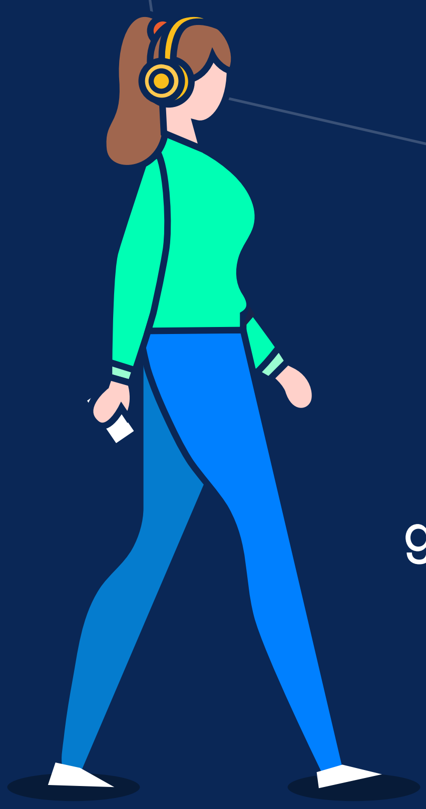
The Evolution of **Digital Audio Advertising** in Europe



groupm nexus

in association with iab europe

Survey Summary

groupm nexus

HARRY HARCUS
GroupM Nexus, EMEA

"Audio is a channel buzzing with opportunity as buyers and publishers expect notable growth in the near future. As a medium that reaches highly engaged audiences at moments when its more visual counterparts cannot, audio is capable of complementing buyers' wider plans and publishers' media offerings. Advancing the technologies that enable audio advertising unlocks cross-channel optimisation and performance for buyers, making audio inventory even more attractive and driving revenue for publishers."

iab europe

DANIEL KNAPP
Chief Economist, IAB Europe

"From 2018 to 2022, digital audio has outpaced all other advertising channels in Europe in terms of compound annual growth rate*. The pandemic served as a cyclical catalyst for digital audio, particularly podcasts, due to a rise in consumption. However, structural enhancements like improved measurement, simplified buying and automation continue to advance the market. The advertising industry's emphasis on attention in a screen saturated media environment, quality of reach and brand safety positions digital audio as a promising investment channel for advertisers and a potent platform for publishers to exploit context. We project the European digital audio market, which stood at €772 million in ad spend in 2022, to surpass the €1 billion mark by 2025."

**IAB Europe's AdEx Benchmark study currently measures ad spend for display, audio, social, video. Retail Media is not currently a part of the study.*

Executive Summary

This survey gathered insight from both buy and sell-side stakeholders to ascertain the current investment levels, growth drivers, barriers and opportunities within digital audio advertising in Europe.

AUDIO IS KEY TO COMPLEMENTING OTHER MEDIA CHANNELS

- Advertisers and agencies' top three drivers for audio investment include the channel's ability to enhance wider media plans (65%), raise brand awareness (55%), and reach specific audiences (48%).
- Almost half (47%) of advertisers and agencies state audio advertising is either their top or among their top media choices.

MOBILE REMAINS TOP FOR REACHING AUDIENCES

- Mobile devices are the key device for reaching audiences consuming audio content; 70% of buy-side respondents said they expect to reach their audiences via mobile devices whilst 84% of publishers said the same.

INTERACTIVE DEVICES AND DIVERSIFYING PLATFORMS ARE IMPORTANT TO INNOVATION AND GROWTH IN DIGITAL AUDIO

- Innovation within digital audio will be a major growth driver, with buyers considering interactive and dynamic audio ads to be a key opportunity for increasing spend. Publishers meanwhile view the rising availability of audio ads and optimising supply as significant growth opportunities.
- Due to the proliferation of audio channels and ad formats, buyers are investing budget across streaming (59%), podcast (59%), and online radio (57%), highlighting the importance of a holistic approach to advertising efforts.

KEY BARRIERS LIE IN THE LACK OF SKILL SETS

- For buyers, the ability to better measure digital audio's impact and upskill teams in a technical and operational capacity would encourage additional investment. Similarly, publishers consider the need for technical skill sets to be the primary barrier to growth.

THE FUTURE SOUNDS GOOD

- Confidence in digital audio will continue to rise as both buyers (74%) and publishers (64%) see opportunities to increase investment in the coming 18-24 months. In fact, one-quarter (24%) of both buyers and publishers expect digital audio investment to rise between 11-30% in the year ahead.

Industry Stats

According to GroupM's This Year Next Year 2023 Global Mid-Year Forecast, growth in digital audio continues with momentum and reached 19.4%* growth in 2022. In addition, IAB Europe's AdEx Benchmark Report highlights that markets with a traditionally high radio share in their media mix, such as Ireland, Belgium, Germany, and Spain have an above-average proportion of digital spending dedicated to digital audio.

In 2019, IAB Europe and Xaxis, part of GroupM Nexus, undertook a survey to ascertain the current status and future of programmatic audio in Europe. Four years on, with ad spend growth continuing apace, we wanted to understand how the landscape has evolved and what new opportunities exist in digital audio advertising. Therefore, GroupM Nexus and IAB Europe conducted a survey to find out:

- The current level of digital audio campaign planning, buying, and selling knowledge amongst buy and sell-side stakeholders
- The current level of digital audio advertising investment, key formats for investment, and future growth expectation
- The key drivers and barriers to digital audio advertising investment

IAB Europe's industry committees comprise members spanning the entire digital advertising ecosystem with industry leading representatives from these companies. The role of these committees is to enable cross-ecosystem collaboration among its national federation and corporate members to drive solutions to shared challenges and develop frameworks, standards, and programmes that contribute to sustainable growth and innovation. GroupM Nexus plays an active role on the Programmatic Trading Committee and digital audio is one aspect that is widely discussed.

