ExchangeWire research
The business of media, marketing and commerce

Advancing Advertising Sustainability in Europe

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OpenX

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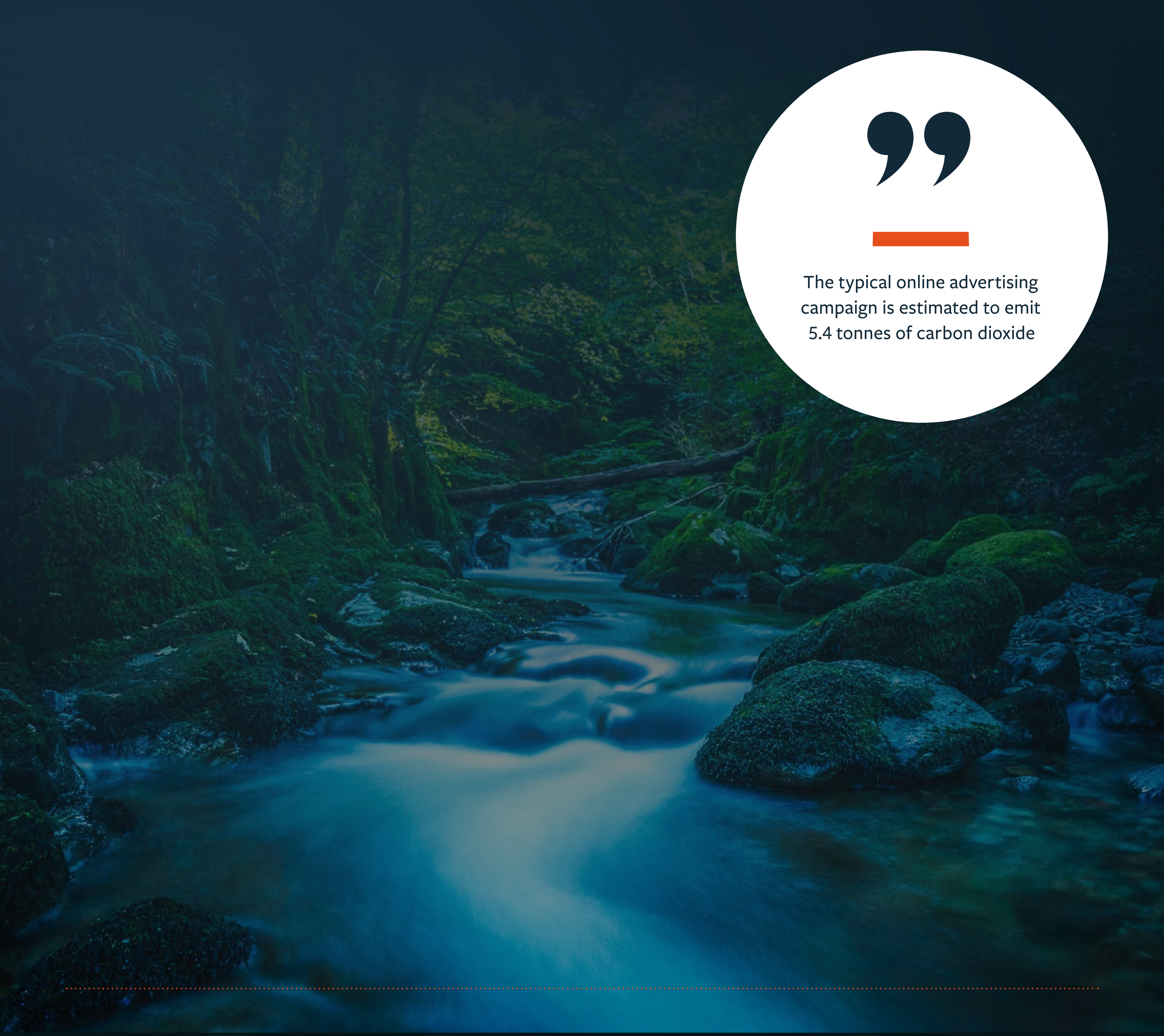
Contents



> The typical online advertising campaign is estimated to emit 5.4 tonnes of carbon dioxide

In association with: OpenX

Executive summary

In a year in which European temperatures surged to record levels, the urgency for global supply chains to both account for and reduce carbon emissions has become ever more apparent. The impact of digital advertising on the climate has therefore been under further scrutiny, with the typical online advertising campaign estimated to emit 5.4 tonnes of carbon dioxide, approximately half the total annual impact of an individual living in the United Kingdom.

Unsurprisingly therefore, conversations around sustainability in advertising have mostly pertained towards carbon impact and, while this is the primary focus of this study, it is important to recognise that in action around broader sustainability goals, such as waste management and water conservation, will also prove critical for European and global advertising supply chains.

Significant progress has been made in tracking and reducing carbon impact in recent years, with initiatives such as Science Based Targets initiative (SBTi) and the US Securities and Exchange Commission (SEC) proposed ruling enforcing the reporting of carbon emissions driving change. In recent months, many of the world's leading agencies have had their net zero targets validated by SBTi and signed the SBTi pledge. However, it is unclear how companies across the full advertising supply chain, excluding a select few publicly-traded companies, are adopting these standards for their own businesses, and holding partners accountable for their emissions.

This research report, produced in collaboration with OpenX, examines the extent to which brand advertisers, agencies, and publishers in core European markets are calculating their carbon impact, how budgets are being shifted towards carbon-neutral technology partners, and the primary factors inhibiting further reduction of carbon emissions. Moreover, this study further examines the current state of programmatic advertising in Europe, in the context of pressures to reduce carbon emissions, as well as current economic challenges. These findings are directly compared to an equivalent study conducted earlier in the year by ExchangeWire and OpenX, which observed the current growth and challenges within the Japan and Asia-Pacific (JAPAC) region.

Combining original quantitative data with insight from European and global thought leaders, this study examines the following:

- → Key sustainability goals
- → Measurement of carbon emissions
- → Requirement for advertising partners to report emissions
- → Budget allocation for carbon-neutral partners
- → Factors inhibiting the reduction of carbon emissions
- → The current state of programmatic advertising in Europe

As detailed within this report, sustainability metrics are highly important across the European advertising supply chain, with the majority of the market calculating their carbon emissions accordingly. Market pressure is also dictating that advertising partners not only report emissions but reduce them at a dramatic pace — by 2025, the majority of advertising budgets will be allocated to carbon neutral partners within France and Germany. By market, the UK is substantially more hesitant to report emissions and shift budgets towards carbon neutral partners, likely in part due to budgetary concerns.

Overall, these findings represent a highly positive transition of the European advertising industry towards greater sustainability. However, they should also serve as a warning to companies across the advertising supply chain, including technology vendors, that are not yet acting upon their carbon emissions to do so at pace, as they risk losing out on the majority of marketing budgets if they fail to do so.

Key findings

92%

of European market participants state that sustainability metrics will have some level of importance within the next 24 months

51%

of the European market now requires their advertising partners to report their carbon emissions to them

SUSTAINABILITY OF ADVERTISING

I. Sustainability metrics are highly important to European market participants, with 92% stating they are of some level of importance within the next 24 months, and 43% stating that these were the top priority.

II. Respondents across Europe cited a wide array of top sustainability goals for their business, these typically revolved around four key themes, namely brand reputation; business preservation and improvement; reduction of carbon emissions; and waste reduction.

III. Encouragingly for sustainability efforts, the majority of European market participants are measuring their carbon emissions. Moreover, this is near-equally weighted across the buy- and sell-sides of the advertising supply chain.

IV. In further encouraging news, the majority of the European market (51%) is now requiring their advertising partners to report their carbon emissions to them. However, this is more inconsistent across the supply chain and European markets

V. European brands, agencies, and publishers across all surveyed markets are generally likely to increase spend with partners across the advertising supply chain that are carbon neutral.

→ Within the next 12 months, European brands, agencies, and publishers are set to allocate a significant proportion of their budgets to carbon neutral partners, with 43% of budgets set to be allocated to carbon neutral partners during this period.

→ The majority of advertising budgets within France and Germany will be allocated to carbon neutral partners by the close of Q4 2024.

VI. Unsurprisingly given the current global economic turbulence, direct and indirect costs of reducing carbon emissions were cited as the primary factors impeding the reduction of such emissions.

PROGRAMMATIC IN EUROPE

I. Overall, programmatic spend and revenue in Europe is surging, despite the upcoming headwinds of identifier deprecation across display and mobile environments.

II. The European market on the whole is cautious about the deprecation of identifiers across mobile and desktop environments. However, European market participants are demonstrably more optimistic about identifier deprecation than their JAPAC counterparts.

→ Notably, none of the surveyed publishers in this study were very concerned with the potential impact of the deprecation of the third-party cookie in Chrome environments and expected reduction in functionality of the Android Advertising ID following the upcoming rollout of Privacy Sandbox on mobile devices.

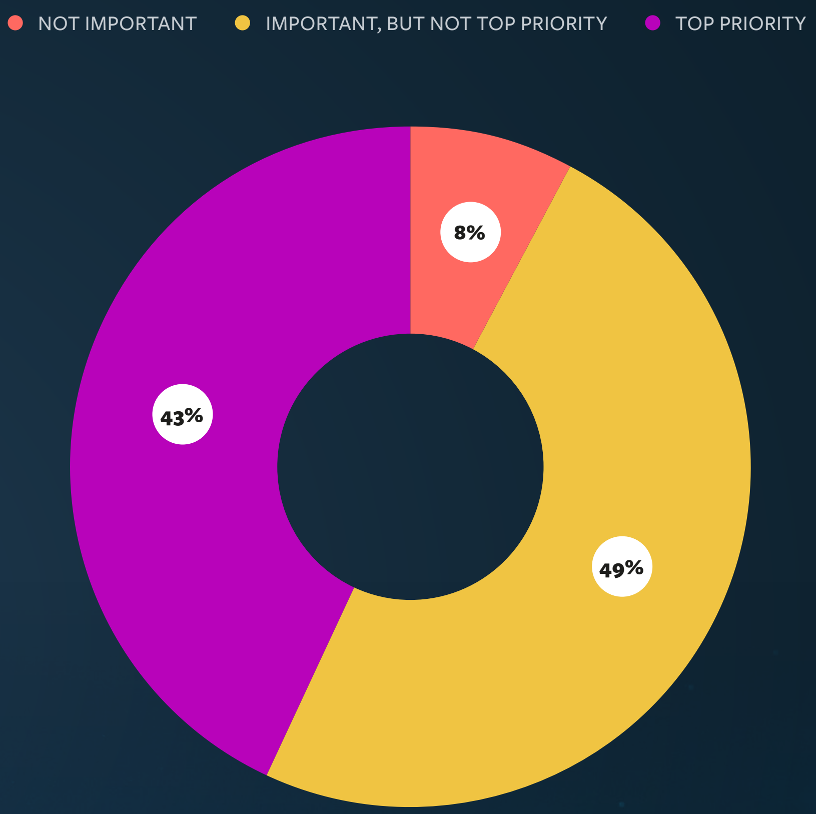
Section 1:

Sustainability of Advertising

The Importance of Sustainability Metrics

Ninety-two percent of European market participants state that sustainability metrics will be of some level of importance within the next 24 months, with 43% stating these are a top priority for their company.

