the resilience and dedication of the people, products, and services that contribute to the growth of the digital advertising industry, even in the most exceptional circumstances.

As an industry association, our mission is to support and drive trust, transparency, and innovation in the digital advertising and marketing business, so that advertising can continue to support a wide variety of online content and services for European citizens. We remain committed to leveraging our unique network to provide insights into key industry growth areas and the impact of external events, technology and business developments, and changing regulation. In this connection, we recently established two new work tracks: one focusing on the evolving channel of Retail Media, and another dedicated to developing Sustainability Standards aimed at mitigating the carbon emissions generated by the delivery of digital advertising. Looking ahead, we eagerly anticipate witnessing the evolution and development of the industry in 2023 and beyond, as we navigate through this time of disruptive change and abundant opportunities, and aim to drive a more sustainable future.

Comments from our Chief Economist



Dr Daniel Knapp

Chief Economist, IAB Europe



Growth of digital advertising in Europe slowed to +9.8% in 2022. This can be attributed, in part, to a natural correction following a robust recovery in 2021 after the pandemic, which witnessed the most substantial market expansion in more than ten years (+33.8%). Additionally, the presence of macro-economic fragility and the ramifications of the war in Ukraine acted as further obstacles. Despite these challenges, the growth rate still surpasses expectations, particularly considering that digital advertising has now become a well-established media category, accounting for over 60% of total media ad expenditure, compared to less than 20% in 2009, the last year with similar growth patterns.

In 2022, there was a significant increase in inflation across the markets covered which materially influenced overall economic growth. When we account for the impact of headline consumer price inflation, we find that the digital advertising market in Europe remained largely flat in 2022.

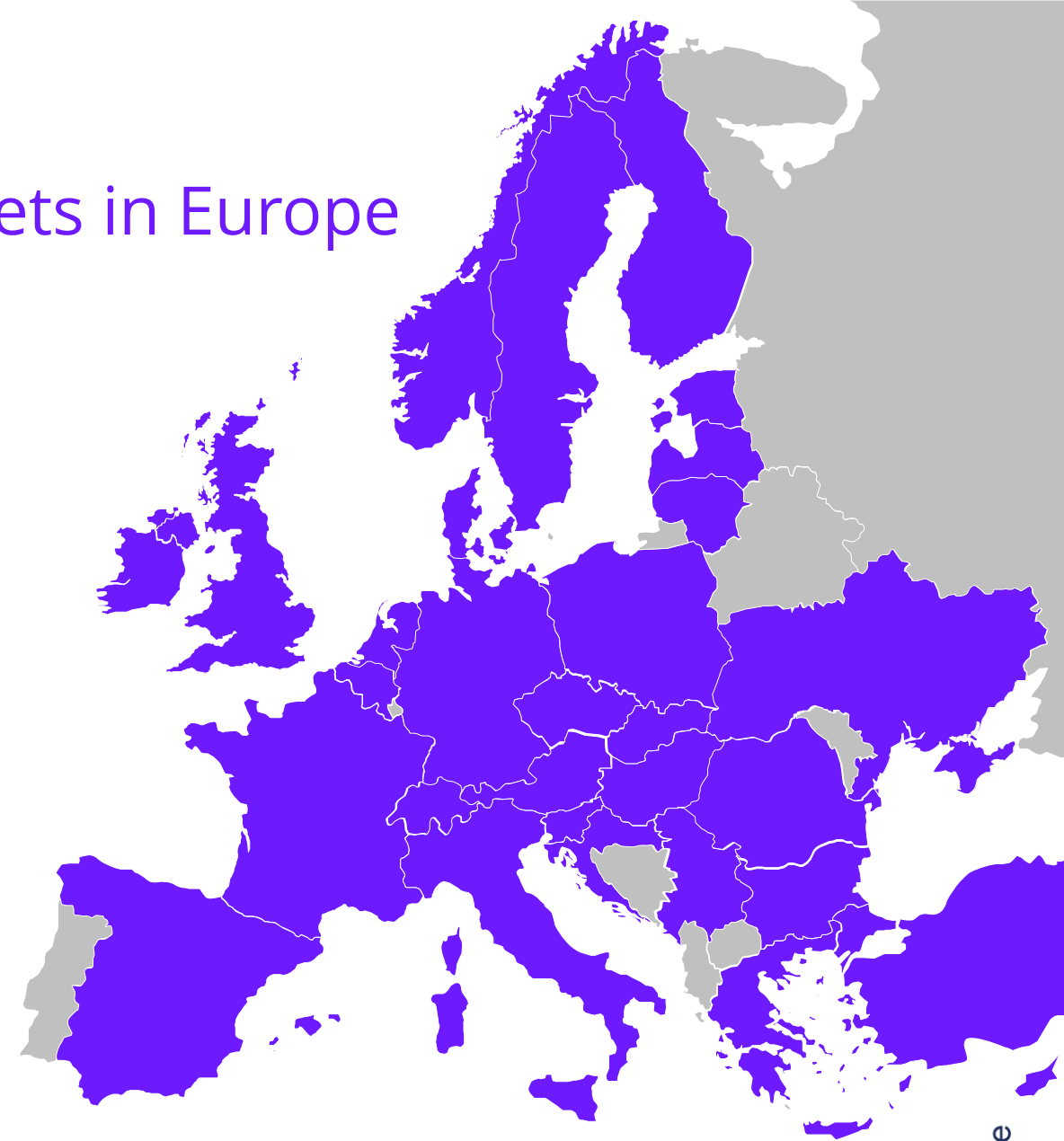
This report also shows a structural shift within digital advertising as growth in social slowed below average market growth and non-social display and paid-for-search outperformed. We saw particularly strong growth in video fuelled by an influx of further brand spending into digital, growth in programmatic as addressability remains key and continued vibrancy in new formats like digital audio and CTV. These findings indicate that despite a challenging environment, important advertising formats have continued to grow, even when accounting for inflation.

About the data

- This market sizing is based on the following methods:
 - Reported data from local IABs
 - Estimates by local IABs based on local insight
 - Estimates by local IABs in collaboration with IAB Europe's Chief Economist
 - Econometric modelling from IAB Europe based on public company filings & financial databases
- This study is a meta-analysis of ad spend reports by local IABs. The data from local IABs remains the principal input for this study. Due to the increasing complexity of the digital advertising market, we are modelling gaps and harmonising data between local IABs. This ensures the best possible like-for-like comparison between markets, while taking account of key market trends.
- All data is reported 'gross': after discounts, before commissions. Programmatic data is accounted for at the SSP level and excludes social.
- Local IAB collection methods have changed between 2021 and 2022 data, notably with regards to calculating programmatic data. We have adjusted our method to harmonise programmatic data across countries. This means that data for programmatic presented in this study is not comparable to previous studies.
- We have moved 'Affiliate' into Display. In the previous study, it was part of Classifieds & Directories due to how some IABs report the data. Following consultations with IABs and more detailed data on Affiliate, we have reverted to counting it as part of display, just as in our previous reports. The total for Affiliate does not meaningfully affect historical growth rates between formats.
- In this edition of the report, we added Estonia, Latvia and Lithuania while we ceased coverage of Belarus and Russia.
- Note that minor changes in display totals can occur compared to the Interact 2023 presentation of this data.

Report Coverage- Analysis of 29 markets in Europe

- Austria
- Belgium
- Bulgaria
- Czech Republic
- Croatia
- Denmark
- Estonia ✨
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Latvia ✨
- Lithuania ✨
- Netherlands
- Norway
- Poland
- Romania
- Serbia
- Slovakia
- Slovenia
- Spain
- Sweden
- Switzerland
- Turkey
- UK
- Ukraine



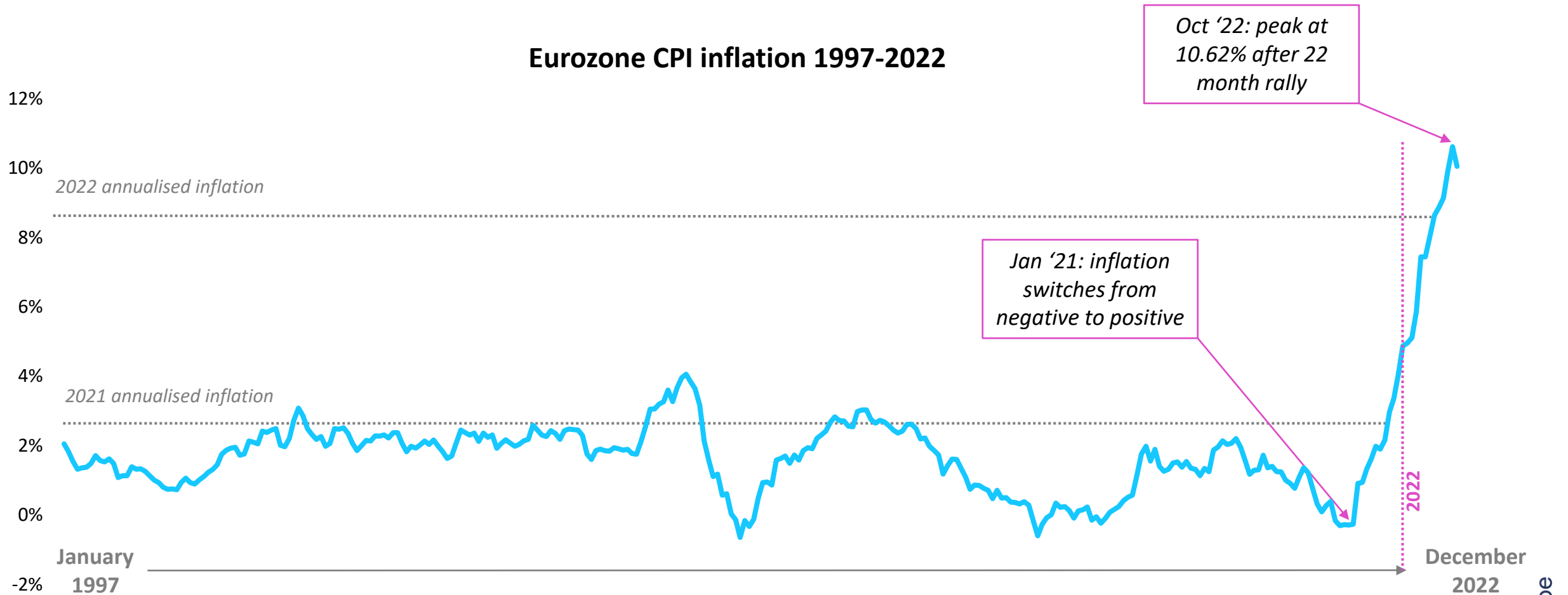
✨ = new addition

INFLATION

Currency & exchange rates

- All data in this study is in Euros. Data originally reported in local currency is converted.
- We use constant currency exchange rates to accurately reflect growth in local markets and to provide a consistent time series of historical growth and spend.
- In this edition of the study, we changed our base year for constant currency. Whereas we previously used constant 2013 exchange rates and maintained these for consistency, we have switched to 2022 rates. This is due to rising inflation and the variable impact of inflation across markets. It is common to occasionally reset the base year when expressing data in constant exchange rates.
- Switching to 2022 exchange rates means we can more accurately compare the relative size of markets while maintaining consistency of historical growth rates. Selecting a 2022 base rate means however, that the absolute values of historical data have changed.
- We provide a key to exchange rates in the appendix to allow readers to re-calculate our data for their own purposes.
- Growth rates reported in this study are in nominal terms. They include the effects of consumer price inflation. In a low inflation environment, the gap between nominal growth and growth that factors out the contribution of inflation is now.
- However, in 2021 and 2022, the markets in this study witnessed higher inflation – sometimes propelled to historical heights – which increased this gap. Additionally, the magnitude of inflation was unevenly distributed across markets. This created higher growth rates for markets with high inflation, which does not necessarily reflect the underlying health of the advertising market.
- In this edition, we therefore provide alternative views by adjusting our data for inflation using the World Bank Cross-Country Database for Inflation (January 2023 release) for annual core consumer price inflation and annual headline consumer price inflation. The corresponding World Bank metrics are called “CCPI_A” and “HCPI_A”. The underlying data can be found here: <https://www.worldbank.org/en/research/brief/inflation-database>

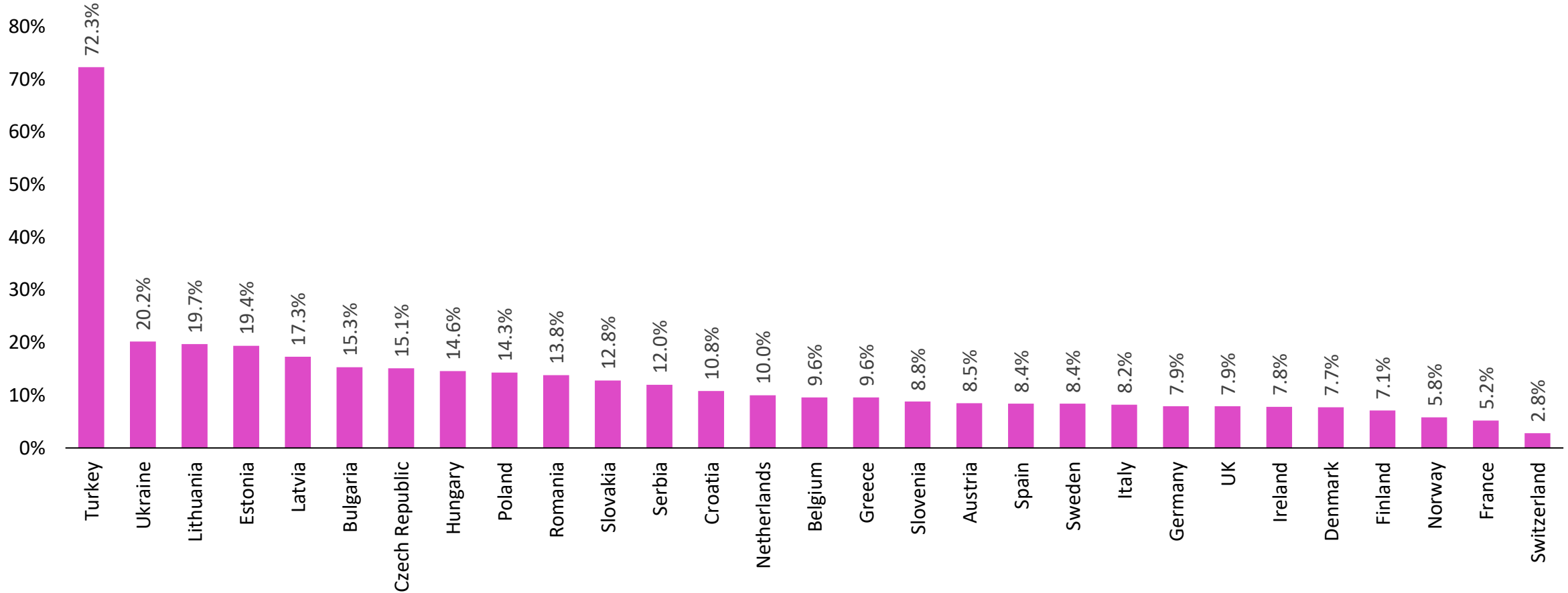
Study is conducted in high-inflation environment for 1st time



Source: European Central Bank. Percentage change over same month in the previous year.

