

The Digital Dividend

The value of digital advertising
to the UK economy,
its businesses & its people

September 2023

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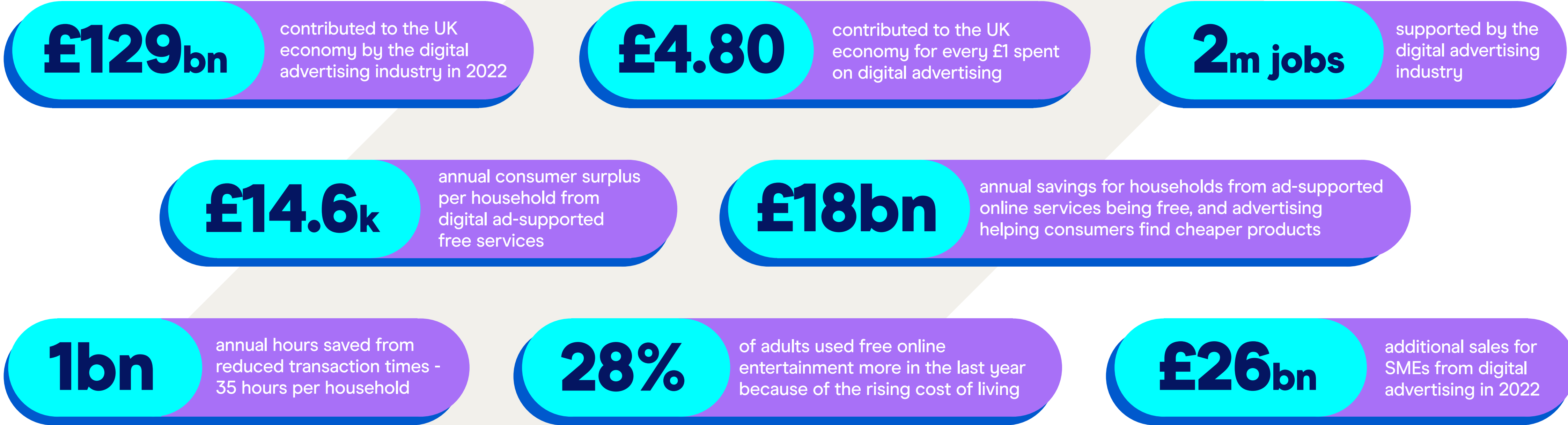
Executive Summary

This research report was commissioned by IAB UK to examine and measure the impact of the digital advertising sector in the UK. It draws on new economic modelling, data analysis and consumer opinion research, and has been produced by the policy consultancy Public First.

The research demonstrates that the impacts of digital advertising are vast, given the range of ways in which it supports the UK's economy, businesses and people. It enables businesses to attract customers and provides them with an important revenue stream, while simultaneously helping consumers to make more informed choices that save them money. It also enables companies to provide numerous online services that people can access for free at the point of use.

From 2022 onwards, UK consumers have experienced rising costs in a number of areas including energy, fuel, food, housing costs and other general purchases. It is a challenging economic period for people and 85% of respondents of a consumer survey (carried out by Public First to inform this report) said that they are worried about inflation and the rising cost of living. In light of this, the importance of digital ad-supported services online is brought into even sharper focus.

Summary of the impact of the digital advertising industry in the UK






Key Findings

The value of digital advertising to the consumer

The total economic footprint of digital advertising in the UK stood at £129bn per annum in 2022, measured in terms of gross value added¹ (GVA) - about £4,600 on a per household basis.




This includes:

-  £39bn of GVA directly associated with the digital advertising sector. This is larger than the direct impact of the legal services (£34bn) and accounting (£33bn) sectors. It's about twice as large as the direct impact of agriculture (£19bn) and hotels and accommodation (£21bn)
-  £41.3bn of GVA for businesses that advertise online, who benefit from return on digital ad spend
-  £48.5bn of GVA supported by digital advertising along supply chains

Each pound spent on digital advertising supports £4.80 of GVA.

This economic activity supports just over 2 million jobs - one out of every 16 working people, or 6.2% of the UK workforce.

Of these **2 million jobs**:

-  244,000 are directly associated with digital advertising (12% of the total) - this is about one and a half times bigger than the direct jobs footprint of the motor manufacturing industry and more than twice as large as the insurance industry
-  949,000 are in businesses that advertise online (47% of the total)
-  838,500 are jobs supported along supply chains (41% of the total)

Key Findings

The value of digital advertising to the consumer

The rising cost of living is a major concern for consumers. 85% of respondents to a consumer survey of 2,000 UK adults - carried out by Public First for IAB UK - say they are worried about inflation. In light of this, the importance of online services that are supported by digital advertising is brought into even sharper focus.



The estimated value that consumers place on the ad-supported services that they access for free is £14,600 per household per year (£7,400 per adult). For the whole of the UK, this amounts to a combined total of £412bn



In 2023's tough economic climate, UK consumers place great value on these free services, which only exist as a result of digital advertising. 70% of adults in the UK say that it is important to them that these services are provided for free

Digital advertising delivers specific cost savings of over £18bn per year for UK consumers in total. This is over £600 per household, comprised of the following:

- If households lost access to free ad-supported services and had to pay for them instead, it would cost a combined UK total of £16.3bn per year - or about £580 per household on average. This is almost four times the annual cost of the BBC licence fee
- By enabling consumers to find cheaper retail products, advertising leads to a combined UK total of £1.6bn in savings for households each year - £58 per household

The cost-of-living crisis means that 28% of adults have used free (often ad-supported) online entertainment more in the last year.

By reducing transaction times, digital advertising saves households 1 billion hours each year - 35 hours per household. This amounts to a full working week of time saved for each household.

Key Findings

The value of digital advertising to UK businesses

UK businesses that paid for digital advertising in 2022 saw a combined sales uplift of £73bn. This is down to increased product and service demand, and expanded customer bases due to advertising.

The boost to sales from online advertising accounts for about 2% of business revenues across the entire UK economy. This is almost the same as the entire turnover of the arts, entertainment and recreation sector in the UK (£75bn per year).

Of the £73bn increase in UK-wide business revenues, £26bn is estimated to be additional sales for small and medium sized enterprises (SMEs).

Digital advertising is integral to SMEs, with two thirds (64%) using some form of paid digital advertising in the last year. Of those that use paid digital, the vast majority (81%) say it is important to their business success.

Introduction

What is digital advertising?

‘Online’ or ‘digital’ advertising refers to commercial marketing communications that a marketer pays to have placed online. These ads can be viewed or heard on any device with an internet connection.

Digital advertising helps large and small companies across the country find new customers and markets, and the revenue from paid-for advertising helps media owners and service providers fund their products and services. When people can access these for free due to funding from advertising, it is known as the ‘value exchange’. Benefits of the ad-funded business model include allowing people to read the news, search for jobs, use an online map or talk to friends online for little or no cost.

A huge range of companies make up the digital advertising industry, from the very largest organisations to the smallest SMEs.

How online advertising works

Advertisers are organisations that want to pay to advertise their brands, products or services to raise awareness, grow their market share and generate sales. Advertisers range from multinational household name brands to the smallest local businesses. They want to reach specific audiences and communicate with existing or prospective customers and markets.

Advertisers buy advertising space (known as ‘media’ or ‘inventory’) in which to place their ads so that people see or hear them online. They often work with media agencies who manage buying media on their behalf.

Publishers or ‘media owners’ operate websites, platforms or apps with advertising space within or alongside the content (such as news, classifieds, music, search results, and user-generated content). They sell this advertising space, which funds the production and provision of their content, products or services.

Intermediaries provide the technology and services that help to connect buyers (advertisers/agencies) with sellers (publishers/media owners) in order to deliver ads in or around online content.

Together, these companies make up the digital advertising industry and its direct supply chain.

Types of digital advertising

Key types of digital advertising include:

- **Display ads:** These are advertisements that appear in specifically designated areas on websites or apps. This includes static or video banner ads, native advertising (e.g. ads in news feeds or social media feeds), sponsored content and video ads that run before, during or after video content
- **Paid-for search:** The sponsored listings at the top of or next to results in online search engines, which make up around half of all online advertising in the UK
- **Classified:** Ads that typically include offers or requests for jobs, property, used goods and online auction-based listings

For a full list and definitions, see [Appendix 1](#).

About this report

In this report, IAB UK has commissioned independent consultancy Public First to quantify some of the economic benefits created by digital advertising:



The direct economic footprint of the digital advertising sector. This is the total economic activity of the digital advertising sector in the UK - measured in terms of gross value added² (GVA) - as well as the number of jobs supported by companies working in, or directly funded through, digital advertising. It includes:

- Businesses in the advertising sector itself, such as advertising agencies and ad tech firms
- Businesses where digital advertising revenues are a key source of income, such as online news publications, search engines and digital radio stations



The returns for businesses that pay for advertising. This captures the additional revenue, profits and jobs created in other businesses as a result of their use of digital advertising (the 'return on ad spend' or ROAS). For example, a business might see an expansion in its customer base or sales after a social media marketing campaign.



Economic benefits along supply chains. This includes GVA and jobs supported along the supply chains of the businesses that benefit from digital advertising. For example, an advertising agency renting office space or purchasing computer equipment.



The savings in time and money for consumers. We measure the savings that digital advertising generates for consumers through supporting free online services and making it easier to identify cheaper retail products more quickly.



The consumer value of internet services supported by online advertising. Through a nationally representative consumer survey of 2,000 UK adults, we look at how many people rely on advertising-supported online services, and the value people place on these.