Figure 1: Importance of sustainability metrics within next 24 months — Europe 2022



92% state that sustainability metrics are of some level of importance within the next 24 months

43% state that sustainability metrics are the top priority for their company

Sustainability metrics are particularly critical to respondents within the German market, with only 2% deeming these not important. While a similar result was observed for the French market, this contrasts sharply with the United Kingdom, where 20% deemed sustainability metrics to be not important to their business within the next 24 months.

Figure 2: Importance of sustainability metrics within next 24 months — Europe 2022 (by market)

By company type, agencies lend more importance to sustainability metrics, with 49% deeming these metrics to be the top priority for their business within the next 24 months, compared to 37% and 44% for brands and publishers respectively.

72% of buyers report an increase in programmatic spend compared to 56% of publishers reporting an increase in programmatic revenue

75% 12% of agencies reported they had boosted their programmatic spend by over 75%

Top sustainability goals

While respondents across Europe cited a wide array of top sustainability goals for their business, these typically revolved around four key themes, namely brand reputation; business preservation and improvement; reduction of carbon emissions; and waste reduction.

BRAND REPUTATION

Enhancing brand reputation via sustainability was a more prominent goal within France (9%) and the UK (10%) than in Germany (3%), and was perhaps unsurprisingly a more prevalent aim for brands (8%) and agencies (7%) versus publishers, with no surveyed publisher citing enhanced brand reputation as a main sustainability goal.

Responses here ranged from positive pursuit of new customers through to retention of current customers, with one UK brand stating their main sustainability goal was to "Keep customers happy and to make sure we are providing the best environmental credentials to accommodate them and their needs."

30%

of publishers cited business preservation as the most important sustainability goal

BUSINESS PRESERVATION

Preserving business viability was a commonly-cited sustainability goal across all surveyed markets and company types. By market, business preservation was the most commonly-cited goal within France (35%), and third-most commonly-cited goal in Germany (16%), while it was cited by 10% of UK respondents. Likewise, business preservation was the most commonly-cited sustainability goal among surveyed European publishers (30%), while it was deemed near-equally important among agencies (17%) and brands (19%).

Compliance with "future legislation changes" and "legal requirements" was cited by agency groups in France and Germany, indicating that some in the market are gearing up towards action from the European Union to codify environmental sustainability further in law beyond the current Non-Financial Reporting Directive (Directive 2014/95/EU).

One French agency directly tied market success with sustainability action, writing that without enhancing its sustainability, it would be unable to "keep the same status on the market with my agency over the years to come." Moreover, the recent surge in energy bills weighed heavily on some respondents, acknowledging that reducing their reliance on carbon-emitting energy sources may prove crucial in ensuring the survival of their company.

REDUCTION OF CARBON EMISSIONS

Given the greater awareness of the impact of digital advertising on carbon emissions, it is no surprise that reducing these emissions was heavily cited as a main sustainability goal for market participants across Europe. Indeed, it is the second-most important goal across all markets (France 17%; Germany 22%; UK 24%) and company types (agency 17%; brand 24%; publisher 20%).

While the importance of reducing carbon emissions was affirmed across Europe, respondents differed in the scope of their ambitions. Many simply stated that they aimed to reduce their carbon footprint, though nearly one-third (31%) of those who cited carbon reduction as their main sustainability goal claimed that their intention was to achieve carbon neutrality, or net zero status. Reducing carbon footprint is also seen by some in the market as a way of achieving another core sustainability goal, the enhancement of brand reputation, with one German agency professional working towards their "reduction of the CO_2 footprint, because this is also a good marketing argument."

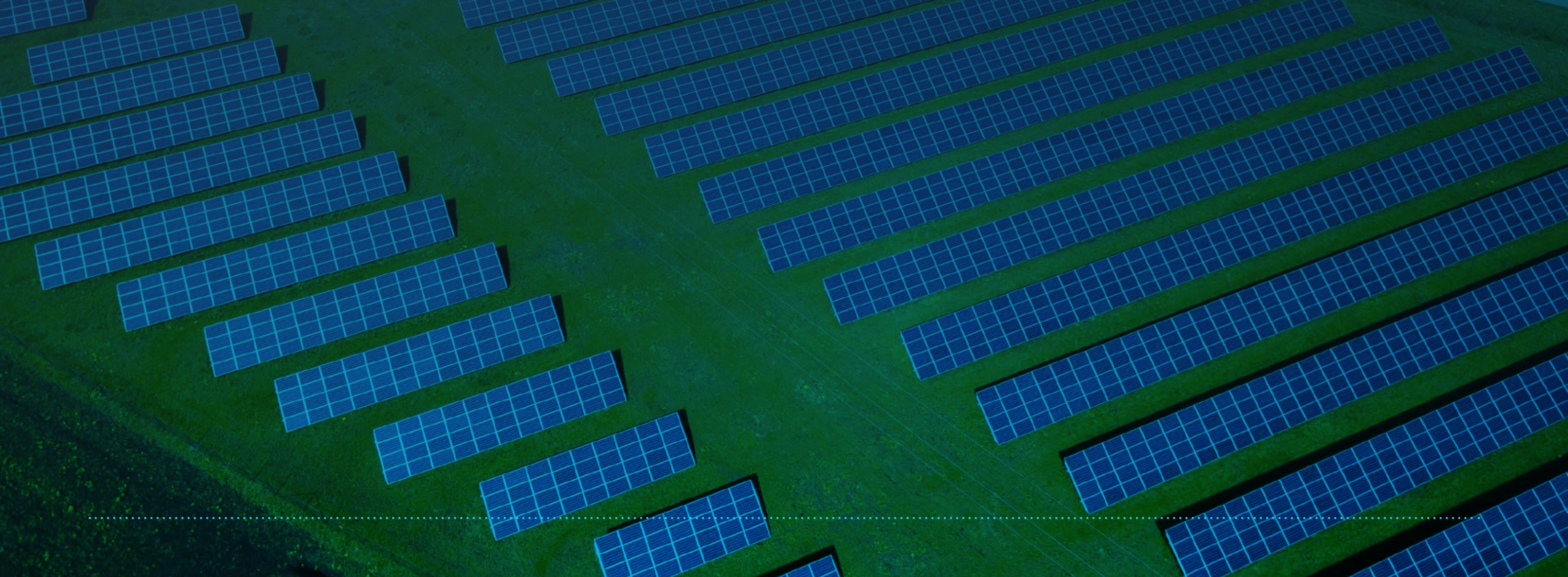
WASTE REDUCTION

Finally, the reduction of physical waste was cited as a highly-important sustainability aim across a large proportion of the European market, and was the most commonly-cited goal across Germany (41%) and the UK (33%), while it was also the most prominent factor for both agencies (28%) and brands (30%). However there was an apparent dichotomy in the importance of waste reduction among the European market, given that it was the least commonly-cited aim of publishers (10%) and was not cited by any respondent within France.

Utilising less packaging and paper-based materials was cited more prominently by brands compared with other surveyed groups. Though not a seismic finding given that many are involved in the sale of physical goods, it could have potential ramifications for the overall European marketing mix, as direct mail marketing budgets could be constricted should brands continue to push towards using less paper and packaging material.

31% nearly one-third of those who cited carbon reduction as their main sustainability goal claimed that their intention was to achieve carbon neutrality

41% of the German market cited waste reduction as the most important goal. By contrast, this goal was not cited by a single respondent in France



Evolution of sustainability goals

REGULATORY MEASUREMENT FRAMEWORK TO DRIVE INNOVATION

Sebastian Munden, chair of Ad Net Zero, details how these major sustainability goals are set to evolve over the course of the coming decade, writing, “At the moment there are a lot of sticks and maybe the carrots are a bit less obvious. It’s easy to sow seeds of doubt whether customers will truly vote with their wallets on climate action, and in enthusiasm it’s easy to overstate what people will really do too. However, all the data I have seen over recent years shows us that consumers are increasingly demanding that companies do the right thing — with proportions going up as the consumers get younger. The current combination of NGO pressure and governments preparing the detailed frameworks for mandatory reporting by larger companies, combined with the transparency and reach of a digital world, is really driving an environment where the data will out whether management wants it or not.

“At Ad Net Zero we focus first on the reduction of carbon. Wherever a company’s starting point may be, the priority is the plan to change the way we work and drive those emissions down. I think that, as the detailed regulatory measurement framework beds down, and becomes as planned as annual statutory accounts, there will be more focus and attention on biodiversity goals and the role of nature in creating wellbeing and prosperity, and in the deployment of nature-regulating systems. Brands, agencies, production companies, and media owners will be able to innovate in climate positive ways, driving competitive advantage through enhancing better natural systems with multiple stakeholders.”

PROOF OVER OBJECTIVE-BASED CLAIMS

Writing from the agency perspective, Devora Mateeva, business director at Starcom, adds, “While sustainability goals may be a top priority for only half of agencies currently, that number will without a doubt increase considerably, and probably faster than most expect. One of the noticeable trends when it comes to evolving priorities is developing thorough environmental credentials. Initiatives and pledges will require proof, mindful investment, and long-term effort over claims wrapped in future objectives.

“Attention has also fundamentally shifted when it comes to the topic of nature preservation. And it is down to the simple fact that climate change and habitat destruction are materialising in unavoidable consequences. Currently many expectations fall within production, packaging, supply chain and ingredients. The natural next step will be that all company touchpoints are also reflective of growing values and sustainability expectations.

“Agencies and publishers have already advanced their priorities — we have come a long way to improve diversity, inclusion, social responsibility, and rights, to name a few. The same level of continuous attention, prioritisation and elevation will also be required for sustainability goals. Proving and continuously developing them will also act as a vital talent retention, exclusivity, and market advantage tactic.”

WATER USAGE AND BIODIVERSITY IMPACT TO WEIGH HEAVILY FOR BRANDS

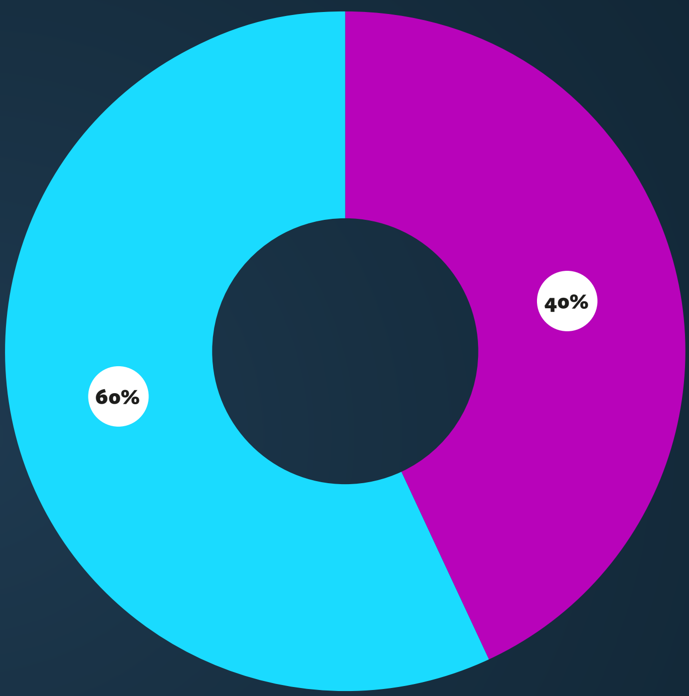
Antoine Poincaré, Vice President, AXA’s The Climate School discusses how previously niche goals will now become critical for brands, writing, “What jumps out to me is that the “top goals” today are already a weird mix. ‘Business preservation’ and ‘waste reduction’ are hardly on the same level when it comes to sustainability.