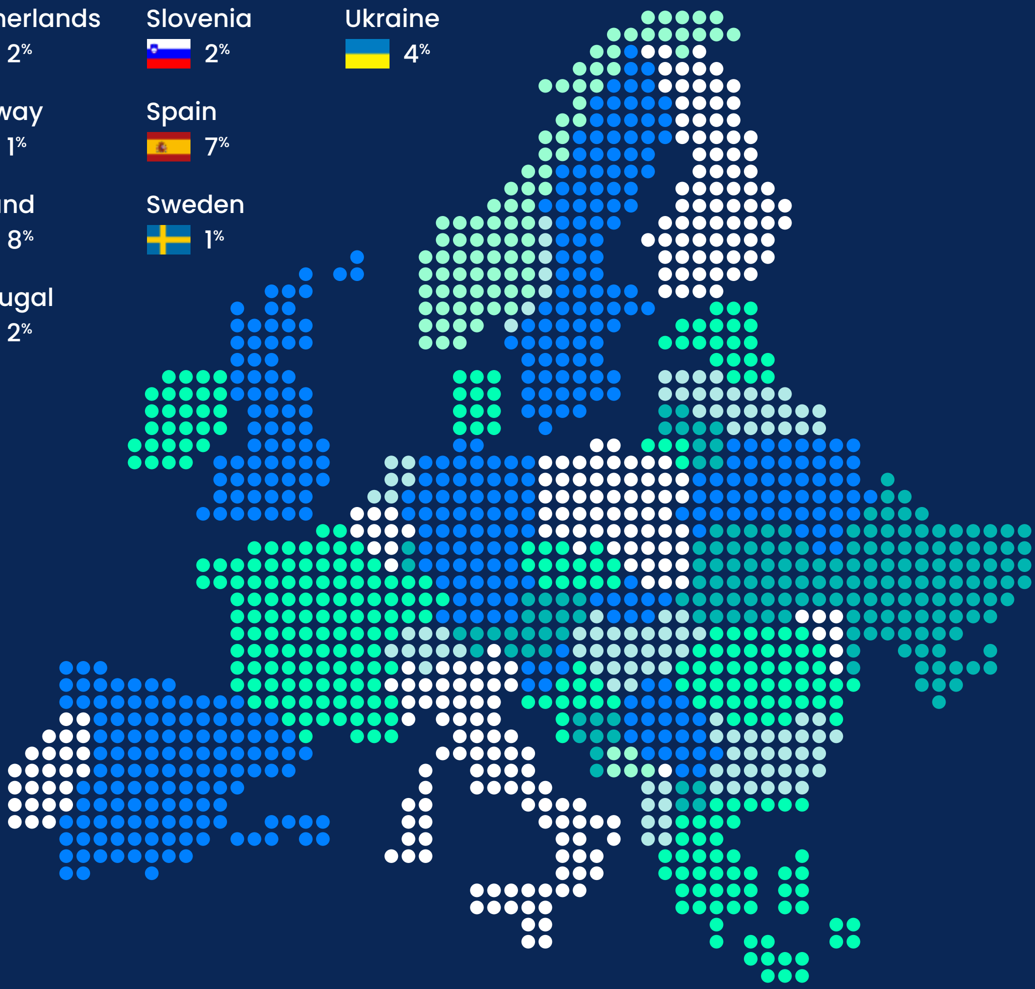
**2022 growth rates for Europe & Central Asia in digital audio*

Methodology & Participants

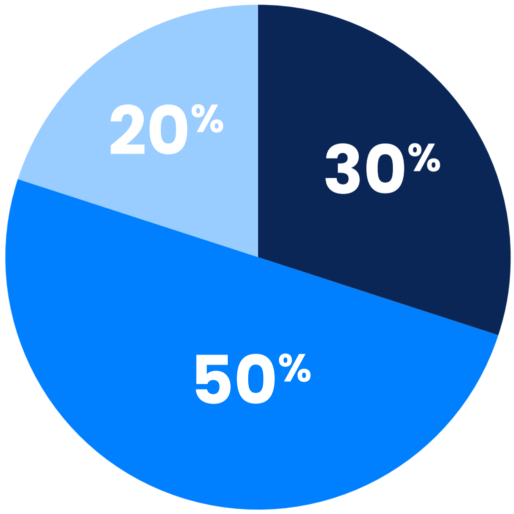
The survey leveraged the national IAB network in Europe and received 549 buy and sell-side responses from across 29 markets between May and June 2023.

Q In your role which region / market(s) are you responsible for?

Austria 8%
Belgium 4%
Bulgaria 4%
Croatia 2%
Czech Republic 3%
Denmark 3%
Finland 3%
France 13%
Germany 5%
Greece 3%
Hungary 2%
Ireland 3%
Italy 11%
Latvia 1%
Macedonia 1%
Netherlands 2%
Norway 1%
Poland 8%
Portugal 2%
Romania 1%
Serbia 1%
Slovakia 1%
Slovenia 2%
Spain 7%
Sweden 1%
Switzerland 2%
Turkey 4%
UK 17%
Ukraine 4%
Pan-European 3%
Global - European countries plus others 2%
Other (please specify) 2%



Q Is your company / organisation?



An advertiser 30%
An agency 50%
A publisher/ media owner 20%

Q How much time do you spend listening to digital audio content in comparison to other media channels?

54% of respondents stated that they listened to more digital audio than other media channels and 24% stated they spent around the same time. With 22% saying they listened to less digital audio.

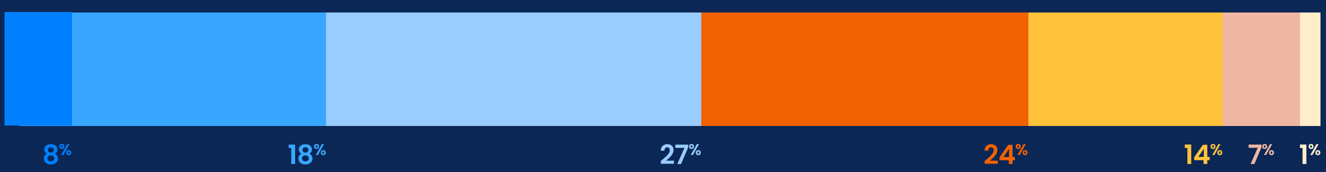
54%

of respondents stated that they listened to more digital audio than other media channels

22%

stated they listened to less digital audio

I only listen to digital audio content · A lot more time · A bit more time · About the same · Less time · A lot less time · I don't listen to any digital audio content



What the industry thinks

Audio advertising has room to grow

Seventy three percent (73%) of buy-side respondents said that between 1-25% of their total ad spend was invested in digital audio. A quarter (24%) said it was between 11-25% showing digital audio is still nascent in terms of total advertising budgets.