...but inflation impact varies between markets covered

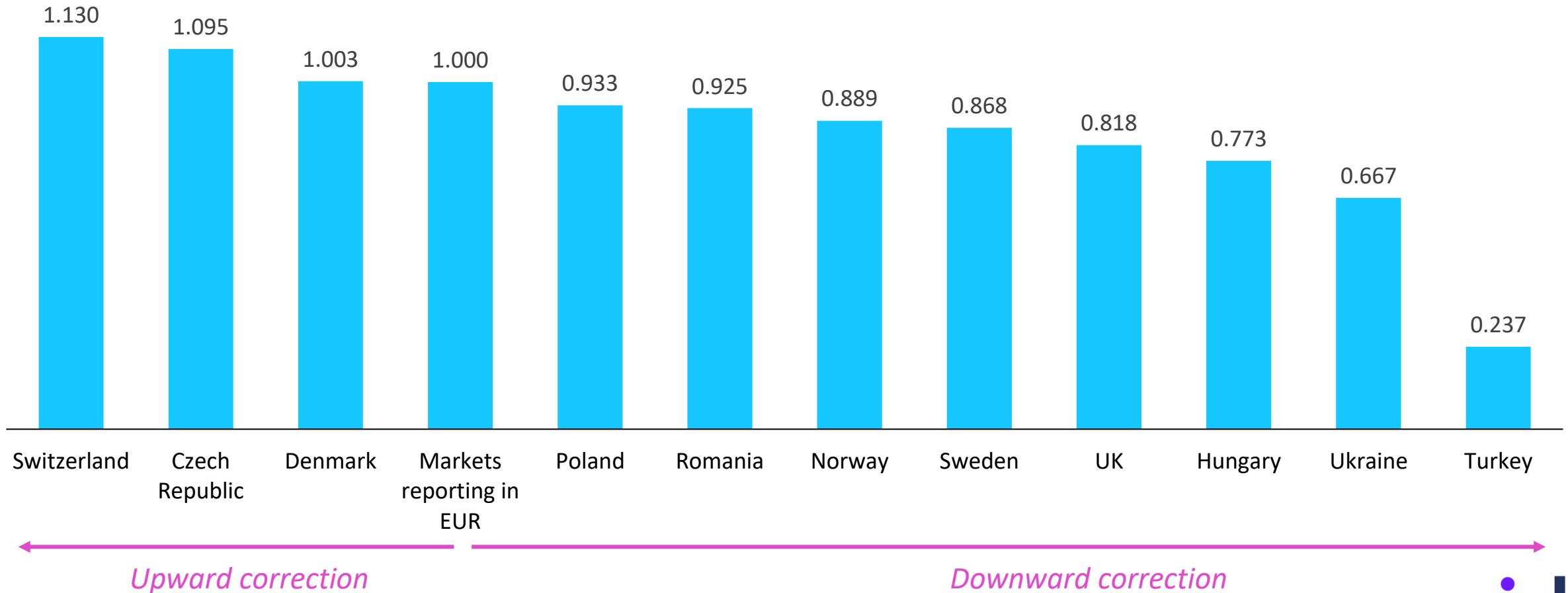
Consumer Price Inflation, growth 2022 vs 2021



Source: World Bank, headline consumer price index (hapi)

Using 2022 exchange rate avoids distortions in market size from highest inflation countries

Using 2022 EUR vs 2013: Effect on Market Size



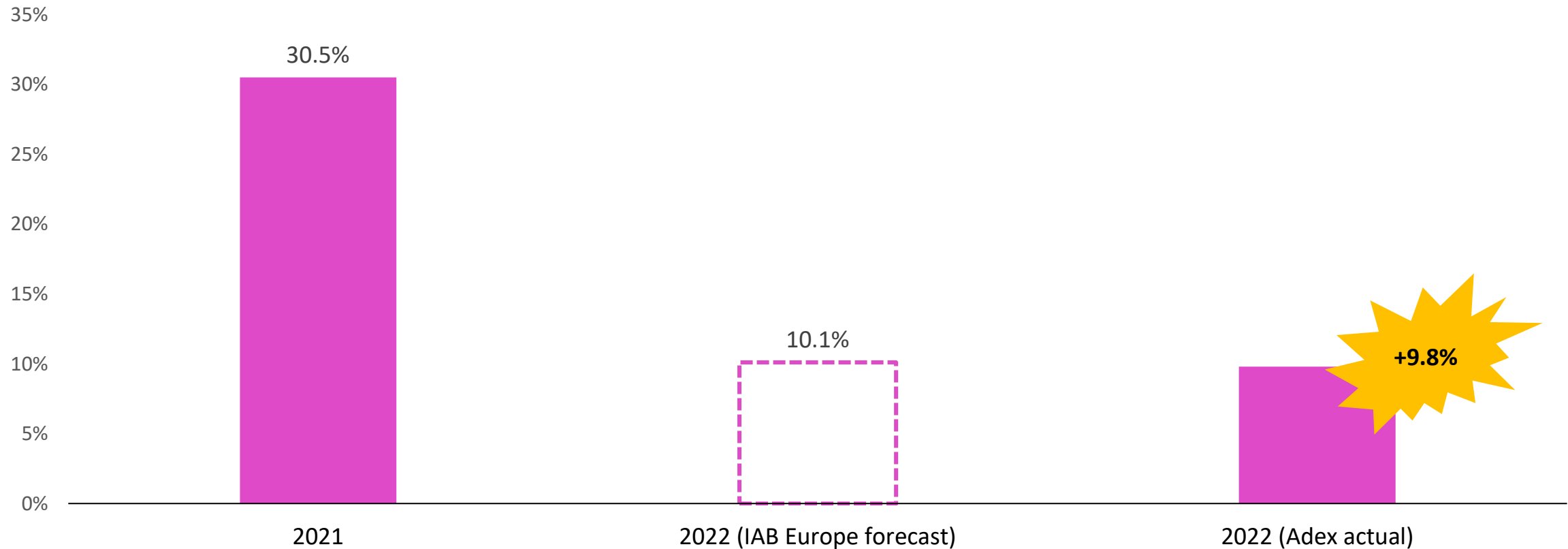
MARKET

The value of digital ad spend in Europe

€86bn

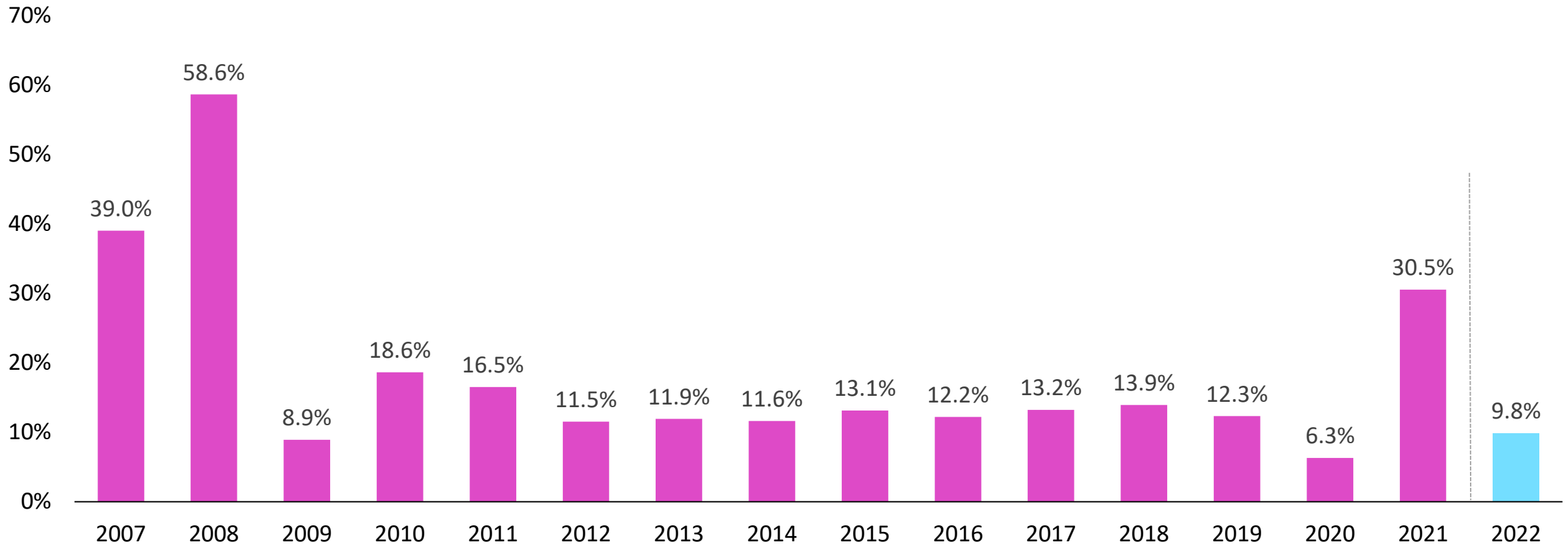
At the last Interact conference, we predicted +10.1% growth

Europe: 2022 Digital Ad Spend Forecast & Actual



Growth was achieved in light of tough comparatives and weak macro-environment but propped up by inflation

Europe: Digital Ad Spend Growth Over Time



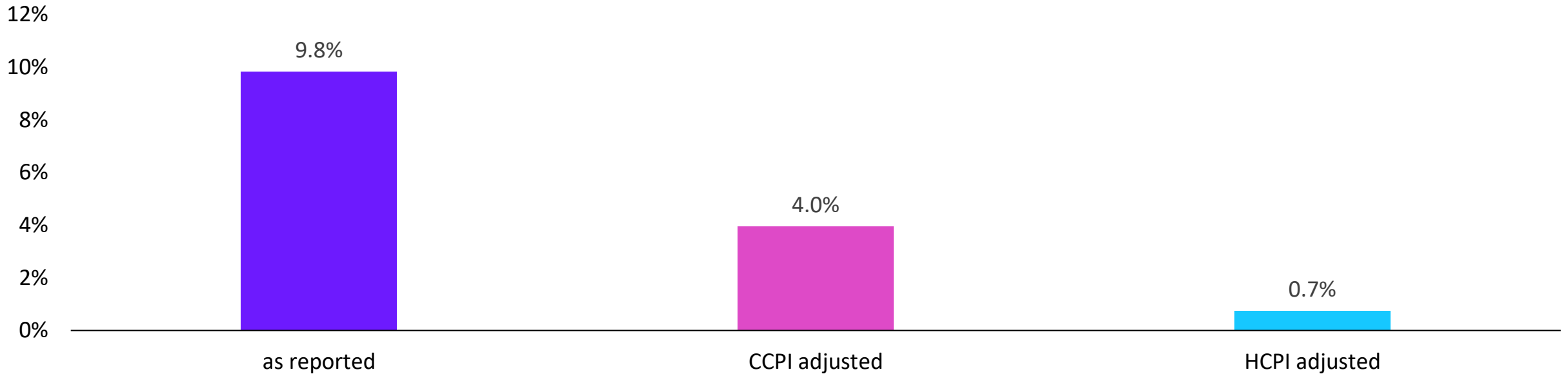
Note: Change in base currency & geographic adjustment affects comparability between 2022 and previous years. Restated & original time series available on www.iabeurope.eu

...but there are different “realities” that affect growth rates

Using 2022 exchange rate to capture growth rates as reported by local markets.

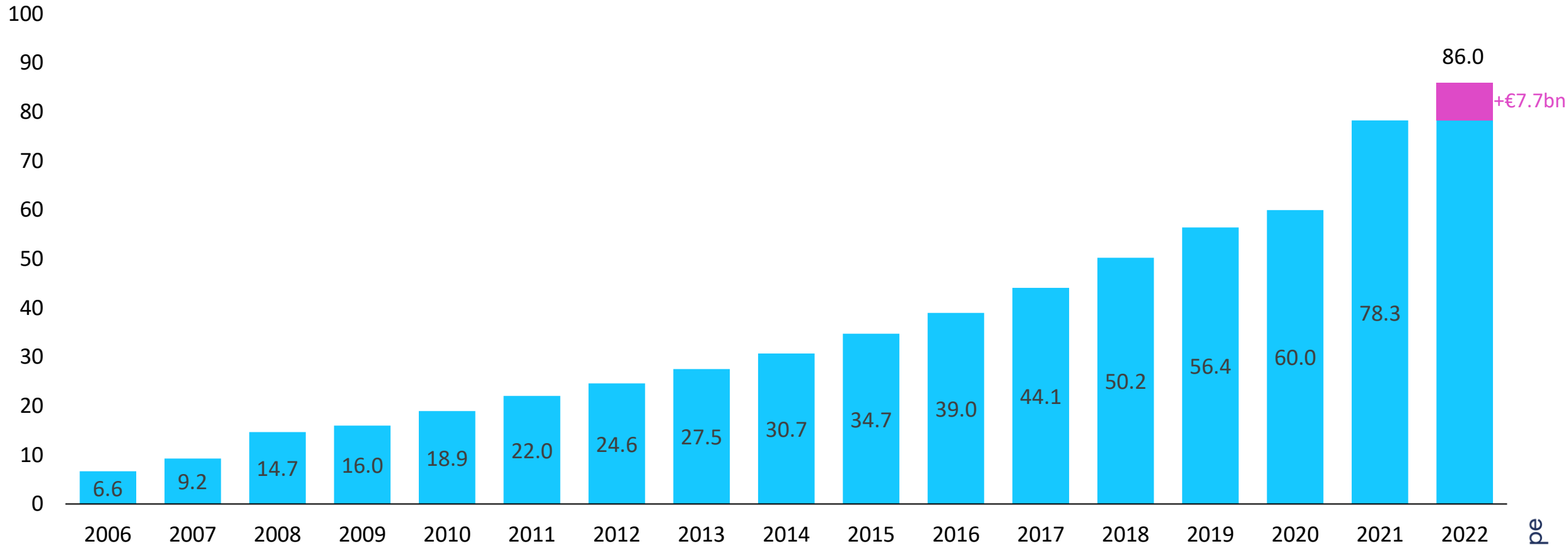
Excludes certain volatile categories, eg. food and energy prices, to provide a clearer view of underlying inflation trends.

Measures the total inflation within an entire economy. Includes volatile categories like food and energy prices.