The good news moving forwards is that through the power of customer behaviour change, what used to be ‘on the side’ initiatives are now core to the business. If ‘business preservation’ is the most quoted sustainability goal, then it means that we are going somewhere. As for the ‘real’ sustainable topics that will probably come up for brands in the coming decade, I’d say water usage and biodiversity impact are going to be more and more pressing.

Measurement of carbon emissions

Encouragingly for sustainability efforts, the majority (60%) of European market participants are measuring their carbon emissions. Moreover, this is near-equally weighted across the buy- and sell-sides of the advertising supply chain, with the majority of brands (60%), agencies (62%) and publishers (56%) measuring their carbon impact.

Figure 3: Measuring company carbon emissions — Europe 2022



In a further positive finding on environmental sustainability within advertising, the majority of respondents across all three surveyed markets are measuring their carbon emissions. However, while the proportion of those measuring their carbon footprint is relatively similar in Germany (54%) and the United Kingdom (51%), France is the standout market in the region, with over three-quarters (76%) of respondents measuring their carbon emissions.

While there is similarity across each surveyed market in terms of whether companies are measuring their carbon emissions, there are stark differences between each market in terms of companies planning to measure their carbon impact, if they are not currently doing so. All surveyed respondents in France plan on measuring their carbon footprint if they are not doing so at present, with 80% stating that they aim to do so within the next five years. This contrasts sharply with the United Kingdom, where 60% of those not currently measuring their carbon impact state that they do not ever plan on accounting for their CO_2 emissions.

60% of European market participants are measuring their carbon emissions

80% of respondents in France aim to measure their carbon footprint within the next five years

This hesitancy within the UK may be derived from uncertainty over the standards applied specifically in measuring carbon output, alongside application of other key items of legislation such as the GDPR-replacement data reform bill, following Brexit. Munden comments, “There needs to be speedy convergence on the definitions and boundaries for measurement to get that distraction out of the way, so that companies can focus on growing their businesses while reducing their carbon footprint. Governments that have signed up to science-based targets through the UN and COP processes need to show they intend to deliver on their pledges and lend their authority to the convergence of measurement systems to enable that. Customers and clients should, as the best are doing, require their suppliers to adhere to the highest standards citizens might expect, that could give their value chain competitive advantage and also remove significant risk of reputational damage.”

Poincaré adds on how to combat hesitancy in measuring carbon emissions across the entire supply chain, “It’s going to be the mix of three key factors:

→ **Customers** — they are going to become more and more aware of the fact that you need to measure all along the chain, which will drive change. For instance, there are still a few airports claiming to be carbon neutral, without taking into account the impact of the actual flights. But, there are less and less of them due to naming and shaming on social media by customers.

→ **Regulation** — governments and NGOs will be establishing more and more labels to distinguish between actually reporting on the whole value chain and greenwashing (when you just report on the numbers that make you look good).

→ **Access to capital** — the pressure that financial institutions are going to receive on getting accurate information about carbon emissions is going to trickle down to actual companies that are using those institutions to get financed.“

Figure 4: Intention of measuring carbon emissions where not doing so at present — Europe 2022 (by market)

There are also apparent differences across the supply chain in terms of intentions of measuring carbon emissions where they are not currently being accounted for. For instance, the overriding majority of both agencies (90%) and publishers (86%) aim to measure their carbon emissions, though 75% of agencies plan on accomplishing this within the next five years, with publishers forecasting a longer time period in which they will be able to measure their CO2 impact. Only 51% stated that they will do so within five years. Meanwhile, brands not currently measuring their carbon emissions are significantly more pessimistic on their ability to do so, with 44% stating that they do not plan on ever measuring their carbon footprint, and only 36% aiming to do so within the next five years.

Commenting on what more can be done to encourage brands which are not currently measuring their carbon impact to do so, Munden writes, "There are many pressure points coming together that will require brands to measure their carbon impact, however, at the same time current economic volatility requires brand owners to focus on today's other pressing issues. Rising costs causing existential cash-flow issues (for SMEs) or margin pressure (for PLCs) as companies start to hit pricing ceilings that customers cannot bear clearly need addressing first. However, there is also economy in ecology: aggressively reducing energy consumption and stimulating more renewable energy sources into the grid can deliver on both objectives. It's hard to set goals to reduce energy consumption if you don't measure it: so, measurement of energy is the first base for economy and ecology!

"But as I said, there is a convergence of pressure: from customers, civil society, and governments, three important stakeholders for all businesses, who are increasingly demanding real measured proof of progress to back up sustainability claims and deliver upon national science-based targets. Lastly, in the war for talent, especially Gen-Z talent, many employees, or potential employees, will also expect this of their employers. We are probably nearing a tipping point today, where the leading brands and agencies are creating competitive advantage from carbon reduction, with the data to prove it, and their competitors will follow."

> It will only be a matter of time before ad exposure responsiveness is also subject to its green value

Beyond societal and regulatory pressures, education and technological solutions for brand partners are also cited as useful tools in combating pessimism in future ability to measure carbon emissions. Mateeva writes, "Educating and equipping brands with to-the-point, practical solutions are a vital next step. As agency partners, we should go beyond the theoretical and make specific recommendations going forward. These suggestions should also be structured with immediate, mid, and long-term considerations in mind. Creating tangible options and goalposts will assist in encouraging a noticeable uptake.

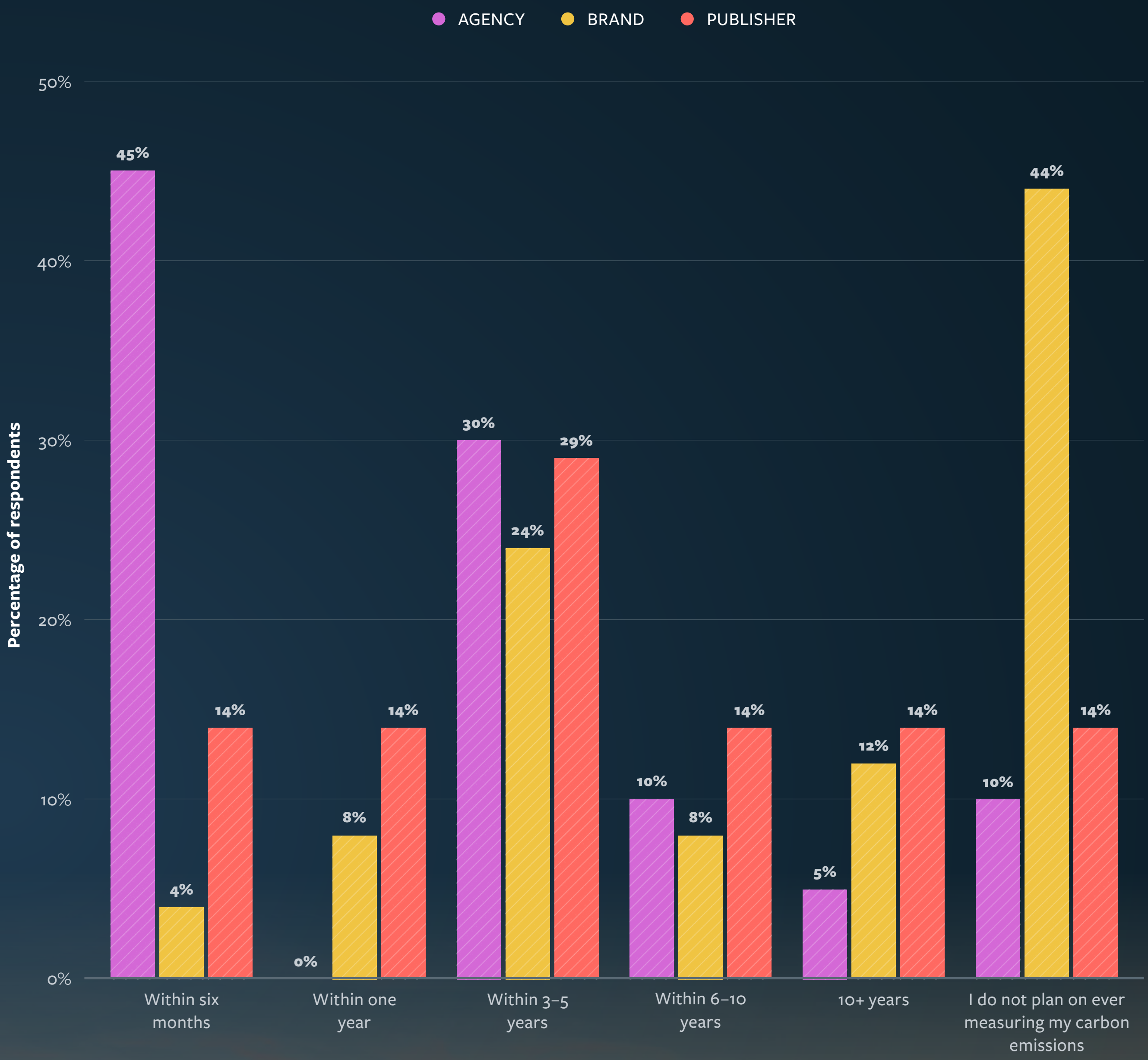
"As advertising can increase the carbon impact of each individual by 28%(!), it will only be a matter of time before ad exposure responsiveness is also subject to its green value. This makes carbon measurement no longer an extra, but a vital potential addition to improve performance. Within these circumstances, agencies can take a key role in creating a pathway of progress — covering both the why and how in practice. Whether it's a consultative, strategic or activation role, there is plenty of opportunity to tap into. Lastly, substantial brand responsiveness changes might arise if agencies introduce opt-out carbon impact processes, as long as measurement can be accurately traced, and a vetted offsetting alternative provided."

