dentsu

Global Ad Spend Forecasts

July 2022

Contents

Executive Summary

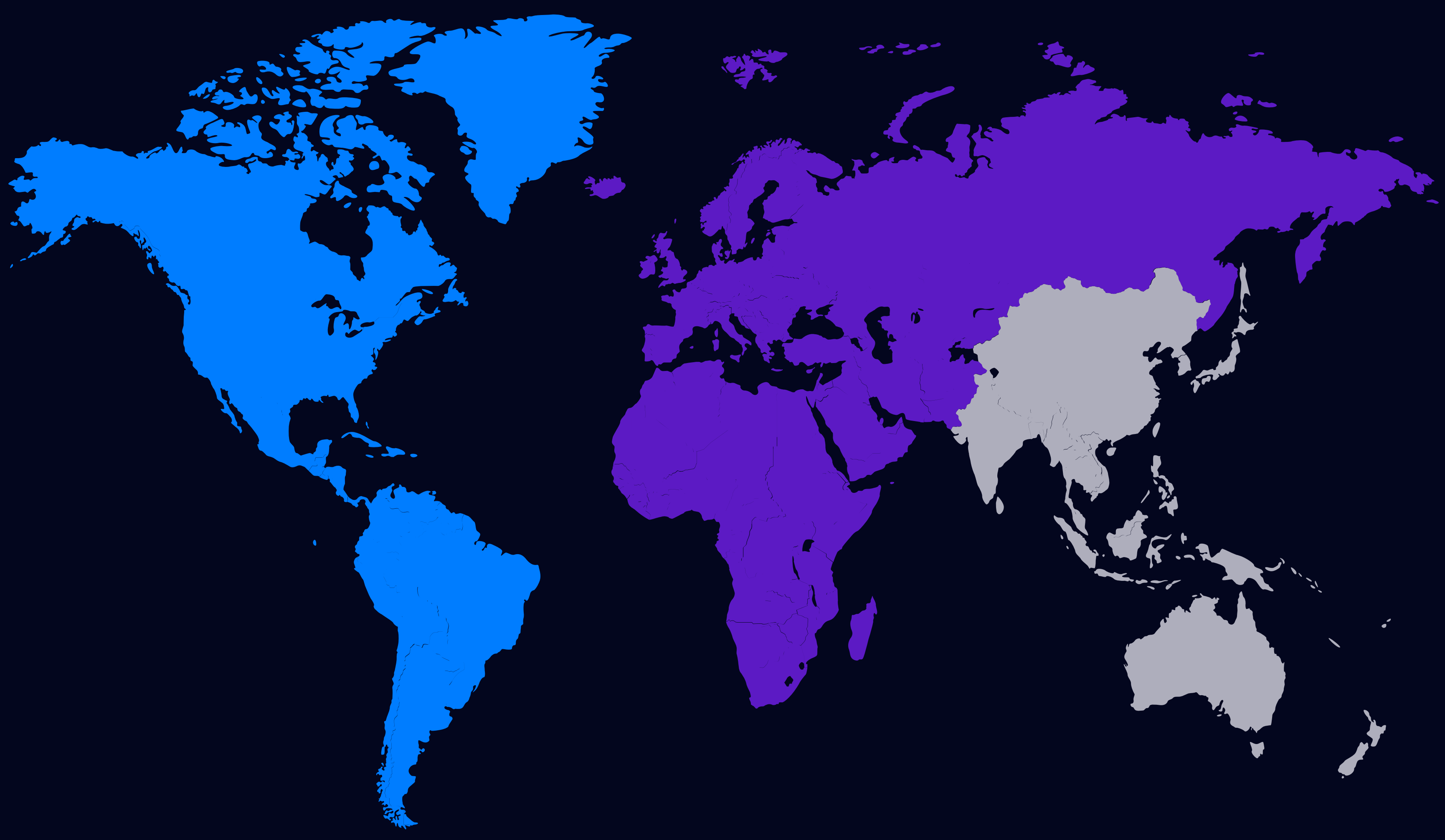
In this midyear follow-up to the January 2022 edition of the *dentsu Global Ad Spend Forecasts,*[1] we share our revised media investment forecasts in a context of escalating media price inflation, geopolitical tension, upcoming key elections, and one of the most anticipated global sports events of the year, the FIFA World Cup, overlapping with the 'holidays' period for the first time.

Our latest global ad spend forecasts point to a continued recovery despite another year of economic uncertainty, with global 2022 ad spend of US$738.5b.* We have adjusted our 2022 growth forecast by -0.4 percentage points from 9.1% to 8.7% off a stronger base in 2021 and with the expectation of rising inflation impacting consumer demand. Looking ahead, we expect the 2023 global advertising market to increase by 5.4% to reach US$778.6b followed by a further 5.1% increase in 2024.

In 2022, the Americas will be both the top ad spend region at US$329.6b and the most dynamic region with spend increasing by 13.1%. In terms of growth, however, India (+16.0% YOY growth) will stay ahead of the United States (+12.8%) and Brazil (+9.0%) as the fastest growing market.

* The Russia ad market is not included in the July 2022 edition of the *dentsu Global Ad Spend Forecasts.* Subsequent ad spend forecasts and YOY evolutions referenced in this edition do not include Russia. All values for previous years referenced in this edition have similarly been adjusted for accurate comparison. Note historical ad spend figures have all been restated to constant exchange rates as of May 2022. Refer to the note on page 27 for methodological details.

Figure 1 - Ad spend regional overview, 2022f



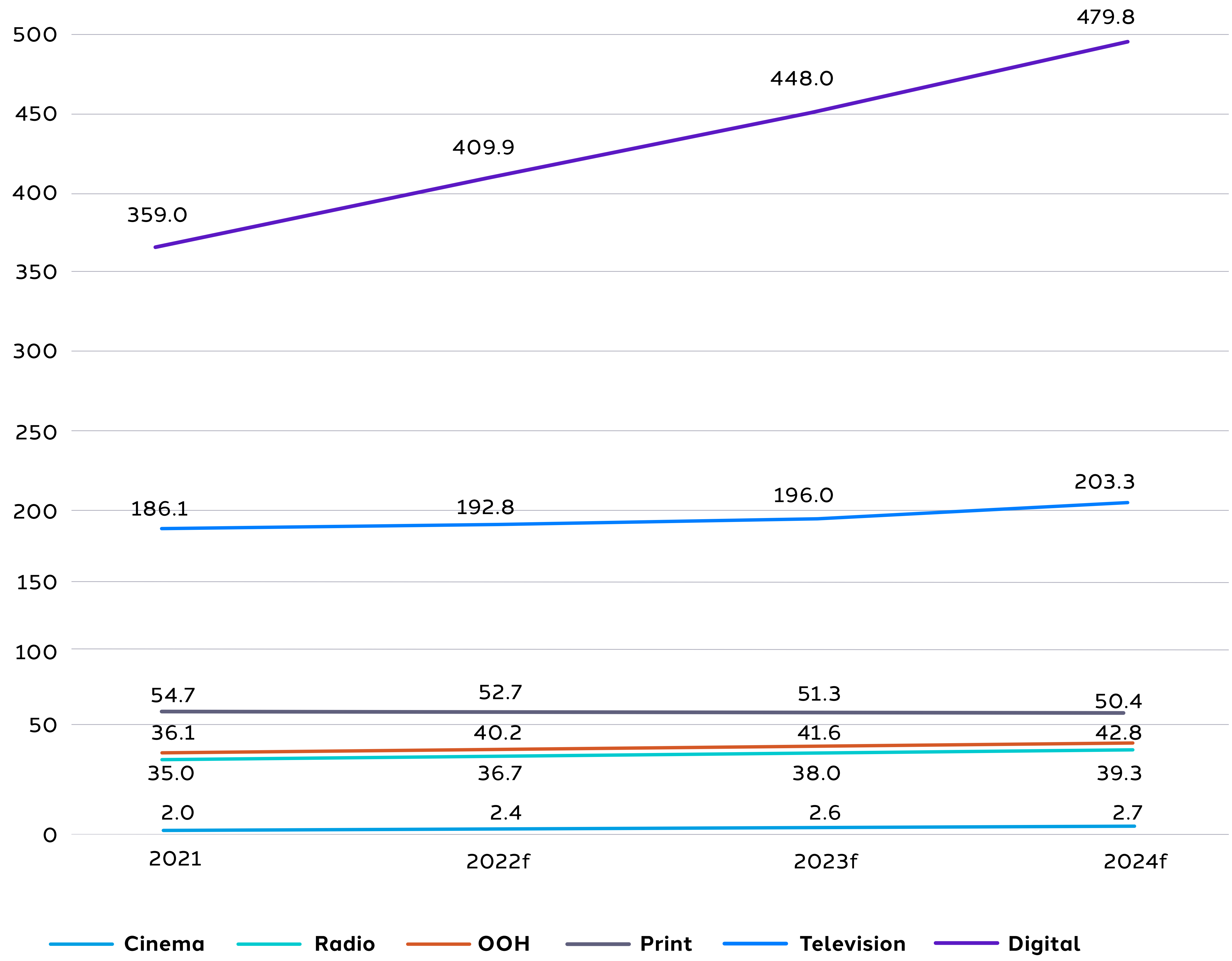
Industry wise, the greatest growth is forecast for the Technology sector (+11.3%), which has benefitted from the hybrid workplace model and people's greater reliance on digital devices. Our forecast for the Automotive sector, still impacted by supply chain issues, remains stable (+7.9%) and in line with our January 2022 edition of the *dentsu Global Ad Spend Forecasts*, while for the Travel & Transport sector (+3.7%) a moderate recovery is forecast. Digital continues to drive global ad spend growth in 2022 (+14.2%) to reach US$409.9b, a 55.5% share of total ad spend. This growth is supported by Video (+23.4%), Paid Social (+21.9%), Search (+12.9%), and Programmatic (+19.9%). The digitalisation of traditional media will be another key driver of total ad spend growth in 2022.