Despite 2021 surge, €7.7bn added to market

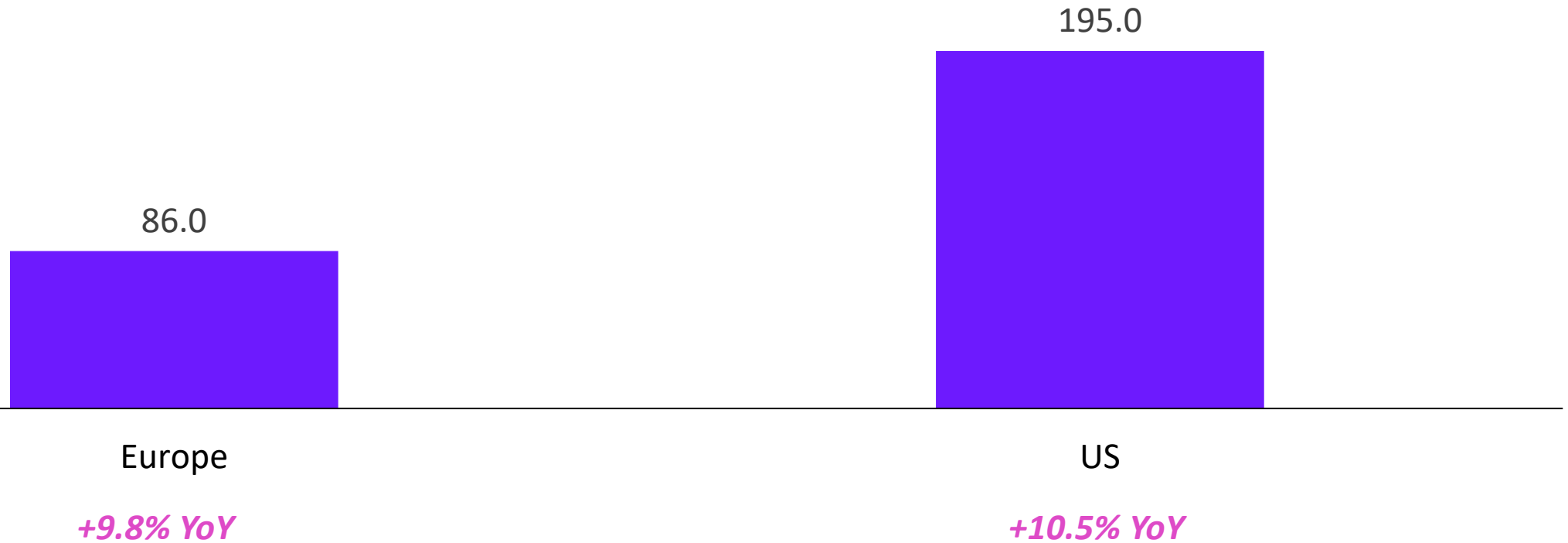
Europe: Total digital ad spend (€bn)



Note: Historical market size restated based on 2022 constant fx and historical growth rates, Russia & Belarus removed. For time series in other currency conversions, see www.iabeurope.eu

Europe & US comparison

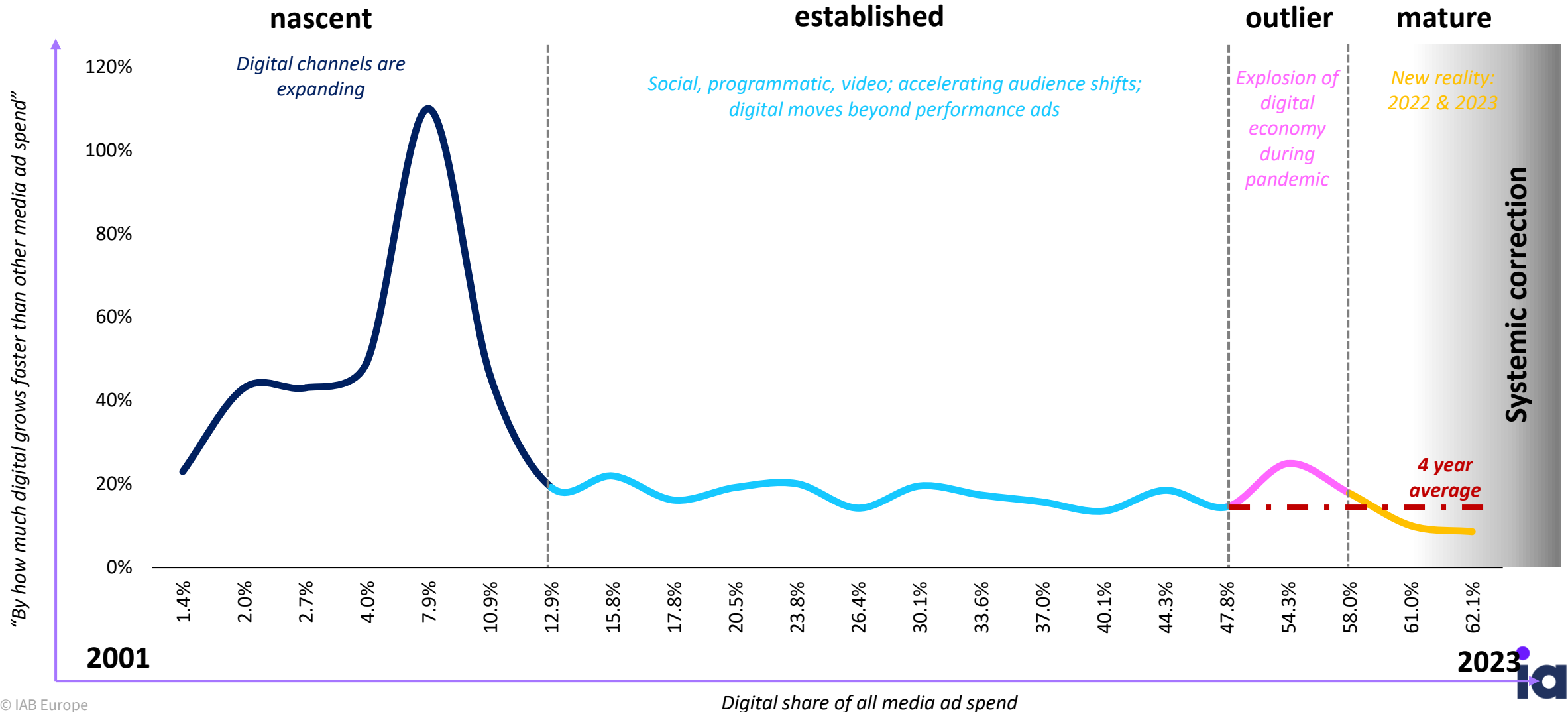
Digital Ad Spend 2022, €bn



Source: IAB/PwC Ad Spend Report for US Data; IAB Europe. Applied 2022 fx rate USD/EUR.

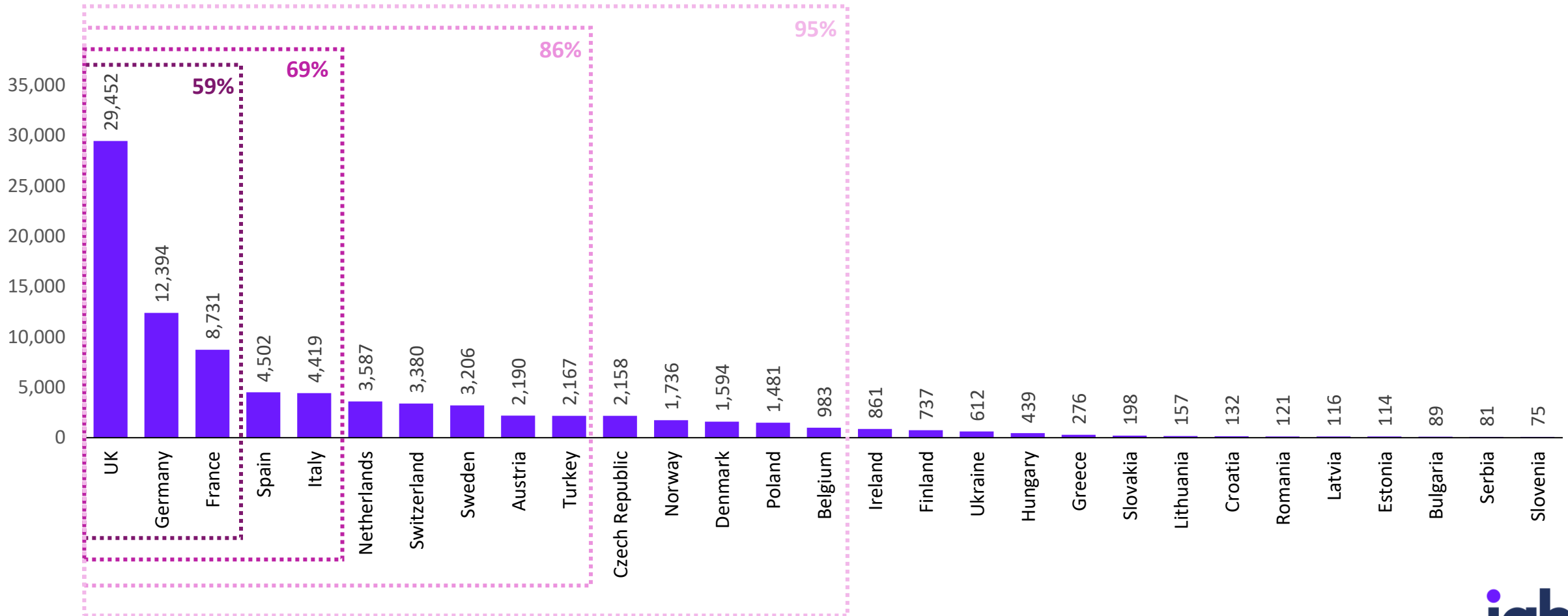
Digital ad market is mature but continues to outperform other media growth

Europe



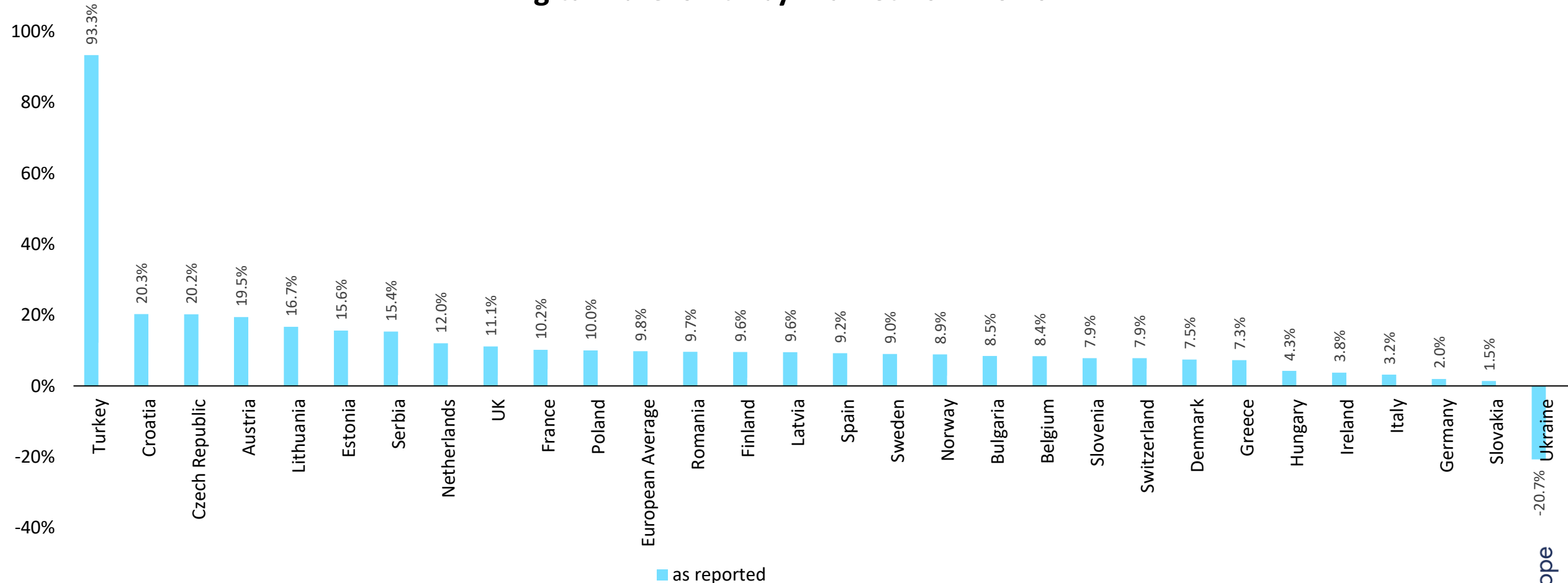
European ad spend remains concentrated on top markets

2022: Digital Ad Spend by Market (€m)



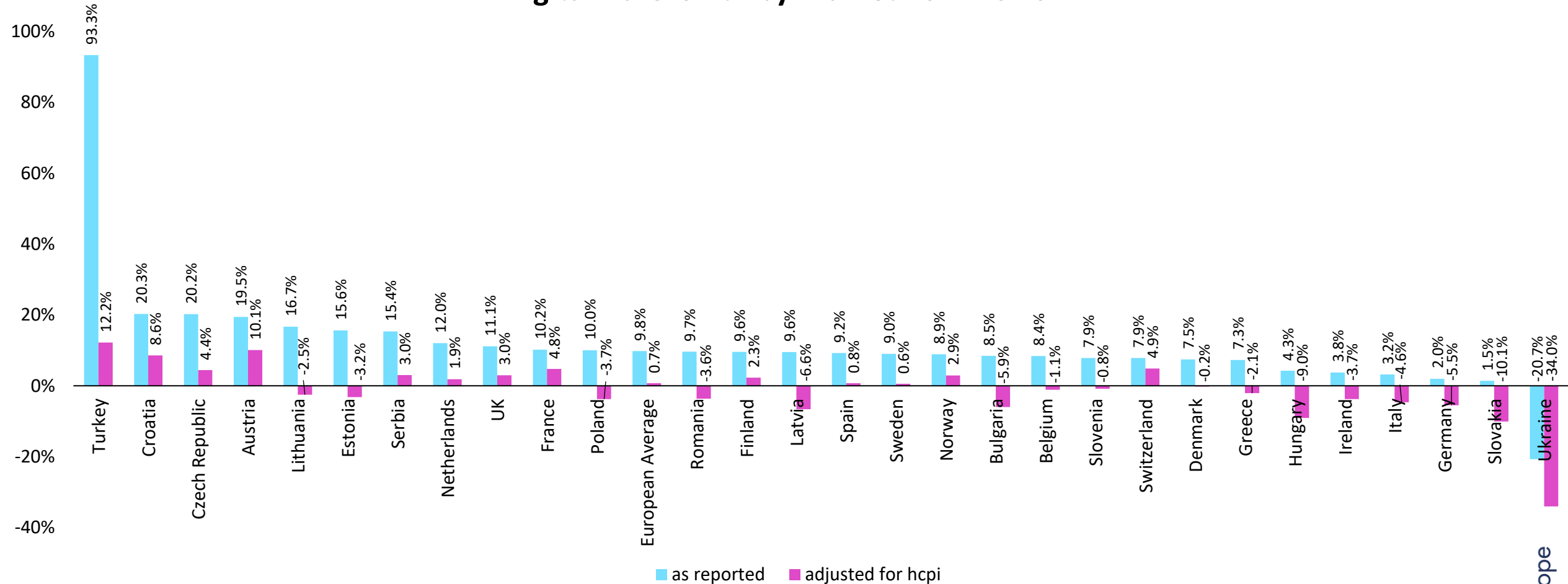
Most European markets show robust gains despite tough comparatives and weak macro environment...