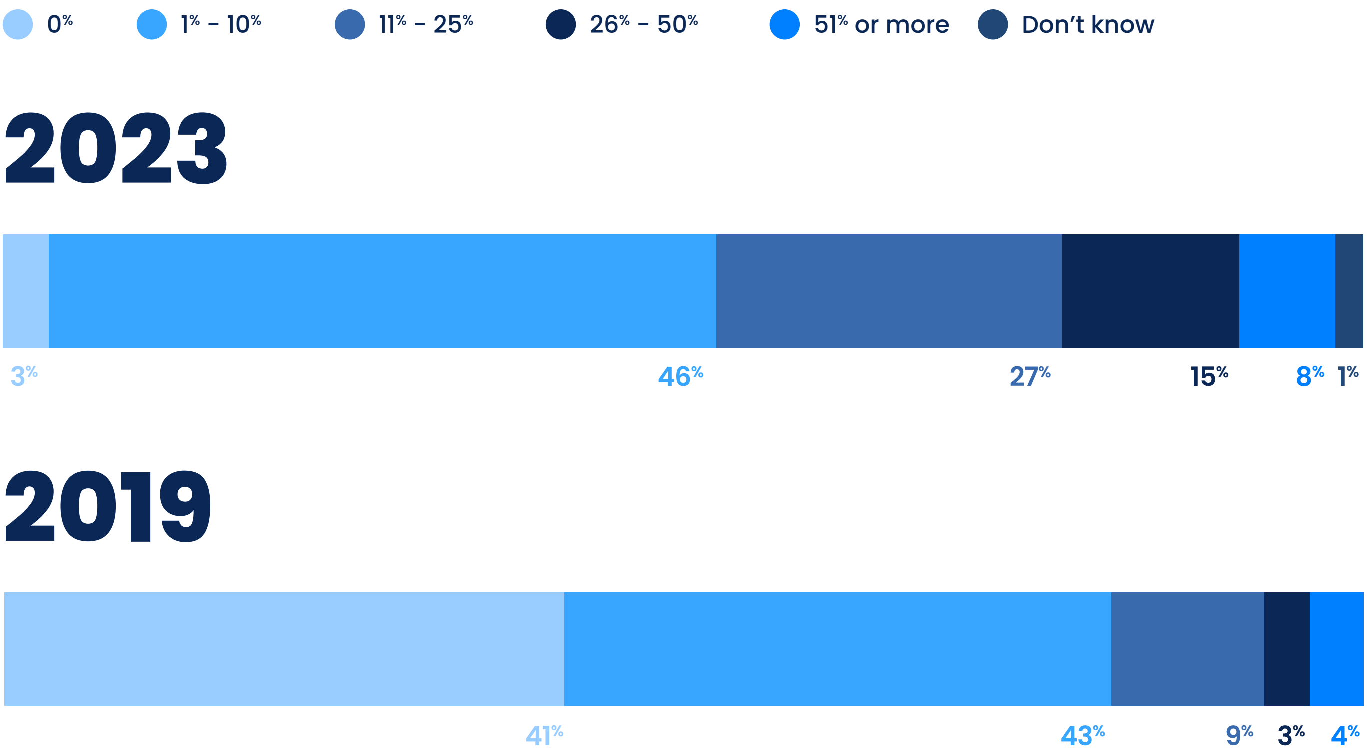
73% of buy-side respondents said that between 1-25% of their total ad spend was invested in digital audio

The publishers tell a similar story, with 66% getting just 1-25% of their total advertising revenues from digital audio ads. Whilst there is still a lot of room for growth, it is encouraging to see that investment in this channel has seen some increase since 2019.

66% of publishers are getting 1-25% of their total advertising revenues from digital audio ads

In 2019, just 4% of buy-side respondents stated that they were investing more than 50% of their ad budgets in digital audio, this has doubled to 8% in 2023.

Q How has the total ad spend invest in digital audio changed since 2019 vs 2023?



Traditional audio still primary audio channel

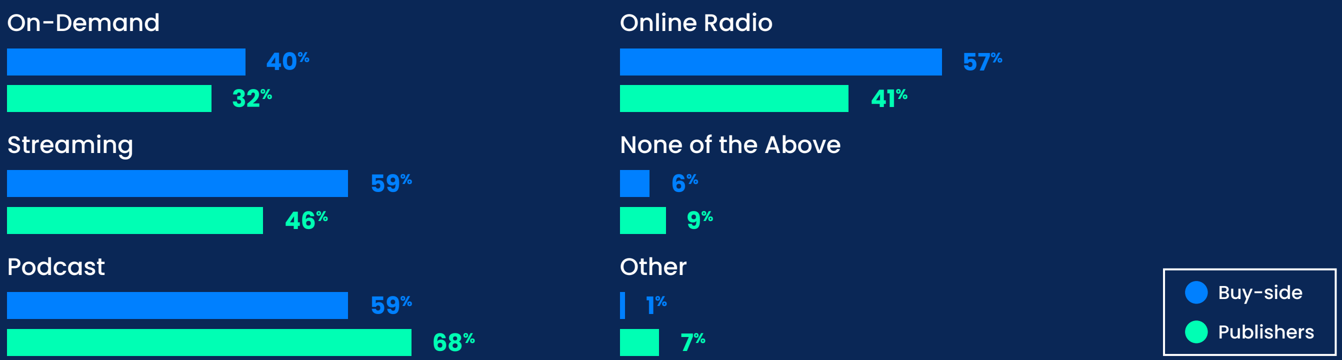
In terms of investment in traditional audio channels vs. digital audio channels, 21% of buyers said they are investing more than 51% of their audio advertising budgets in traditional and just 15% are investing more than 51% in digital audio.

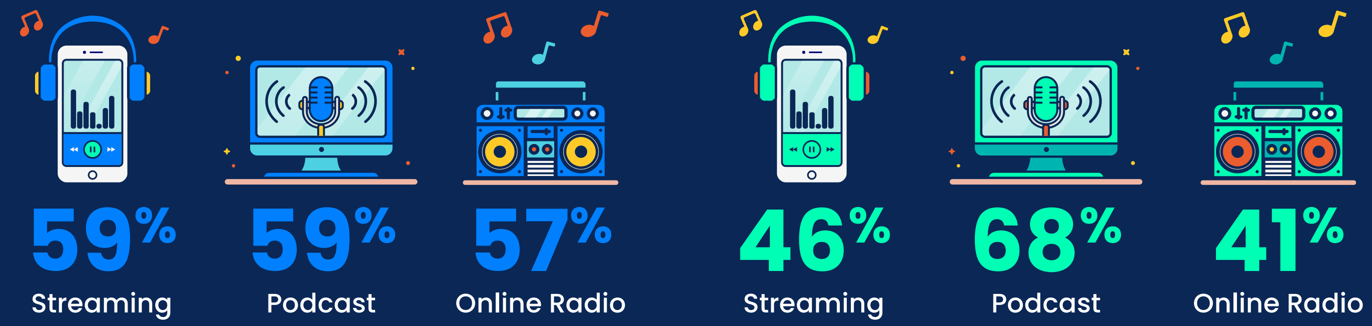
A range of audio ad spaces are being invested in

The majority of buyers are primarily investing in streaming (59%), podcast (59%) or online radio (57%) ad formats. Publishers are selling more ads on podcasts (68%), followed by streaming (46%) and online radio (41%).

In 2019, just 4% of respondents said they were investing more than 50% of their audio advertising budgets in programmatic audio, so digital audio has definitely experienced traction over the past 4 years.

Q Thinking about the types of digital audio, what are you buying or selling?