Boosted by the FIFA World Cup in Q4, Television ad spend is expected to grow by 3.6% to reach US$192.8b, with Linear TV growing by 2.0%, Connected TV (CTV) by 22.3% and Broadcaster Video on Demand (BVOD) growing by 16.0% as audiences shift to digital platforms.

We maintain our double-digit growth forecast for Out-of-Home (OOH) and Cinema, with 11.5% and 19.6% growth respectively. Audio will grow more slowly at +5.0%, with Digital Radio accounting for 23.5% of Audio media investments. Print forecast is negative at -3.6%, in line with structural trends observed for several years.

* Excludes the Russia ad market. Refer to the note on page 27 for methodological details.

Figure 2 – Ad spend evolution by channel, 2021-2024f (US$ billion)



In this midyear reforecast we also explore seven new media opportunities that advertisers should consider as they look to optimise their media investment strategies:

- The **sustainability imperative**, as new local regulations are set to change the media landscape
- The **ascent of gaming advertising**, with increasing in-game, in-stream, and sponsorship possibilities
- The **retail media wave**, as the largest retailers are launching or revamping their media capabilities
- The **revolution of attention metrics**, now being used for media planning
- The **new branded entertainment opportunities**, enabling access to ad-free spaces
- The **increasing addressable media possibilities**, with a privacy-first mindset
- The **2022 FIFA World Cup**, which will spur digital participation by fans across the world

Media Cost Inflation is Still High

Across the world, Consumer Price Index inflation, fuelled by supply chain bottlenecks, is ramping up effects of the COVID-19 pandemic, labour shortage, and consequences of armed conflicts on energy and food prices. According to the Organisation for Economic Co-operation and Development, inflation rose by 8.8% YOY in March 2022 and energy price inflation alone is at its highest rate since May 1980.[2]

The media marketplace is also experiencing a time of high media cost inflation. According to the World Federation of Advertisers,[3] it is especially true of Linear TV, with 10.2% inflation on average in 2022, and BVOD, with 5.9%. Other media are experiencing lower levels of inflation: Digital Video inflation (excluding TV content) is forecast at 5.3%, OOH at 4.3%, Radio at 3.7%, Display at 3.0% and Print (Newspapers & Magazine) inflation averaging at 1.1%, with even deflation in some markets.

Figure 3 - Inflation by channel and market, 2022

	TV Linear (Broadcast & Pay)	BVOD	Digital Video	Out-of-Home	Radio	Display	Print
United States	21.0%*	12.2%	8.6%	3.0%	2.3%	0.8%	-0.3%
China	3.9%	5.8%	6.4%	5.4%	2.7%	6.9%	0.5%
Japan	3.0%	-	4.3%	5.0%	1.7%	2.0%	-1.7%
UK	19.0%	0.8%	1.3%	2.0%	4.9%	0.8%	-1.8%
Germany	15.0%	3.2%	4.7%	2.9%	4.1%	2.7%	2.8%
France	8.2%	5.2%	4.2%	3.0%	3.8%	2.6%	1.0%
Brazil	5.6%	1.9%	1.6%	2.1%	8.3%	0.2%	2.8%
Australia	9.5%	12.7%	6.1%	11.0%	4.2%	3.0%	2.0%
Canada	10.8%	5.0%	8.1%	4.5%	2.7%	2.7%	0.8%
India	11.9%	7.8%	10.0%	6.5%	4.1%	8.3%	6.1%
Italy	8.5%	5.4%	4.1%	2.8%	3.0%	3.3%	0.3%
Spain	5.7%	4.7%	4.6%	3.8%	2.4%	2.6%	0.1%
Linear Average	**10.2%**	**5.9%**	**5.3%**	**4.3%**	**3.7%**	**3.0%**	**1.1%**

Source: World Federation of Advertisers, WFA OUTLOOK 2022, Media Cost Inflation forecasts, May 2022.
* For the United States, the TV inflation figure is for Broadcast TV – Upfront (Prime).

As in any market, cost inflation in media is caused by an imbalance of demand (from advertisers) and supply (audiences exposed to advertising on media owners' channels). But why do we seem to be entering a perfect storm for inflation this year?

On the demand side, as economies across the world are recovering from the pandemic and easing restrictions, consumer spending is growing. Brands are eager to capture this consumer demand by advertising, which increases their own demand for media inventory. Certain categories in particular are increasing spend including Travel, Entertainment, and Quick Service Restaurants, as more consumers can go out and plan holidays more freely. New sectors also emerged during the pandemic, like Rapid Grocery Delivery, with many brands now advertising for the first time to build market share. Additionally, as mentioned in our January edition of the *dentsu Global Ad Spend Forecasts*, 2022 is an election year in many markets, and political spending could increase media inventory pressure even more locally.

On the supply side, inventory is falling for some channels like TV, particularly for younger audiences who now enjoy more active social lives than under lockdown. This is combined with an audience shift to advertising-free platforms that double down on exclusive programming, illustrated by Apple TV+ securing rights for some Major League Baseball games.[4] However, new inventory could soon open from other Subscription Video on Demand (SVOD) platforms, with Disney+ announcing an ad-supported subscription plan by the end of 2022[5] and Netflix also exploring ad-supported offers.[6]

Due to inflation, advertisers seeking to buy media the same way as last year will need to spend more to reach the same audiences. However, there are several measures at their disposal to mitigate the impact:

- **COMMIT** to spending earlier, for longer periods. Media owners will give better value to advertisers who can commit budgets to them, so commit for two to three years, and stick to spending plans. In Digital, sophisticated partnerships can help mitigate the effects of higher price volatility on dynamic marketplaces
- **COMBINE** different channels from the same sales point. For example, look to shift budgets to where viewership is growing within the networks' operated and owned streaming platforms. Being able to leverage cross-media buying will help alleviate Linear TV inflation with the networks
- **CONSIDER** inventory that others may have overlooked, such as digital audio and podcasting, and greater use of audience data for media planning. Audience data in OOH plans will allow for alternative environments and formats that are better than plans that are singularly focused on specific geographical locations
- **EXPLORE** non-traditional inventory, like sponsorship, or use branded content and advertiser-funded programming
- **LEVERAGE** market mix modelling to better understand the impact of channels, and buy to achieve goals rather than reach and impressions.