Digital Ad Growth by Market 2022 vs 2021



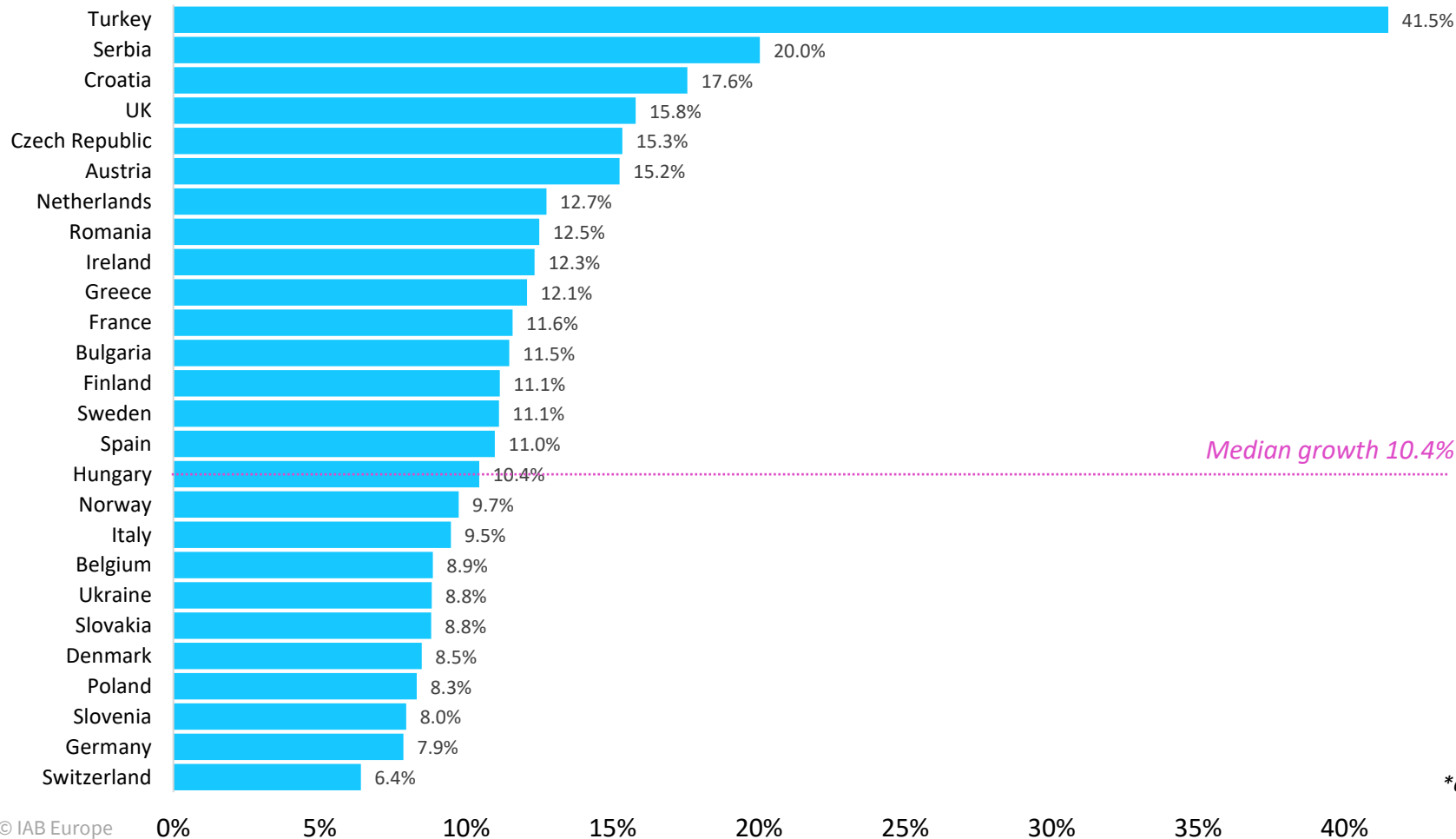
...but accounting for the effect of inflation changes the picture

Digital Ad Growth by Market 2022 vs 2021



After 3 years of turmoil, longer term perspective helps to understand real underlying growth by market

Real growth 2019-2022 (CAGR) by market*



1.

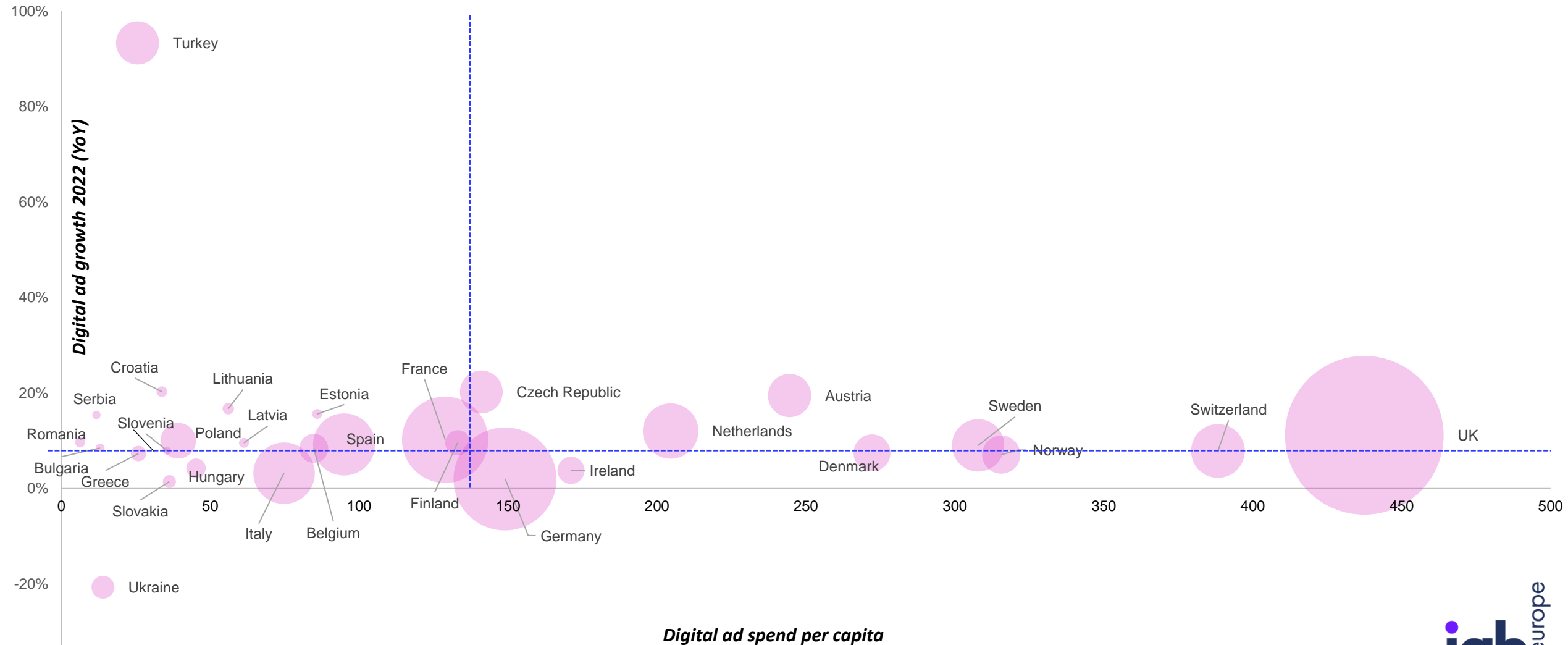
Long-term view 2019 to 2022 via compound annual growth rate

2.

Removing inflation to determine real underlying growth

*adjusted for inflation using World Bank HCPI data

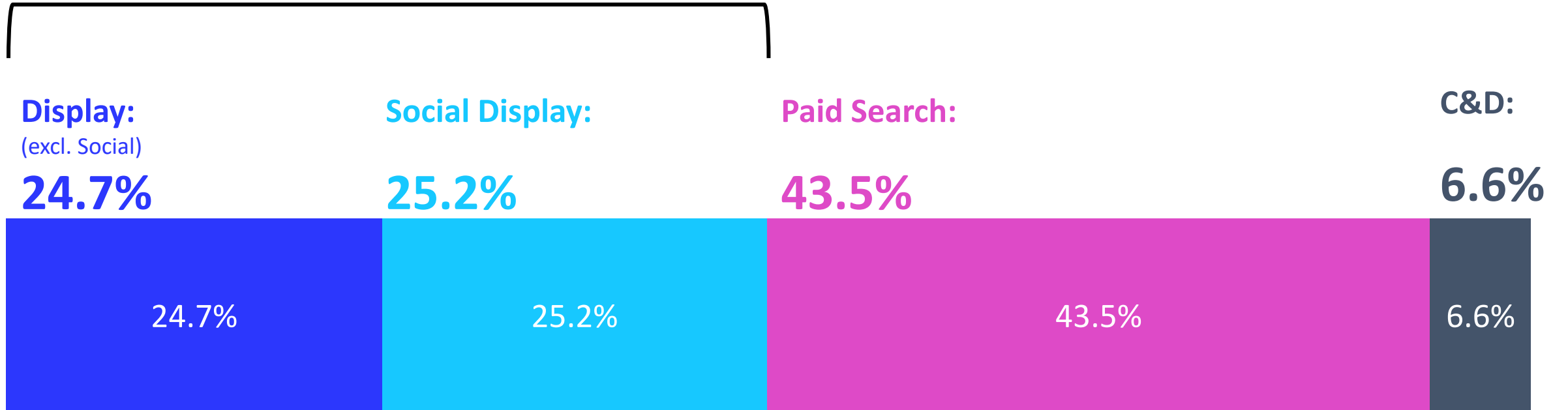
Composite view shows nuances between European markets



FORMATS

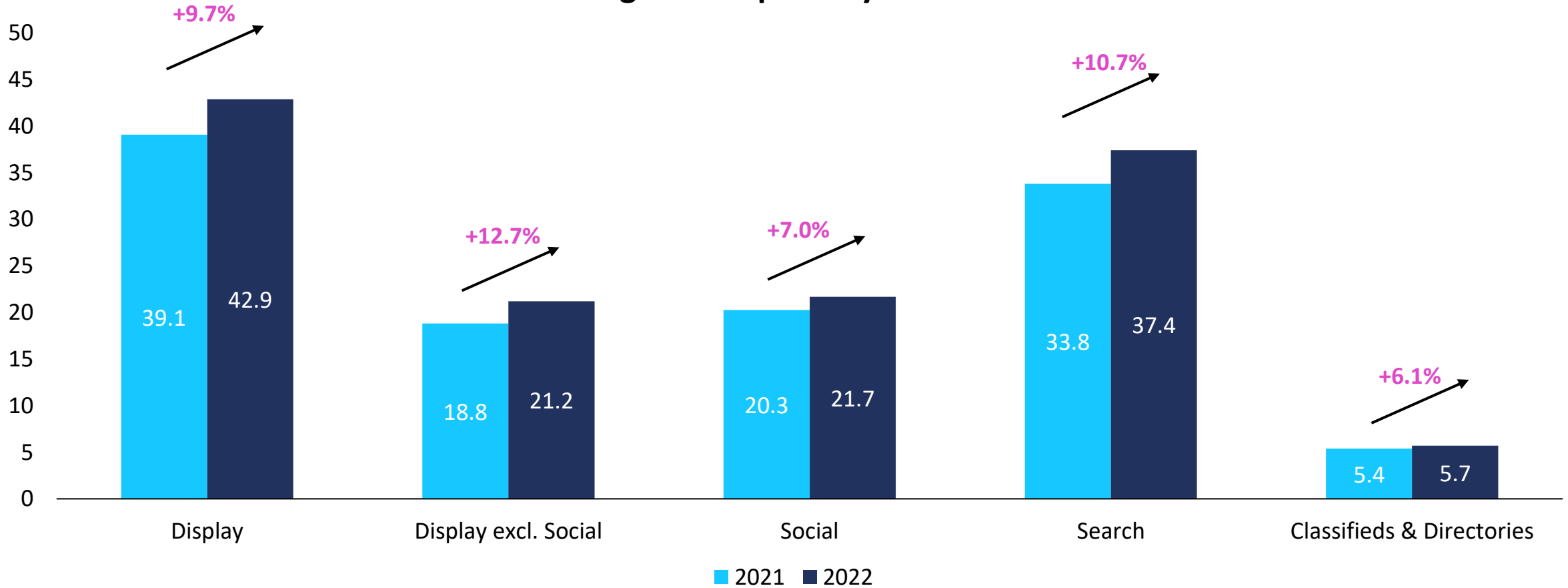
Display has highest share of European market

Total Display: 49.9%



...but changing trend as search outperforms and social growth slows

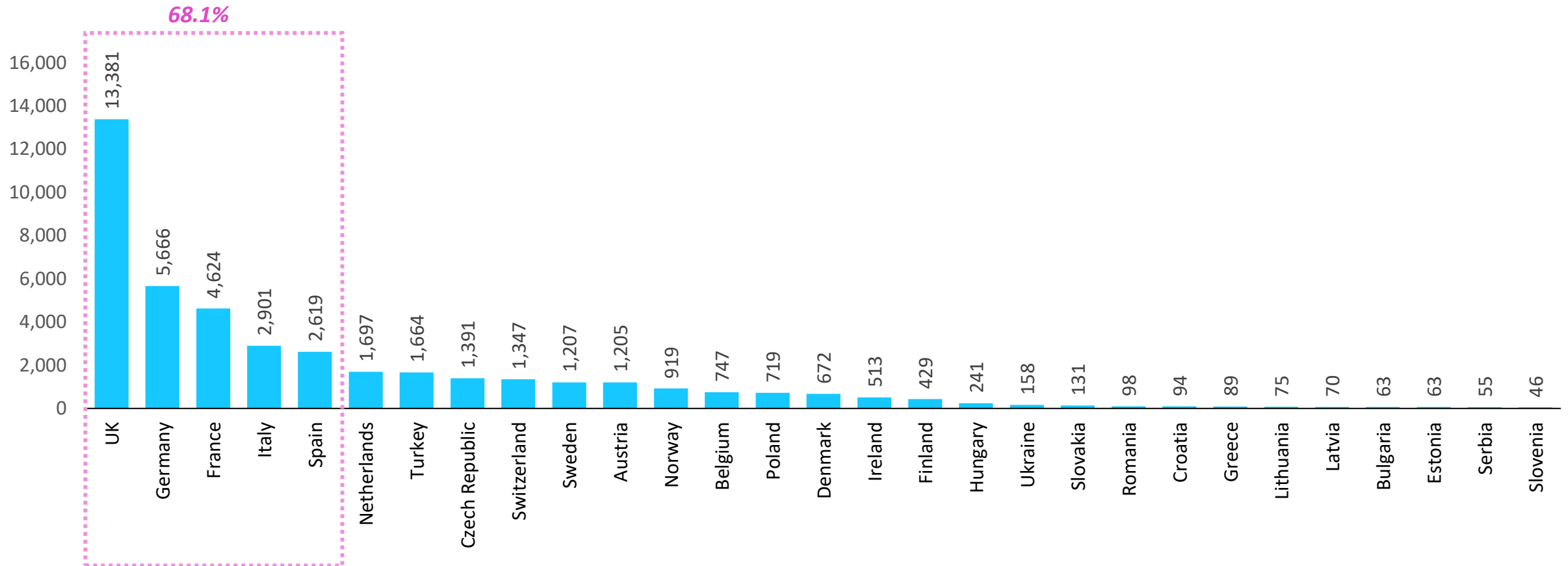
Digital Ad Spend by Format



Total market: +9.8%

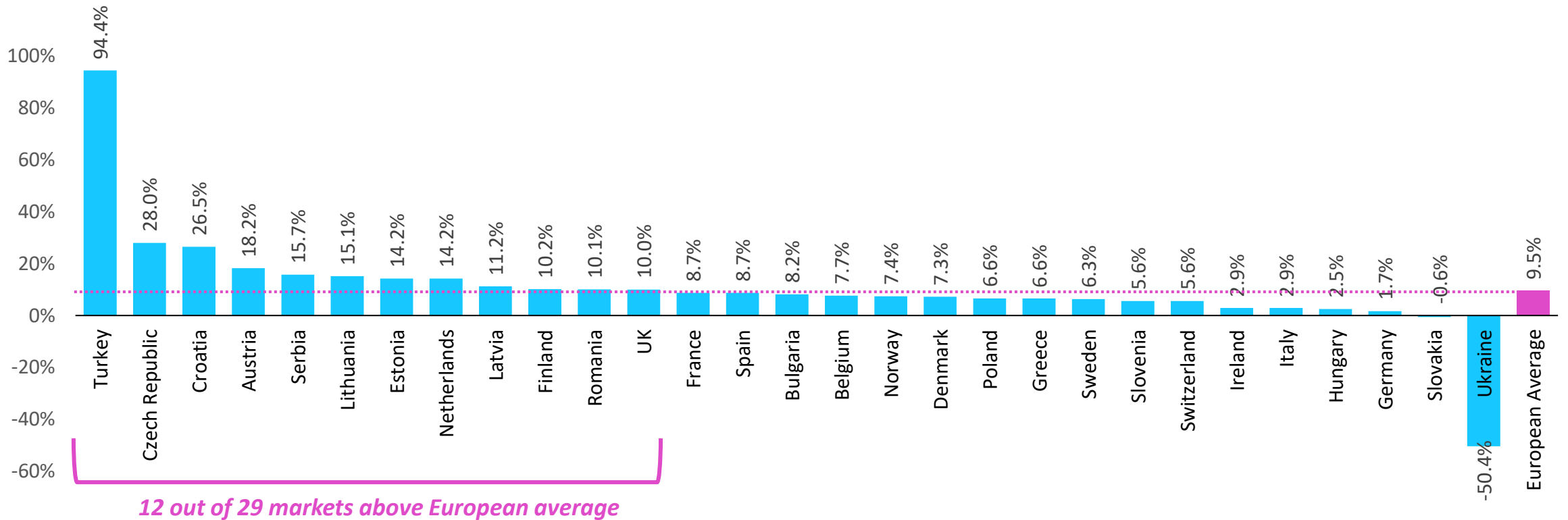
'Big 5' markets command 68.1% of the display market