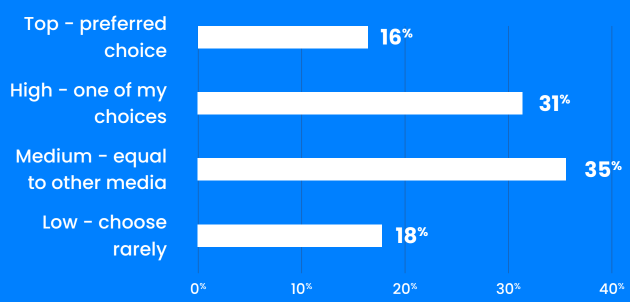




Digital audio advertising is a key part of the media plan

Forty seven percent (47%) of buyers state that audio advertising is either their top or amongst their top media options. Less than a fifth (18%) said they rarely choose audio advertising to reach their target audiences.

Q How would you rank your audio advertising spend against other media to reach your target audience?

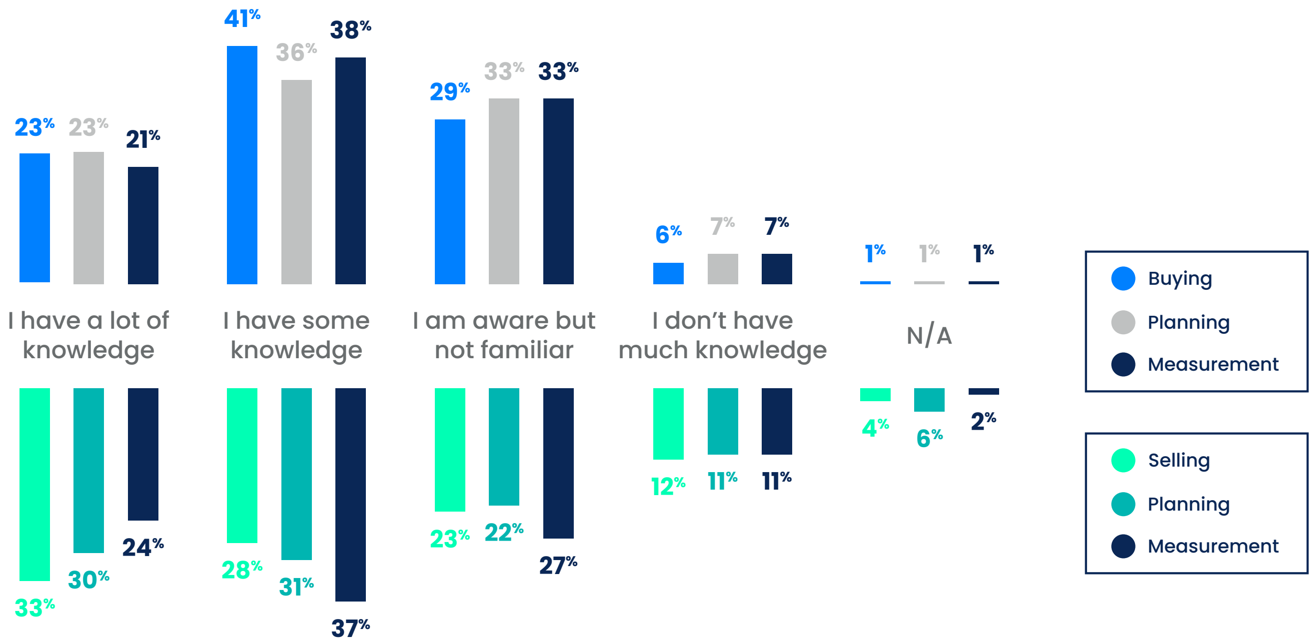


Knowledge of digital audio campaigns is limited but higher amongst sell-side respondents

When asked about the level of knowledge respondents had of digital audio advertising, around 1 in 4 buy-side respondents said they had a lot of knowledge on buying (23%), planning (23%) and measurement (21%). The majority cited 'some level of knowledge' for the different campaign stages. In 2019, just 15% of buy-side respondents were very confident in their knowledge of programmatic audio which seems to have increased over time.

Publishers were more confident in their knowledge, particularly in selling and planning. Thirty three percent (33%) of publishers say they have a lot of knowledge of selling digital audio campaigns, 30% said the same for planning and 24% for measurement.

Q Thinking about audio advertising, how would you describe your knowledge of the following digital audio campaign elements?

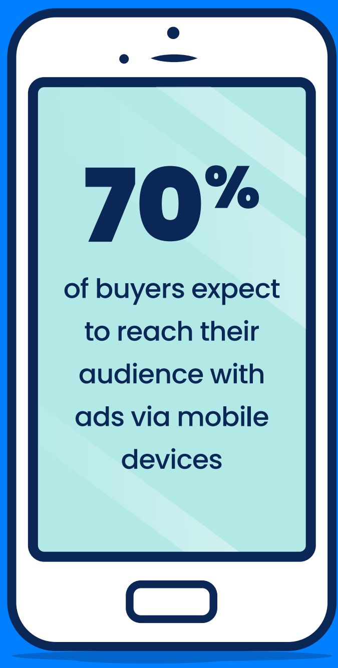


Mobile leads as key audio device

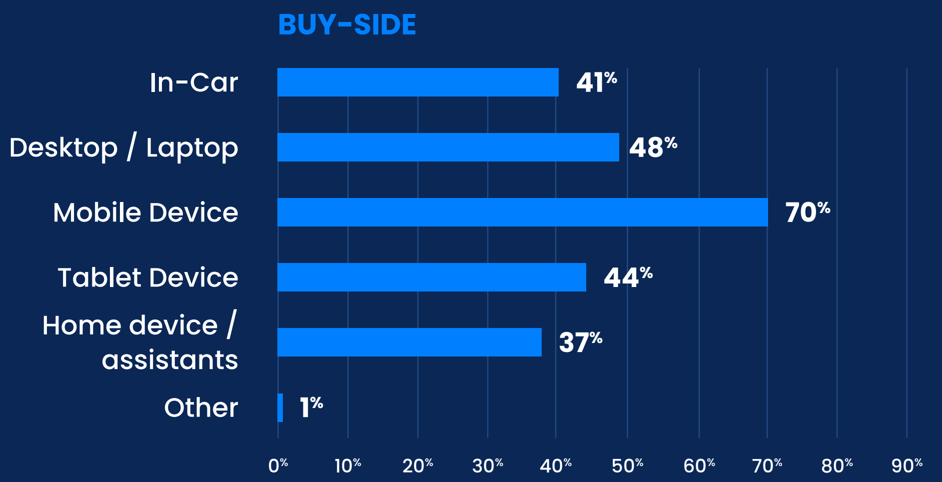
As in 2019, the majority of buyers expect to reach their audiences with audio ads via mobile devices (70%). This is followed by desktop/laptop (48%), tablet (44%), in-car (41%) and home assistant / devices (37%).