Media Outlook

Digital

Digital continues to be a key driver of global ad market growth and is on an upward trajectory. In 2021 digital ad spend surged by 32.0% following the pandemic in 2020. It is forecast to grow by 14.2% in 2022 to reach US$409.9b, a 55.5% share of global ad spend (in line with our prediction of 55.5% in our January 2022 edition of the *dentsu Global Ad Spend Forecasts*). We predict further 9.3% growth in 2023 and an additional 7.1% in 2024. Fueling this growth, advertisers are reacting to the increased volume of online shopping, including grocery shopping, by prioritising outcome-based performance investment in Search, Social, and Video. Retail Media spend is up, too, reflecting advertisers' focus on finding consumers where they are online and forming authentic connections with them.

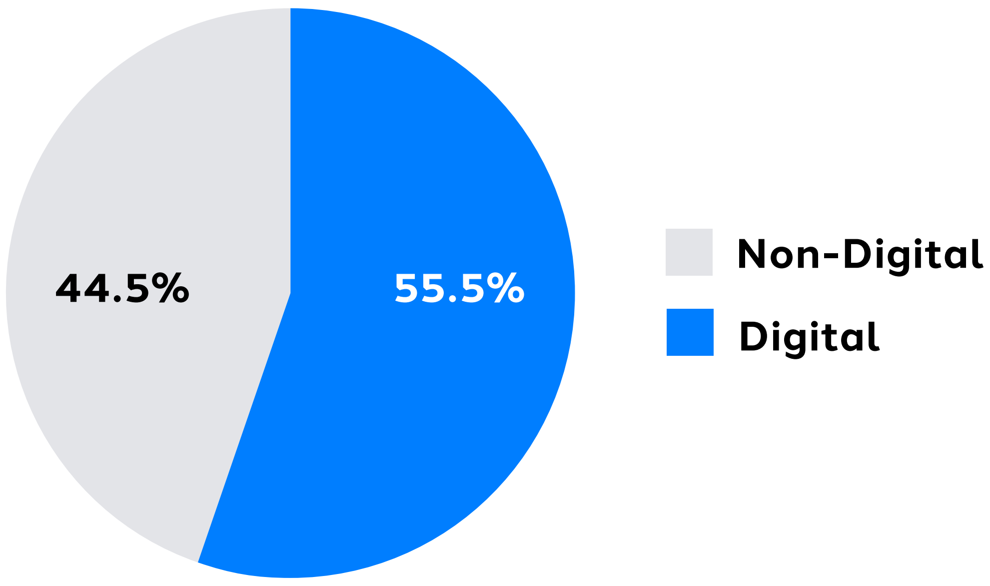
Search spend, accounting for more than a third of total digital spend, is forecast to grow by 12.9% in 2022 and by 10.8% in 2023 to reach US$154.2b. A rapidly accelerating e-commerce and online retail landscape will continue to drive budgets toward lower funnel Search and Display formats.

Social spend in snackable short-form video formats is also expected to increase, as is growth from the smaller social platforms. Paid Social spend is projected to increase by 21.9% in 2022 and by 16.1% in 2023.

Demand for Digital Video will continue as limited inventory and sold-out availability on TV leads to a shift of budgets to Digital Video. Video ad spend is forecast to grow by 23.4% in 2022 to reach US$63.2b. Significant growth of 19.9% is forecast in 2022 for programmatically bought online inventory.

Privacy is becoming a key consumer expectation that brands must factor into their addressable media strategy, as we will discuss later in the report.

Figure 4 – Digital share of advertising spend, 2022f



Television

The Television ad market continues to recover from the pandemic slowdown due, in part, with the return of brands affected by the pandemic restrictions. Its recovery is further bolstered by the surge in spend from e-commerce brands such as online food delivery services using TV to grow brand awareness and drive performance metrics such as Search volumes. Advertisers continue to commit to TV as a brand-safe, powerful and effective advertising medium, able to boost the performance of other media channels.

TV demand continues despite evolving consumption habits, with networks facing diminishing Linear TV inventory and sold-out availability leading to price inflation. Broadcasters are working on total TV solutions by leveraging digital platforms in their portfolio, launching new channels and investing in TV production and programming to increase available inventory.

Video on Demand (VOD) viewing volume continues to grow with the number of targeting options broadening its appeal. Growth in demand for Connected TV offers another viable route for advertisers seeking to both drive reach and precisely target harder to reach audiences using first and third-party data.

Overall year-on-year ad spend is expected to be up 3.6% across Total TV – Linear TV and BVOD to reach US$192.8b in 2022 boosted by the FIFA World Cup scheduled in Q4. Linear TV will grow by 2.0% year-on-year while BVOD is expected to grow by 16.0%, and advances in addressable TV will clear the way for further growth.

Audio

During the first year of the pandemic (2020), Traditional Radio ad spend declined by 15.8%. Total Audio advertising spend (traditional and online), however, largely recovered in 2021, recording 11.5% growth to reach US$35.0b. Online Radio drove Audio's recovery with a 21.7% growth, whilst Traditional Radio ad spend increased by a more moderate 8.9%.

In terms of Audio market share, Traditional Radio ad spend continues to dominate at US$28.1b in 2022. However, Online Radio ad spend at US$8.6b accounts for a growing share.

As radio broadcasters continue to invest in their digital audio platforms such as podcasts, total Audio advertising spend is forecast to increase by 5.0% in 2022, up from 2.0% in the January 2022 forecasts, and by 3.7% in 2023 to reach a 4.9% share of global advertising spend.

Print

Already facing challenges from softening demand for printed versions before the onset of the pandemic, the Print market has been slower to recover than other media. Increased production costs (e.g., paper, energy, and transportation costs) have further impaired its recovery. As they pivot to meet the demands of growing digital audiences, publishers have increased their digital ad spend thereby helping to offset the decline of their traditional Print ad spend. Even so, overall ad spend is still not fully reflective of this change in audience as publishers continue to focus on the diversification and expansion of their digital properties.

Total Print (Newspapers and Magazines) ad spend is projected to decline by 3.6% in 2022 followed in 2023 by a slower decline rate of 2.7%, with digital print ad spend growth forecast at 4.1%.

Out-of-Home (OOH)

Following the significant impact from the pandemic outbreak, ad spend in OOH (traditional and digital), returned strongly in 2021, growing by 23.8% as restrictions eased and people returned to pre-pandemic behaviours. OOH ad spend is predicted to increase by 11.5% in 2022 to account for US$40.2b, with share of global spend at 5.4%. We expect market demand to accelerate in response to the enhanced programmatic capability of OOH and as media owners expand their Digital OOH (DOOH) network by converting their placements to digital screens. Share of DOOH ad spend is forecast to increase to 16.3% of total OOH spend in 2022 with growth in the Entertainment and Travel categories.