2022: Digital Display Ad Spend by Market (€m)



Most markets saw single to low double digit growth in display framed by extremes

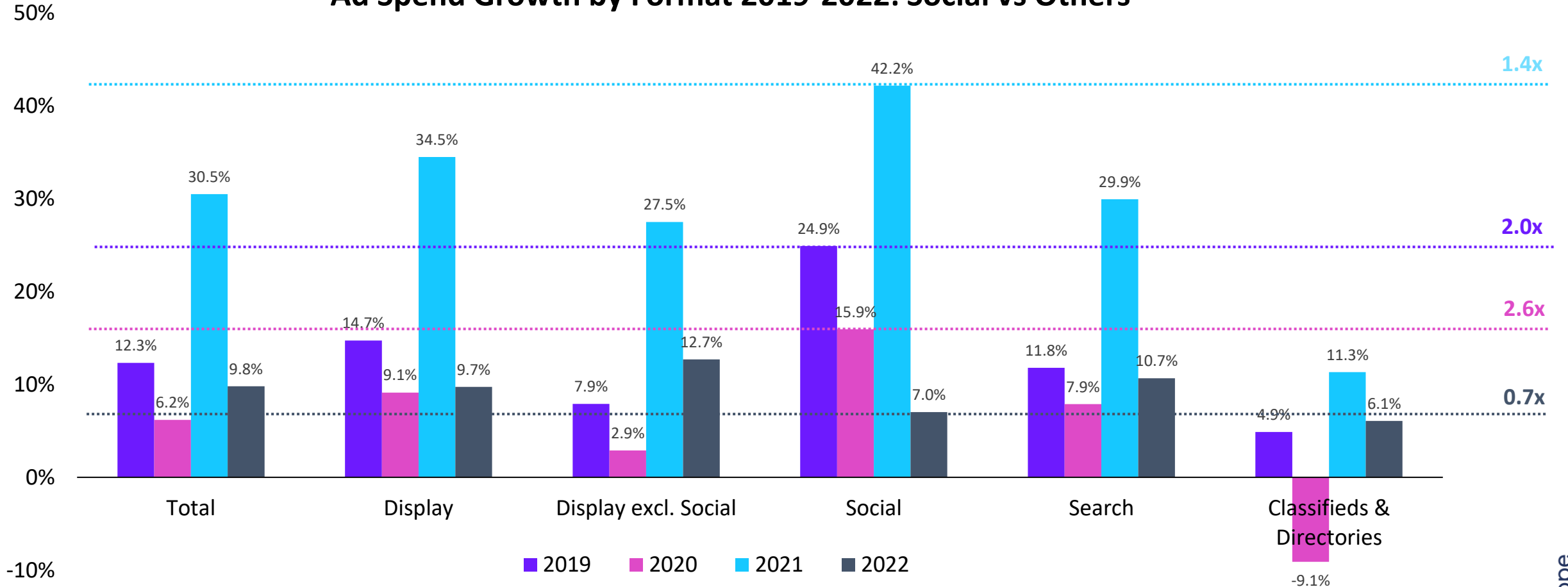
Europe: Display Ad Spend Growth (2022 vs 2021)*



*incl. social

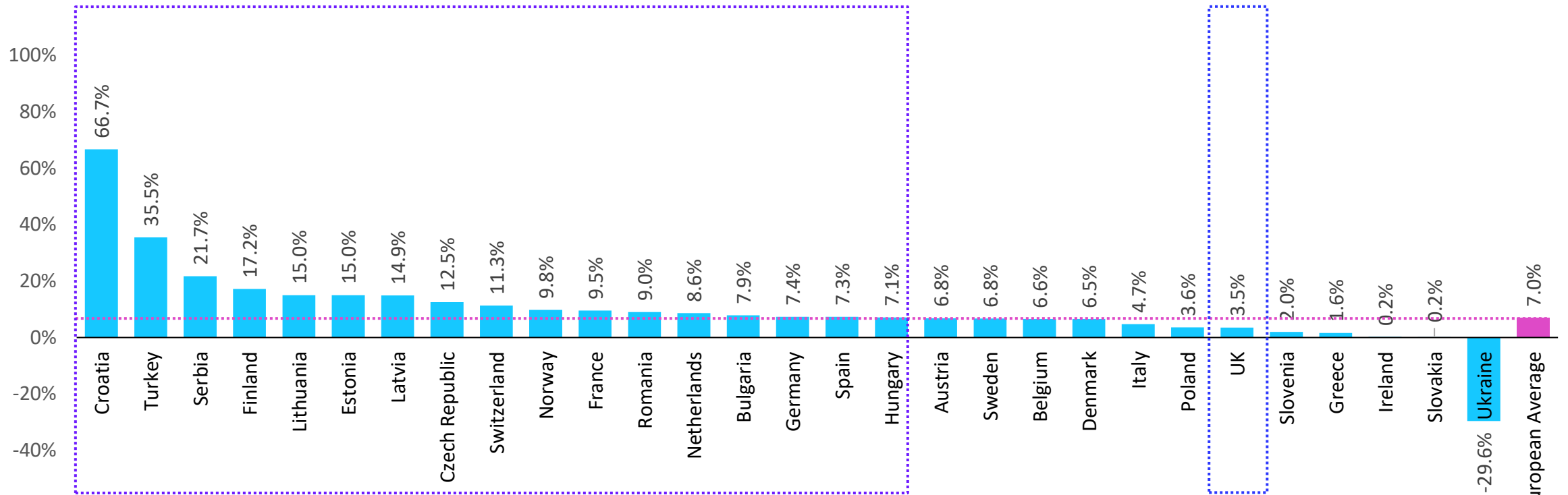
Social only grew 0.7x speed of market vs 2.6x in 2020

Ad Spend Growth by Format 2019-2022: Social vs Others



Yet individual factors place outsized drag on social growth

Europe: Social Ad Spend Growth (2022 vs 2021)*

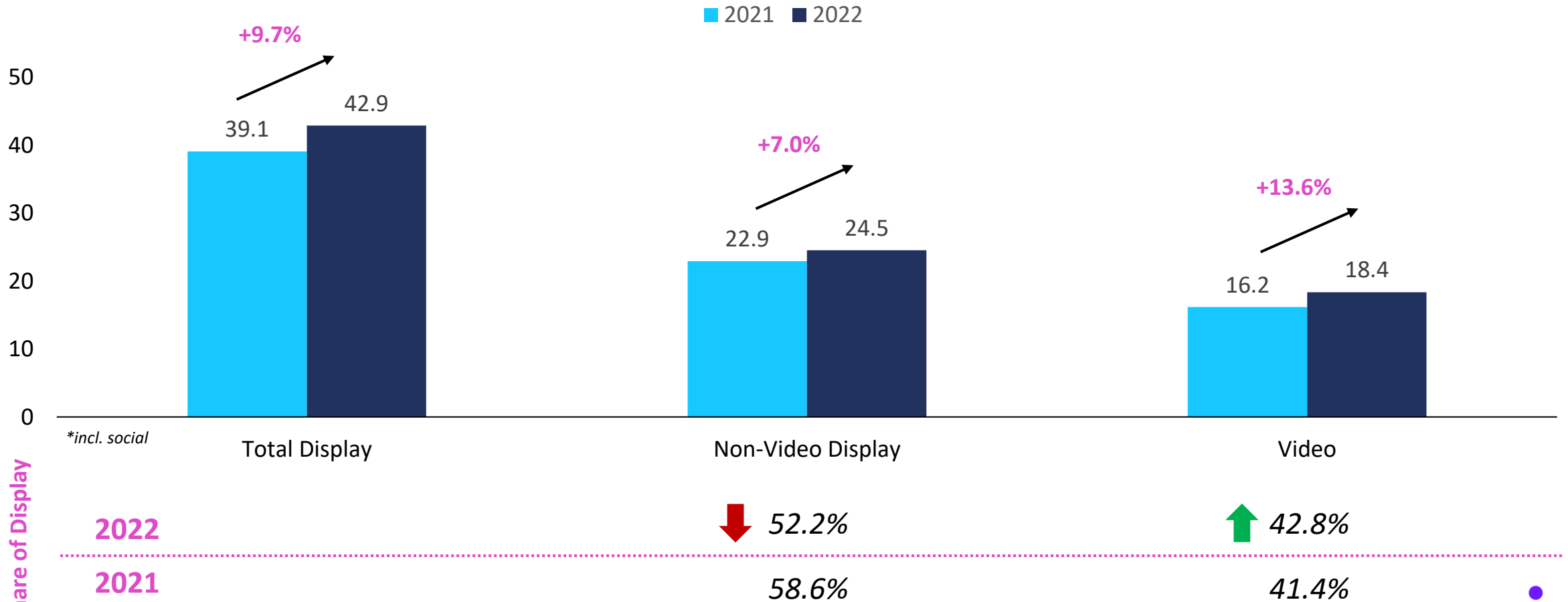


Above European average

Main drag factor (35% of total social ad spend grew 50% below European average)

Total display shows gains in video share...

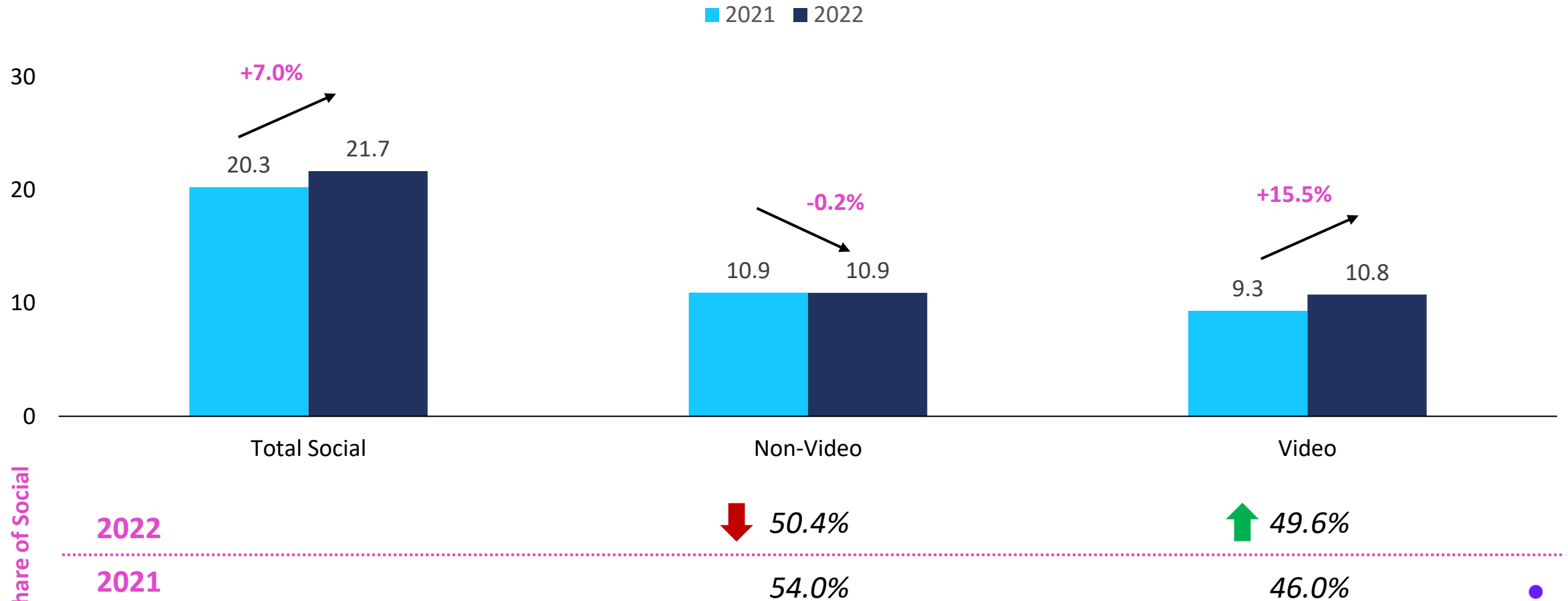
Europe: Display Ad Spend Details (€bn)*



Share of Display

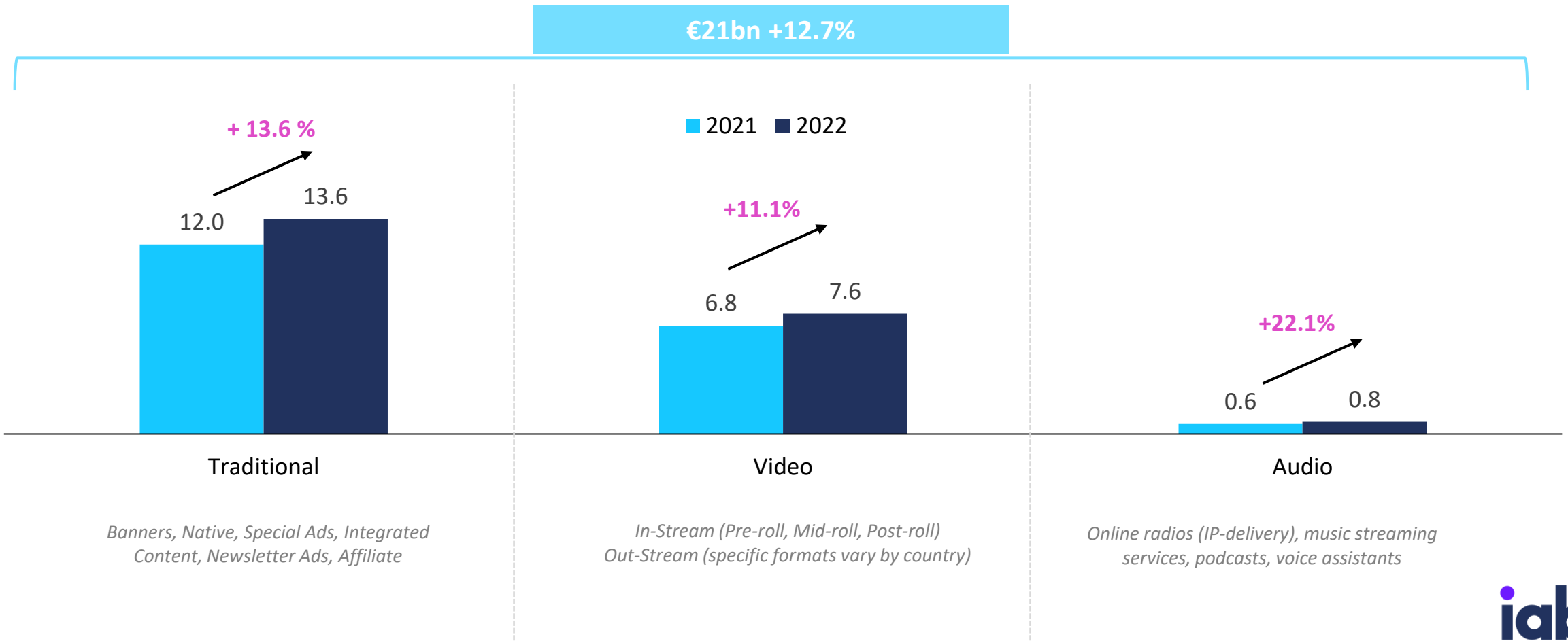
yet video growth was mainly driven by social...