The size of the UK's digital advertising market

The UK is Europe's leading country for digital advertising, with the size of the market reaching £26.1bn in 2022³ - more than the combined total of the next three largest European markets (Germany, France and Spain).⁴

Over the last five years, the total market size in the UK has more than doubled, driven by the UK's underlying strengths in digital and ecommerce, as well as wider acceleration brought about during COVID-19. Proportionally, the UK is currently the world's leading market for online shopping.⁵

Benefits for businesses...

For businesses, digital advertising has transformed the ability of companies of all sizes to connect with customers, enabling them to deliver the right advert, to the right audience, at the right time. Digital advertising has been shown to provide value to advertisers, both on its own and as part of cross-media advertising campaigns. The benefits of digital advertising for businesses include:

Personalisation

Digital advertising allows businesses to target specific audiences based on information about them, including demographic information such as age group, and information about geographic location, interests, and many other factors. This ensures that their ads are seen by the audience most likely to be interested in their products or services.

Cost-effectiveness & efficiency

Digital advertising can be much more cost-effective and efficient than traditional methods of advertising for several reasons. Digital advertising enables advertisers to reach audiences at scale and in a targeted way, without needing to buy a fixed or minimum amount of media, or paying for more coverage than is needed. It also allows brands to both target and reach wider or more specialist audiences that would be difficult to identify and reach through other media. The ability to target ads means advertisers can use their budget to reach the audiences they want to, and exclude the ones they don't, making their advertising campaigns more efficient and effective. Digital advertising also offers performance-based formats that the business only pays for if the ad delivers an agreed outcome, such as a visit to their website. This is particularly beneficial for small and medium sized businesses that have smaller budgets.

Measurable results

With digital advertising, businesses can track the success of their ads in real-time. Metrics like clicks, impressions, conversions, and bounce rate provide valuable insights into how well a campaign is performing and where adjustments need to be made.

Driving awareness of products and services

Consumers spend an average of 3 hours 37 minutes per day online⁶, making digital advertising an effective way of reaching consumers, and making them more aware of the goods and services that businesses offer. Long-term, digital advertising can be used effectively to increase favourability towards businesses, and ultimately to build customer loyalty.

... & for consumers

Digital advertising also brings a significant range of benefits to consumers:

Digital advertising helps ensure that the adverts that consumers see are relevant to them. This helps save time when researching a new purchase, allowing them to find products from new or small businesses they would not otherwise have considered.

A very important benefit of digital advertising is that it funds free-to-use services on the internet. Many of the digital tools we rely on in our daily lives - from search to social media, online video to news - make use of online advertising to be financially sustainable, allowing them to offer their services to everyone, without a paywall. This helps to ensure that the benefits created by the internet are widely accessible to everyone, no matter their income.

³ Source: IAB / PwC Digital Adspend Study www.iabuk.com/adspend

⁴ According to published digital ad spend figures for 2022 from IAB Europe showing the top 4 European markets: https://iab europe.eu/wp-content/uploads/2023/06/IAB-Europe_AdEx-Benchmark-2022_FINAL-website_v2.pdf

⁵ <https://www.trade.gov/country-commercial-guides/united-kingdom-ecommerce>

⁶ UKOM Ipsos iris Online Audience Measurement Service, Mar 2023

Overall economic footprint of the UK digital advertising industry

This section of the report presents a new analysis of the economic footprint of the UK digital advertising industry, in terms of gross value added (GVA) and jobs. GVA is a measure of the value of goods and services produced in an area, industry or sector of an economy. It is the value of the goods and services produced minus the value of inputs into their production (such as raw materials or services such as insurance), which gives a measure of the economic “value added”.

The analysis presented here shows how, through a range of channels and formats, **digital advertising contributes £129bn per year to the UK economy (about £4,600 on a per-household basis) and supports over 2million jobs. Each pound spent on online advertising supports £4.80 of overall UK GVA.⁷**

The economic footprint of the UK digital advertising industry in 2022

£129bn

Total GVA contributed to the UK economy by the digital advertising industry in 2022

2m jobs

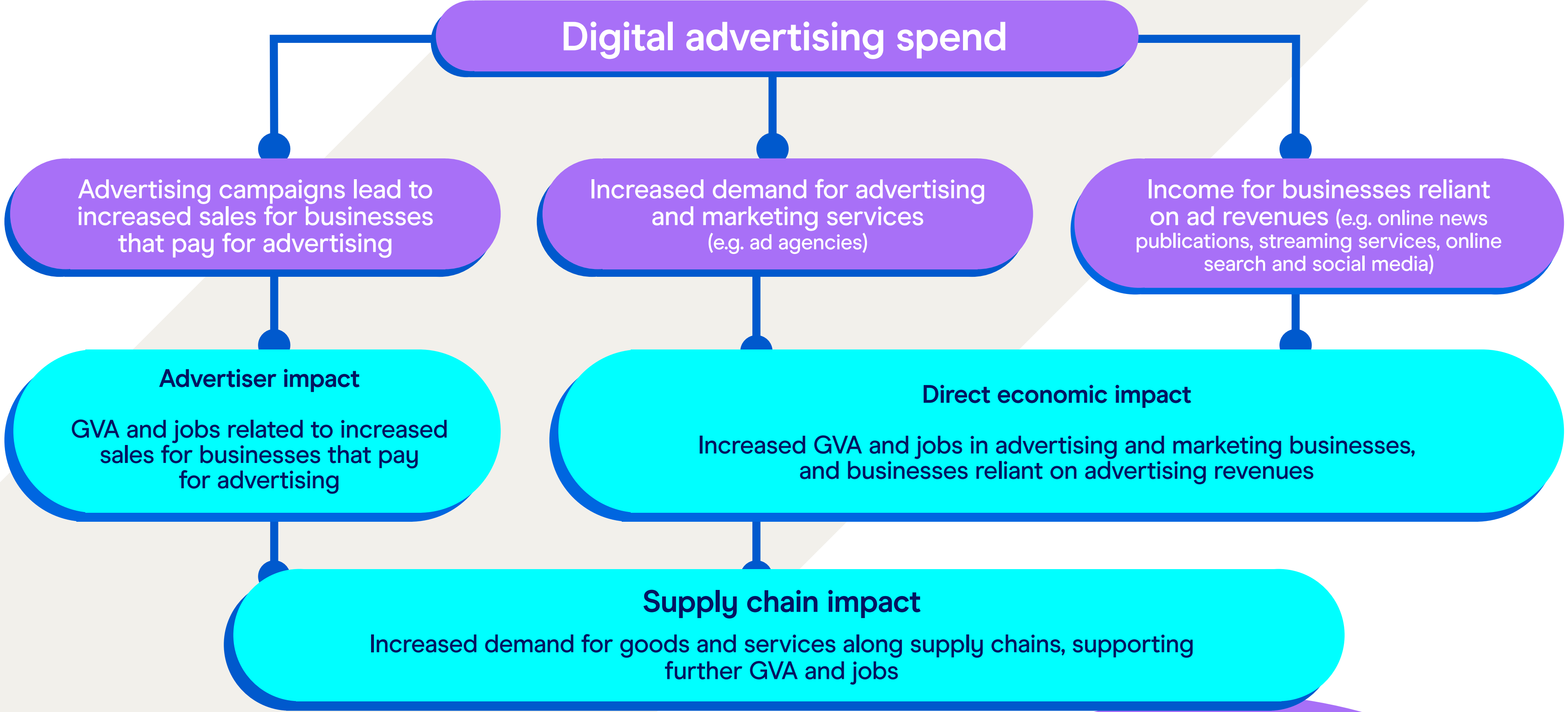
Supported by the digital advertising industry. The direct employment footprint is 1.5x bigger than the UK's motor industry

4.8x

£1 = £4.80
Every pound spent on digital advertising supports £4.80 of gross value added (GVA)

How digital advertising supports the UK economy

This flow chart illustrates how digital advertising supports GVA and jobs, both directly and indirectly - via businesses that invest in digital advertising and the impact along supply chains