Cinema

Cinema was severely impacted by the closure of movie theatres during the pandemic in 2020 with advertising spend falling by 59.2% compared to the previous year, the steepest decline of all media. Cinema continued to suffer in 2021 from the slow re-opening of theatres and new COVID-19 variants, nonetheless there was an overall 40.1% increase in advertising spend, up US$0.6b compared to 2020 to reach US$2.0b. With big titles planned for release in 2022, advertising revenues are expected to continue to grow in 2022 by 19.6% and by a predicted 8.0% in 2023. However, Cinema ad spend will struggle to return to 2019 levels with the accelerated release of films to streaming services.

Figure 5 - Ad spend per media, 2021-2024f

	2021	2022f	2023f	2024f
Total advertising spend (US$b)*	**679.4**	**738.5**	**778.6**	**818.4**
YOY Growth (%)	19.6	8.7	5.4	5.1
Digital (US$b)*	359.0	409.9	448.0	479.8
Share of total spend (%)	52.8	55.5	57.5	58.6
YOY growth (%)	32.0	14.2	9.3	7.1
Total Display (US$b)*	190.9	222.0	242.5	259.6
Share of digital spend (%)	53.2	54.1	54.1	54.1
YOY growth (%)	34.5	16.2	9.2	7.1
Paid search (US$b)*	123.3	139.2	154.2	166.9
Share of digital spend (%)	34.3	34.0	34.4	34.8
YOY growth (%)	32.2	12.9	10.8	8.3
Classified (US$b)*	19.6	21.3	21.9	22.8
Share of digital spend (%)	5.5	5.2	4.9	4.8
YOY growth (%)	18.8	8.7	2.8	4.2
Television (US$b)	186.1	192.8	196.0	203.3
Share of total spend (%)	27.4	26.1	25.2	24.8
YOY growth (%)	8.8	3.6	1.7	3.8
Print (US$b)	54.7	52.7	51.3	50.4
Share of total spend (%)	8.0	7.1	6.6	6.2
YOY growth (%)	-1.9	-3.6	-2.7	-1.8
Newspapers (US$b)	32.6	31.2	30.5	30.3
Share of total spend (%)	4.8	4.2	3.9	3.7
YOY growth (%)	-1.9	-4.1	-2.5	-0.7
Magazines (US$b)	22.1	21.5	20.8	20.1
Share of total spend (%)	3.2	2.9	2.7	2.5
YOY growth (%)	-1.9	-2.7	-3.1	-3.4
Out-of-Home (US$b)	36.1	40.2	41.6	42.8
Share of total spend (%)	5.3	5.4	5.3	5.2
YOY growth (%)	23.8	11.5	3.4	2.9
Radio (US$b)	35.0	36.7	38.0	39.3
Share of total spend (%)	5.1	5.0	4.9	4.8
YOY growth (%)	11.5	5.0	3.7	3.4
Cinema (US$b)	2.0	2.4	2.6	2.7
Share of total spend (%)	0.3	0.3	0.3	0.3
YOY growth (%)	40.1	19.6	8.0	4.6

* For Total Display, Paid Search, and Classified the figures are based on the markets where the breakdown of digital spend is available. Therefore, the combined spend of Total Display, Paid Search, and Classified may differ from the total digital spend. Total advertising spend includes Other which is not itemised in this table.

Market Focus

Americas

Top and Fastest Growing: United States

The US ad market is forecast to grow by 12.8% in 2022 to reach US$292.2b, driven by several factors including new advertiser entrants, a return to normal prepandemic levels, and the shift to Digital which alone accounts for 52.7% of ad spend. OOH is also surging, forecast to grow by 36.4% in 2022. Demand for premium large format inventory still continues to outstrip supply, while competition amongst streaming services and the return of movie studio releases further fuel demand.

National Linear TV demand remained constant in 2021/2022 driven mainly by new entrants, while legacy advertisers continued to shift dollars to audience buys, streaming and addressability. Local Spot TV spend is expected to continue to grow in 2022 with an estimated US$3.8b in political spending.

As we look to 2023, the shift to Digital and Programmatic will continue with expected spend increases based on new categories. US advertising spend is forecast to grow by 6.1% by 2023 and 4.2% in 2024.

Strong Performer: Brazil

Brazil is a close second to the US in terms of growth rate. In H1 2022, advertising spend increased by almost 10% on a like-for-like basis, boosted mainly by Digital spend, OOH and Audio. The 2022 full year projection is 9.0% ad market growth to reach US$12.7b with presidential elections and the FIFA World Cup expected to contribute to ad spend growth.

Digital advertising spend growth is expected at 14.0% in 2022, driven by increased digital media consumption by growing online audiences. On the rise are Social Media, Online TV and video streaming. SVOD is opening up to hybrid models that combine subscription with ad financed VOD. OOH is forecast to grow by 10.5% and Radio by 10.0%, with Digital Radio/Audio streaming and podcasts predicted to boost Audio media spend in 2022.

Overall, the outlook for the Brazil ad market in 2023 is optimistic, increasing by 5.7% with further growth predicted at 5.8% in 2024.

Europe, Middle East, and Africa

Top: United Kingdom

The full year forecast for the 2022 UK ad market is 6.8% growth to reach US$43.2b, up from +5.4% forecast in the January 2022 edition of the *dentsu Global Ad Spend Forecasts*. Digital accounts for two-thirds of UK market investment, driving the overall market with a forecast growth of 6.3% for full year 2022 revised up from the previous forecast of +5.7%. TV total – Linear TV and BVOD – advertising spend is now forecast to exceed earlier predictions, now at 6.0%. Likewise, OOH +37.7%, and Cinema +48.8%, are on course to continue their strong recoveries from the significant 2020 and 2021 declines.

UK ad revenue is predicted to continue to grow in 2023 by 5.9% and in 2024 by 5.7% to reach US$48.4b.

Strong Performer: France

The France ad market is forecast to grow by 6.8% in 2022 to reach US$17.0b, with Digital at a 53.6% share of the market expected to grow faster than the market rate, at 8.0%. A slight increase of 2.7% is expected for total TV (including Linear TV and BVOD ad spend growth) with a total net budget of US$4.0b. BVOD will account for growing share, +6.6% in 2022.

We expect an important increase in digital solutions of all traditional media: Newspapers online 11.6%, Magazines online 42.9%. Radio online 29.0%, and DOOH 30.9% in 2022.

France advertising spend is forecast to grow by a further 6.8% in 2023 and 6.5% in 2024 to reach US$19.4b.

Asia-Pacific

Top: China

Following an ad market growth of 19.0% in 2021, the China advertising market is forecast to grow by a further 5.6% in 2022 to reach US$130.2b. Digital, with a 75.8% share of the market, is projected to increase by 10.9% in 2022 with high growth for e-commerce at 12.5%. Digital's key sector drivers are Cosmetics & Personal Care and Technology. The dominant position of new media in the market is becoming apparent as is its role as a major contributor to China's ad market growth.

China advertising spend is forecast to grow by 4.0% in 2023 and by 5.4% in 2024.