Europe: Social Ad Spend Details (€bn)



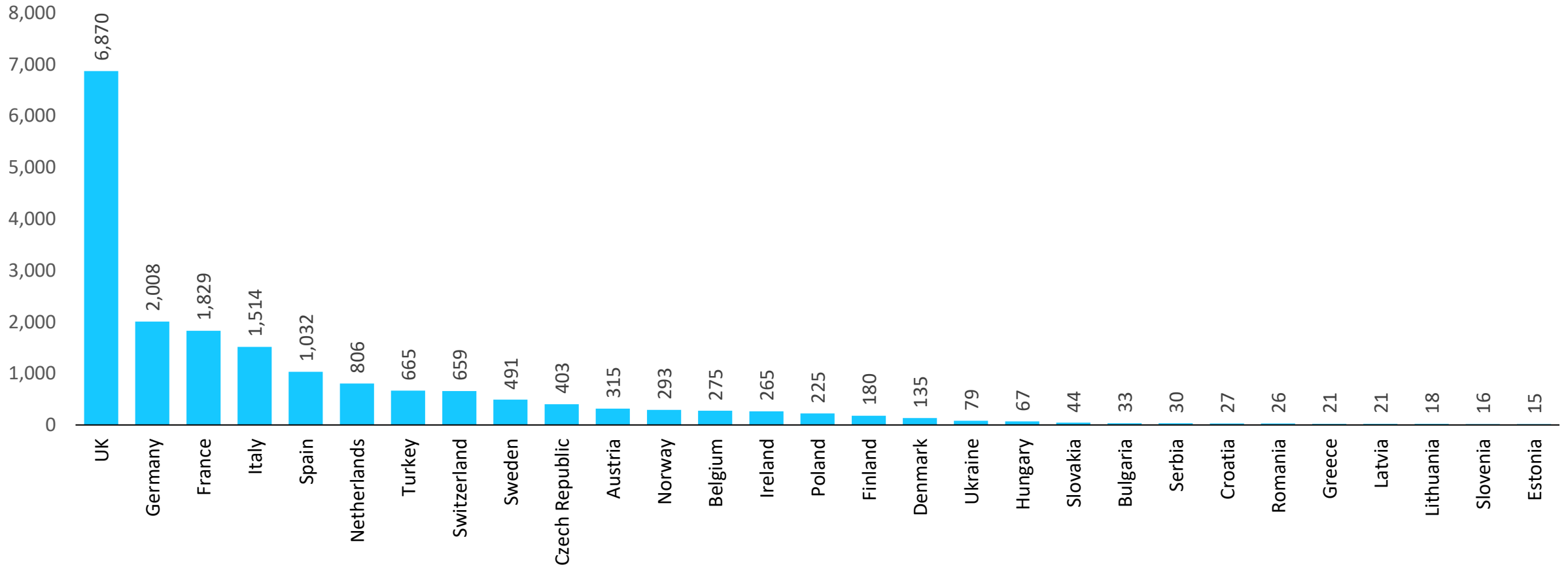
...whereas other formats grew faster in non-social display mainly due to tough comparatives for video with 2021

Europe: Display Ad Spend excl. Social (€bn)



17 markets generate over €100m in video ad spend

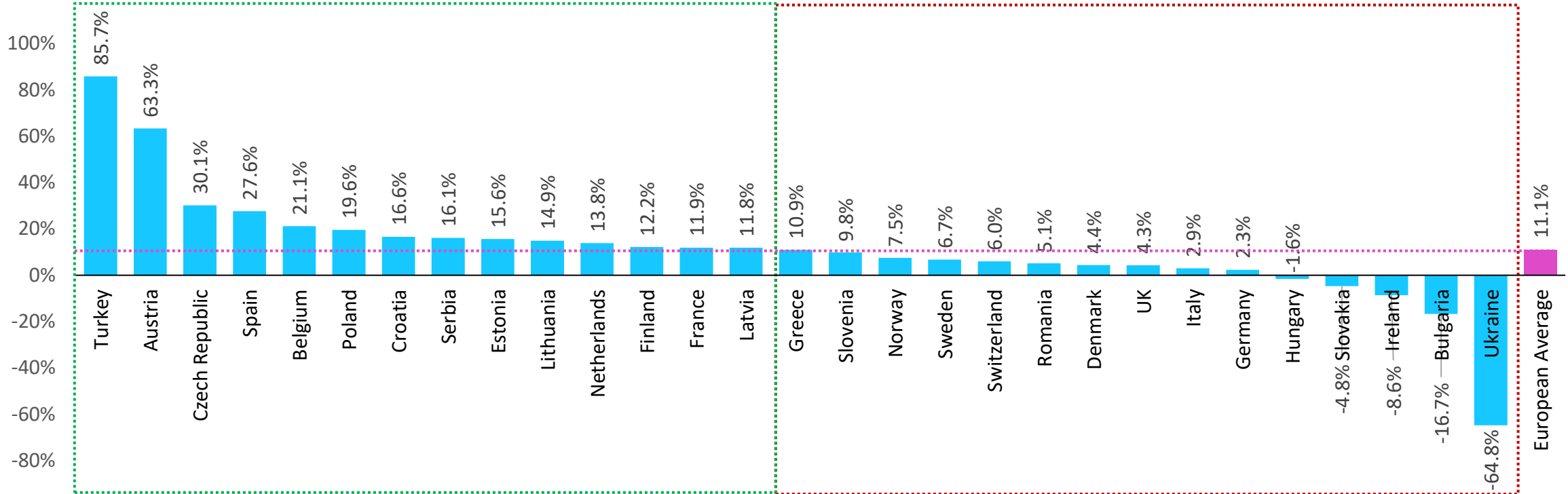
2022: Video Ad Spend by Market (€m)*



*incl. Social

Going deeper than averages reveals nuance in local market video ad growth

Europe: Video Ad Spend excl. Social video (2022 vs 2021)

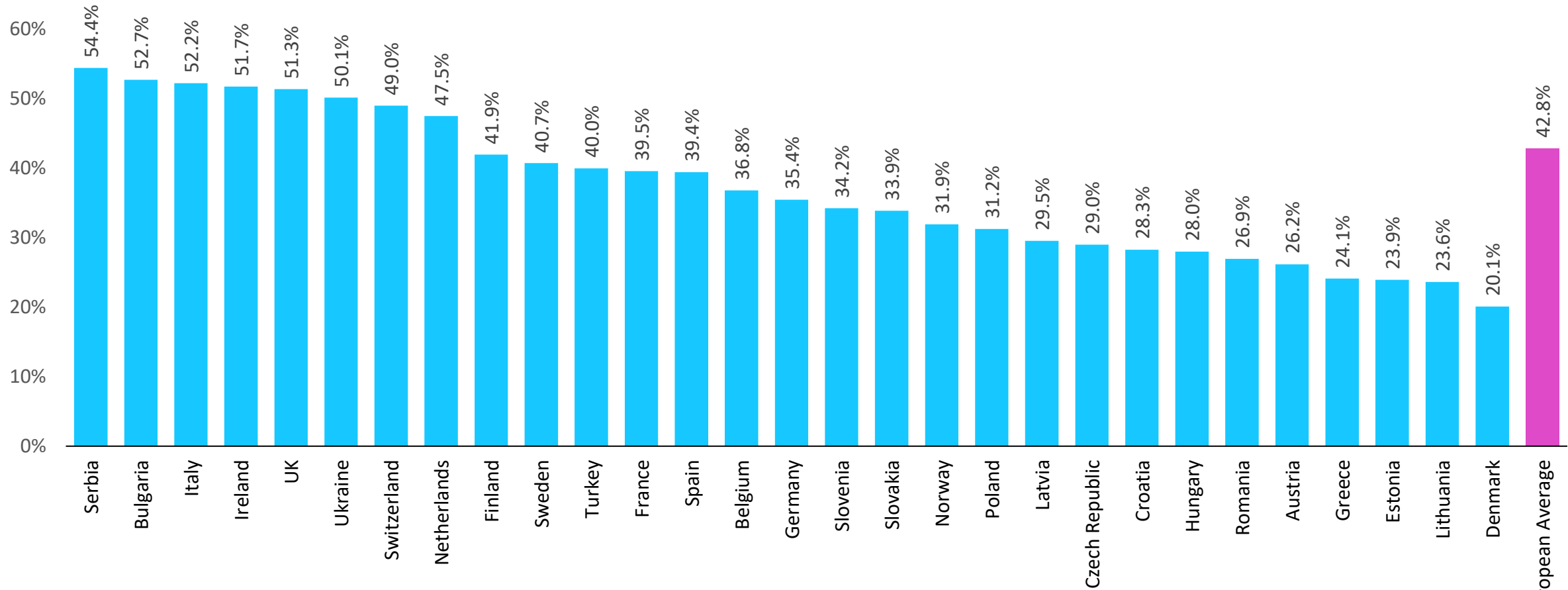


14 markets above European average

15 markets below European average

Video is over 50% of display spend in 6 markets

2022: Video Share of Display Ad Spend by Market*



*incl. Social

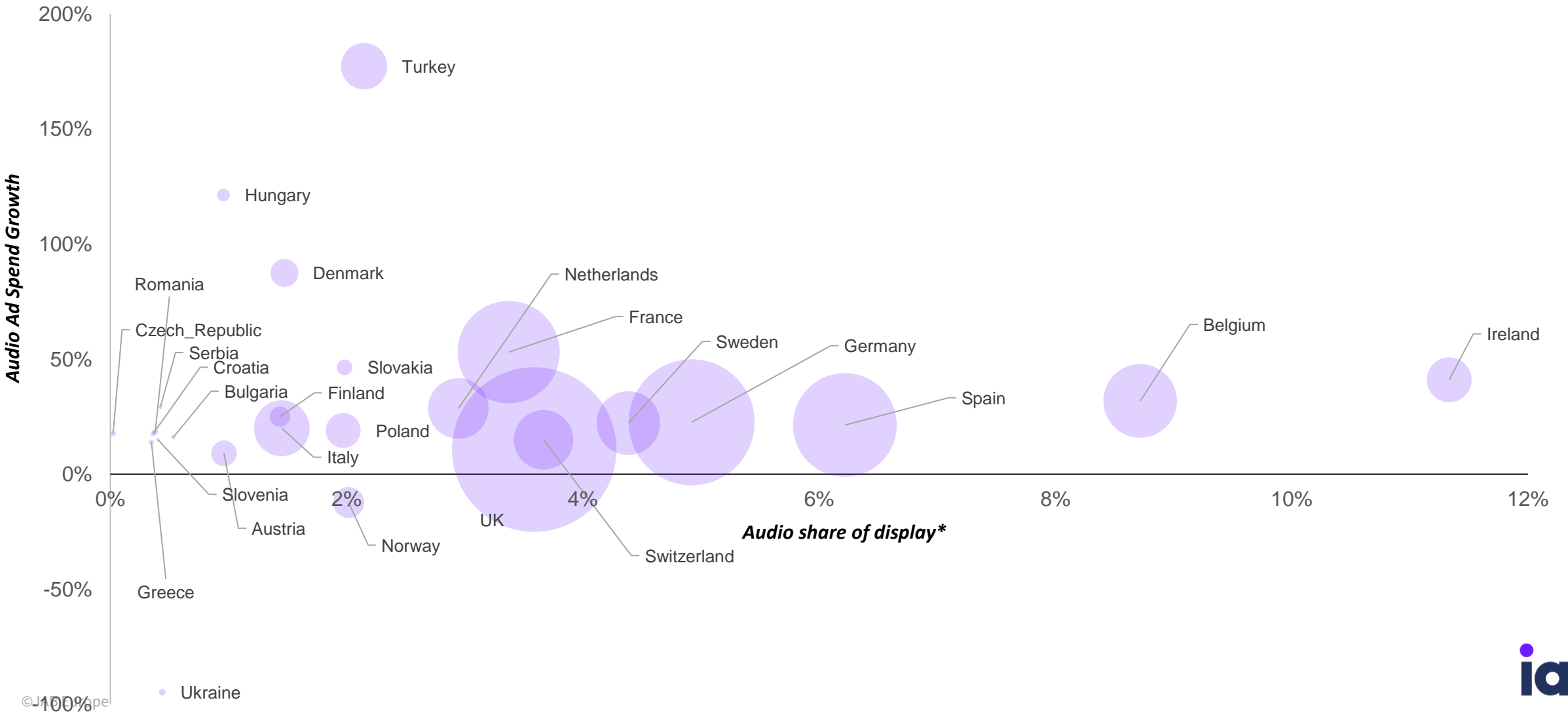
Connected TV outperforms overall video growth

46.6%

growth based on 6 markets
who submitted data*

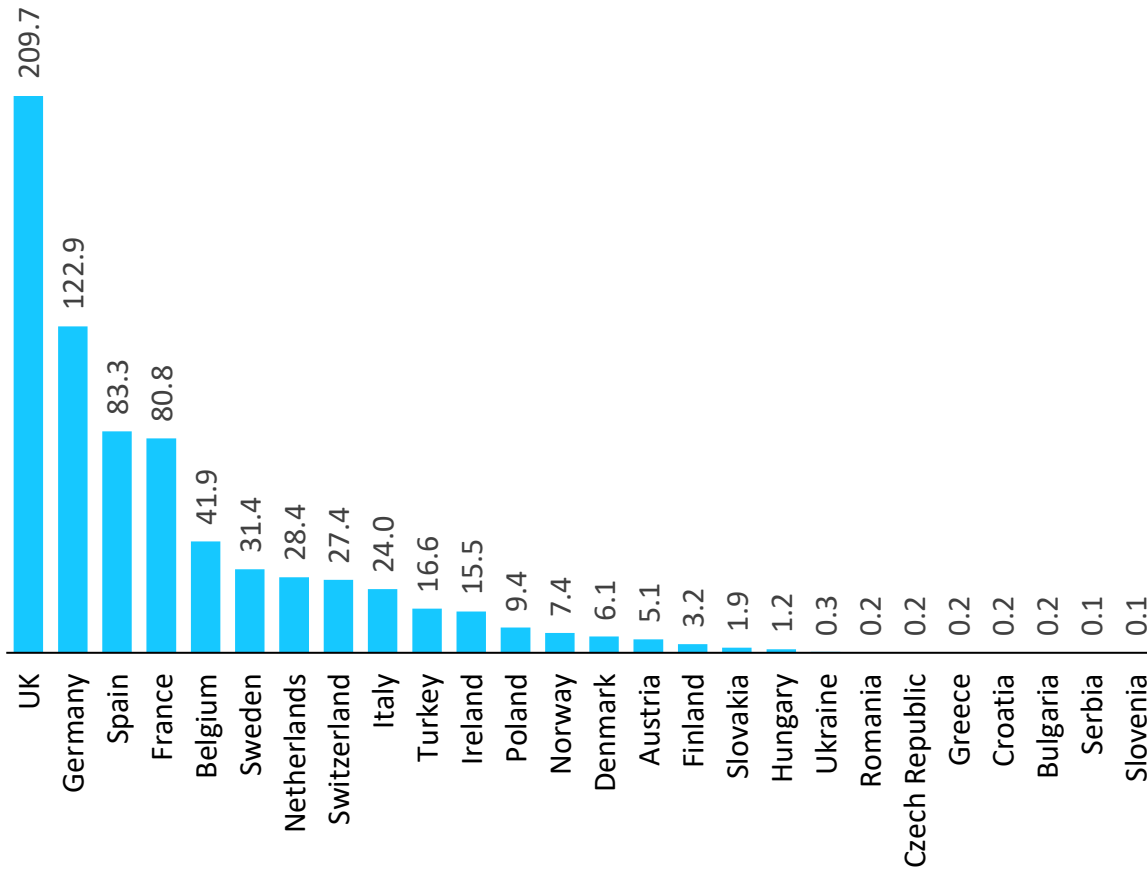
**submitted data not harmonised, may refer to different definitions of CTV. Excludes YouTube. We will expand coverage of CTV over time.*