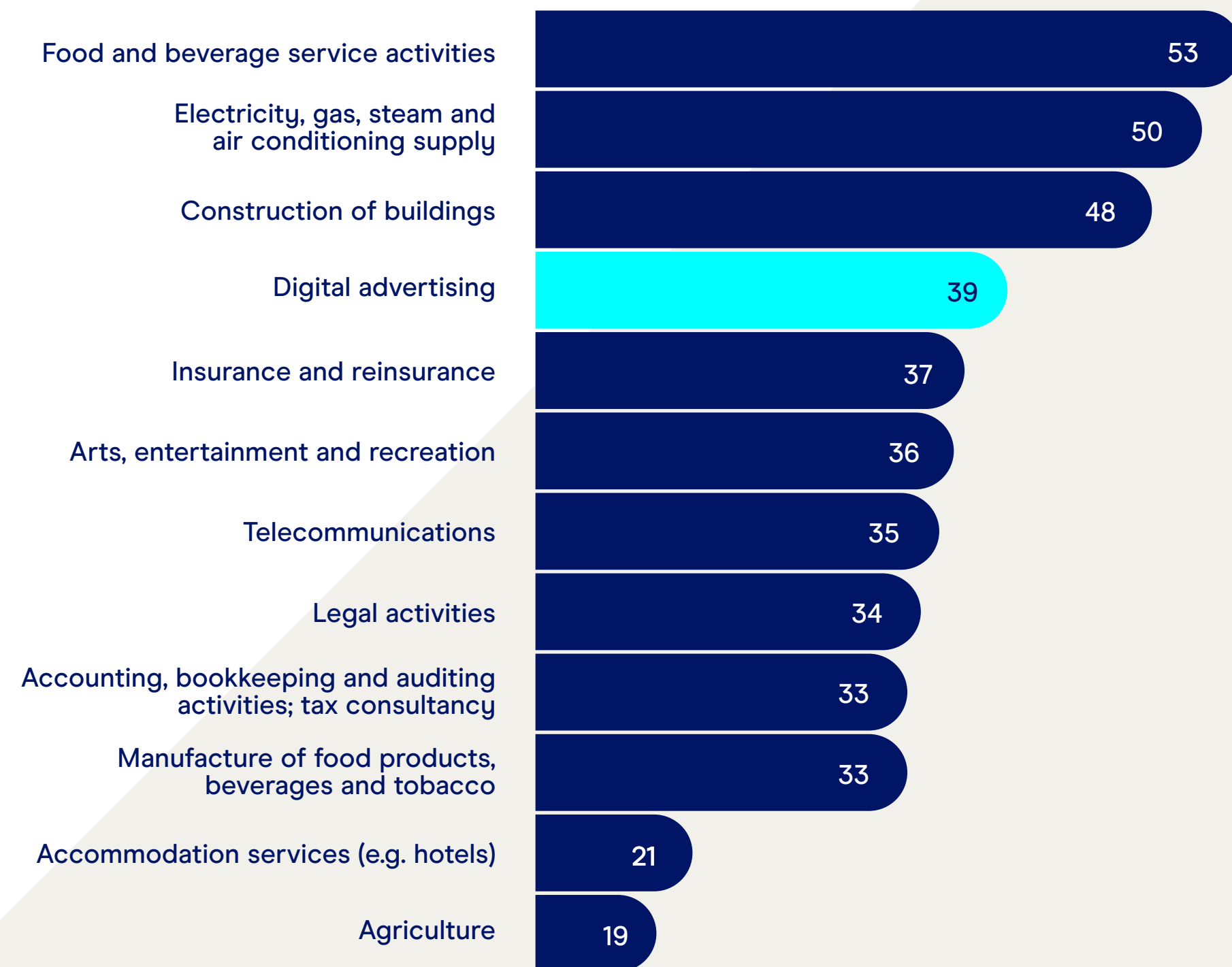




The direct economic impact of digital advertising

The direct economic impact of the digital advertising sector in 2022 was £39bn in terms of GVA. This is larger than the direct impact of the legal services (£34bn) and accounting (£33bn) sectors. It's about twice as large as the direct impact of agriculture (£19bn) and hotels and accommodation (£21bn).

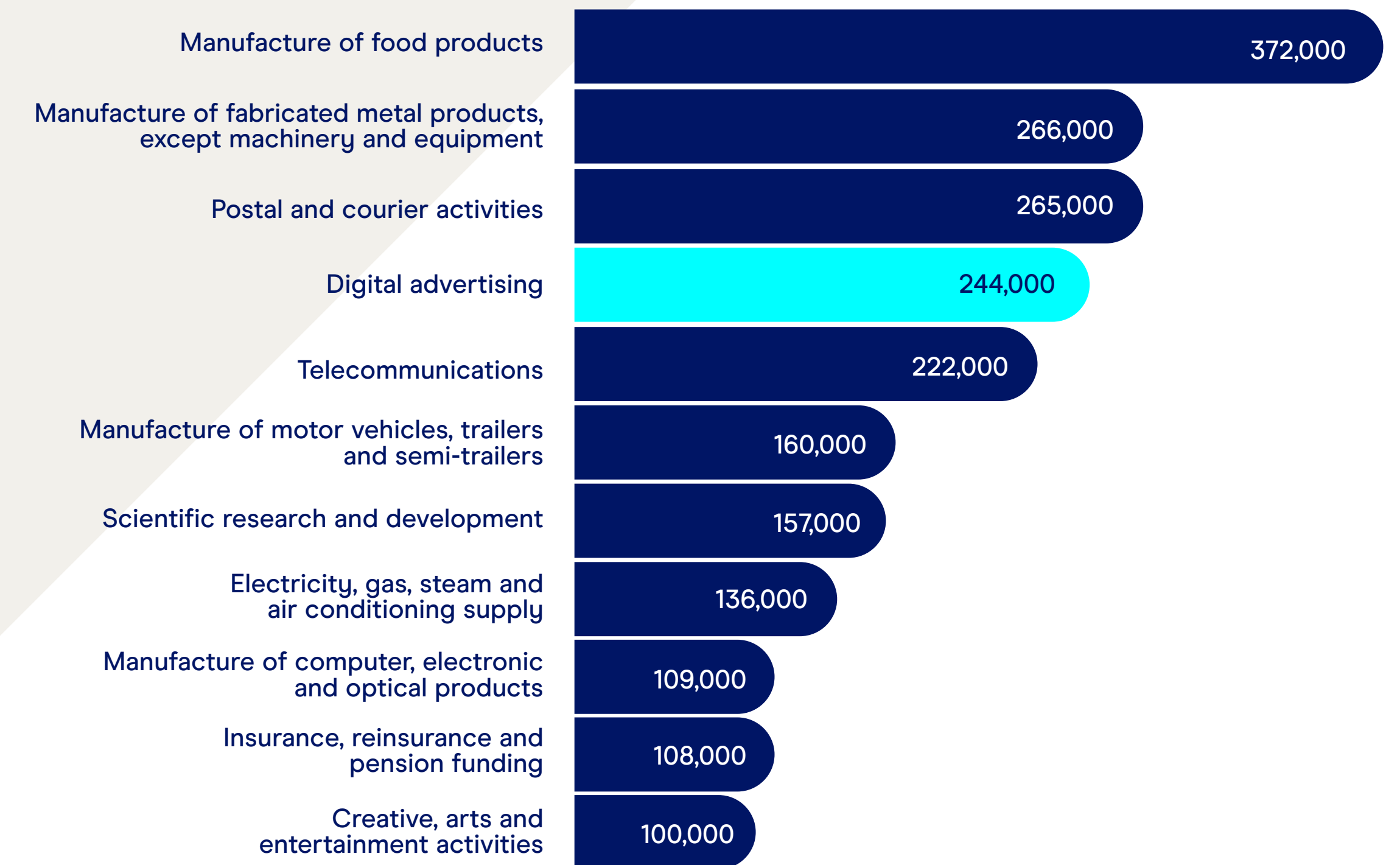
Direct GVA of digital advertising compared with other industries, 2022 (£bn)



Source: Public First analysis, ONS low-level GVA estimates

The UK digital advertising industry directly employs 244,000 people. This means that its direct employment footprint is about one and a half times bigger than the motor manufacturing industry (160,000) and more than twice as large as the insurance industry (108,000).

Direct jobs in digital advertising compared with other industries



Source: Public First analysis, ONS Business Register and Employment Survey



Economic impact for businesses that advertise online

Digital advertising provides a return for businesses that pay to advertise - by helping them reach a wider customer base, increasing consumer awareness and favourability (i.e. of their company, brand, products or services), and driving purchases. For example, a business might see an expansion in its customer base after a social media marketing campaign, driving up GVA and creating jobs.

For businesses that pay for advertising, the increased sales resulting from digital advertising generates £41.3bn of GVA and supports 949,000 jobs.



The supply chain impact

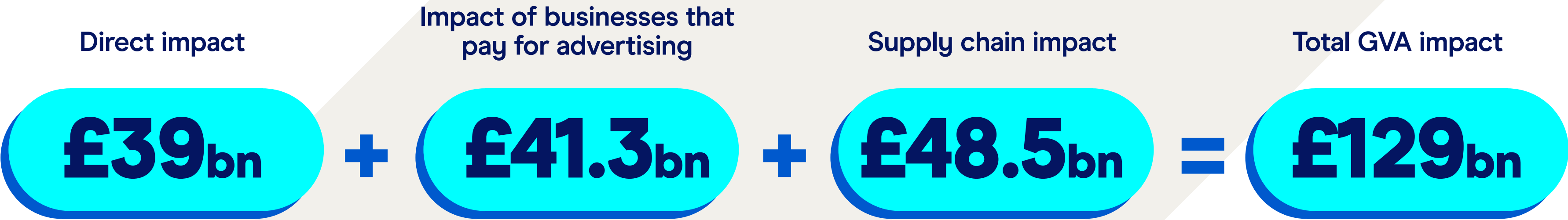
In addition to creating employment directly, digital advertising supports more jobs and economic activity along supply chains. For example, ad tech firms and online news publications spend money on a wide range of products and services themselves - such as computer equipment, internet services and renting of commercial real estate.

The increased sales for businesses that pay to advertise online also means these firms demand more goods and services from other businesses. For example, a clothing retailer seeing increased sales as a result of an online marketing campaign might need to purchase more textiles to meet increased product demand or invest in new factory equipment.

Increased demand for goods and services along extensive supply chains means that digital advertising supports further GVA and jobs. In total, Public First estimates that these supply chain impacts support £48.5bn in GVA and 838,500 jobs.

Summary: the total economic footprint of the UK digital advertising industry

GVA impact of UK digital advertising in 2022



Source: Public First analysis

The impact on jobs of UK digital advertising in 2022



Source: Public First analysis. Note that jobs numbers are rounded to the nearest 100 and as a result may not sum to the total.