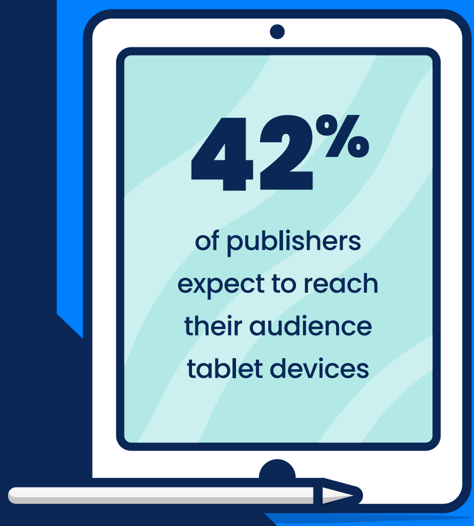
A similar story prevails with the publishers where 84% expect to reach their audiences via mobile devices, 50% via desktop/ laptops, in-car (44%). home devices (44%) and tablets (42%).

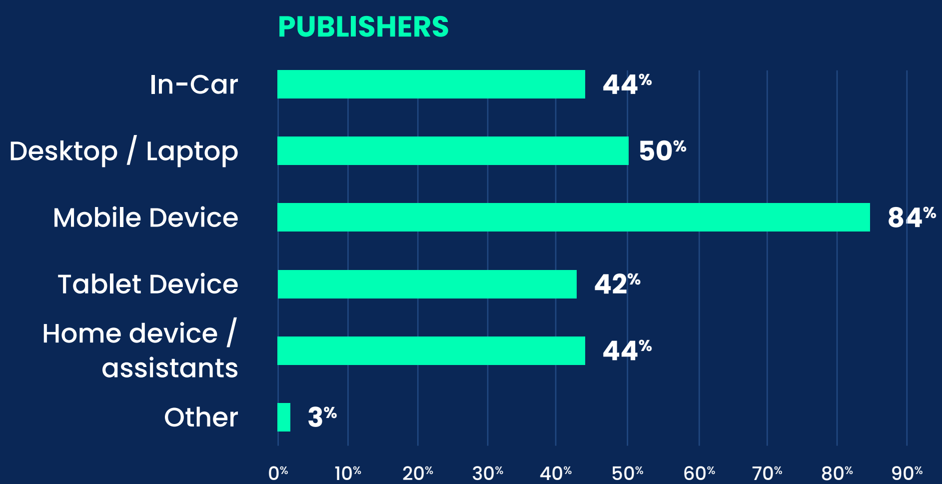
Other devices mentioned by respondents across buy and sell-side respondents included connected TV, game consoles and stand alone radio devices.



When planning audio advertising, through which of the devices listed below do you expect to reach your audience? (select all that apply)







Other:

- Connected TV
- Game Consoles
- Stand alone radio devices

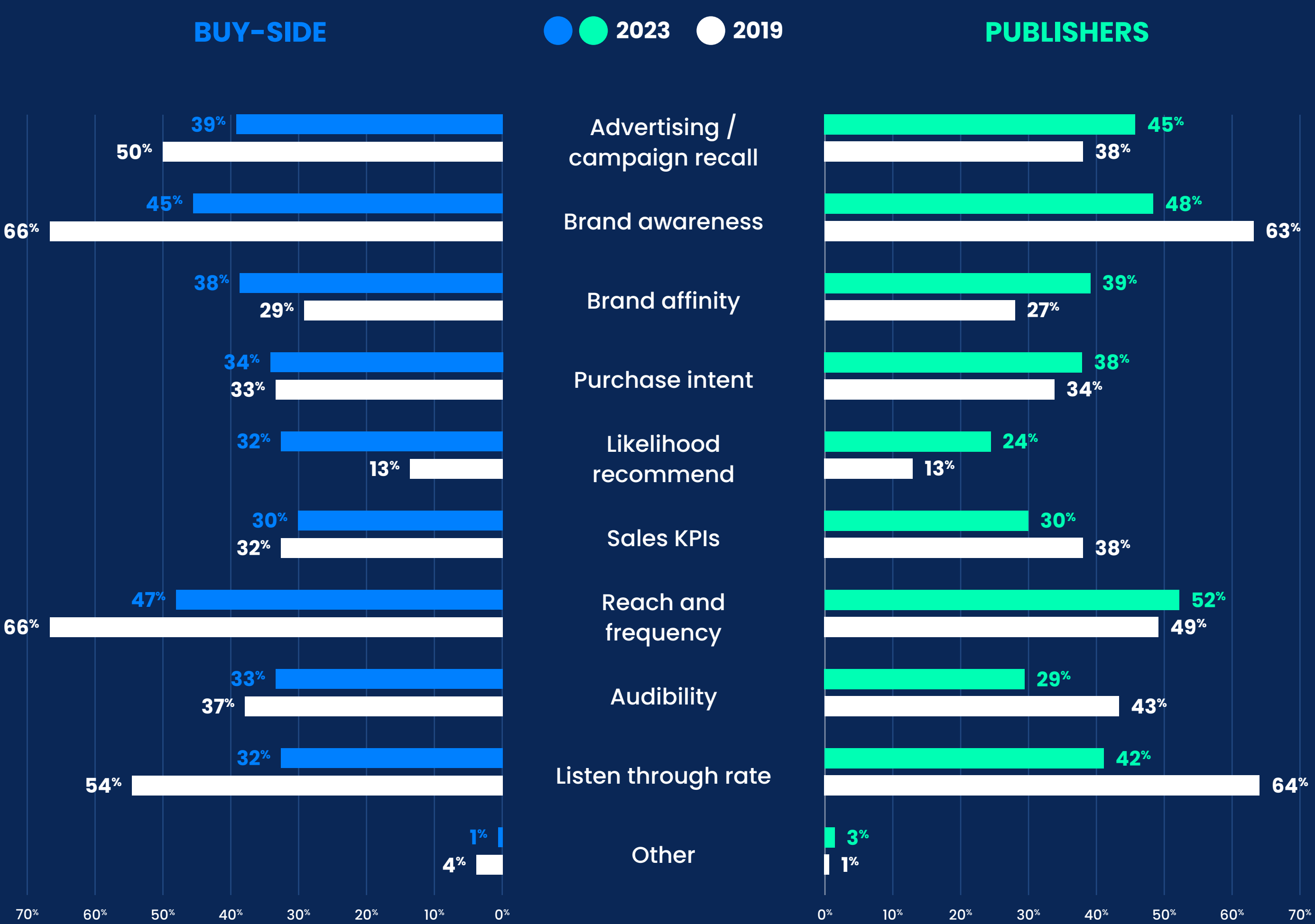
Digital audio prevails as a key channel to reach audiences and drive brand metrics

The top three metrics selected by buyers are reach and frequency (47%), brand awareness (45%) and advertising / campaign recall (39%). Sales KPIs was cited as the least important metric.