Digital audio market has different leaders than other formats

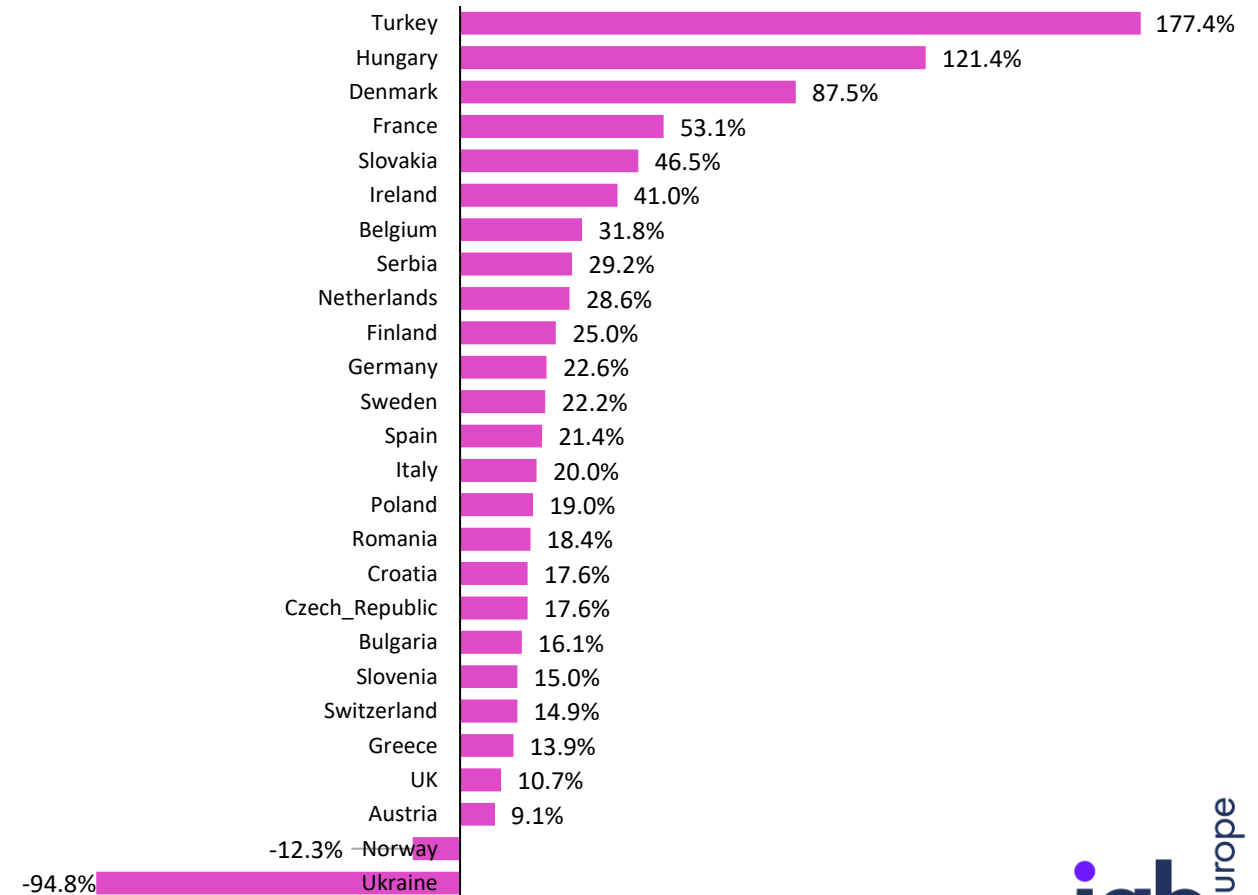


Belgium in top 5 markets, both emerging & mature ad markets lead growth

Europe: Digital Audio Ad Spend 2022 (€m)

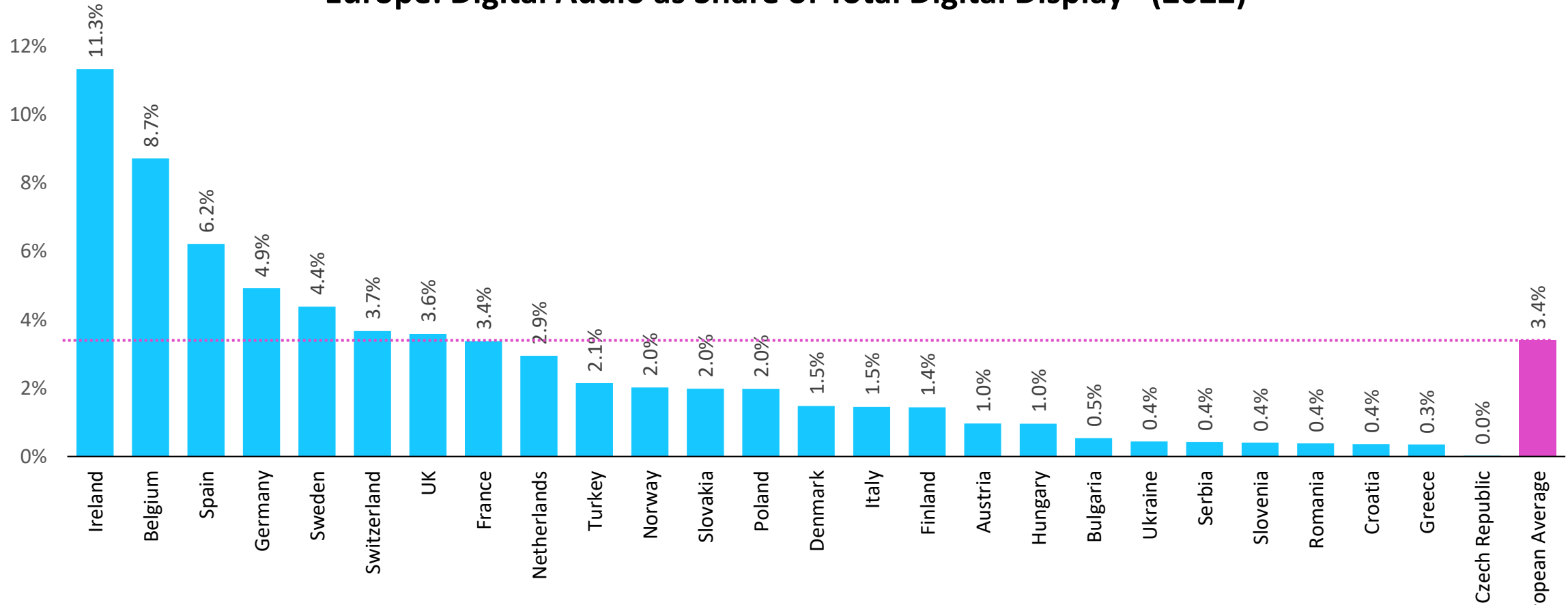


Europe: Digital Audio Ad Spend Growth 22 vs 21



Markets with strong radio advertising as share of all media (e.g. Ireland, Belgium) typically also have strong presence in digital audio

Europe: Digital Audio as Share of Total Digital Display* (2022)



excl. Social

The programmatic slope: strong differences in adoption

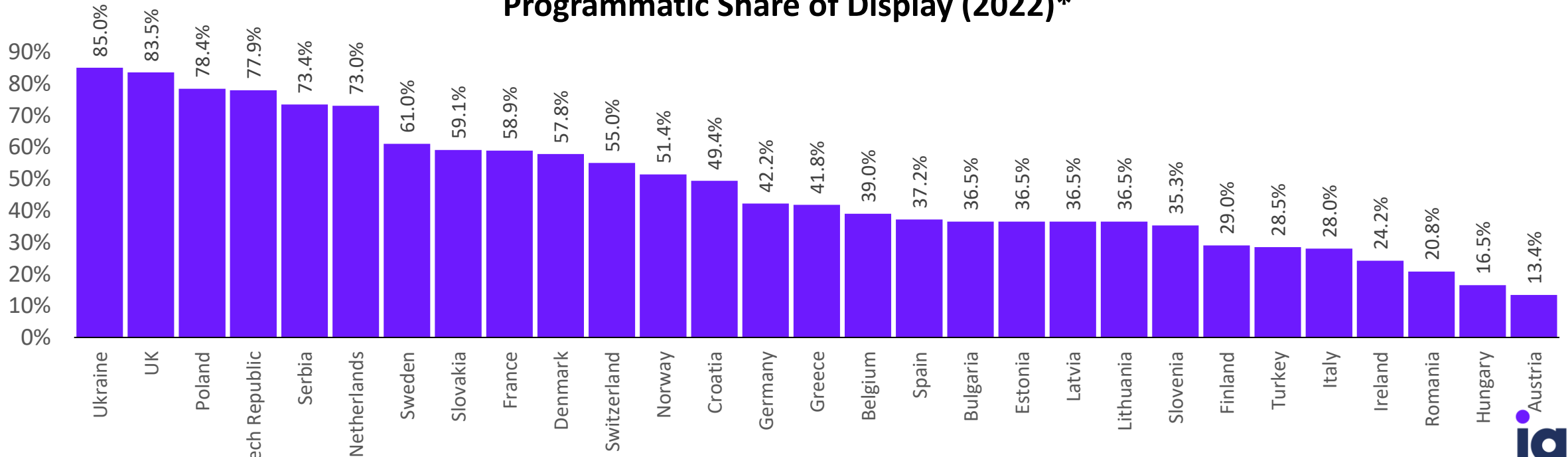
Value
€12.3bn

Growth
+13.9%

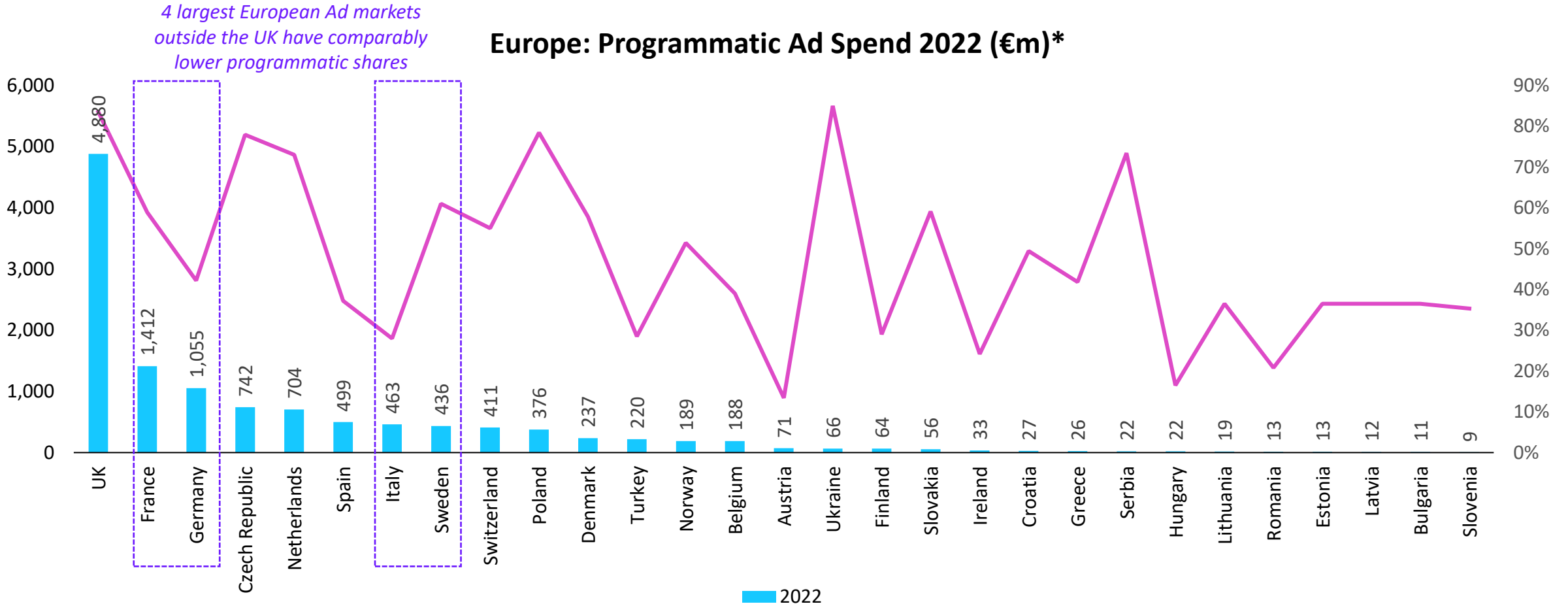
Share of Display
57.9%

Video Share of Programmatic
52.8%

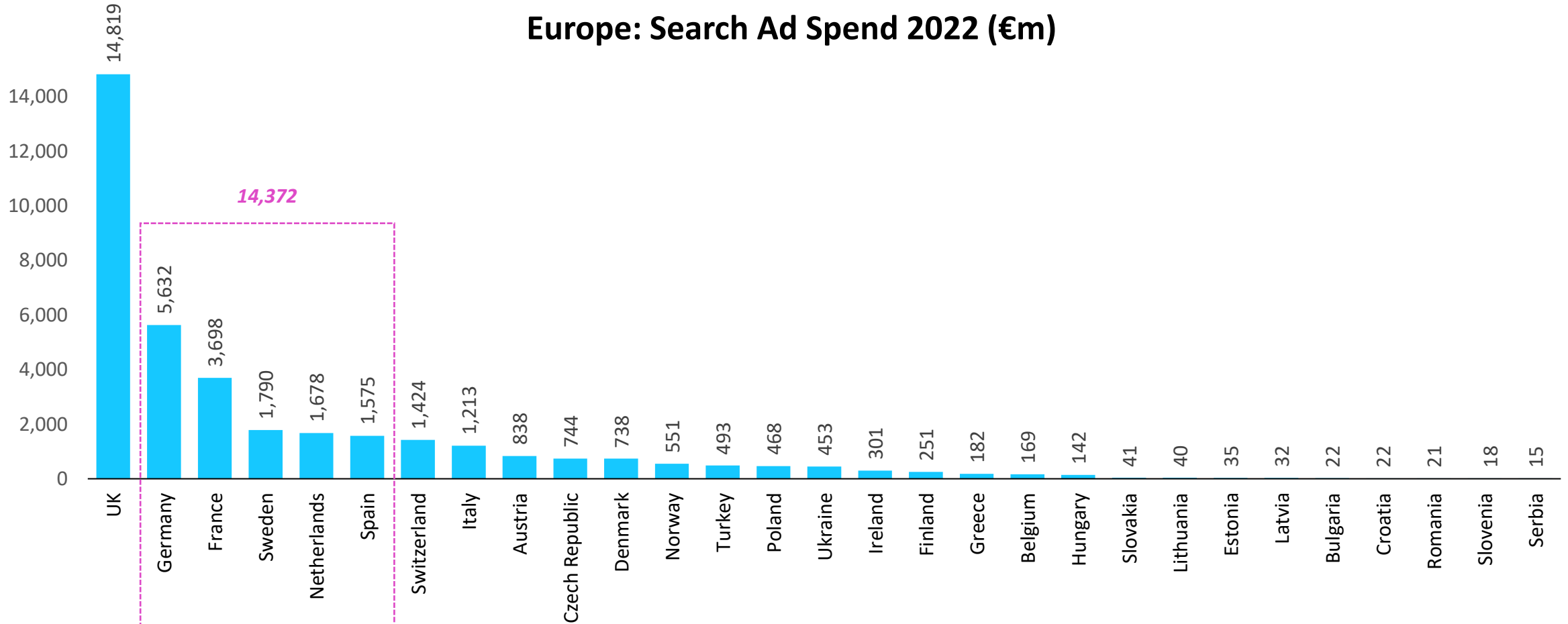
Programmatic Share of Display (2022)*



Programmatic spend has further headroom for growth as key markets remain underpenetrated compared to leaders