The value of ad-supported digital services to UK consumers

Much of the online content and services that people use and enjoy are financially supported by digital advertising. Whether it be watching a cooking tutorial, checking up on the weather, or staying in touch with friends on social media, digital advertising supports day-to-day life for the UK public for free.

This chapter explores the results of an IAB UK/Public First consumer survey of 2,000 UK adults to understand how people value the services that rely on digital advertising, and the ways in which they directly engage with and benefit from online advertising.

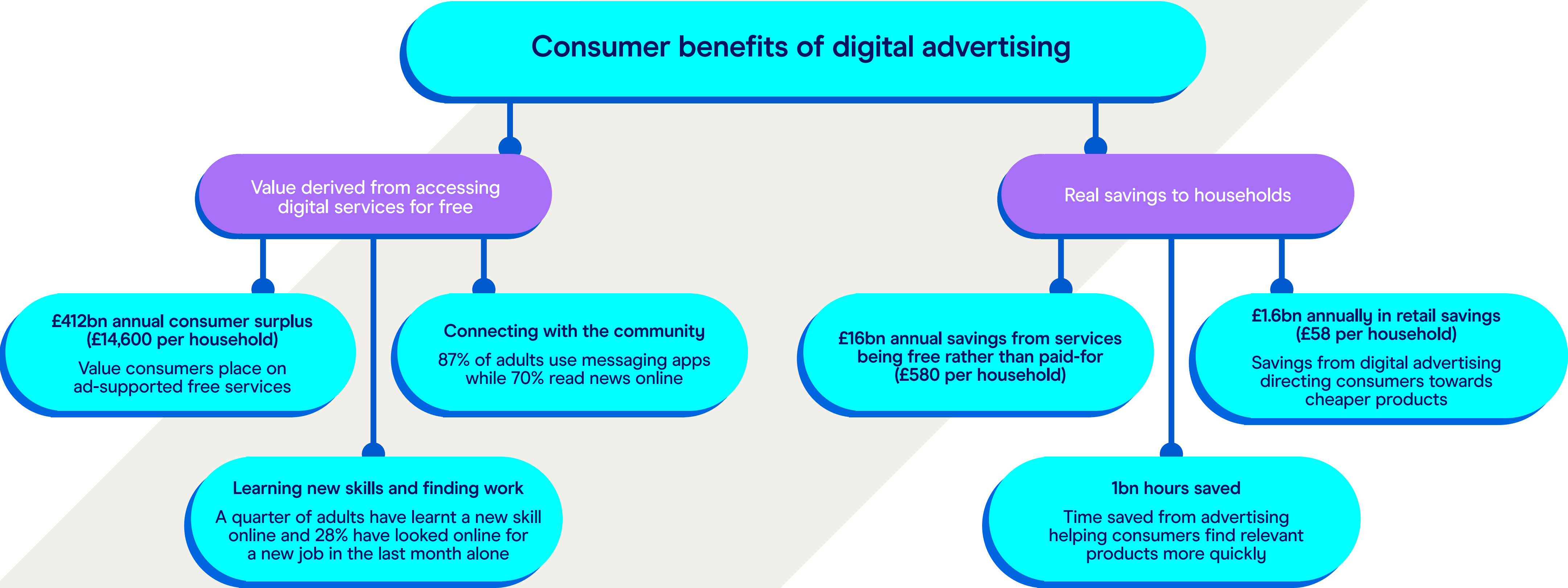


Digital advertising delivers hundreds of billions of pounds of “consumer surplus” per year. Consumer surplus is a measure of the monetary value that consumers place on ad-supported online services, versus what they are actually paying (nothing, in the case of free services). It measures the value that consumers derive from these products being free.



Digital advertising delivers real savings to the whole of the UK of £18bn per year. This is over £600 per household, per year. This includes enabling free online services and generating further savings for households by helping them find cheaper retail products.

How digital advertising benefits consumers



A whole ecosystem of ad-supported digital content & services that are free to use

The UK is one of the most digitally connected societies in the world. [According to the Office for National Statistics](#), over 90% of the adult population uses the internet, rising to almost all (99%) of those under the age of 45. UK consumers also spend a significant amount of their time using online services, with UKOM data showing that they spend an average of 3 hours 37 minutes per day online.⁸

This broadly mirrors the results of the consumer survey undertaken as part of this project, which showed that **94% of the internet-connected population aged over 18 used a search engine online** in the previous month. People of every age, ranging from 61% of those over 65 to 95% of those aged 18-24, use social media apps or websites.

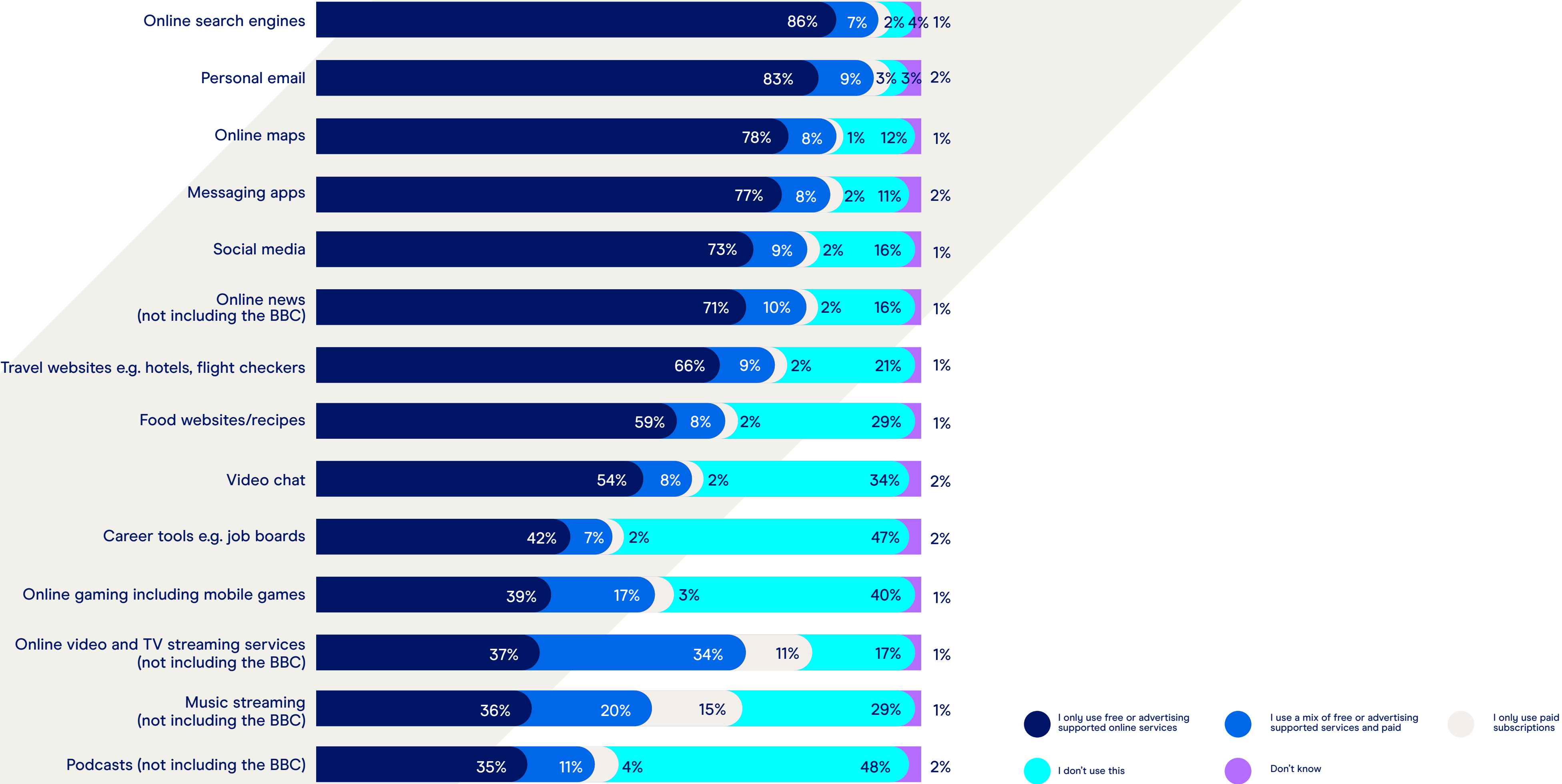
A significant proportion of these online services are free to use and typically funded through digital advertising, i.e. creating the opportunity for advertisers to reach people using these services by selling advertising space in and around the content. If online service providers were unable to financially support their products by displaying adverts to their users, then these services would probably require subscriptions, or not operate at all.

Free, ad-supported services are important for consumers

The ad-funded business model is particularly important given that UK consumers place great value on these free services, which can only exist as a result of digital advertising: **70% of adults in the UK say that it is important to them that these services are provided for free.**

The chart on the next page shows the extent to which people in the UK use free online services, with the majority of people using services supported by digital advertising. Video streaming is the only exception, with subscription-based movie and TV streaming services becoming more popular. Even here though, 45% of those who use online video do so only through free services, and 86% do so at least in part.

UK consumer use of free and paid-for online services



Consumers place a substantial value on free ad-supported services

£14.6k
per household

Consumer surplus from digital-ad supported free online services. This amounts to £412bn across all UK households

Because digital ad-supported services are so important for consumers, the fact that they can be used for free generates substantial “consumer surplus” - £14,600 per household per year (£7,400 per adult). For the whole of the UK, this amounts to £412bn.

Consumer surplus is essentially a measure of the monetary value that consumers place on ad-supported online services versus what they are actually paying – which is nothing in the case of free services. It measures the value that consumers derive from these products being free.