As with the buy-side, Publishers also selected reach and frequency (52%) as the most important metric to evaluate digital audio campaigns. This was followed by brand awareness (48%) and advertising / campaign recall (45%)

Likelihood to recommend as a metric for digital audio campaigns has increased over time with 32% of buyers and 24% of publishers now using this metric; demonstrating that audio is key to brand budgets.

Which of the following metrics are important to evaluate your digital audio campaigns (please select all that apply)?



TOP METRICS FOR BOTH SIDES:

1. Reach & frequency
2. Brand awareness
3. Advertising / campaign recall

In the survey, we asked respondents to select key drivers for investing in audio advertising overall and digital audio specifically.

Audio is a key advertising channel to complement omnichannel media plans and drive brand metrics

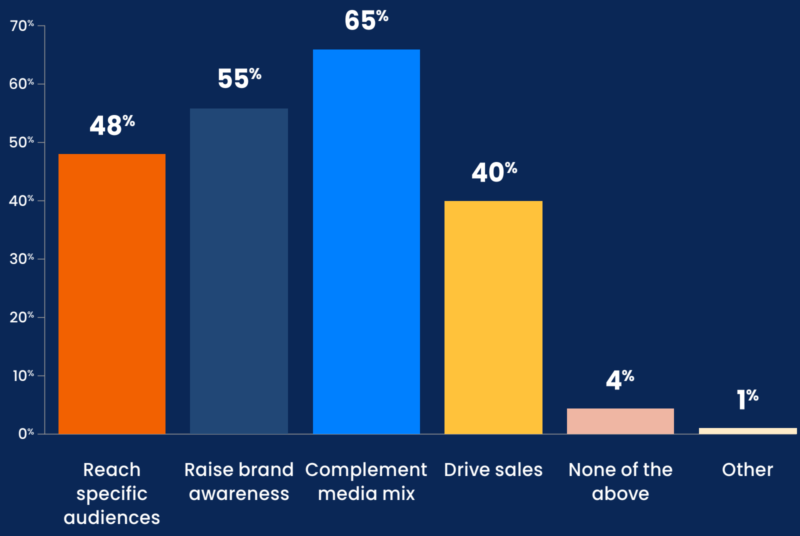
In terms of drivers for investing in audio, the top three choices amongst buy-side respondents were

- **Complementing the media mix (65%)**
- **Raising brand awareness (55%)**
- **Reaching specific audiences (48%)**

Driving sales was ranked as the least important driver. Audio is key to the omnichannel advertising landscape as buyers see it as important to their media plans.

Buyers also commented on the fact that audio is important to reach a young audience, cost efficiency compared to TV, and innovation was also noted as a key driver.

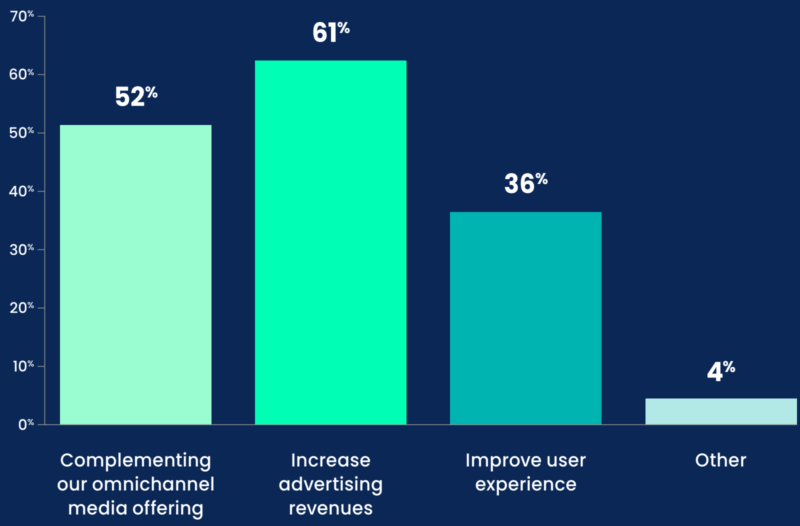
What are the key drivers for investing in audio advertising?



For sell-side audio is also important for complementing the omnichannel media offer

In terms of sell-side, nearly two thirds of publishers (61%) cited increasing advertising revenues as the key driver for offering audio advertising. Complementing their omnichannel media advertising offering was the second most important driver selected by half of publishers (52%). One in three (36%) respondents said that improving user experience was a key driver.

What are your drivers for offering audio advertising?