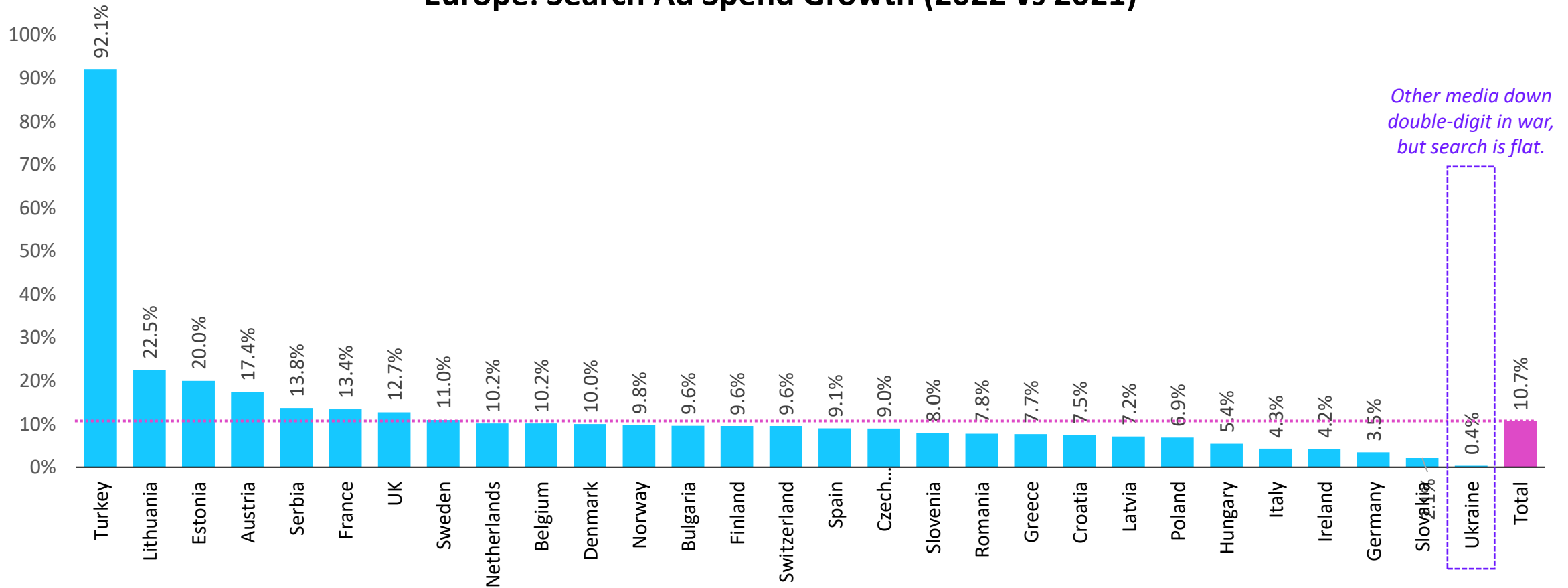


UK search market is larger than next 5 markets combined



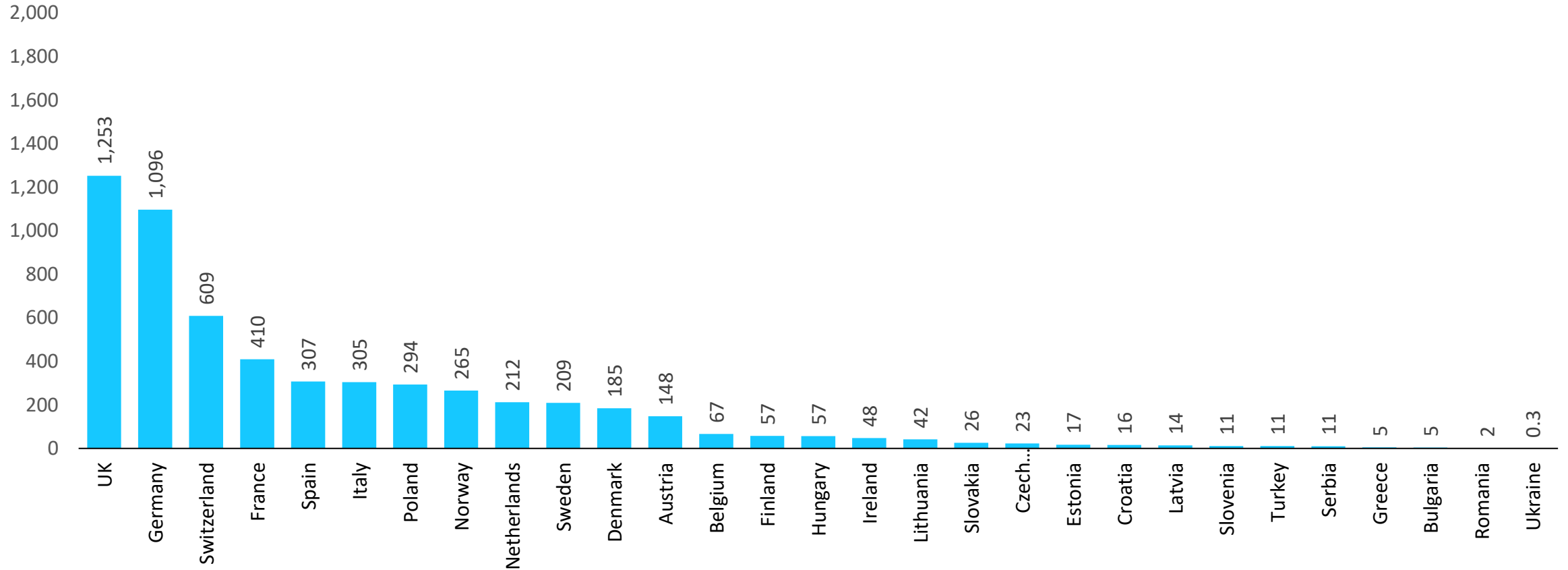
Search benefits from macro-environment, e-commerce, retail

Europe: Search Ad Spend Growth (2022 vs 2021)



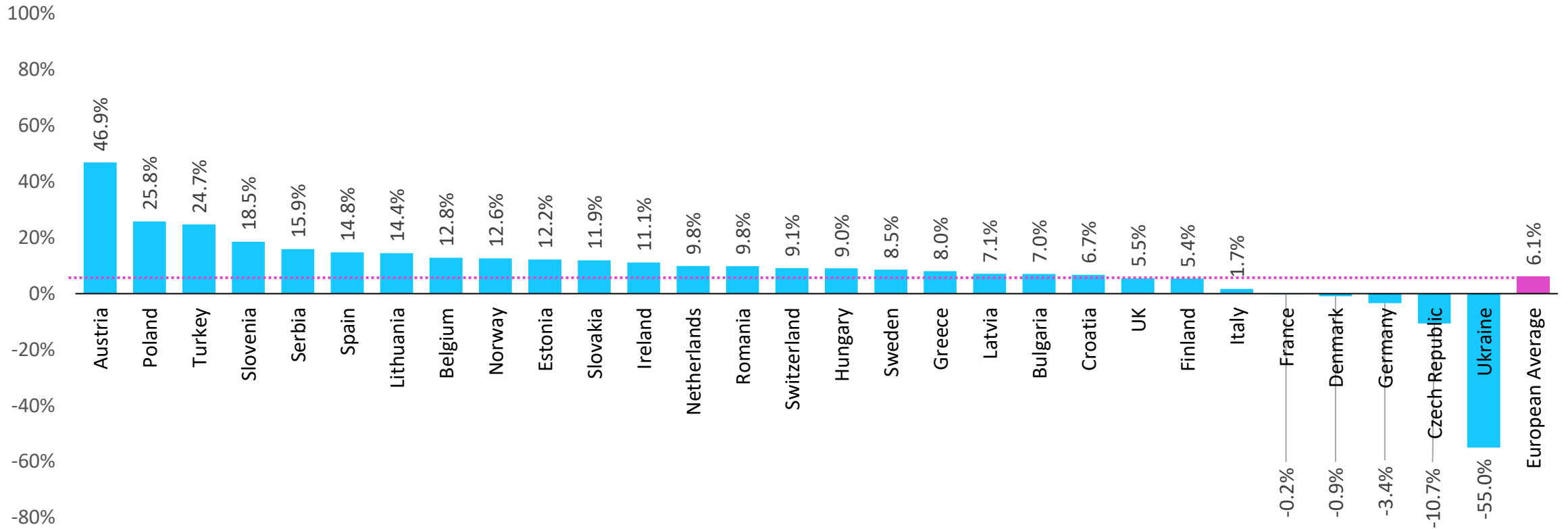
Germany only has narrow gap with UK market

Europe: Online Classifieds & Directories Ad Spend 2022 (€m)

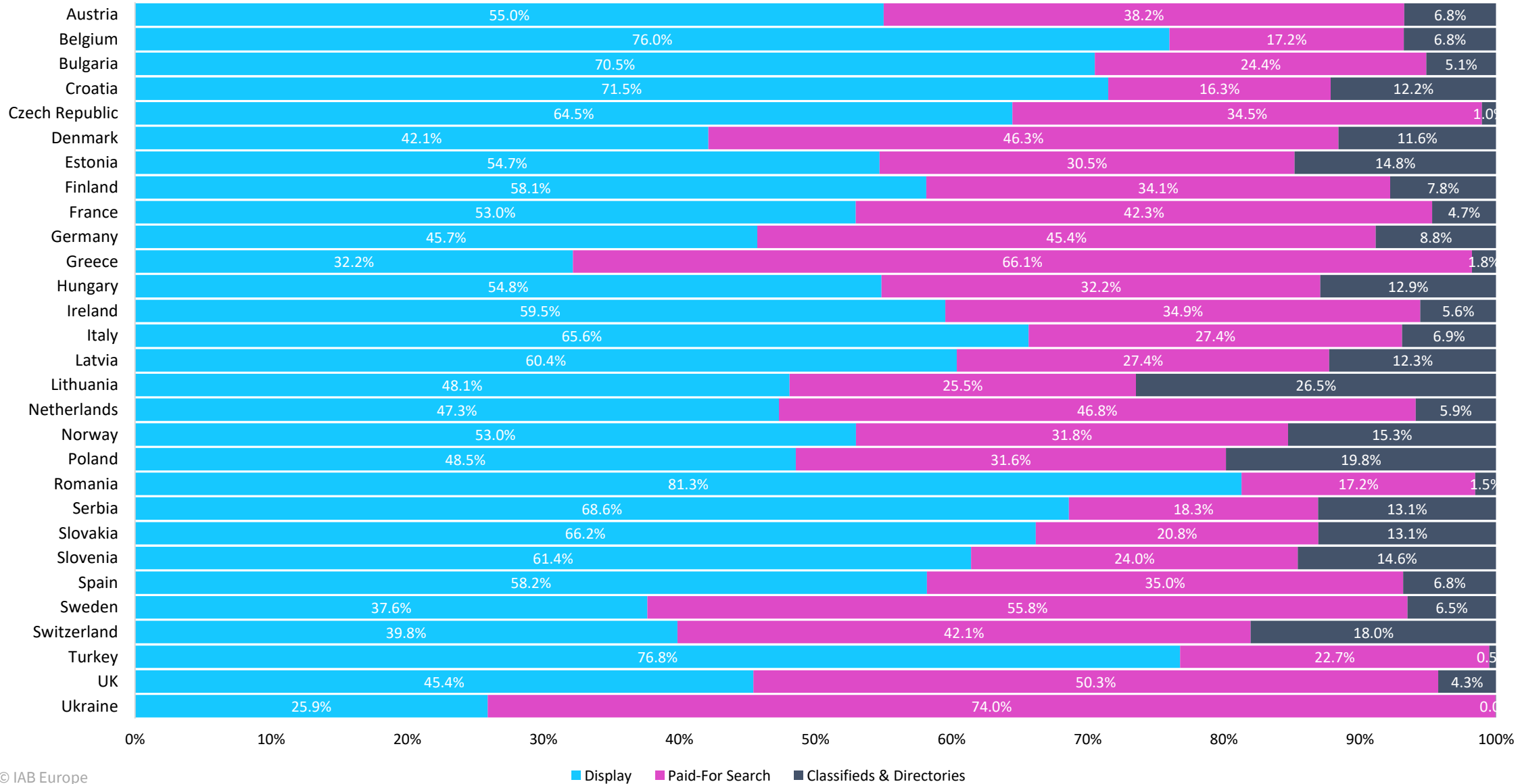


C&D shows varied picture from double-digit to declines

Europe: Classifieds & Directories Ad Spend Growth (2022 vs 2021)



Share of formats by market (2022)



Exchange rates used*

Country	fx: 1 EUR = x local
Austria	1
Belgium	1
Bulgaria	1
Croatia	1
Czech Republic	24.116
Denmark	7.4365
Estonia	1
Finland	1
France	1
Germany	1
Greece	1
Hungary	400.87
Ireland	1
Italy	1
Latvia	1

Country	fx: 1 EUR = x local
Lithuania	1
Netherlands	1
Norway	10.5138
Poland	4.6808
Romania	4.9495
Serbia	1
Slovakia	1
Slovenia	1
Spain	1
Sweden	11.1218
Switzerland	0.9847
Turkey	19.9649
UK	0.88693
Ukraine	39.532

*if fx=1 but local currency is not EUR, the country has reported the source data to us in EUR.
Exchange rates are sourced from the European Central Bank.



From media agency perspective, we see that the industry is adapting to the changes in consumer behavior and technological advancements. Advertisers are investing in data-driven strategies, leveraging user insights and advances analytics to optimize their campaigns. We are helping them to explore new channels and formats and engage with consumers effectively. While uncertainties remain, the industry's resilience and ability to adapt have contributed to the positive growth in digital advertising spend, indicating a degree of stabilisation. And among others, we have seen an increase in the level of investment for IT services for boosting the company digitisation e.g. Cloud, Clean Room, that will fuel digital advertising spend.



Giovanna Loi
Chief Digital Officer
Microsoft Advertising



Tim Abraham
Senior Director of Data
Partnerships, EMEA,
The Trade Desk

The headline growth of 9.8% - or 4.4% adjusted for CCPI inflation – underlines the benefit brands see in digital advertising through data-driven decisioning and measurement. Digital is therefore a logical place where brands increase spend, away from other channels where it is harder to optimise for ROI. This also contributes to the growth of 46.6% in CTV spend as money flows away from linear TV, an environment that is less rich in data. Three key developments accelerate this shift of budgets to digital further. Firstly, the rapid growth of Retail Media as a lever to enhance brand building as well as campaign performance. Secondly innovative identity solutions that allow 1st party data to achieve scale through email-based identity; and thirdly AI solutions, which can significantly improve the application of data to drive campaign performance.



This research showcases the dynamic and expanding European digital ad market, which increased by 9.8% in 2022 and is projected to rise by another 4.8% in 2023. As the market evolves, advertisers should lean into the channels that will drive growth and value, including Retail Media, CTV, and Search.



Daniel Godoy
Global Head of Programmatic,
Evangelist,
Microsoft Advertising

THANK YOU