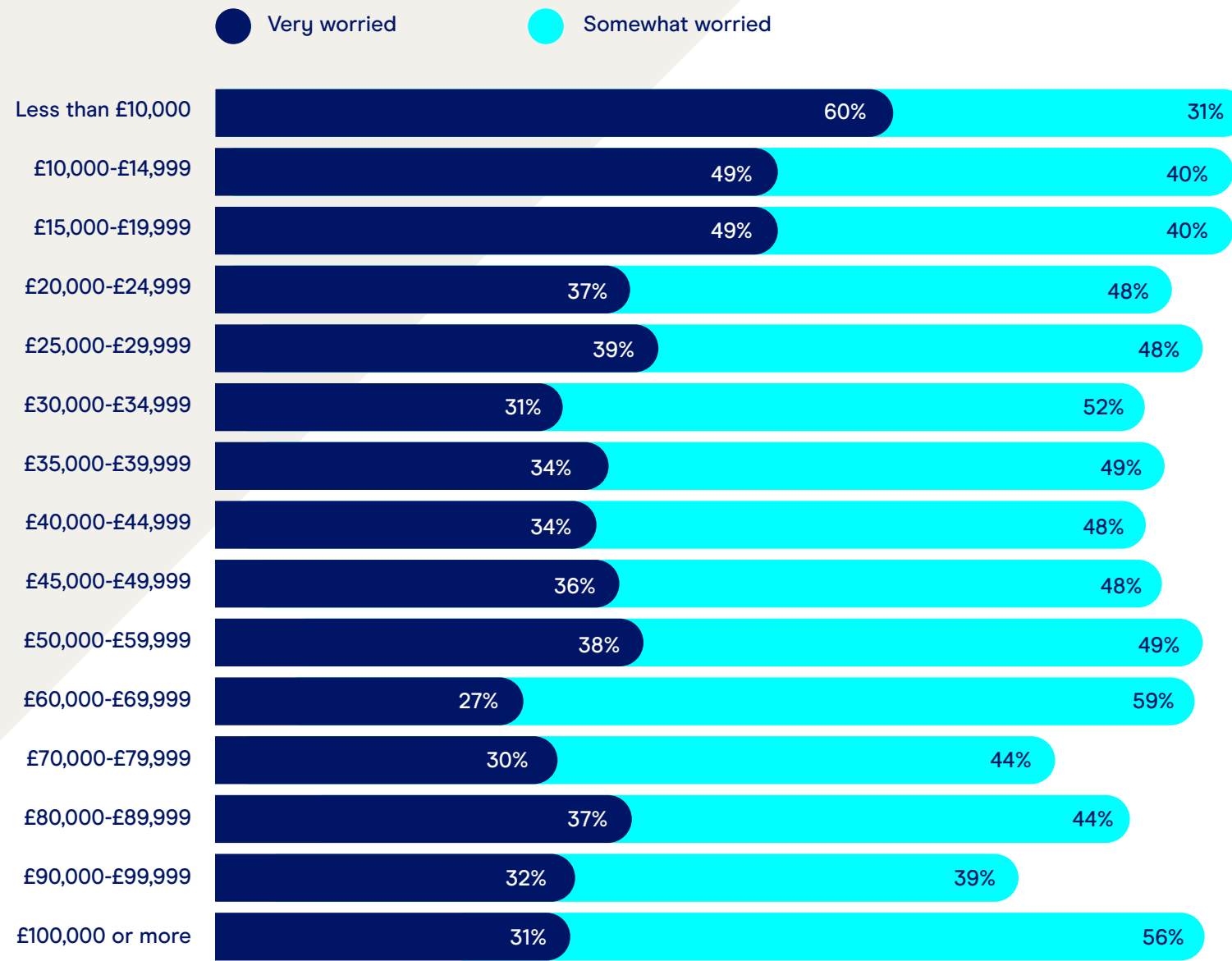
The consumer surplus is noticeably higher than the actual cost to use these services if people had to pay for them at the point of use (covered later in this section). This reflects how valuable these online services are in the eyes of consumers. For example, services such as email are regarded as so essential that consumers would need to be paid substantial sums of money to lose access.

The appendix of this report contains a methodology for how the consumer surplus numbers were arrived at, based on the consumer survey.

Digital advertising is helping UK consumers with the cost-of-living crisis

In 2022 and 2023, UK consumers have experienced rising costs in a number of areas including energy, fuel, food, housing costs and other general purchases. It is a challenging economic period for people and 85% of respondents to the consumer survey say they are worried about inflation and the rising cost of living. This rises to 91% for households with children under the age of 18. Over half of those with a household income below £20,000 (53%) say that they are very worried about the rising cost of living.

How worried are you about inflation or the rising cost of living? Resposes by household income



Source: Public First survey for IAB UK of 2,000 nationally representative UK adults, conducted June 2023

In light of this, the importance of digital ad-supported services is brought into even sharper focus - providing essential services, often for free, at a time when household finances are under significant strain across the country.

Cost savings of accessing ad-funded content & services for free

£16bn

Annual cost to households if they lost access to free ad-supported services and had to pay instead - £580 per household

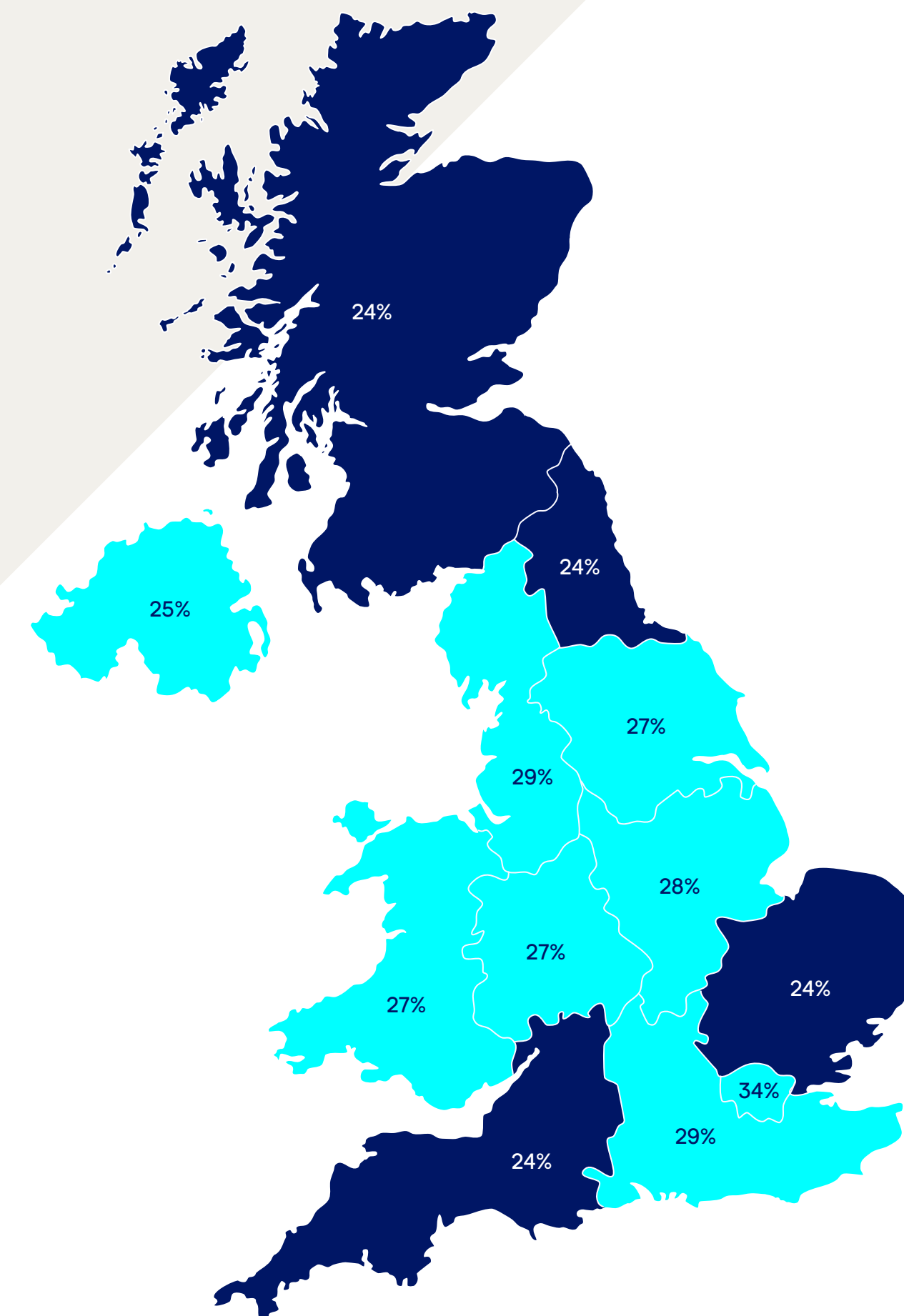
If households lost access to free ad-supported services and had to pay for them instead, Public First estimates that it would cost them £16bn per year - or about £580 per household on average. This is almost four times the annual cost of the BBC licence fee.

As noted earlier, the consumer surplus, which captures the perceived value of these services, is significantly higher (£14,600 per household) than the actual cost to use them, if they had to be paid for by the consumer at the point of use. This illustrates how important these services, and the benefits they provide, are to people: several free online services are so essential to consumers that, even if they had to pay for them, the consumer surplus would still be significant.

