

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 stakeholders¹ 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/WARC² 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 generates 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 employment³.

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;
- 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-

¹ 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).

² AA/Warc Expenditure Report

³ 2014 Figures

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 sectors⁴ and an average salary that is higher than the rest of the economy⁵, 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.

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

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