Fastest Growing: India

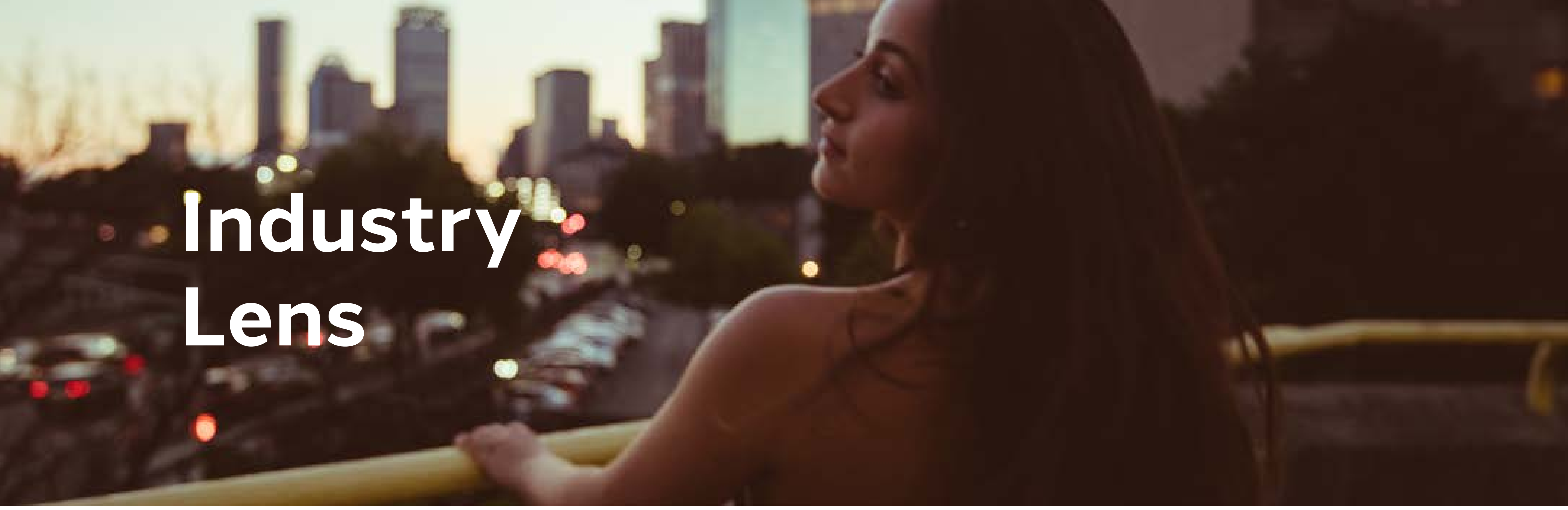
The India advertising market is forecast to grow by 16.0% in 2022 to reach US$11.1b led by TV +14.5% and Digital +31.6%. The easing of lockdown restrictions has opened up categories such as Travel and Hospitality which were not spending during the pandemic. Categories including Edu tech, Fin tech, Gaming and Cryptocurrency have shown growth on over-the-top (OTT) platforms. Digital, at a 33.4% share of spend, will be the key medium for digital first brands and consumer tech companies in 2022. TV continues to garner a 41.8% share in 2022 and has recovered fully, boosted by the airing of new content and sports events such as the Indian Premier League.

Looking ahead, significant growth is forecast in OTT, Connected TV, Online Gaming, and e-commerce. The India advertising market is projected to grow by 15.2% in 2023 and by 15.7% in 2024.

Figure 6 - Ad spend per region and top 12 markets, 2021-2024f

	2021	2022f	2023f	2024f
GLOBAL (US$b)	**679.4**	**738.5**	**778.6**	**818.4**
YOY growth (%)	**19.6**	**8.7**	**5.4**	**5.1**
AMERICAS	291.5	329.6	352.3	371.7
YOY growth (%)	23.0	13.1	6.9	5.5
North America (US$b)	269.7	303.9	322.1	335.4
YOY growth (%)	22.1	12.7	6.0	4.1
UNITED STATES (US$b)	258.9	292.2	310.0	323.1
YOY growth (%)	22.2	12.8	6.1	4.2
CANADA (US$b)	10.8	11.7	12.1	12.3
YOY growth (%)	18.8	8.8	3.3	1.9
Latin America (US$b)	21.8	25.7	30.2	36.3
YOY growth (%)	35.4	18.0	17.3	20.3
BRAZIL (US$b)	11.6	12.7	13.4	14.2
YOY growth (%)	40.5	9.0	5.7	5.8
EMEA (US$b)	150.1	158.9	166.6	174.7
YOY growth (%)	18.1	5.8	4.9	4.8
Western Europe (US$b)	130.8	137.5	143.8	150.4
YOY growth (%)	18.3	5.1	4.6	4.6
UNITED KINGDOM (US$b)	40.5	43.2	45.8	48.4
YOY growth (%)	35.0	6.8	5.9	5.7
GERMANY (US$b)	29.8	31.0	32.0	33.1
YOY growth (%)	12.6	3.8	3.4	3.5
FRANCE (US$b)	16.0	17.0	18.2	19.4
YOY growth (%)	17.3	6.8	6.8	6.5
ITALY (US$b)	8.2	8.0	8.1	8.4
YOY growth (%)	12.9	-2.5	1.8	3.1
SPAIN (US$b)	6.2	6.4	6.6	6.8
YOY growth (%)	10.7	3.1	3.8	3.0
Central and Eastern Europe (US$b)*	7.6	8.5	9.5	10.5
YOY growth (%)	25.4	12.2	11.6	10.9
ASIA PACIFIC (US$b)	237.8	250.0	259.7	272.0
YOY growth (%)	16.5	5.1	3.9	4.7
CHINA (US$b)	123.3	130.2	135.5	142.7
YOY growth (%)	19.0	5.6	4.0	5.4
JAPAN (US$b)	56.3	56.8	56.5	56.8
YOY growth (%)	10.4	0.8	-0.6	0.6
AUSTRALIA (US$b)	13.0	13.8	14.6	15.3
YOY growth (%)	21.9	6.7	5.4	4.7
INDIA (US$b)	9.6	11.1	12.8	14.8
YOY growth (%)	21.8	16.0	15.2	15.7

* Excludes the Russia ad market. Refer to the note on page 27 for methodological details.



Industry Lens

After a strong 2021 bounce back, the growth of most of the industries tracked in these forecasts will moderate in 2022.

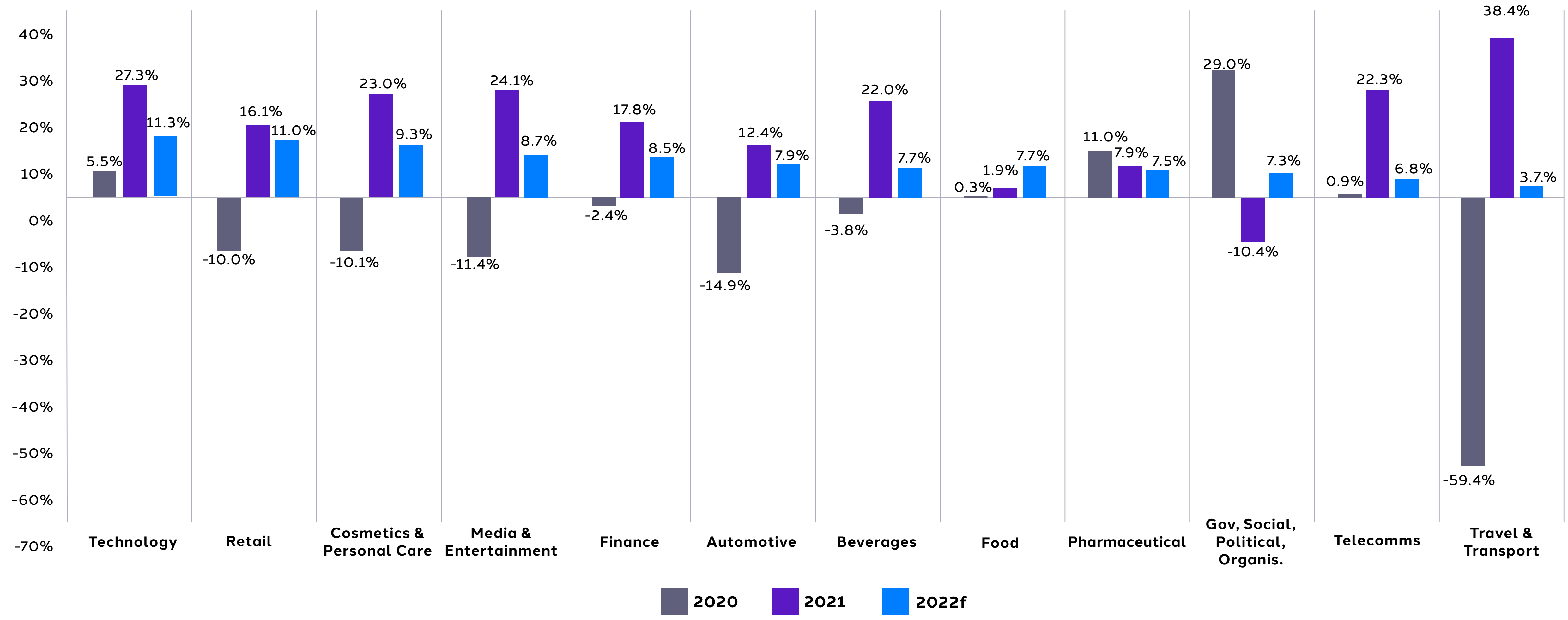
The highest growth is forecast for the Technology sector, expected to grow by 11.3% in 2022. The sector has benefitted from the hybrid workplace model and people's greater reliance on digital devices.