Through providing services like entertainment, news and communication for free, the ad-supported digital ecosystem has helped UK society to be more resilient to the impacts of rising costs. The consumer survey shows that **28% of UK consumers have used free online entertainment more in the last year because of the rising cost of living.** This includes:

- **31% of those with low household incomes of less than £20,000 a year**
- **33% of those with children under the age of 18 at home**
- **37% of those who say they are “very worried” about rising inflation in 2023**
- **People across the country:** at a regional level, the share of adults using free online entertainment more over the past year ranges from 24% to 29% in regions outside London, and 34% in London

Share of adults using free online entertainment more in the last year because of the rising cost of living



Source: Public First survey for IAB UK of 2,000 nationally representative UK adults, conducted June 2023

Digital advertising enables access to a wider range of products, more conveniently & at lower prices

As well as the direct value that people place on ad-funded services, they also make direct savings in both time and money as a result of products and services being advertised online.

UK consumers have bought a wide range of goods online in the last year, with 97% of those surveyed using the internet to buy at least one product. Over two in five adults (42%) bought clothes online in the past year, a third (33%) bought groceries, a quarter bought books, and a quarter bought a holiday.

Digital advertising helps consumers find goods and services that are relevant to them, at the right price - particularly because it can be targeted based on their interests, geographical location, or on the basis of products or services that they have been looking for online. As a result, digital advertising often helps individuals find and purchase products that would otherwise have been unavailable to them.

This access to a wide variety of goods and services also enables consumers to more accurately and efficiently find what they are looking for - saving both time and money. **72% of UK consumers say they save time by shopping online rather than in physical shops, and 61% say they save money from doing so.**

Proportion of people who save time by shopping online Which of the following comes closest to your view?



Source: Public First survey for IAB UK. Note numbers do not sum to 100% as some respondents did not shop online, or did not know whether they saved time.

Proportion of people who save money by shopping online Which of the following comes closest to your view?



Source: Public First survey for IAB UK. Note numbers do not sum to 100% as some respondents did not shop online, or did not know whether they saved money.

Over two fifths of UK consumers (44%) say that online advertising is helpful when trying to find a new product or service, rising to over half of those under the age of 35. It is perhaps because these benefits are tangible that:

- Over half of UK consumers (53%) would rather see online advertising that is a closer match to their own interests and hobbies than see the same adverts as everyone else (33%)
- 67% of 18-24 year olds would rather have tailored advertising
- In all regions of the UK, more people prefer tailored advertising to viewing the same adverts as everybody else

Total time & money consumers save due to digital advertising

£1.6bn
in savings

...every year from finding cheaper products and services online

1bn
hours saved

...every year through buying products advertised online

Drawing on IAB UK/Public First's consumer survey data and ONS retail sales statistics, it is estimated that the annual financial savings that UK households make as a result of products being advertised online stands at **£1.6bn - £58 per household** - and that UK consumers save **1bn** each year through buying advertised products online rather than in shops - **35 hours per household**. This amounts to almost a full working week of time saved (based on the [UK average](#)).

These benefits arise from advertising helping consumers find and become aware of relevant products, at the right price, more easily, which saves them money. **41% of people said that online adverts have saved them money directly**. This includes over half of consumers under 35, and 30% of those aged over 65.

Additionally, 47% of survey respondents said they would not have been able to buy their most recent online purchase easily through alternative means - for example, by purchasing the item on their local high street.

Enabling communication & connection

Social media and email communication allow people to stay connected to one another regardless of how far apart they live. Through ad-supported services, the UK public can stay in touch with family and friends overseas, remain connected with those who they have not seen in years, and meet new people who they would otherwise have no opportunity to meet.

How people rely on online services to connect with their communities

87%

communicating with others through a messaging app

70%

reading local news online

43%

discovering a local business through an online advert

87% of UK adults communicated with others on a messaging app in the month prior to the survey, while 81% used social media. Just over half (54%) of people who use ad-funded social media sites would stop using them if they had to pay instead.

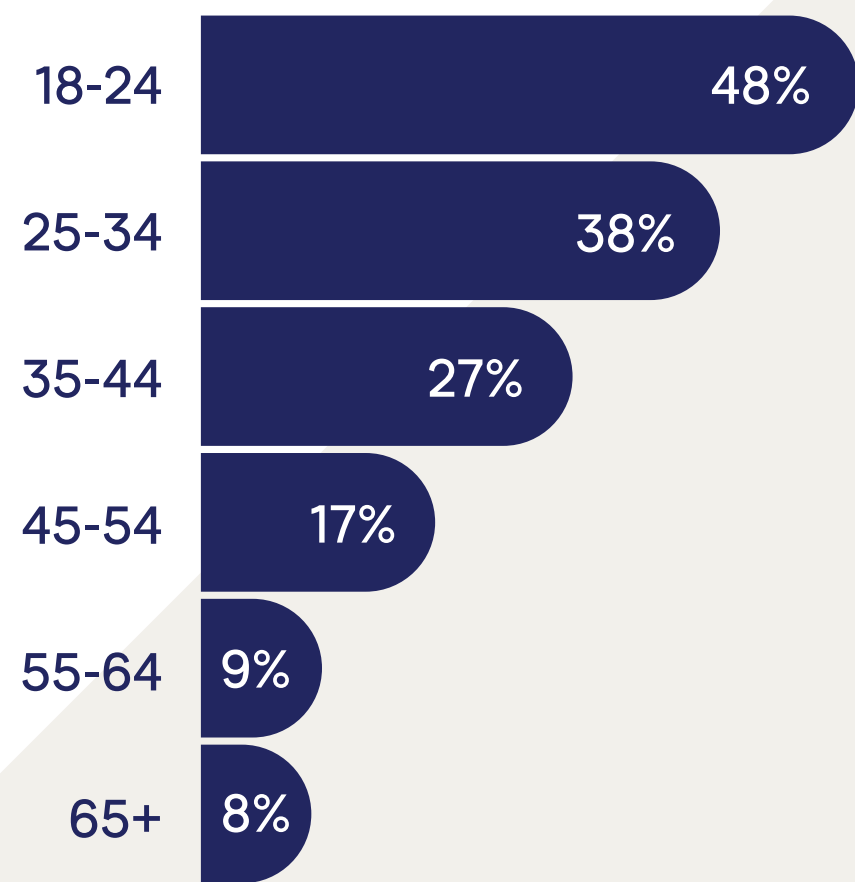
Free online services enable people to feel closer to their local community and the people who live in their area. 70% of UK consumers read local news via an online newspaper or news website in the month prior to the survey. Keeping connected to the local community was cited as a helpful benefit among 77% of them. Even among those who consider themselves the very last to try new technologies or gadgets, for whom digital services are less important, 50% read local news online.

Digital advertising also connects people with local businesses in their area. 43% of UK consumers say they have discovered a local business through an online advert, rising to 58% of those under the age of 35. As we show in the next chapter of this report, digital advertising plays a powerful role in driving additional sales for small and medium-sized enterprises (SMEs), allowing them to reach a wider customer base and increase their sales.

Online services are encouraging learning & supporting the UK workforce

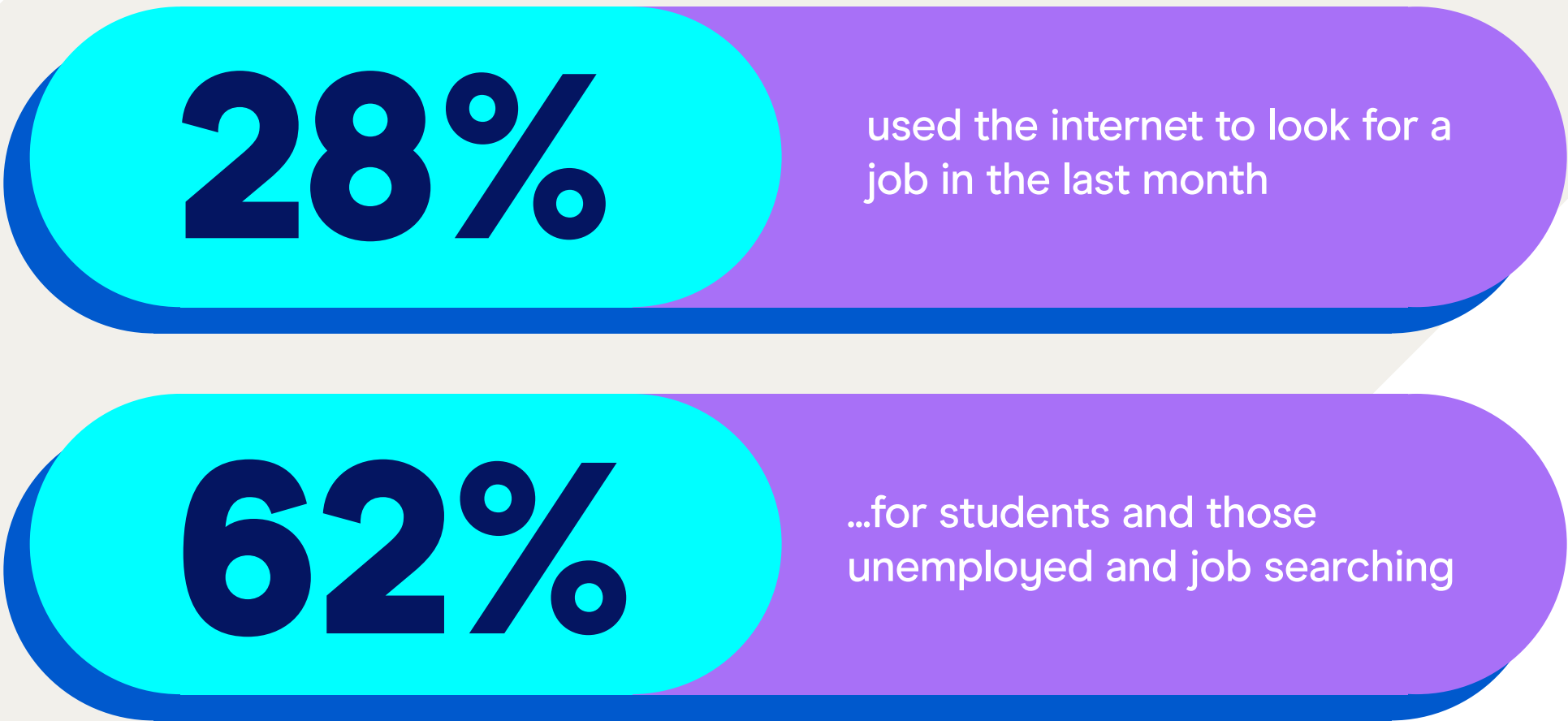
Free access to online services helps to make the UK more socially equitable, allowing more people to access the services they need. This can be seen clearly from the use of the internet for skill-learning. About a quarter (23%) of adults used the internet to learn a new skill in the month prior to the survey, rising to over two-fifths (43%) of those under the age of 35.

