

## The economic contribution of advertising in Europe

### A report for the World Federation of Advertisers



# Executive Summary

This report has one over-riding objective: to demonstrate what the contribution of advertising to the European and national economies is, as well as assessing its tangible benefits to EU citizens.

The World Federation of Advertisers (WFA), with the support of a wide range of industry stakeholders<sup>1</sup> commissioned Deloitte to quantify the economic impact of advertising, both across Europe and in a selection of other developed markets.

This was no easy task, as there are a large number of factors which can influence GDP. However, Deloitte created an econometric model to isolate the benefits of advertising to the European economy, and to individual EU markets or countries such as Japan and Canada.

The model was based on 17 years of Advertising Association/WARC<sup>2</sup> data (1998 – 2014) from 35 developed markets, and found that advertising spend in the EU has a seven-fold impact on the wider economy.

The key findings can be summarised under three main headings:

## **On average, 1 Euro of advertising spend generated 7 Euros for the Economy**

This means that the EUR 92 billion spent on advertising in 2014 in the EU is estimated to have contributed EUR 643 billion to GDP, representing 4.6% of the overall EU GDP.

Advertising contributes to wider economic growth through its ability to support competitiveness. It provides consumers with information on products and services, and helps to increase their choice of goods and services. This, in turn, drives innovation by incentivising businesses to create differentiated products and services, allowing them to out-compete their competitors not just in the EU but around the world.

## **Advertising provides almost 6 million jobs in the EU, equivalent to 2.6% of all EU employment<sup>3</sup>**

Advertising is a major source of employment and provides jobs in three ways:

- Firstly, there are people employed directly in the production of advertising. These jobs account for 16% of the 5.8m total jobs supported by advertising. The study excludes employment associated with in-house production of advertising, so this is a conservative number;

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<sup>1</sup> Advertising Association UK (AA), Association des Agences-Conseils en Communication (AACC), Association of European Radios (AER), European Association of Communications Agencies (EACA), European Broadcasting Union (EBU), European association of television and radio sales houses (EGTA), Internet Advertising Bureau EU (IAB EU), Mainostajat Finland, Organisation Werbungtreibende im Markenverband (OWM), Union des Annonceurs (UDA), Union des Entreprises de Conseil et Achat Media (UDECAM).

<sup>2</sup> AA/Warc Expenditure Report

<sup>3</sup> 2014 figures.

- Secondly, there are jobs created in media and online businesses that are funded by advertising, including journalists and content producers as well as people working in out-of-home (OOH) or TV, for example. This accounts for 10% of the 5.8m jobs.

The roles in both these areas provide greater security than jobs in other sectors<sup>4</sup> and an average salary that is higher than the rest of the economy<sup>5</sup>, reflecting the fact that they can be described as “quality jobs”, as defined by the OECD;

- Finally, there are the jobs created in the wider economy as a consequence of advertising activity. These range from sales jobs to roles supporting the ad business in industries such as hospitality. This area also includes roles created by the advertising-stimulated demand for products and services and accounts for 74% of the 5.8m jobs.

**Advertising provides personal and social benefits by funding or part funding media services, meaning people can enjoy them for free or at a reduced rate.**

Advertising ensures that EU citizens benefit from news and entertainment at a reduced cost or even for free. The €92bn spent on advertising in 2014 directly funded content of all kinds.

Outdoor advertising also provides additional civic benefits in the form of an improved urban environment while search engines help people to reduce both the time and financial cost of seeking new information.

Without advertising, funding for all sorts of media would be reduced. This could lead to more expensive TV-subscriptions, reduced newspapers and magazines’ plurality and independence, and radio stations would lack the ability to provide news and entertainment throughout the day. In addition, professional sports and cultural events would need to seek financial support from another source.

On the internet, advertising largely funds free services that people across Europe use at little or no cost. For example, around 70% of EU citizens regularly use email services, while social media are accessed by all segments of the population.

Advertising matters for employment, innovation, culture and entertainment, and supports media plurality which is fundamental to democratic freedoms. The benefits are pervasive and run through the fabric of society. Europe without advertising would be poorer, less well informed and less competitive.

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<sup>4</sup> KPMG, 2016 (KPMG Media Tracker 2015, found at <https://home.kpmg.com/uk/en/home/insights/2015/01/media-tracker.html>)

<sup>5</sup> Eurostat data based on the following sectors: Advertising, Television, Radio, Press, Internet, and Cinema.

# Annex A: Germany Executive Summary

In Germany as well as in other markets, advertising plays a fundamental role in the economy through a number of channels, from increasing information available to consumers to enabling media services and creating economic value in a range of sectors.

