

## Digital Advertising, a key driver for the European digital economy

Advertising is essential to the success of the European digital market. It has a key role in helping fund digital content, services and applications, making them widely available at little or no cost, as well as driving growth in the digital sector. As Europe is seeking to define a strategy to unleash the potential of digital for growth and jobs, **IAB Europe calls upon European institutions to formally recognise digital advertising as a major lever for a successful digital economy.**

### Advertising helps power digital content and services

The wider digital ecosystem is **fundamentally based on advertising**, from media and content creators to search and email providers as well as social networks and apps. For example news sites, video platforms, mapping services, price comparison websites are mostly funded by advertising. In 2013 digital advertising powered the European internet economy to the tune of **€27.3 billion**.<sup>1</sup>

Digital has become the primary way of consuming media for a growing part of the population - mostly younger demographics that are “digital natives” but also early digital adopters from other age categories.<sup>2</sup> There is a rich literature demonstrating that **uptake of the Internet** is driven by the massive value European consumers receive from educational, informational, and entertainment web services that are supported by advertising. A McKinsey<sup>3</sup> study released in 2010 estimated that value at € 69 billion.

The same study concluded that those services generate more net value for consumers than is generated by any other sector. If internet users were required to fund these services instead of advertisers, an estimated **40% of them would not be able to afford to access the Internet**. In addition, user benefits arising from digital services are significantly greater than the advertising revenues earned from providing those services: the value for consumers is more than **three times** revenue from ad-based services.

### Advertising is boosting investment in the EU digital economy

Digital advertising is **continuously driving more money** into the digital economy. In 2006, the value of the EU market stood at €6.6 billion, versus €27.3 billion in 2013. This is an increase in spend of €20.7 billion and translates into a compound annual **growth rate of 22.5%**, or an average €3.0 billion per year.<sup>4</sup>

With a growth rate of 11.9% in 2013 compared to a mere 0.1% increase in overall EU GDP, the digital advertising sector continues to **outperform the overall EU economy**.<sup>5</sup> In addition research shows that half of the money spent by brands on digital advertising is **new investment**, rather than cannibalising spend that would otherwise have gone to offline advertising.<sup>6</sup>

### Digital advertising has a turbo-charged effect on GDP growth

Advertising in general has an important, demonstrable effect on GDP growth. McKinsey<sup>7</sup> shows that advertising directly fuelled, on average, about **15% of GDP growth** for the major G20 economies between

<sup>1</sup> [AdEx Benchmark report - the state of online advertising in Europe. IAB Europe. 2014.](#)

<sup>2</sup> [Marketing to millennials. Comscore. February 2014.](#)

<sup>3</sup> [Consumers driving the digital uptake. The economic value of online advertising-based web services to consumers. McKinsey & Company. 2010.](#)

<sup>4</sup> see 1.

<sup>5</sup> see 1.

<sup>6</sup> [Advertising as an economic -growth engine. McKinsey & Company. March 2012.](#)

<sup>7</sup> See 5

2002 and 2010.

Most interestingly it highlights that **digital advertising has a specific role**, a “turbo-charging” effect, in contributing to this growth. Whilst digital advertising represented only 9% of the total advertising spend in the G20 countries between 2002 and 2010, it was **responsible for 29 %** of advertising’s effect on economic growth.

### Digital advertising drives e-commerce

By promoting products available online, digital advertising has a critical **effect on online sales**. In the UK, £1 billion spent by advertisers on “Online Performance Marketing” (a specific branch of digital marketing) generated £14bn in online sales in 2013, **directly resulting in at least 10% of all UK e-commerce retail sales**.<sup>8</sup>

**Advertising-funded sites also support e-commerce**. In the UK, Deloitte<sup>9</sup> estimates online search to account for 43% of total visits to e-commerce sites in 2012. A further 8% comes via social media. Deloitte finds that such referrals probably resulted in **£35 billion in online sales in 2012**.

### The advertising industry contributes to digital innovation in Europe

Like other digital industries, digital advertising is a very competitive market and is **based on innovation**. The European digital advertising ecosystem is full of innovative start-ups creating high-quality jobs and growth in Europe (see some best-case examples on [www.digitalinnovationeurope.eu](http://www.digitalinnovationeurope.eu)).

### Digital advertising empowers small business and diversity

Digital has **democratised advertising**, making it a real opportunity for SMEs to use advertising to increase promote their products. Deloitte<sup>10</sup> estimates that an additional £1 spent by an SME on advertising would **benefit an SME nearly eight times** as much relative to its size as an equivalent £1 spent by a larger firm.

Digital advertising enables SMEs to reach larger and **cross-border audiences** as well as more targeted ones. By enabling them to reach the right audience at the right time and in the right setting, digital advertising helps SMEs scale up **both nationally and globally**.

SMEs providing online services such as small publishers or blogs can also use advertising as **source of revenue** by displaying ads on their sites.

*IAB Europe is the voice of digital business and the leading European-level industry association for the digital advertising ecosystem. Together with its members - companies and national trade associations - IAB Europe represents over 5,500 organisations. [www.iabeurope.eu](http://www.iabeurope.eu)*

*Brussels, 20 April 2015*

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<sup>8</sup> [Online Performance Marketing study by IAB UK /PwC. 2014.](#)

<sup>9</sup> [Advertising pays. How advertising fuels the UK economy. AA/Deloitte. 2013.](#)

<sup>10</sup> [See 8](#)