Retail is one of the key sectors of spend growth at a rate of 11.0% in 2022. The sector is driven by a number of factors including the significant growth of e-commerce, the entry of new players, and the introduction of emerging retail platforms.

The Travel and Transport sector is expected to reach a 3.7% growth. Brands invested heavily in 2021 with brand messaging. The sector is expected to revert to normalised strategies and levels of spending in 2022.

The Automotive sector is still impacted by the shortage of semiconductors required for car production. Growth at 7.9% is forecast in 2022 with a rebound expected in correlation with supply resurgence.

Figure 7 - Ad spend industry overview, 2020-2022f
Year-on-Year % growth at current prices



Based on markets Australia, Brazil, Canada, China, France, Germany, India, Italy, Japan, Spain, UK, US

Spaces to Watch in the Media Landscape

As marketers reflect upon the best strategies to optimise their media budget allocation, it is important they keep an eye on growing spaces influencing or set to influence the media landscape. In the next pages, we cover seven key spaces to watch: the sustainable imperative, the ascent of gaming advertising, the retail media wave, the revolution of attention metrics, the new branded entertainment opportunities, the addressable media possibilities, and the unique FIFA World Cup at the end of the year.

The Sustainability Imperative

In April 2022, the United Nations Intergovernmental Panel on Climate Change (IPCC) reiterated that the next few years are critical to prevent the worst impacts of climate change.[7] For the first time ever, the IPCC addressed demand-side mitigation, calling for widescale societal changes, including more sustainable consumption.

As the global policy landscape is shifting quickly, it is critical for advertisers to understand the implications for their brands.

For instance, with 26 million estimated plug-in vehicles on the roads globally by the end of 2022,[8] the emergence of electric vehicles demonstrates dramatic progress in normalising sustainable products.

Yet, policymakers are keen to increase pressure on the Automotive sector. The UK is the first country to enshrine their net zero policy into law, ending the sale of new petrol and diesel cars and vans by 2030.[9] This law has already changed the Automotive landscape and corresponding advertising, with global ramifications. In France, a new law exposes car advertisers to a €50K fine if they do not clearly promote alternative modes of transport in their commercials.[10]

Pressure will only continue to grow on publicly listed companies to disclose their environmental targets and progress, which we are seeing with the US SEC[11] and global ISSB standards.[12]

Advertisers should not see these regulatory moves as threats, but as opportunities. For instance, the EU push to strengthen consumers' rights to repair products at fair prices opens new opportunities for campaigns targeting cost-conscious and eco-conscious consumers. We have already seen such bold campaigns. Back Market, a marketplace for second-hand devices, used Apple's AirDrop technology to promote refurbished devices to people while they shopped inside Apple stores![13]

It is clear that greener, cleaner, and more circular approaches are becoming a part of advertisers' lexicons, and innovative solutions can help advertisers make their media efforts more sustainable. At dentsu, we are combining in-house innovation with industry initiatives such as DIMPACT, and we are piloting a digital media carbon calculator for our clients to quantify the emissions related to their digital media placements, transfers and distributions.

The adage that *it is not a sprint; it is a marathon* seems more apt than ever when considering shifts in ad spending as a reflection of wider brand responses to climate action.

The Ascent of Gaming Advertising

Fifty years after the creation of the first video game, gaming has become a mass medium commanding large audiences and driving colossal revenue: 3.3b people are predicted to be gamers by 2024, generating more than US$218b in revenue.[14] Unsurprisingly, the promise of big and valuable audiences is increasingly attracting brand investments in game-related advertising.

Mobile gaming - now worth more than console and PC gaming combined - will experience the biggest growth, fuelled by APAC high mobile penetration and advanced gaming industry. In-game advertising (i.e., ads inserted directly within games) is also expected to grow at a CAGR of 16% between 2021 and 2025,[15] as game developers start to directly address the marketing needs of brands.

In-stream advertising (i.e., on platforms like Twitch where people watch others playing) is also growing, boosted by watch time increasing by 21% in 2021.[16] Esports sponsorships are also growing and now account for nearly 60% of the esports market revenue.[17]

We expect the growing concentration and diversification dynamics at play in the gaming industry today to have a massive impact on both the gaming experience and advertising opportunities in the next years. In the first month of 2022 alone, around US$80b deals were announced, including Microsoft's purchase of Activision-Blizzard,[18] Sony's acquisition of Bungie,[19] and Take-Two's merger with Zynga.[20]

In the medium term, the gaming industry will lead the adoption of emerging technologies such as mixed reality, Web3.0, NFTs and the Metaverse. Therefore, advertising opportunities enabled by these technologies should logically appear first in gaming.

We also anticipate rapid development in the collection and activation of gamers' data to serve content more effectively, while also ensuring better reach and attention. As the definition of gamers moves away from stereotypes, brands must understand their audiences' gaming habits and what value they can bring if they are to seize the gaming opportunity. From virtual events that connect gamers to add-on packs that deliver unique attribute in games, possibilities are limitless across the gaming spectrum.

Brands need to find their unique approach to gaming and can count on the specialists at dentsu gaming to help them define the best framework to thrive in this space.

The Retail Media Wave

Retail Media is digital advertising utilising a retailer's omni-channel properties and data every time customers come into contact with a brand, from sofa to store.