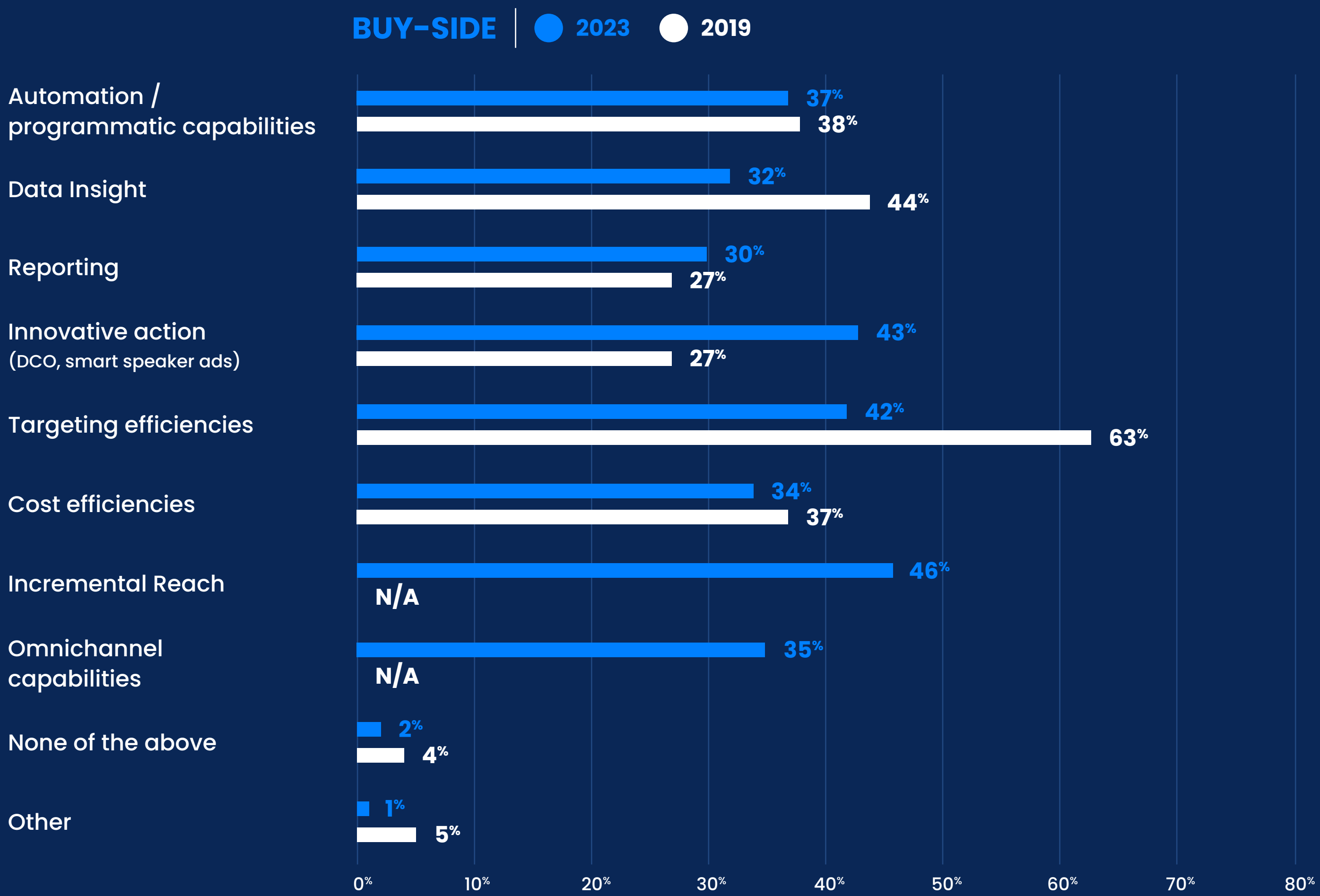


Digital audio investment driven by innovation and efficiencies

When asked about drivers for investing in digital audio, buyers stated that incremental reach (46%), innovative activation such as dynamic creative ads optimisation (43%) and targeting efficiencies (42%) are key.

It is interesting to note that dynamic creative optimisation has risen above targeting efficiencies as a driver of buy-side investment in digital audio since 2019. This reflects the industry's commitment to development and innovation of the digital audio advertising opportunity and buyers prioritisation of ad experiences for consumers over media efficiencies.

Q What are the key drivers for investing in digital audio?



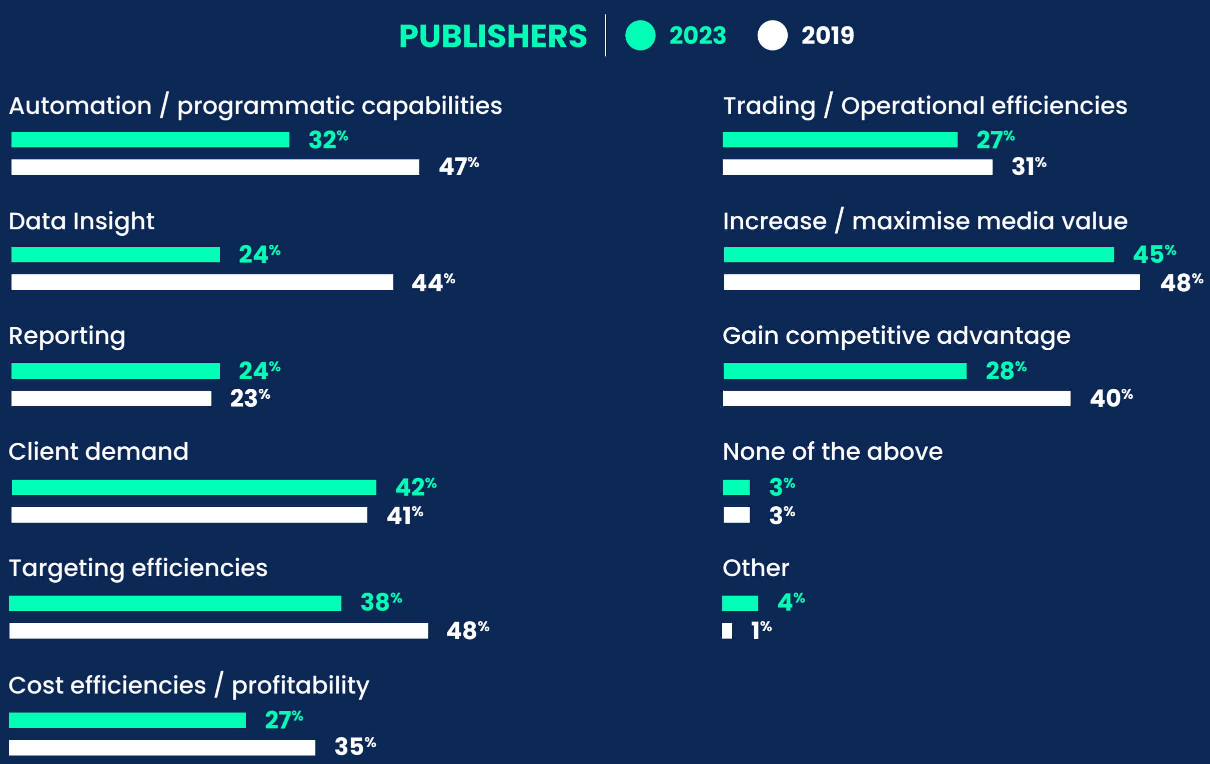
46% of buyers said that incremental reach was a key driver

42% of buyers stated that targeting efficiencies were key

Publishers are keen to increase media value and meet client demand with digital audio

'Increase / maximise media value' (45%) was cited as the number one driver for investing in digital audio advertising. This was closely followed by client demand (42%) and targeting efficiencies (38%).

Q What are the key drivers for investing in digital audio advertising?



Measurement and skills are key barriers to investment

Buy-side respondents rated measurement capabilities as the biggest challenge for digital audio advertising investment, followed by technical and operations skill set of the workforce. The third biggest challenge selected was measurement capabilities for podcasts specifically, this was closely followed by brand safety, fraud and transparency.

In comparison, publishers cited technical/ operational skill set of the workforce as the biggest challenge followed by availability of technology and understanding the impact of trading digital audio ads on total revenue. Cost of technology was also cited as a key challenge.