Use of the internet to learn a skill in the last month, by age group



Source: Public First survey for IAB UK of 2,000 nationally representative UK adults, conducted June 2023

Use of the internet for finding work



As well as learning, the ad-supported digital ecosystem supports people to get into work through hosting career tools and jobs boards that companies and employers pay to advertise on (classified ads). This access to new jobs provides benefits to both UK workers and businesses, connecting talent with opportunity across every sector. **28% of UK consumers used the internet to look for a job in the month prior to the survey.** This rises to 62% of students and those unemployed but job searching. Of those who use free services for career tools and jobs boards, 44% would stop using these completely if ad-supported free options were not available.

The benefits of digital advertising for UK businesses

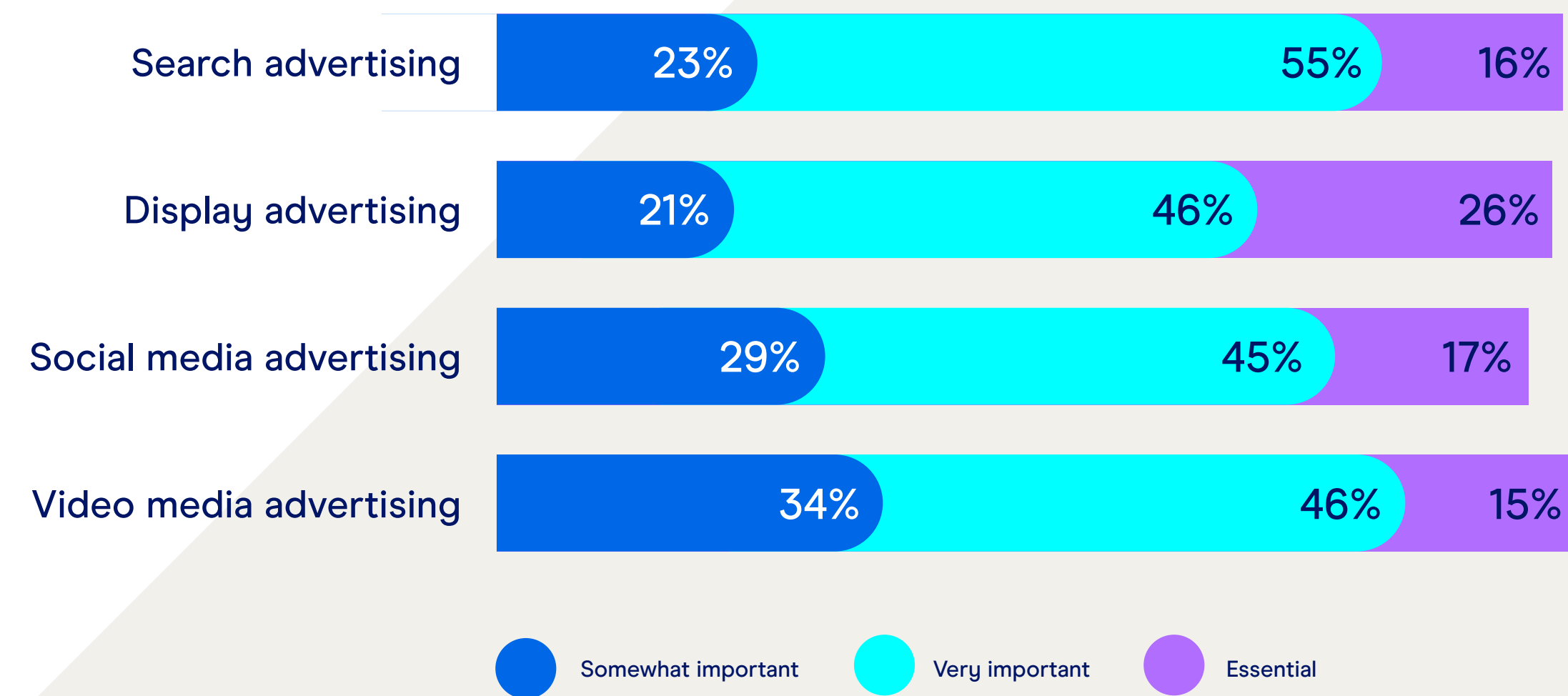
Digital advertising boosts business performance in the UK among companies that take advantage of it, driving £73bn in additional sales from the return on ad spend - including £26bn of additional sales for small and medium-sized enterprises (SMEs).

A range of studies suggest that the return on digital ad spend is substantial

Digital advertising brings significant benefits to businesses that invest in it - allowing them to reach new customers, increase their customer base, grow their market share and drive additional sales.

The importance of digital advertising as a driver of revenue is demonstrated by a recent business survey undertaken by Public First in March 2023 - separate to this study. Almost all (94%) of UK businesses that used paid search advertising thought that it was important for their business, with 71% describing it as very important or essential. High shares were seen for other types of advertising too, as shown in the chart below.

% of businesses describing form of advertising as important



Source: Public First business survey, March 2023. Base is businesses that use each type of advertising.

To further demonstrate the benefits of digital advertising to businesses, our report focuses on return on ad spend (ROAS). This is a widely used metric that calculates the additional sales that a business can expect to achieve per pound spent on advertising.

Estimates of ROAS vary, but even those at the conservative end of the spectrum suggest a significant uplift in sales from advertising. [One study](#) by NCSolutions (part of Nielsen), based on 1,400 sales effect measurement studies and 450 brands, suggests an average ROAS of 2.73 - indicating that every pound spent on advertising generates £2.73 in additional sales. We have used this figure in our calculation as a conservative third-party measurement of ROAS.

[For wider context, a study](#) of social media advertising by three leading FMCG brands found a ROAS of £3.34 per pound spent, while [while an IAB study specifically on the grocery sector](#) found a ROAS of £1.94. [Research focused on affiliate marketing](#) pointed to a far higher ROAS of £14 per pound spent on advertising.

By applying the 2.73 ROAS figure in the NCSolutions study to AA/WARC and IAB UK data on advertising spend, Public First estimates that digital advertising led to a combined total of £73bn in increased revenue among businesses that invested in digital advertising last year. This is due to advertising spend driving additional sales.

£73bn of additional sales means that the return on ad spend accounts for about 2% of business revenues across the entire economy - about the same as the entire turnover of the arts, entertainment and recreation sector in the UK (£75bn per year).

Digital advertising delivers benefits for SMEs

£73bn

Increased business sales as a result of the return on ad spend

**£26bn
of this...**

...was increased sales for SMEs

Of the £73bn increase in business revenues, it is estimated that **£26bn was additional sales for small and medium sized enterprises (SMEs)**. This draws on research by IAB UK, which estimates that SMEs account for between 30% and 40% of total digital advertising spend.¹⁰

Digital advertising is essential to SME businesses, with two thirds (64%) using some form of paid digital advertising in the last year, according to IAB UK's [Powering Up](#) study. Advertising online can be less costly than other forms of media, making it more budget- friendly for SMEs who value the lower barriers to entry. This is partly because it is possible to run very small campaigns aimed at narrowly targeted audiences, such as those in the local area, rather than needing to buy a fixed or minimum amount of media, or pay for more coverage than is needed (e.g. in regional media). Digital advertising also offers performance-based formats that a business only pays for if the ad delivers an agreed outcome, such as a visit to their website. Its value to SMEs is demonstrated by the fact that the vast majority of those using paid digital advertising (81%) say it is important to their business success. Small businesses are increasingly using digital advertising to establish themselves and grow their brand awareness as they are starting out.

Conclusion

This report demonstrates the wide range of ways in which digital advertising benefits the UK economy, individuals and society more broadly.

The economic footprint of the sector is substantial: digital advertising supports £129bn of GVA and over 2million jobs. One in 16 workers in the country are in jobs supported by digital advertising - whether that be working in the sector directly, in jobs created by increased sales from digital advertising campaigns, or along supply chains.

The benefits are even greater when we consider the wider societal impact of digital advertising. Households across the UK derive enormous value from the ability to access a wide range of ad-supported online services for free: from online search and social media to music, video and other types of entertainment.