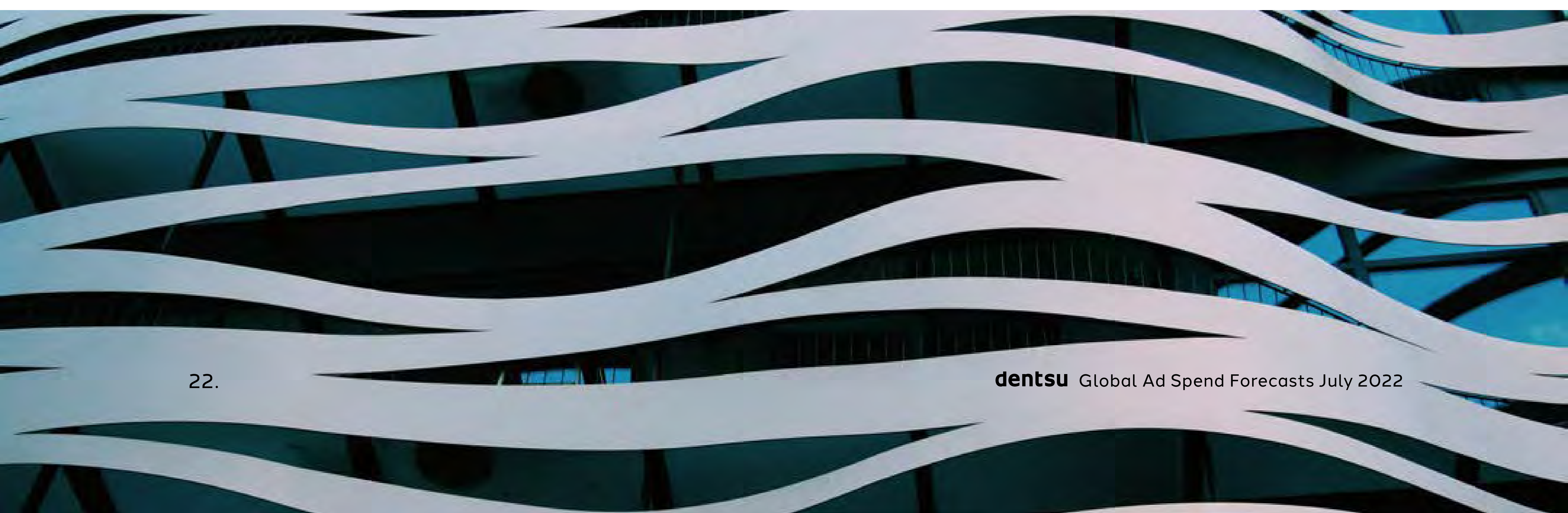
After Search Marketing and Social Advertising, Retail Media is poised to become the third massive wave of digital advertising. In the US market alone, we anticipate the space to grow by 27.1% YOY in 2022. Following Amazon's lead, all the largest retailers are currently launching or revamping their Retail Media capabilities, from legacy media networks like Criteo to new players in the space such as Deliveroo and Marriott to e-commerce tech platforms like Shopify and Salesforce – with no sign of slowing down in 2022.

This space offers lots of new opportunities to brands looking to scale their digital market share. By investing their media budgets in Retail Media, brands create deeper relationships with consumers throughout their shopping journey using both media and content.

Retail Media allows brands to leverage first-party shopper data more effectively to reach existing customers and new consumers interested in the category. It also lets advertisers measure media and business performance more accurately via closed loop sales attributions, and gain insights into shopping trends and competitive presence using the rich data sets of retailers.

We also see high levels of convergence within this space. More brand and social content is moving into the retail environment. For example, live streamed shopping combines engaging content with e-commerce. Retail data is coming to the big screen, meaning we will see increasing shoppable opportunities on TV. In-store journeys are also ready to be transformed with data driven experiences, including greater use of digital screens and mixed reality.

As retail and media converge, marketers must fully integrate Retail Media into their marketing strategy to maximise returns. Yet, many organisations still operate Retail Media in a silo. This is why at dentsu we help leading brands make the most of the media opportunity in the retail landscape by leveraging unique identity solutions to know shoppers better than anyone else and deliver scaled media experiences that drive business growth.



The Revolution of Attention Metrics

The challenge of accurately measuring attention is probably the most important question in advertising since its onset. Yet, the fundamentals of how the industry approaches media planning and buying has not evolved for decades, and current value systems still consider all impressions equally, regardless of the attention they receive.

Today, technology has advanced such that attention can be captured in a much more granular way to fill previous gaps. Since 2018, dentsu has invested in the Attention Economy programme; and after two phases of research and some of the largest eye-tracking studies in the industry, solutions that allow for planning, measuring, and buying based on attention metrics and models have come to fruition.

The research proved that attention increases both the ability for consumers to recall the ads and their likelihood to buy the brands. For instance, Snapchat commercials receive five times more attentive seconds than competitor platform average, which results in greater breakthrough (16 percentage points in terms of brand recall) and greater conversion to brand choice (4 percentage points in terms of brand choice).[21]

Therefore, metrics such as attention (whether someone looks at the ad), dwell time (how long someone looks at the ad) and brand outcome (how big of an impact did each attentive second have) are important for brands to get closer to a more meaningful representation of consumer behaviour across platforms.

These attention metrics are powerful because they capture the nuances across media experiences that influence the power of each attentive second. Not all attention is equal; factors such as creative, sound, context, or forced viewing can impact how hard attention works. For example, our research shows that creative is typically the most effective driver of attention impact, as the difference between good creative and poor creative can impact recall by 17%.[22]

Combining these metrics with costs and impressions enable us to build CPMs based on an "effective attentive second" (CPM EAS) for planning purposes. Additionally, the programme has led to the creation of a powerful attention predictive model that can be applied to advertisers' buying and measurement needs, under a suite of solutions called *dentsu effective solution*.

As advertisers look to better drive their media investment, attention metrics offer new possibilities to improve the true impact of their campaigns on their audiences.

The New Branded Entertainment Opportunities

We see many marketers redirecting a portion of their ad spend into Branded Entertainment. Dentsu estimates the average production spend on long form content alone almost doubled in the last two years; and as advertising is currently facing media price inflation, we can expect this trend will accelerate in the next twelve months.

While historically brands have opted for product placement rather than investing in long form content where their DNA could flow through the programme, more marketers are now thinking like commissioners: *What do people want to watch and how can we use subtle brand positioning in the narrative of the show?*

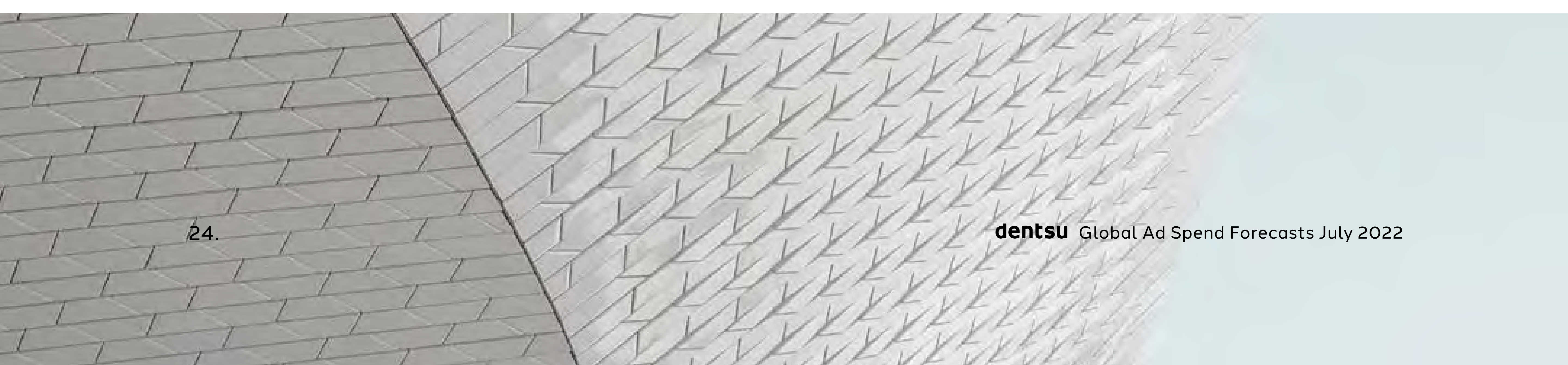
Building on their own insights of viewers and social conversations, brands no longer hesitate to pitch new ideas to channels, which in turn now offer wider distribution options, accurate metrics, stronger return on investment, and even new revenue streams.

Broadcasters have become more collaborative in recent years. This has allowed Branded Entertainment access to the quality slots in the schedule. In the UK, IKEA recently fully funded a six-part series with Channel 4[23] shown at the same time slot the popular Kirstie and Phil property show occupied for more than 10 years.

Likewise, streaming platforms are open to collaboration. Beer Masters on Amazon Prime, funded by Ab InBev[24] used the Amazon advertising ecosystem and allowed for a commercial loop from the big screen back to e-commerce – a good example for brands looking to develop their Amazon presence. Netflix works in the product placement and brand licensing arena but is not (yet?) overtly taking entertainment funded wholly by brands.