90% of agencies aim to measure their carbon emissions

86% of publishers aim to measure their carbon emissions

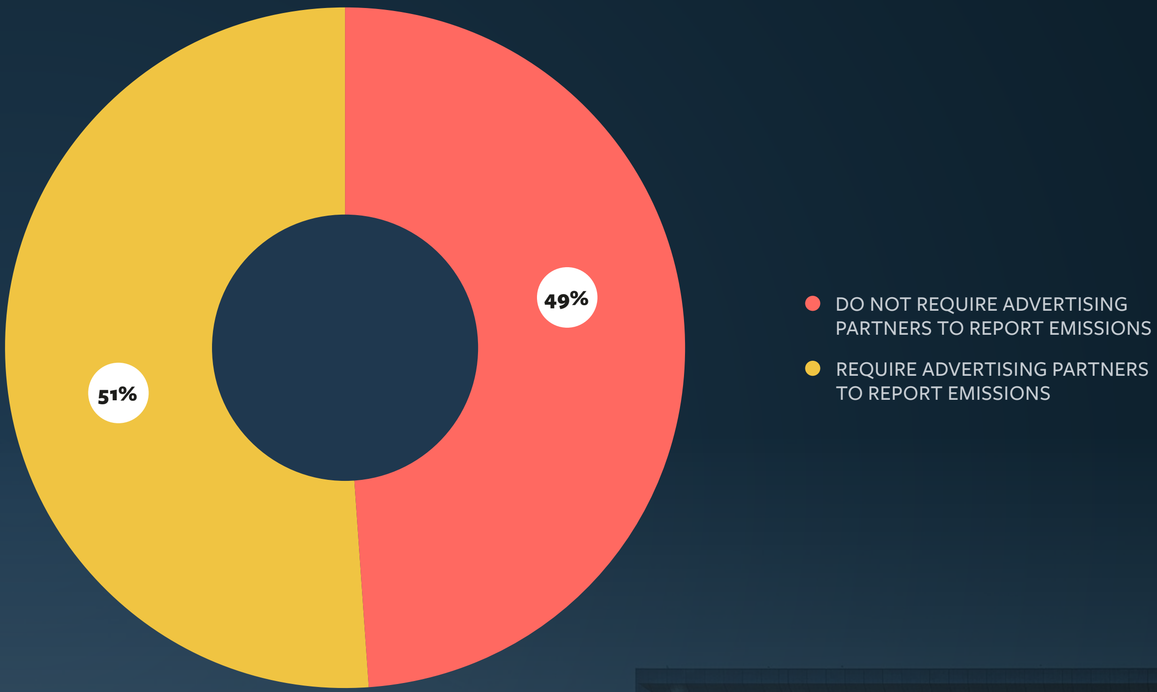
51% of brands aim to measure their carbon emissions

Figure 5: Intention of measuring carbon emissions where not doing so at present — Europe 2022 (by company type)



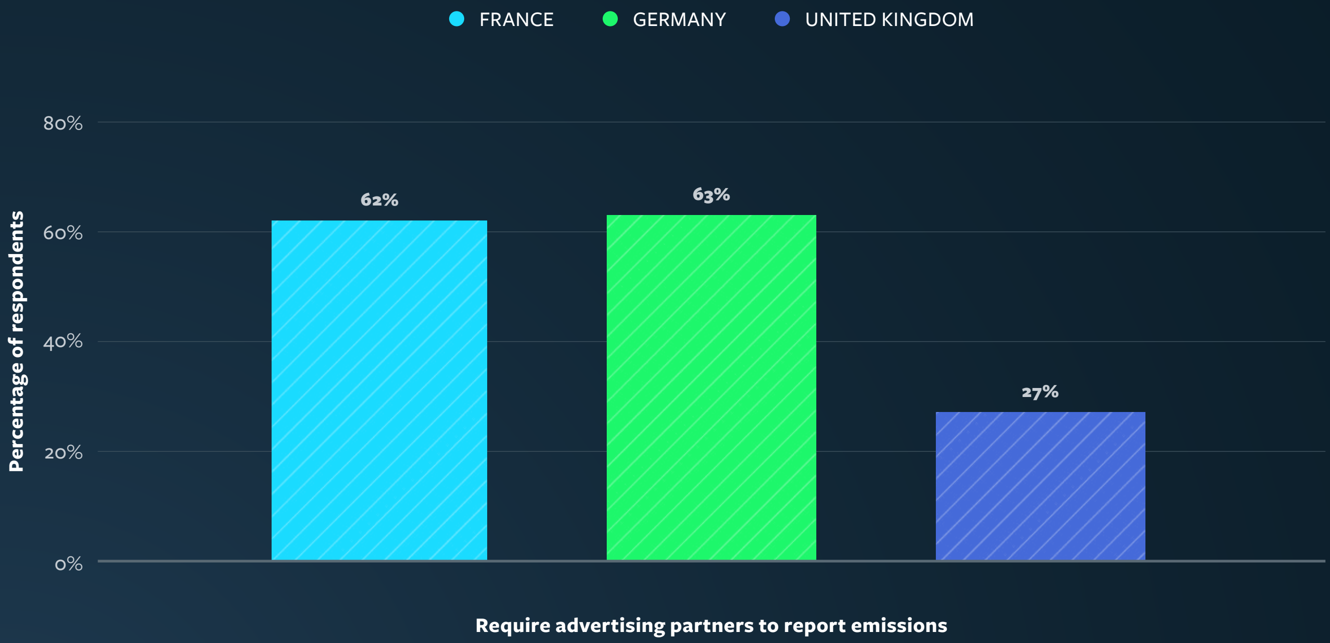
In further encouraging news, the majority of the European market (51%) is now requiring their advertising partners to report their carbon emissions to them. However, though reporting own company emissions is relatively consistent across surveyed markets and position within the supply chain, there are more evident differences in the necessity for partners to report their carbon emissions.

Figure 6: Requirement for advertising partners to report carbon emissions — Europe 2022



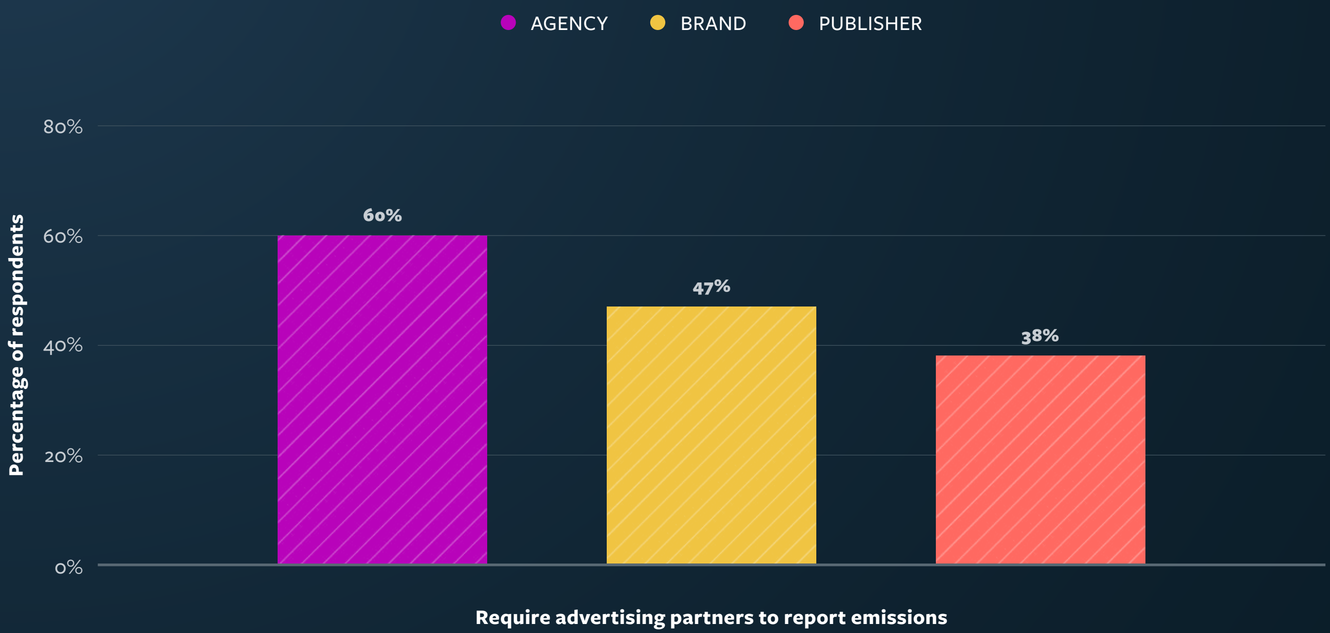
By market, the requirement for advertising partners to report their carbon emissions is remarkably consistent across the French and German markets, with 62% of respondents in both stating that they require partners to report their impact. However, this is not the case within the United Kingdom, where only 27% of respondents are currently stipulating that their advertising partners report their carbon emissions.

Figure 7: Requirement for advertising partners to report carbon emissions — Europe 2022 (by market)



According to our findings, the need for advertising partners to report CO2 emissions is currently being driven by the buy-side, more specifically by agencies. Over 60% of respondents operating within an agency necessitate that advertising partners report their carbon emissions, compared with 47% of brands. Publishers who currently require that their advertising partners report their carbon emissions are currently further in the minority, with only 38% requiring they do so.

Figure 8: Requirement for advertising partners to report carbon emissions — Europe 2022 (by company type)



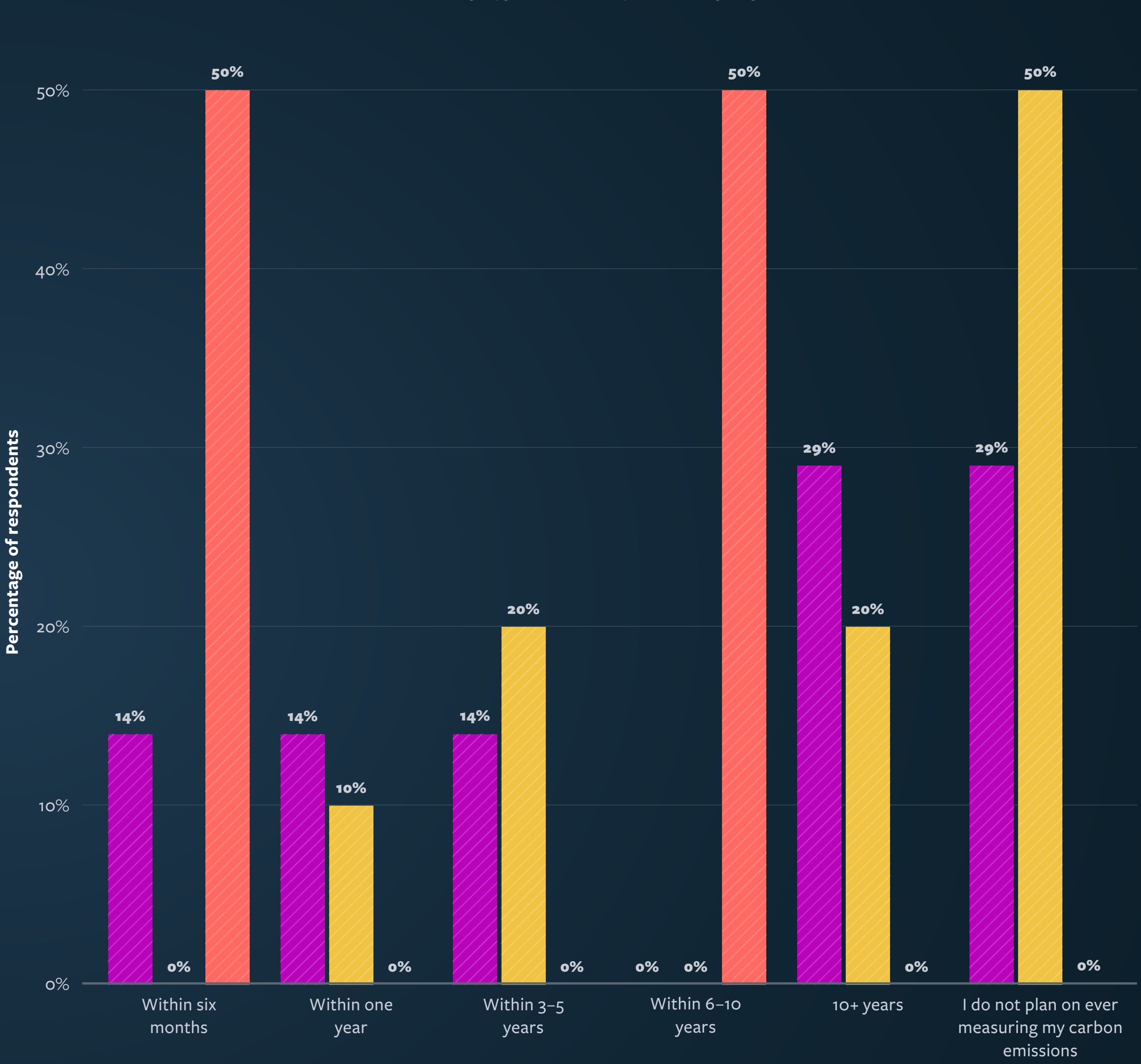
Where respondents are not currently mandating that their advertising partners report their carbon emissions, there are also clear differences in when this process will be in place according to market and company type.