The future of digital audio advertising investment sounds good

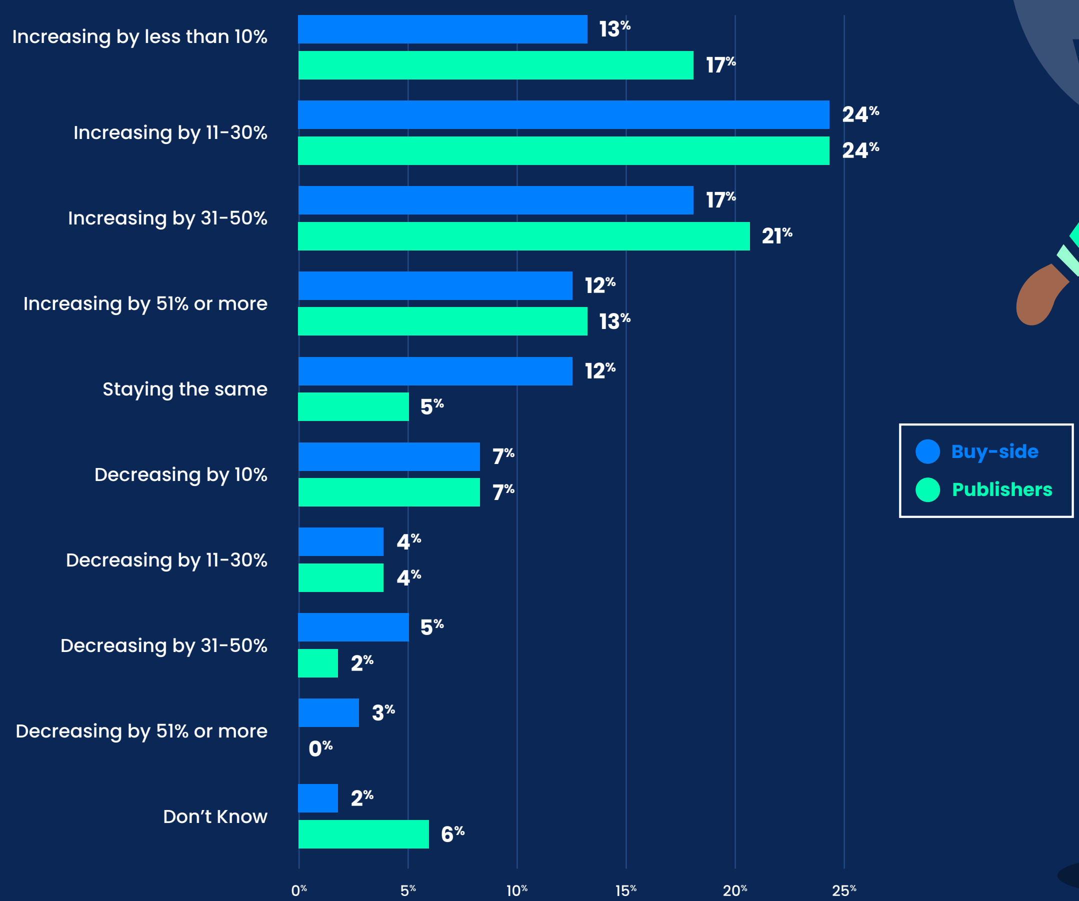
Two thirds (66%) of buyers expect to increase their digital audio advertising spend over the next 12 months with 24% expecting it to increase between 11-30%.

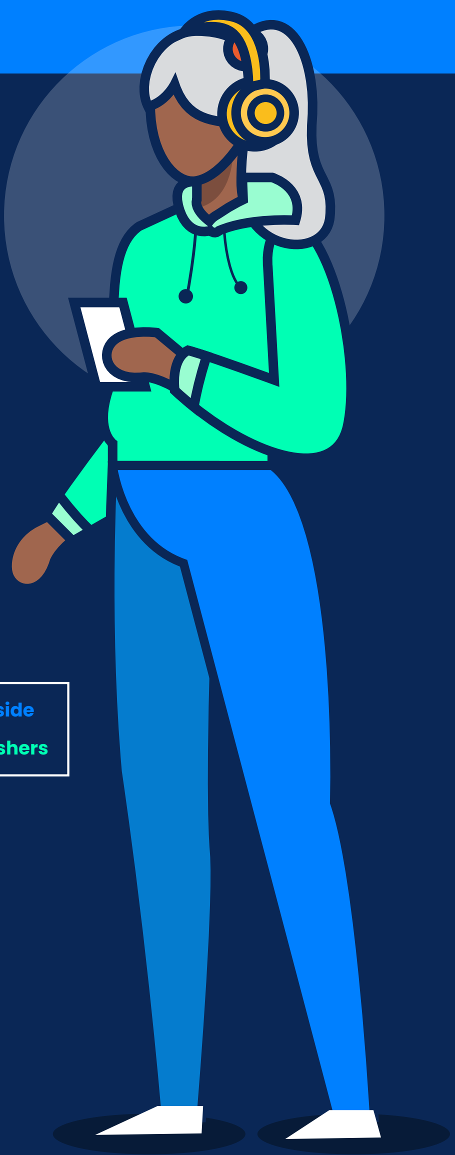
When looking at the longer term (over the next 18-24 months), 3 in 4 (74%) respondents from the buy-side said there would be an opportunity to increase digital audio in their planning / spend of audio advertising.

Publishers are more positive and 75% expect their digital audio advertising revenues to increase over the next 12 months. Similarly to buyers, 24% expect it to increase between 11-30%.

Nearly two thirds (64%) of publishers agreed that there would be an opportunity to increase digital audio in their planning / spend of audio advertising over the next 18-24 months. Only 7% said no, whilst the remaining 29% said it depends on overcoming challenges. This 18-24 month outlook is also more conservative that the 12 month outlook where 75% expected their digital audio advertising revenues to increase.

Q How do you see your digital advertising investment evolving over the next 12 months?





Q **Thinking about future audio advertising, do you feel there would be an opportunity for you to increase digital audio in your planning/spend of audio advertising over the next 18-24 months?**

	Yes	No	Depends on overcoming challenges
Buy-side	64%	14%	12%
Publishers	74%	7%	29%

In terms of drivers for this growth, the buy-side considered smart-speaker interactive ads as the biggest opportunity for future growth followed by dynamic audio ads. Omnichannel insights & activation technology and advanced contextual targeting were also selected as some of the biggest opportunities for digital audio growth.

Publishers consider more audio ads, optimising audio supply and encouraging the production of more audio content, followed closely by charging more for audio ads as the biggest opportunities for future growth.

We also asked about what stakeholders consider to be the single biggest driver for the growth of digital audio. Buyers selected supply consolidation & industry standards (35%) and technological innovation (29%).

Publishers also cited solving supply consolidation & industry standards (28%) as the biggest potential driver for the future growth in digital audio. This was closely followed by technological innovation (26%).

Single biggest potential driver for future growth

35% Supply consolidation & industry standards

29% Technological innovation

28% Supply consolidation & industry standards

26% Technological Innovation

Special thanks for their contribution to this report:

IAB Europe

- Marie-Clare Puffet
  Marketing & Insights Director
- Amy Mazzola
  Marketing & Events Coordinator

GroupM Nexus EMEA

- Omri Kedem
  Product & Innovation Manager
- Yen Tran Erraouy
  Senior Marketing Manager

www.groupm.com

CONTACT

Leanne Mackee

VP Marketing and Communications EMEA

leanne.mackee@groupm.com

www.iabeurope.eu

CONTACT

Marie-Clare Puffett

Marketing & Insights Director

puffett@iabeurope.eu