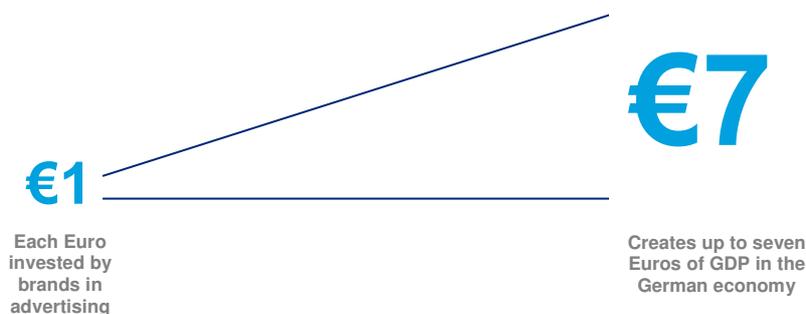
Over the past 10 years, advertising spend in Germany has ranged between 0.7% and 0.8% of GDP in real terms. Over 19 billion Euros have been spent on advertising each year since 2014, a number that has grown by 2% in 2014 and 2% in 2015 showing higher growth than GDP over the same time period.<sup>47</sup>

To estimate the scale of this contribution, the World Federation of Advertisers (WFA) commissioned Deloitte to quantify the economic impact of advertising across Europe and in a selection of other developed markets. It is however outside the scope of this study to compare and explain the differences observed across countries. This requires further work and more detailed analysis.

**The result of this econometric analysis is that on average, 1 Euro of advertising spend generated 7 Euros of GDP.**

This means that the EUR 19.4 billion spent on advertising in 2014 in Germany is estimated to have contributed EUR 132 billion to GDP, representing 4.7% of the overall GDP.

These findings are drawn from an econometric model based on 17 years of WARC data (1998 – 2014) from 35 developed markets.



Source: Deloitte analysis

While not separately quantifiable, this positive impact of advertising to the economy can be explained by a range of factors:

- Advertising supports competition by providing consumers with information on products and services which helps to increase their choice of goods and services.
- This in turn drives innovation by giving incentives to businesses to outperform competitors and create differentiated products and services.

<sup>47</sup> Source: WARC data and Europa statistics  
[http://ec.europa.eu/economy\\_finance/eu/countries/germany\\_en.htm](http://ec.europa.eu/economy_finance/eu/countries/germany_en.htm)

- Advertising also funds the use of media services, enjoyed for free or at a reduced rate at the point of use by all people.

In addition to GDP, advertising also supports employment across industries.

**It was estimated that advertising helps to provide around 847 000 jobs in Germany, equivalent to 2.1% of employment in the country.<sup>48</sup>**

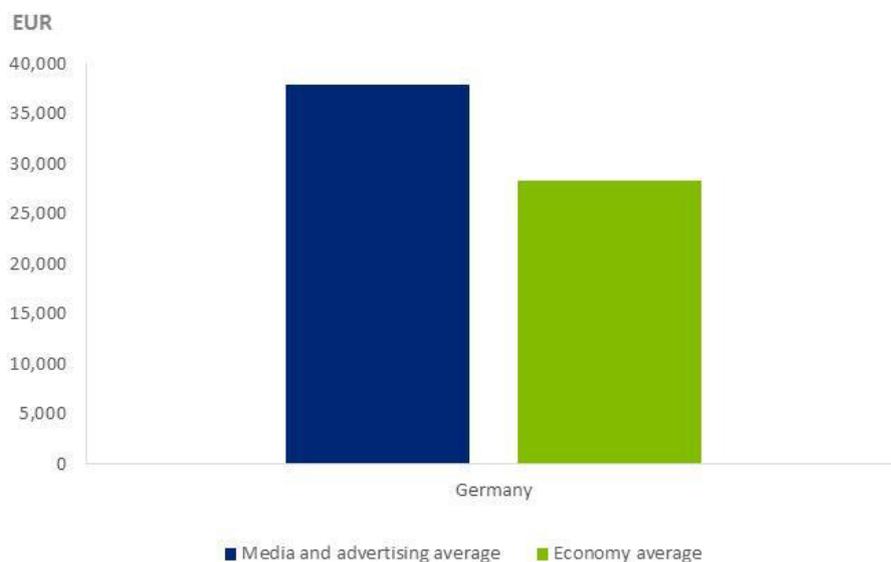
Three elements are comprised in this estimate:

- The jobs directly involved in the production of advertising, which account for about 27% of the 847 000 overall jobs supported by advertising. Employment associated with in-house production of advertising is however excluded, so in this respect the estimates are conservative.
- The jobs which are enabled in the media and online services due to advertising (e.g. journalists or content producers), accounting for 12% of the 847 000 jobs.
- The jobs created in the wider economy due to the economic activity driven by advertising (e.g. sales jobs), which account for the majority, 61%, of the jobs supported by advertising.