All surveyed respondents within France stated that they will require advertising partners to report their carbon emissions, with 56% of those surveyed aiming to do so within the next year. This timeframe is much more protracted within Germany, where only 6% are aiming to ensure their supply chain partners report their carbon emissions within the next year, with 39% predicting that this will take over six years. Respondents within the UK are substantially more skeptical about the necessity to require advertising partners to report their carbon emissions, with 60% stating that they do not plan on ever mandating partners to do so.

Figure 9: Intention of stipulating advertising partners to report carbon emissions where not presently doing so — Europe 2022 (by market)

Notably, despite 14% of publishers stating that they do not plan on measuring their own emissions, all surveyed publishers affirmed that they will require advertising partners to report on their emissions within ten years, with 50% requiring that they do so within the next six months. European brands are statistically less stringent on the need for advertising partners to report their carbon emissions where not doing so already, with an even 50/50 split between those that plan on making this a requirement and those who do not plan on doing so.

Figure 10: Intention of stipulating advertising partners report carbon emissions where not presently doing so — Europe 2022 (by company type)



14% of publishers state that they do not plan on measuring their own emissions

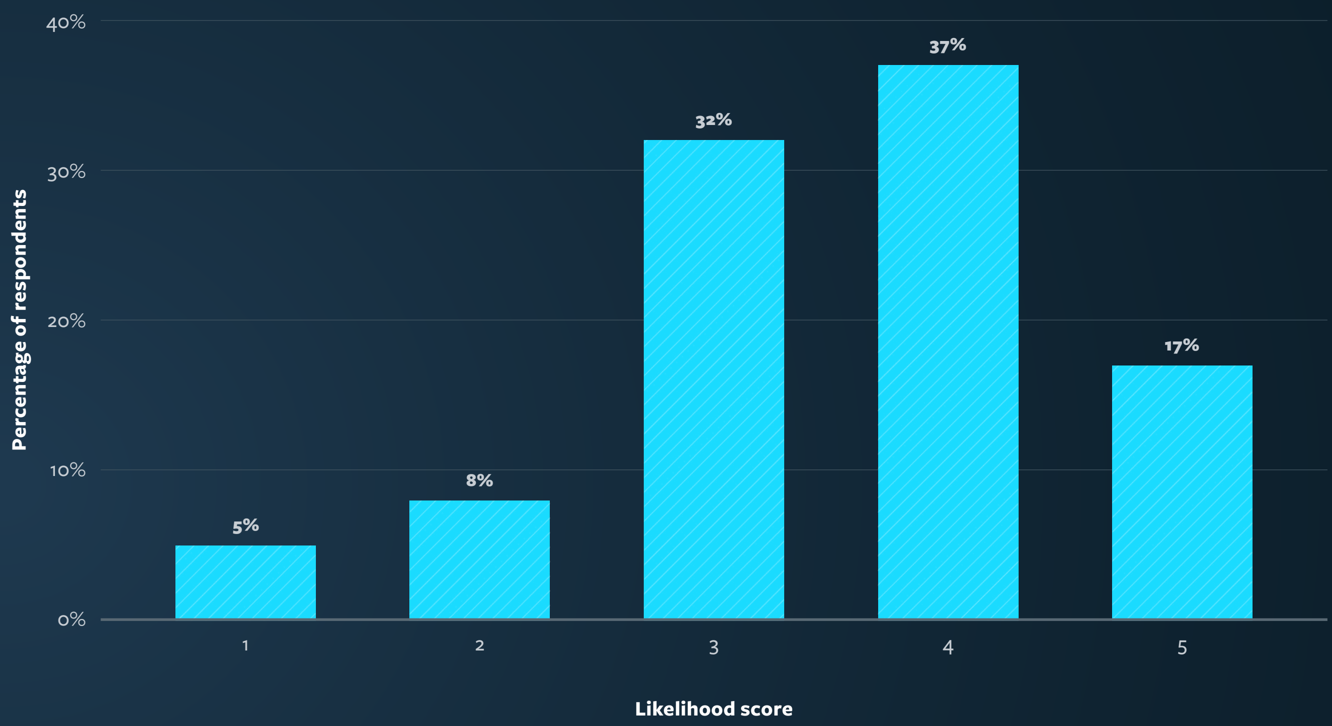
50/50 split between those that plan on making measuring carbon emissions a requirement for advertising partners and those who do not plan on doing so

Budget allocation towards carbon neutral partners

European brands, agencies, and publishers across all surveyed markets are more likely than not to increase spend with partners across the advertising supply chain who are carbon neutral, with an average score of 3.5 out of a maximum 5.

Using the net promoter score (NPS) metric, the overall proportion of the market that are promoters (score 4–5) for increasing spend with partners who are carbon neutral stands at 54%, far outweighing that of detractors (score 1–2), which stands at 14%.

Figure 11: Likelihood of increasing spend with carbon neutral partners

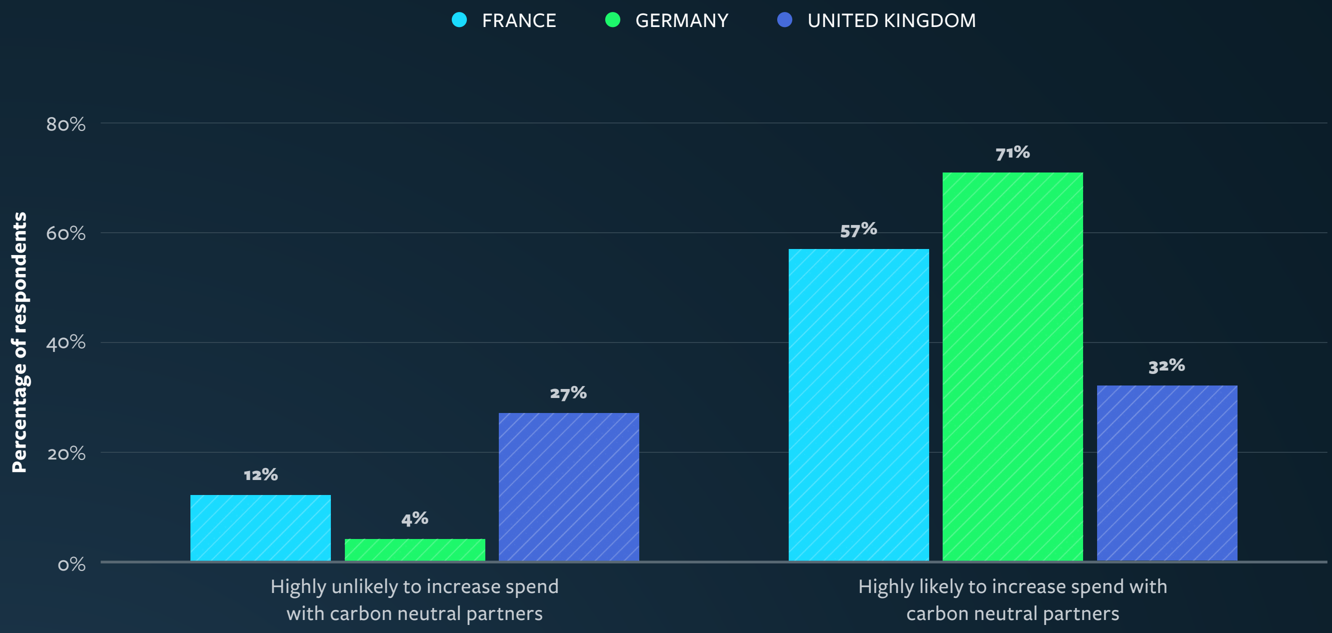


Respondents within Germany are significantly more likely to increase their spend on carbon neutral partners than those within other surveyed European markets, with 71% here likely to do so (likelihood score 4–5) compared to just 4% acting as detractors. The majority (57%) of those in France are also highly likely to increase their spend with carbon neutral advertising partners, with a comparatively lower 12% saying they are highly unlikely to do so. However, correlating with previous findings, respondents within the UK are more uncertain about increasing their spend with carbon neutral partners, with 32% acting as promoters and 27% as detractors.

71% of respondents within Germany are significantly more likely to increase their spend on carbon neutral partners

57% of those in France are highly likely to increase their spend with carbon neutral advertising partners

Figure 12: Likelihood of increasing spend with carbon neutral partners — Europe 2022 (by market)