TV producers are also keener to share their valuable intellectual property, which can bring big returns where ideas have the potential to be sold internationally - meaning the brand can be paid to be promoted in other markets! Jaguar Land Rover's Foxy's Fearless 48hrs, which reached 43 markets, is a great example of a successful international distribution strategy.

Long considered as a simple nice to have, Branded Entertainment is becoming a key component of media plans in the attention economy. Yet, it requires a specialised *savoir-faire* across development, production, distribution, to unlock its full potential locally and globally.



Addressable Media with a Privacy-first Mindset

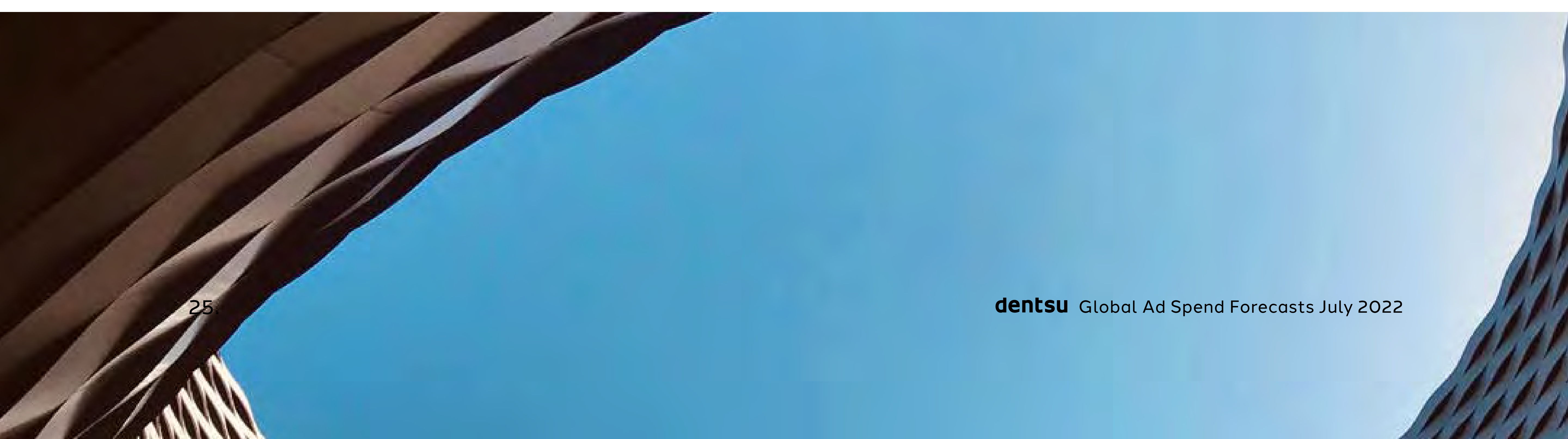
The last decade has seen the digitalisation of media, and digital media has become addressable. This has enabled personalisation at scale, predicated on user data. However, consumer sentiment on the use of their data for advertising has changed significantly. Consumers expect transparency, choice, and control over their data; not just pop-up notices, but thoughtful choice in how their data is used, with no surprises. The focus has changed from driving relevance to becoming more responsible.

This new landscape requires brands to rethink every aspect of their marketing strategies. Their ability to build direct connections with consumers through first-party data (for example, an email or physical address) is vital if they are to build a foundation for future addressability and personalisation. However, using this data across the marketing value chain can present the risk of partners operating in a non-transparent way to consumers, or worse, in breach of regulation.

To mitigate this risk, dentsu has invested in a suite of products and services. We understand that a brand's ability to control its internal data (based on policy, behaviours and objectives), is critical to its long-term success. Accordingly, we source and organise data sets with a privacy-first mindset as we build connections to the wider marketing ecosystem. The ability to harness signals that are not personal - such as context - to understand a consumer's state of mind is equally important.

One negative impact of the rise in digital and addressable media is the carbon footprint of the infrastructure that powers addressable advertising, which is significantly higher than the traditional broadcast world. As mentioned on page 20, dentsu has invested in making carbon footprint data widely available across planning and activation products to better measure and manage the environmental impact of media.

Overall, the rise in consumer expectation on both privacy and the environmental impact is a positive change. For the long-term vibrancy of the marketing ecosystem, it is critical that brands take tangible, constant steps to build, rebuild and preserve consumer trust.



A Unique FIFA World Cup

As one of the most anticipated global sports events in 2022, the next FIFA World Cup hosted in Qatar will present a few unique factors.

The biggest difference is timing. A sporting tournament of this significance has never been staged in November and December. Media spend around the tournament will compete with other festive advertising around Black Friday and the lead up to religious holidays, which means the usual uplift in media budgets around the tournament may be slightly diluted this year. Yet, the World Cup is forecast to have a US$2b positive impact on ad spend.

Creative messaging will therefore be critical to stand out in this busy window, and this overlap of key media tentpoles will provide an opportunity for brands to exploit their sporting links alongside their regular festive messages. The Arabia Standard Time and the later kick-off times intended to avoid high temperatures will favour audiences in traditional football heartlands in Europe, Africa, and the Americas.

Yet, this does not mean there will not be opportunities for brands in APAC. For the previous tournament taking place in Europe, EURO 2020, cumulative audience in China reached 352 million, with more fans accessing games through streaming services than through traditional TV.[25]

Another crucial change since the last edition is the rising importance of digital media in the sport. The number of digital interactions and views for the EURO 2020 content reached 7.5b.[26] The top post from the tournament official TikTok account alone generated more than 73m views[27] - this for a platform which had barely launched at the time of the previous World Cup in 2018! Advertisers willing to navigate the potentially risky path of user-generated content to encourage social conversations may see a significant return on investment.

With the geopolitical backdrop at the time of this writing being so delicate, particularly across Europe, there is a true opportunity for advertisers to use the power of media to create a message of unity, responsibility, and community around the tournament.

Assumptions and Methodology

These forecasts should be read in the context of significant ongoing uncertainty related to the global pandemic and government measures to contain it. As the global vaccination programme is rolled out, Dentsu International will closely monitor market ad spend to ensure our figures remain an accurate reflection of the sector.

Advertising expenditure forecasts are compiled from data collated from Dentsu International brands until the second half of May 2022 and based on local market expertise. Dentsu International uses a bottom-up approach, with forecasts provided for 58 markets covering the Americas, Asia Pacific and EMEA by medium: Digital, Television, Print, Out-of-Home, Audio & Cinema. The advertising spend figures are provided net of negotiated discounts and with agency commission deducted, in current prices and in local currency. Global and regional figures are centrally converted into USD at the May 2022 average exchange rate. The forecasts are produced biannually with actual figures for the previous year and latest forecasts for the current and following years all restated at constant exchange rates.

While ad spend for the Russian market was present in the January 2022 edition of the *dentsu Ad Spend Forecasts,* this has been removed from this July 2022 edition and all values for previous years, referenced in this edition, have similarly been adjusted for accurate comparison. Note historical ad spend figures have all been restated to constant exchange rates as of May 2022.

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About Dentsu International

Part of Dentsu Group, Dentsu International is a network designed for what's next, helping clients predict and plan for disruptive future opportunities and create new paths to growth in the sustainable economy. Dentsu delivers people-focused solutions and services to drive better business and societal outcomes. This is delivered through five global leadership brands - Carat, Dentsu Creative, dentsu X, iProspect and Merkle, each with deep specialisms.

Dentsu International's radically collaborative team of diverse creators unifies people, clients and capabilities through horizontal creativity to help clients create culture, change society, and invent the future.

Powered by 100% renewable energy, Dentsu International operates in over 145 markets worldwide with more than 46,000 dedicated specialists, and partners with 95 of the top 100 global advertisers.

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