These estimates are arguably conservative as they exclude the employment associated with the in-house production of advertising in various sectors. Some estimates suggest these could account for another 37 000 jobs.<sup>49</sup> Given that different methodologies were used, slight differences in the results are expected, however the magnitude of the two estimates coincide.

Moreover, jobs in the advertising and media sectors are perceived to be of higher security than jobs in other sectors<sup>50</sup> and the average salary across the advertising and media sectors in Germany is higher than the rest of the economy as shown in the figure below<sup>51</sup>.

Figure 24: Average salaries in the media sector compared to the whole Economy (2014)



Source: Deloitte analysis, Eurostat

<sup>48</sup> Source: Deloitte analysis based on Eurostat and WARC data

<sup>49</sup> <http://www.zaw.de/zaw/branchendaten/arbeitsmarkt-werbewirtschaft/index.php>

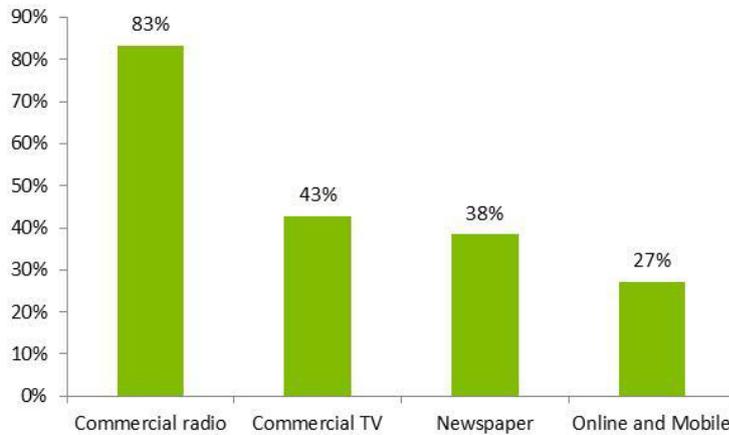
<sup>50</sup> KPMG, 2016 (KPMG Media Tracker 2015, found at <https://home.kpmg.com/uk/en/home/insights/2015/01/media-tracker.html>)

<sup>51</sup> The average salary in the media sector is calculated using Eurostat data based on the following sectors: Advertising, Television, Radio, Press, Internet, and Cinema.

**Finally, advertising has also supported the German economy by helping to fund media products.**

The following figure shows that different types of media rely heavily on advertising to generate revenue, with a contribution of over 83% for commercial radio.

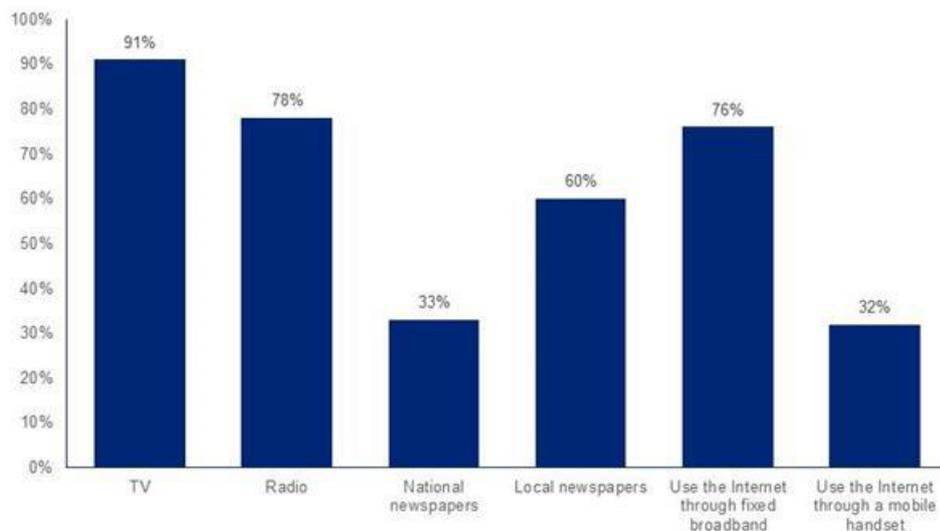
Figure 25 – Proportion of revenue accounted for by advertising by sector<sup>52</sup>



Source: VPRT: “Umsätze der audiovisuellen Medien in Deutschland 2016”, and BDZV: “Die deutschen Zeitungen in Zahlen und Daten 2016”

In addition, advertising plays a critical role in enabling a diverse range of services that are free at the point of use, and are enjoyed by a majority of the population. More than 80% of the German population uses e-mail on the internet and 82% of the population uses search engines at least once a week.<sup>53</sup> Similar numbers use commercial radio and TV, again funded heavily by advertising.

Figure 26: Use of selected media/communications services: proportion of people who use it at least once a week



Source: Ofcom consumer research, 2015

<sup>52</sup> Newspaper does not include magazines.

<sup>53</sup> Source for emails data: Eurostat data  
Source for search engines data: Ipsos 2013