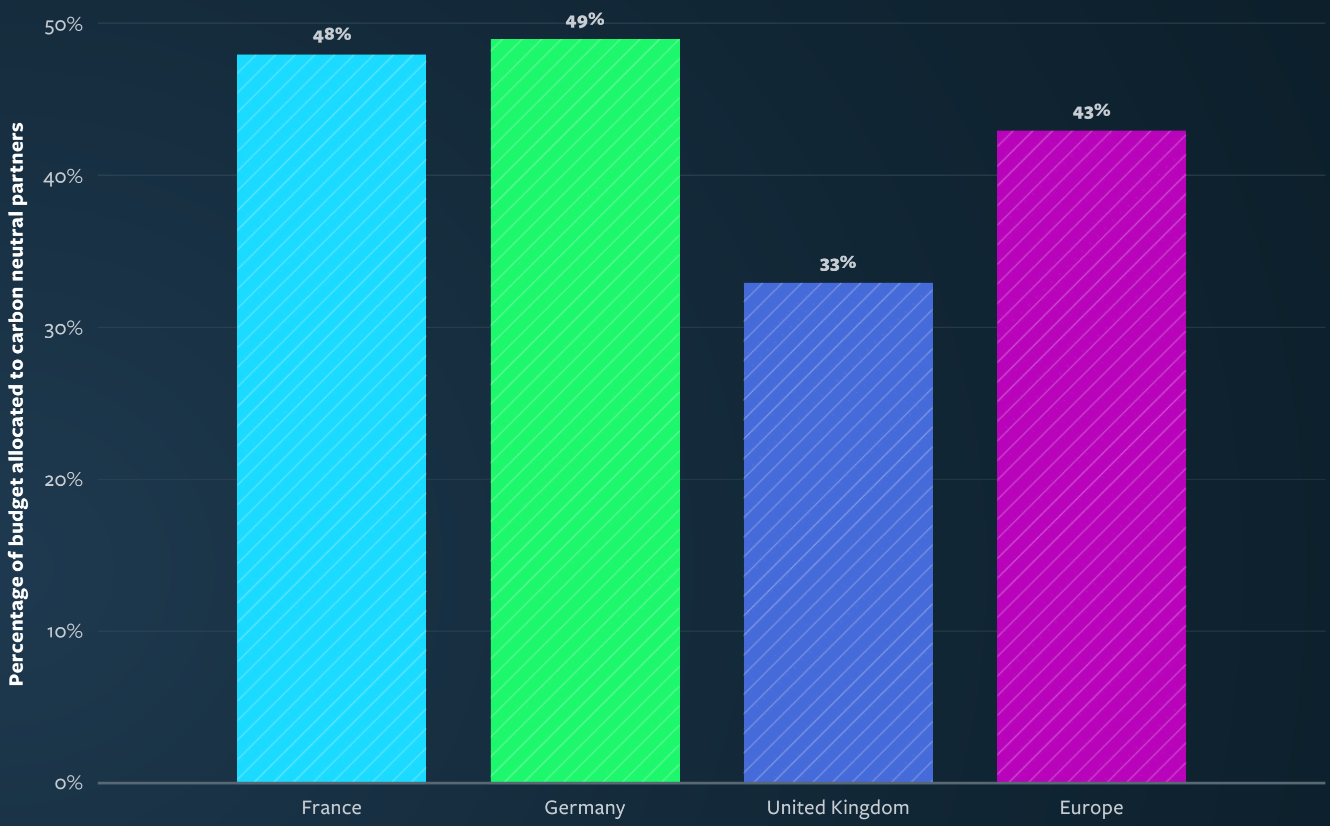


Overall, the likelihood of surveyed respondents across Europe to increase spend on carbon neutral partners is consistent across both sides of the advertising supply chain. Six-in-ten European agencies (60%) and publishers (63%) are highly likely to prioritise partners that are carbon neutral, though brands are slightly more reluctant, with 47% highly likely to bolster spend on carbon neutral partners.

Within the next 12 months, European brands, agencies, and publishers are set to allocate a significant proportion of their budgets to carbon neutral partners, with 43% of budgets set to be allocated to carbon neutral partners during this period.

This level of budget allocation is consistent across agencies (44%), brands (43%) and publishers (39%), however respondents in the United Kingdom are again more hesitant to allocate spend towards carbon neutral providers, with 32% of budgets here going to carbon neutral partners compared to 48% in both France and Germany.

Figure 13: Percentage of budget allocated to carbon neutral partners in next 12 months



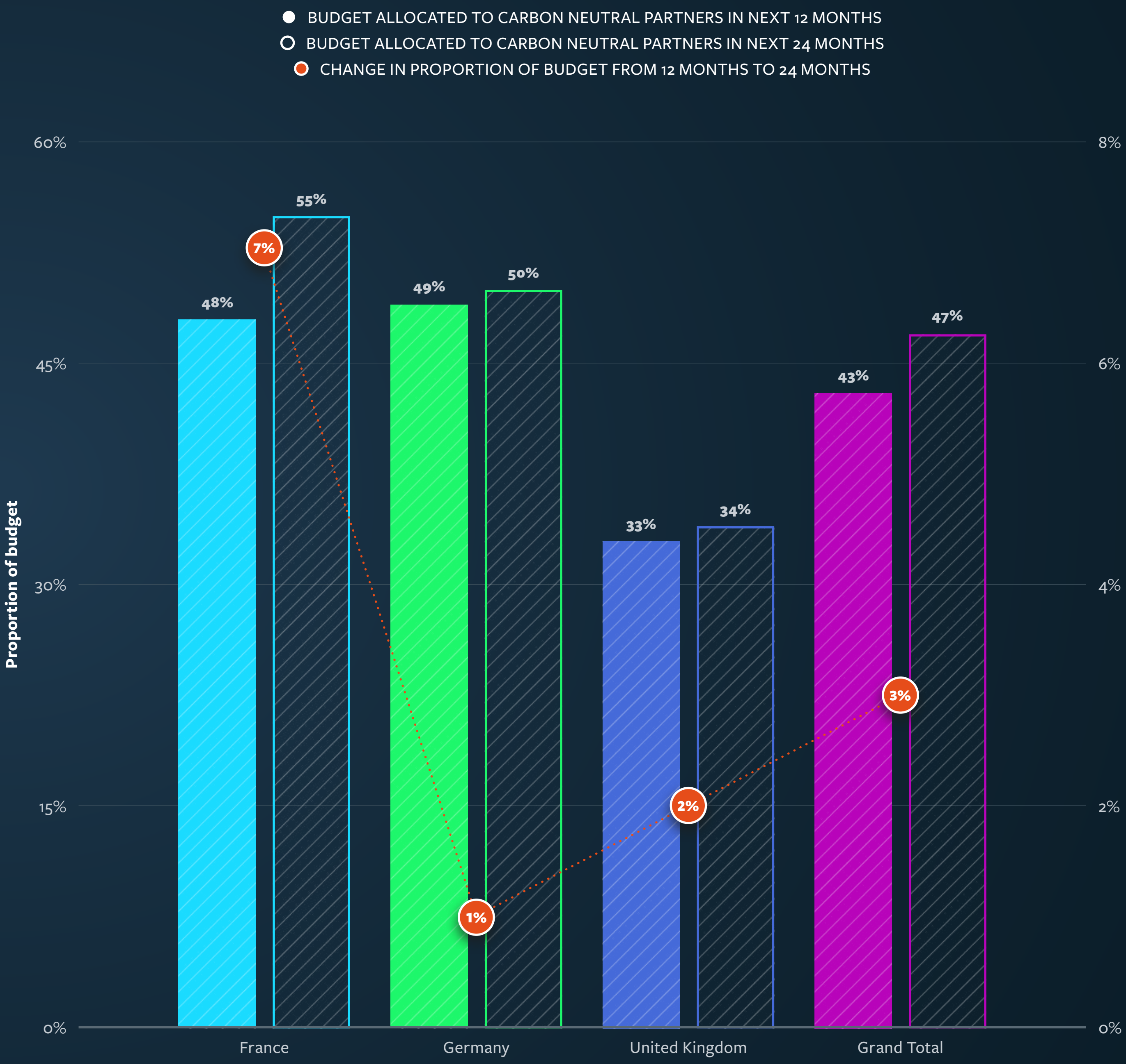
Looking further to Q4 2023 and beyond, all surveyed European markets and company types reported that the proportion of their budgets allocated to carbon neutral partners is set to increase in the next 24 months compared to the next 12 months. Notably, participants in France and Germany have reported that within the next 24 months the majority of their spending will be allocated to carbon neutral partners, at 55% and 50.02% respectively. However, the increase from the next 12 months to the following year is relatively small across Germany (+1.5%) and the UK (+1.8%), with the bulk of growth in the proportion of budgets allocated to carbon neutral partners coming from within France (+7%).

43% of budgets across Europe set to be allocated to carbon neutral partners during this period

55% of participants in France have reported that within the next 24 months the majority of their spending will be allocated to carbon neutral partners

On the finding that the majority of budgets in France and Germany will be allocated to carbon neutral partners by the end of 2024, Sebastian Munden, chair of Ad Net Zero writes, “Companies that want to serve citizens and deliver on their scope 3 targets would be unwise to do anything else. There is not that much time to deliver emission reduction, with 1.5 degrees already proving very challenging, so it’s as well that there is a sense of urgency. Advertising is not the most carbon-challenged industry, so rightly should be one of the first to cut carbon substantially. Beyond changing the way we work, at Ad Net Zero we say advertising also has a responsibility to change the work we make. We should use the power of marketing and creativity to normalise and encourage more sustainable choices and behaviours. In many firms, employees actively want to work more on those briefs.”

Figure 14: Change in percentage of budget allocated to carbon neutral partners from next 12 months to next 24 months



> Learn what carbon neutrality actually is to help your clients talk about sustainability in a proper way

Poincaré highlights how agencies can fulfil a critical role in aiding brands with messaging around sustainability here, writing, "This is both a new complexity and a good opportunity for agencies, I believe. The ones that are going to be able to help brands craft their message in a humble, balanced and science-based way are going to be winners. So look at the number, reduce your own footprint, but more importantly — learn what carbon neutrality actually is to help your clients talk about sustainability in a proper way."

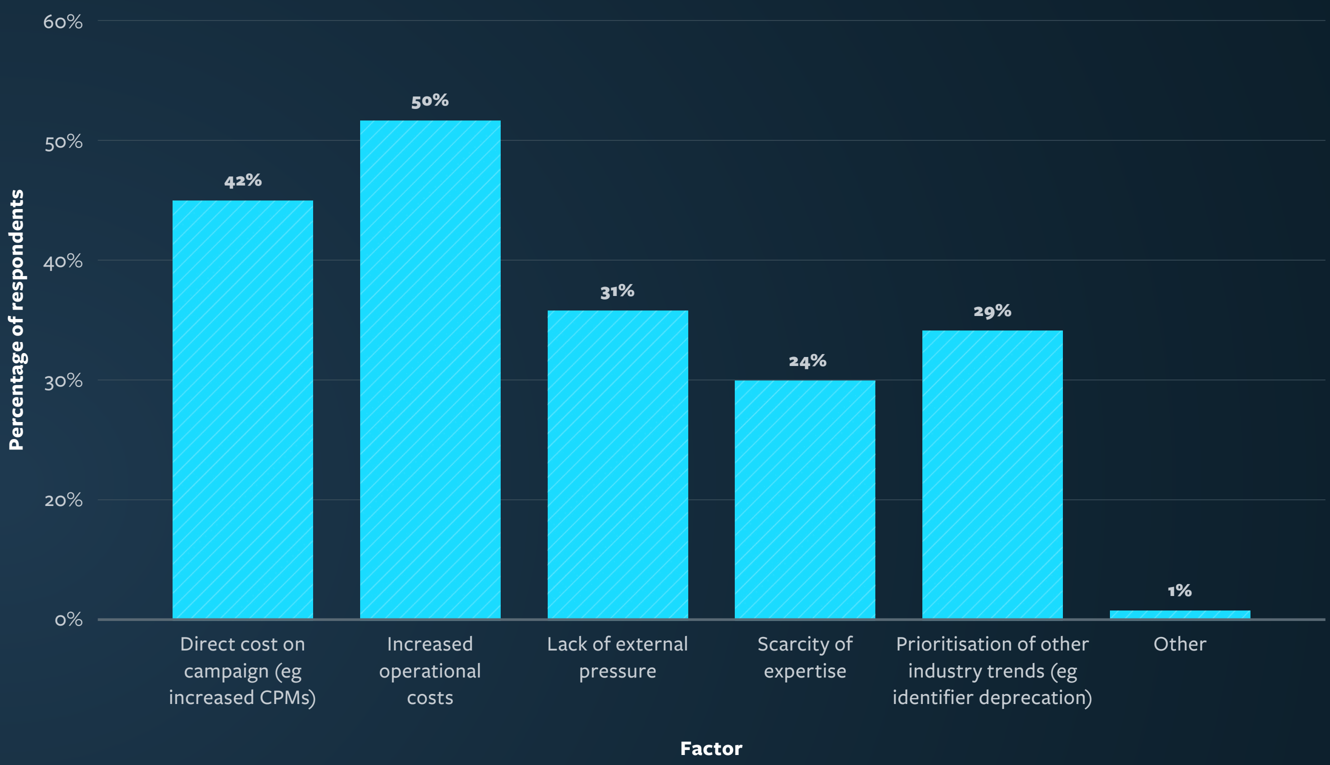
By company type, growth in proportion of budgets from Q4 2023 to Q4 2024 is reasonably consistent, climbing by 3.6% for agencies, 2.6% for brands, and 5% for publishers. While ostensibly limited, it is highly encouraging that the proportion of budgets allocated to carbon neutral partners is set to increase across the board, particularly in the current economic headwinds. Where energy costs are increasing substantially across Europe, primarily as a result of the rising price of oil and gas (ie fossil fuel) as a result of the Russia-Ukraine, moving towards carbon neutrality and renewable energy sources across the advertising supply chains could offset potential increases in price of programmatic advertising, benefiting the sector when growth of marketing budgets in general are likely to be constricted.