Digital advertising fuels these key services that enhance our leisure time, connect us with friends and family, and help us learn new skills or find work. Amid the current cost-of-living crisis, these free - and often essential - services are all the more important.

For more resources relating to this report – including downloadable infographics of the key data – head to iabuk.com/digital-dividend

Appendix I: Overview of types of digital advertising

Types of Digital Advertising

Search ads: Paid-for listings within general search services. This includes pay-for performance search (where the advertiser only pays if the ad delivers an agreed outcome, such as a visit to their website) and any service in which advertisers pay the web publisher for their listing.

Standard display: Standard display banner ad units embedded into a web page or app, displaying static or 'rich' (e.g. video, audio-visual) media.

Digital 'out-of-home' advertising: Digital out-of-home uses multimedia content in public spaces to reach consumers. This might include digital billboards, signs, wrapped vehicles, kiosks and more. These ads can often be dynamic, changing based on time of day, weather, and other factors.

Native ad formats distribution: Includes advertising formats such as discovery, aggregation, amplification, text placement and curation tools containing third party links whereby revenues are commonly shared between the publisher and technology supplier. An example of this is a discovery tool format, e.g. 'more from around the web'.

Display or native ads on email: A display ad that appears around the unrelated editorial content of email newsletters. This can take the form of embedded formats, like banners, or as sponsorship.

Solus email advertising: This is where the body of the email is determined by the advertiser, including both text and graphical elements, and is sent on their behalf by an email list manager/owner.

Online audio advertising: Advertising within an online audio environment (e.g. in and around podcasts, audio/music streaming and online radio). Ads can take the form of audio ads, branded playlists, sponsored sessions, video takeovers, and more.

Video advertising: These include both video ads attached to video content (e.g. those that play before, during or after a piece of video content) and those that appear in or around non-video content (e.g. a video ad within an online article).

Social media advertising: Social media platforms host ads in a range of formats that fit in and around the content that people are accessing, such as ads within their personal 'feed'.

Appendix II: Survey and economic modelling methodology

Survey methodology

For this research, Public First undertook a large survey using Dynata's online panel, comprising 2,000 UK adults. The survey was in the field from 16 June to 22 June 2023. Survey results were weighted by interlocking age, gender, region and social grade to nationally representative proportions.

Economic impact methodology

To quantify the economic impact of digital advertising in the UK, Public First drew on a range of data sources, made reasoned assumptions in places and applied a standard approach to economic impact modelling.

What is included in Public First's measure of the economic impact of digital advertising?

The measure captures economic output (GVA) and jobs supported by digital advertising in the following areas:

- The advertising and marketing sector (e.g. ad agencies)
- Ad tech
- Industries in which digital advertising is a source of revenue - search, social media and other online content, online newspapers, online radio and on-demand TV
- Jobs supported by the businesses paying for advertising, and benefiting from the return on ad spend (ROAS) in terms of greater sales

GVA is a widely used measure of the value of goods and services produced in an area, industry or sector of an economy. It is the value of the goods and services produced minus the value of inputs into their production (such as raw materials or services such as insurance), giving a measure of the “value added”.

GVA differs from gross domestic product (GDP), which tends to be used to measure the overall size of a country's economy, as GVA excludes taxes on products (net of any subsidies). By excluding taxes on final products such as VAT, it gives a better picture of the underlying economic importance of specific industries, regions and sectors of an economy. For example, some sectors of the economy may have relatively high GDP purely because they are subject to hefty taxes.

Quantifying the direct economic footprint of these areas

The advertising & marketing sector

Here, Public First drew on [data](#) from the Department for Digital, Culture, Media & Sport (DCMS) on the number of jobs in creative industries - specifically their figure on advertising and marketing jobs.

Using AA/WARC data on the share of all advertising spend that is digital advertising, Public First assumed that the same proportion of advertising and marketing jobs in the UK can be attributable to digital advertising.

The GVA footprint of advertising and marketing jobs supported by digital advertising was estimated using data in the ONS Annual Business Survey on total sector turnover.

Digital out-of-home

To quantify the jobs and GVA impact of digital out of home, Public First drew on AA/WARC data on advertising spend, and Companies House accounts for JCDecaux, Clear Channel UK and Global.

Ad tech

For ad tech, Public First used estimates from the Advertising Association's ['Ad Pays 7'](#) report, which estimates just over 19,000 jobs in UK ad tech. As this report is a few years old, Public First uprated the jobs number, assuming employment had grown in line with the wider "information services" sector.

Public First used Data City estimates of ad tech industry turnover to estimate the associated GVA of the sector, using ONS economic accounts to translate the turnover figure into a GVA figure.

Industries in which digital advertising is a source of revenue

Here, Public First adopted broadly the same approach as the Advertising Association's original Ad Pays report, produced by Deloitte. Depending on industry, this involved adopting one of two approaches, or in some cases a mix of these:

1. A revenue-attribution approach - drawing on individual company financial data on digital ad revenues as a share of total revenue to establish the share of jobs supported. e.g. if 80% of company revenues are from digital advertising, 80% of the jobs are said to be supported by digital advertising
2. A value-added approach - where such a breakdown of individual company finances is not available, data from the ONS Annual Business Survey and ONS Business Register and Employment Survey were used to establish the amount of jobs supported per million pounds of revenue in each industry. Multiplying this by digital ad spend data gives a number for jobs supported

AA/WARC data was used to establish digital ad revenues by sector.

Public First used the following approaches for each sector:

- **Online audio** - value-add approach, using ONS data on radio industry turnover and Radiocentre data on commercial (non-BBC) employment in the sector, and a revenue attribution approach for Spotify based on its latest Companies House accounts
- **Video-on-demand television** - value-add approach, using ONS data on turnover per job in the television broadcasting

industry. Public First made an adjustment to these figures to strip out BBC employment, drawing on Ofcom data on employment in the sector

- **Newspapers** - average of value-added approach and a revenue-attribution approach
- **Social media and online content not included above (e.g. Google, Meta, X)** - here, a combined approach was used. Public First used a revenue-attribution approach to quantify digital ad supported jobs in Google, Meta and X (formerly Twitter), drawing on published data on their UK headcount, share of their revenues from advertising and their share of the UK internet ad market. Outside of these three firms, Public First used a jobs-per-million-pounds figure for "information services" firms, taken from the ONS Annual Business Survey

Public First's jobs calculations assume 15% of digital ad revenues goes out in agency commission for the radio, TV, out-of-home and newspaper sectors - the same as the original AA Ad Pays report. No commission adjustment is made for social media and other online content.

Jobs supported by the businesses paying for digital advertising, & benefiting from the ROI of ad spend in terms of greater sales

Digital advertising also supports jobs for the businesses paying for advertising space - through the additional sales that advertising brings in - i.e. the return on advertising spend (ROAS).

There are numerous estimates of ROAS. Public First drew on [research by NCSolutions](#) (part of Nielsen) which suggests an average ROAS of 2.73. This was one of the more conservative estimates from Public First's review of the literature.

Using AA/WARC data on digital ad spend, and IAB UK data on the industries paying for advertising (in its [Ad Spends](#) report), Public First estimated the increased revenues for businesses from the ROAS.

Using ONS data on the ratio of GVA to turnover in different industries, and Annual Business Survey data on turnover per job in each industry, Public First quantified what this revenue uplift meant in terms of jobs and GVA.

Indirect & induced GVA and jobs

Public First's headline numbers also include GVA and jobs supported along supply chains ("indirect impacts"). To do this, Public First used its in-house economic model which draws on ONS "input-output" tables which detail the interrelationships between different parts of the economy.

Induced economic impacts

The topline numbers presented in this report err on the side of conservatism by excluding "induced" economic impacts. These are gains to economic output and jobs associated with employees spending money in the wider economy, in sectors such as retail. Some economic impact studies included induced impacts, while others exclude them.

Public First estimates that induced economic impacts support a further **£64bn** in economic activity and **835,800** jobs in the UK.

Consumer surplus methodology

Consumer surplus is the difference between the price a consumer pays for a product or service and the maximum price they would be willing to pay rather than do without it. It is therefore a gauge of the value that consumers derive from a product being less expensive than the maximum amount they would in theory be willing to pay for it.

To measure the consumer surplus associated with free ad-supported services, Public First asked participants in its consumer survey the following question about a range of services:

“Imagine you had to choose between the following options. Would you prefer to keep access to <DIGITAL SERVICE> or go without access to <DIGITAL SERVICE> for one month and get paid £PRICE?”

The price offered was randomised between £1.25, £2.50, £5, £10, £20, £50, £100, £200 and £500.

Services covered by the survey included online search, video, games, email, online news, social media and music.

Public First then undertook a statistical regression of the results of this poll to derive a demand curve - describing how many consumers would purchase a product at a particular price point - and used this to calculate median consumer surplus per user. This was then aggregated up to produce a UK-wide consumer surplus figure, drawing on ONS estimates of the number of adults and households in the UK.¹¹

Public First’s approach to estimating consumer surplus through the survey is based on a “willingness to accept” approach - that is, how much would consumers have to be paid to accept the loss of a service. This contrasts with a “willingness to pay” approach where consumers are asked how much they are in theory willing to pay for a service.

For free online services, willingness to pay is often seen as the superior approach. This is because, in general, asking about willingness to pay for currently free services anchors people on the idea that it should be free and the irritation of being asked to pay anything, rather than looking at the true value a service is creating for them. As such, a willingness to pay approach can underestimate the scale of the consumer surplus for free goods and services.