Factors impeding carbon reduction goals

Unsurprisingly given the current global economic turbulence, direct and indirect costs of reducing carbon emissions were cited as the primary factors impeding the reduction of such emissions.

Precisely half the market cited increased operational costs as impeding the reduction of carbon emissions, while 42% of respondents cited direct cost increases on campaigns (for instance increased CPMs) as preventing them from going further in reducing CO2 emissions. However, all other factors were cited by at least 24% of the market overall, highlighting the complexity of reducing carbon emissions across a complex digital supply chain such as the programmatic ecosystem, and that solutions to this issue need to be multifaceted.

Figure 15: Factors impeding carbon reduction goals — Europe 2022



By market, direct cost of efforts to reduce carbon emissions on advertising campaigns was the most prominent factor cited by respondents within France (57%), however operational costs were identified by participants within Germany as the primary factor inhibiting CO2 reduction (63%). Meanwhile in the UK, increased costs were not cited by the majority as the sole primary factor for hindering carbon reduction goals, with a more even spread between lack of external pressure (39%); operational costs (37%); direct costs (32%); and prioritisation of other industry trends, such as the deprecation of identifiers.

57% direct cost on advertising campaigns was cited as the most prominent factor impeding carbon reduction goals in France

63% operational costs were identified by participants within Germany as the primary factor inhibiting CO2 reduction

Commenting on how the industry should move as one to minimise direct and indirect costs of reducing carbon emissions generated by advertising, Munden writes, "The five actions of the Ad Net Zero plan show the way — no jargon, just clear actions to take. Action number one — measure your own emissions and create and track a plan to reduce them. They are mostly in travel and buildings. Then depending on which sector you are operating in, tackle production and media footprints by working with the partners in those sectors to create a joint plan to measure, reduce, and track those carbon emissions. Lastly, work with clients who have innovations, products, or services that encourage more sustainable choices and behaviours. You can literally change the world."

Figure 16: Factors impeding carbon reduction goals — Europe 2022

31% of publishers cited scarcity of expertise as a factor preventing realisation of carbon reduction goals

Across the advertising ecosystem, cost was cited by agencies, brands, and publishers as the main factor preventing the realisation of carbon reduction goals. However, for publishers, scarcity of expertise was also cited as a leading factor (31%), while prioritisation of other industry trends was highlighted by agencies as a primary factor (38%).

Commenting on how brands and agencies can act to minimise both the direct and indirect costs of reducing carbon emissions generated by advertising, Devora Mateeva, business director at Starcom writes, “Purpose, clear long-term strategy, and use of tech optimisation are three of the most important steps agencies and brands can follow to minimise costs of do-good initiatives.

“A growing sense of responsibility required from businesses to sustain a future for all, means that if done right, carbon and wastage reduction initiatives can positively impact performance beyond any investments required to facilitate. While nowadays even Forbes magazine covers Conscious Capitalism worth billions, for most companies the challenge will not be to shift from profit to purpose entirely, but instead showcase how both can work in harmony. This directly correlates with the need to have a vision beyond immediate returns.

“Ad tech partners and executions can be particularly vital to tackling carbon emission generation. Whether to monitor or offset, we as an industry can apply various tools — from donation generating formats like Good-Loop, to faster/smarter units requiring less energy or storage, to minimising wastage by increasing targeting efficiency and accuracy. The abundance of options available means that brands and agencies have an opportunity to reduce the carbon impact of marketing initiatives, while also not compromising on results and business objectives. This is because we are currently noticing a surge of offerings, continuous innovation, and increase of sophistication when it comes to sustainability services. Furthermore, many of these solutions have carbon emission considerations embedded into the core of their proposal as opposed to an add-on afterthought.”

From the brand perspective, Poincaré adds, “To me, this question is a bit like asking a guy about to be hit by a 100-pound rock what they should do to minimise that scratch it will leave on the cheek. It’s going to be the wrong question very soon.

“If you are a brand, you should focus on the carbon impact of your brand and your products; how to reduce it; and whether you need to stop any products or start new ones.

“Those are going to be the tough decisions to make with high business (and business model) impact. Reducing the actual impact of advertising for your product can come after. But, if you are doing green ads for a grey product — I think you will be in a very bad position very soon.”

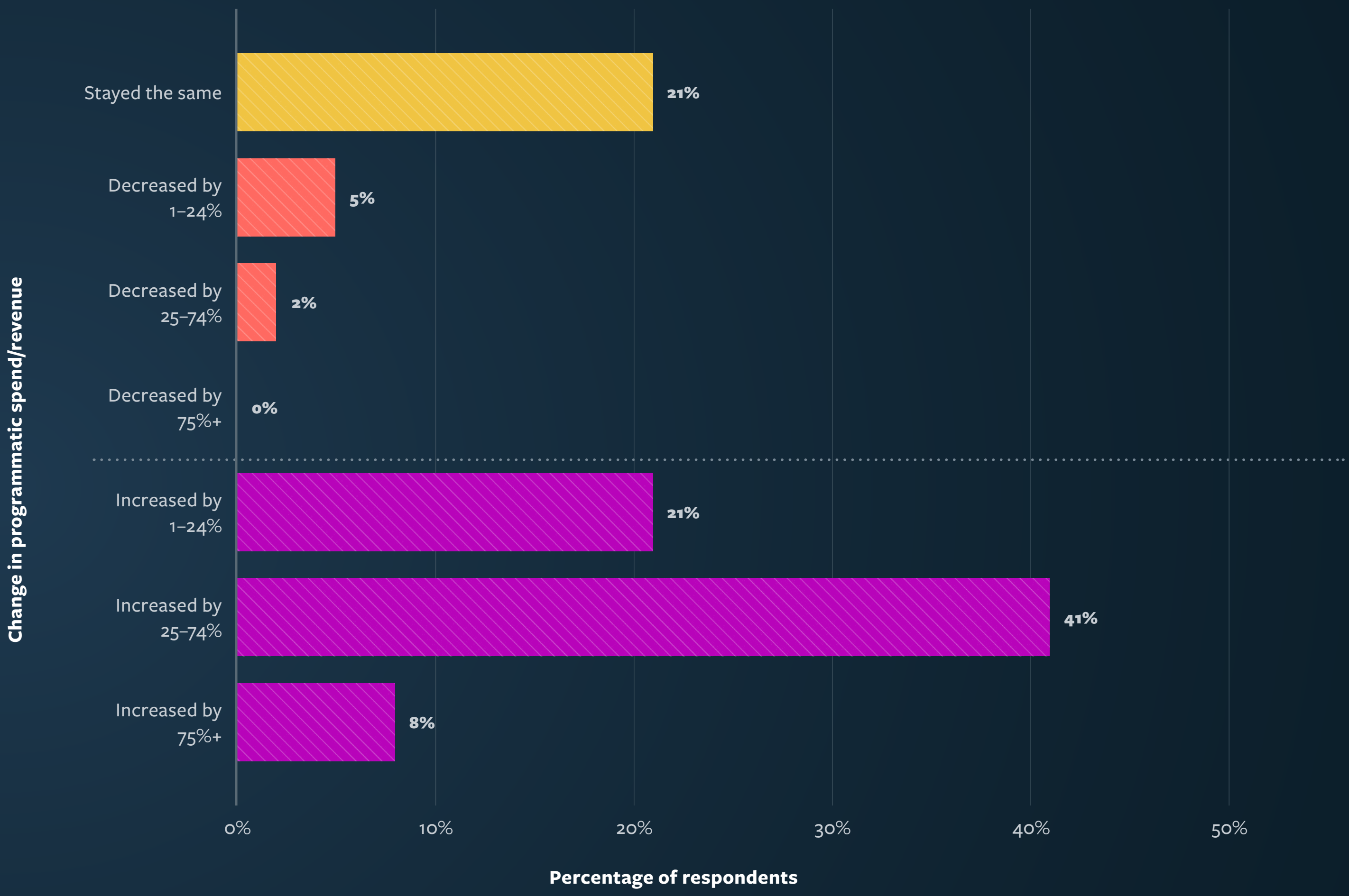
Section 2:

The State of Programmatic in Europe

Programmatic spend and revenue

Overall, programmatic spend and revenue in Europe is surging, despite the upcoming headwinds of identifier deprecation across display and mobile environments. A total of 71% of respondents indicated that their programmatic spend/revenue is increasing, marginally outpacing the 70% recorded for the JAPAC region earlier this year.

Figure 17: Change in programmatic spend/revenue — Europe 2022



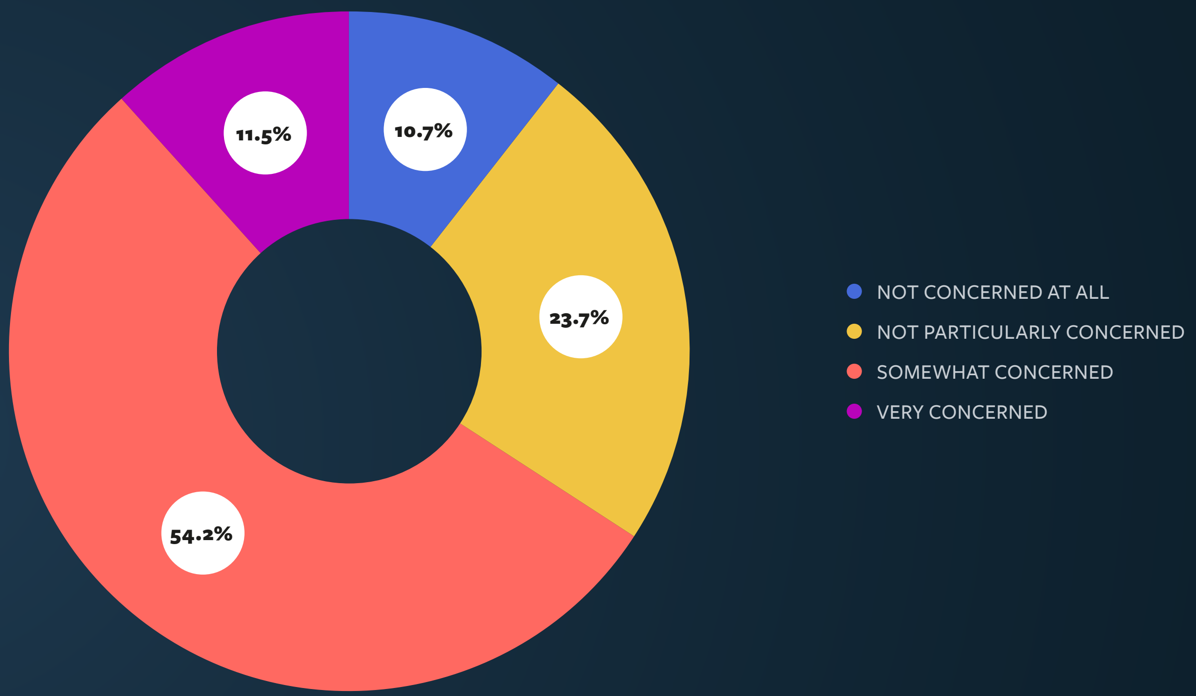
Growth in programmatic investment and spend is markedly slower in the UK, with only 39% of the market increasing revenue/spend, compared to 84% in France and 88% in Germany.

Agencies are increasing programmatic activity at a faster rate, with 62% bolstering programmatic spend by 25% or more, compared to 40% of brands increasing their spend and 44% of publishers increasing their programmatic revenue by the equivalent amount.

Deprecation of identifiers

The European market on the whole is cautious about the deprecation of identifiers across mobile and desktop environments, with 65% saying they were concerned to some extent and 11% expressing a high level of concern. However, European market participants are demonstrably more optimistic about identifier deprecation than their JAPAC counterparts, with 31% highly concerned in that region.

Figure 18: Concern regarding identifier deprecation — Europe 2022



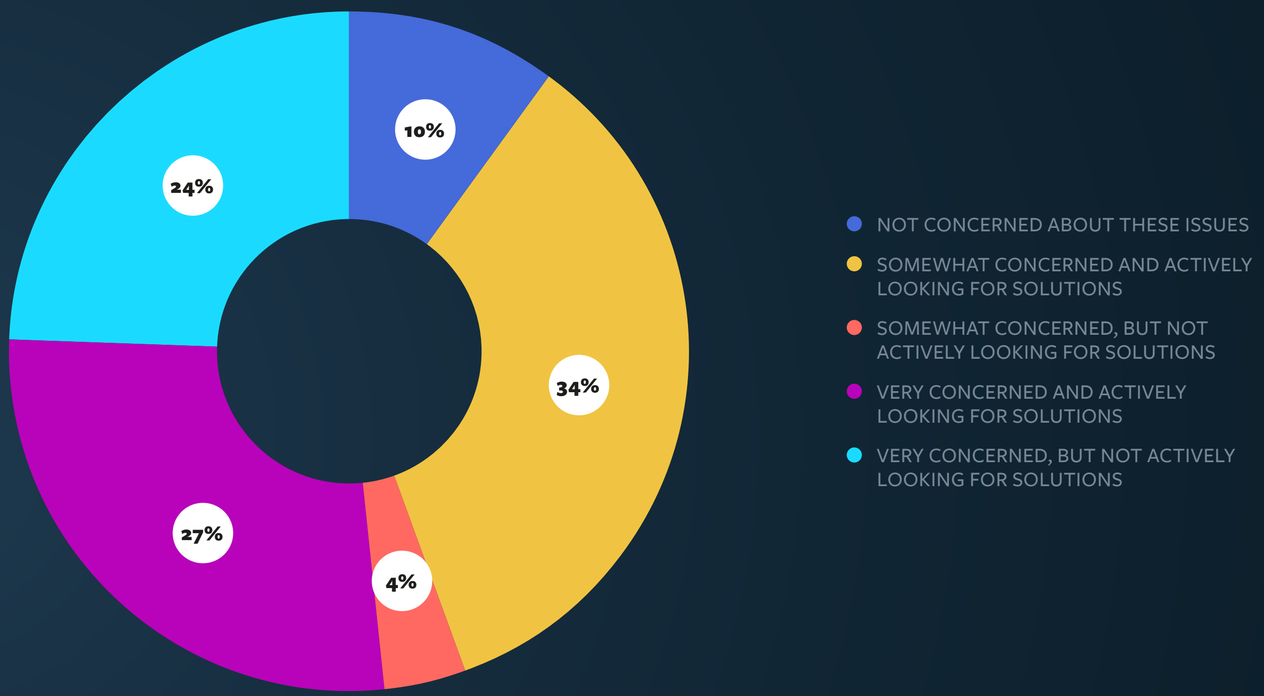
This hesitancy was particularly pronounced within Germany, with 86% expressing some level of concern compared to 60% in France and 49% in the UK.

Notably, none of the surveyed publishers in this study were very concerned with the potential impact of the deprecation of the third-party cookie in Chrome environments and expected reduction in functionality of the Android Advertising ID following the upcoming rollout of Privacy Sandbox on mobile devices.

Fraud & quality-related issues

The majority of the European market is concerned to some degree about fraud and quality-related issues within advertising, with only 10% not concerned to any degree. This closely corresponds to findings within the JAPAC market, where 11% of respondents were not concerned about fraud and quality related issues. However, nearly one-third of respondents (28%) are concerned about fraud yet are not actively examining solutions to mitigate against this.

Figure 19: Percentage of respondents

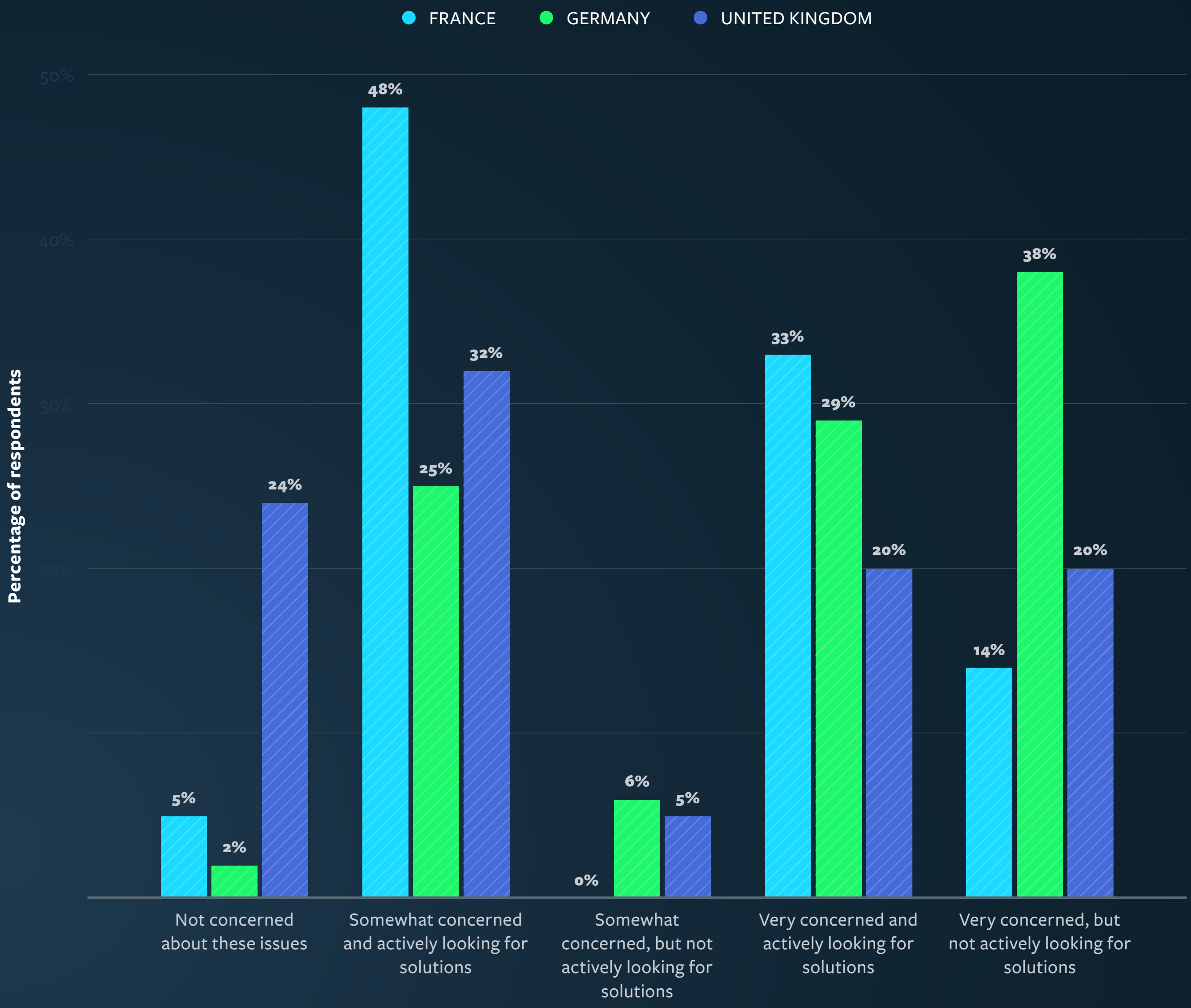


By market, respondents in Germany exhibited the highest level of concern regarding fraud and quality-related issues in advertising, with 67% very concerned and only 2% not concerned to any degree. This contrasts markedly with the United Kingdom, where only 40% were very concerned about fraud and 24% were not concerned at all with these issues.

28% of respondents are concerned about fraud yet are not actively examining solutions to mitigate against this

10% of respondents are not concerned to any degree, closely corresponding to findings within the JAPAC market

Figure 20: Concerns regarding fraud and quality-related issues in advertising — Europe 2022 (by market)



Concerns regarding fraud and quality-related issues in advertising within Europe are most prominent amongst agency professionals, with 42% very concerned and actively pursuing solutions, more than double the proportion of brands (18%) and publishers (19%). By contrast, brands are less concerned with fraud overall, with 16% not concerned at all, compared with 4% for agencies and 6% for publishers.

42% of agency professionals are very concerned and actively pursuing solutions regarding fraud and quality-related issues in advertising within Europe

16% of brands are not concerned at all with fraud

Acknowledgements

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- **Devora Mateeva,** business director, Starcom
- **Sebastian Munden,** chair, Ad Net Zero
- **Antoine Poincaré,** vice president, AXA's The Climate School

SAMPLE & METHODOLOGY

The original quantitative research outlined in this report is derived from a survey of 131 senior-level media professionals working within a brand, agency, or publisher, within the European region. The surveyed countries were France, Germany, and the United Kingdom. Data was collected from 11th August 2022 to 15th August 2022.

ABOUT OPENX

OpenX powers highly relevant advertising at global scale, delivering quality and value to brands, publishers and consumers across every type of connected screen and ad format. The company's leading technology aggregates, curates, and values consumer interest in real time on one of the world's largest and highest quality ad exchanges to ensure marketers reach exactly the audience they want. OpenX serves more than 30,000 of the world's most recognised brands, more than 1,200 publishers, and more than 2,000 premium mobile apps. OpenX is the only ad exchange that has been certified as a CarbonNeutral company. OpenX has also had its net zero targets validated by the Science Based Targets initiative (SBTi).

For more information, please visit www.openx.com

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