

Powering Advertising Growth with AI — Europe

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“AI through its high-precision targeting and measurement capabilities brings unparalleled accuracy in audience targeting and campaign impact.”

— **Yang Han**
CTO at StackAdapt

Executive summary

Public interest in artificial intelligence (AI) has perhaps never been stronger. Though both consumer and B2B applications of AI have been on the market for many years, the emergence of generative tools such as ChatGPT, Stable Diffusion, and Midjourney have thrust the field into the limelight.

87%

reported improved performance and ROI through use of AI solutions in digital advertising campaigns

In association with:  StackAdapt

In turn, intrigue towards machine learning (ML) and AI has had a truly dramatic impact on public markets. By April 2023, excitement around AI had driven a USD\$4tn (£3.3tn) surge in tech stocks, more than six times the combined market cap of the seven largest publicly-traded media companies.

To that end, in this Insights & Attitudes report, produced in association with StackAdapt, we examine how AI tools are being used by agency and brand marketers across Europe, the impact of these solutions upon performance, and how their usage is set to evolve over the next five years. Specifically, we explore:

- Practical applications of AI and ML within advertising
- How the use of AI is affecting marketing performance and ROI
- Effect of AI-based targeting on advertising waste
- Benefits and challenges associated with ML and AI in advertising
- Evolution of AI adoption

AI is imminently set to become a critical component within European advertising. From targeting to content generation, chatbots to analytics, the use of AI will be near ubiquitous by the end of next year. This growth is fuelled by the results brands and agencies alike have already observed via the use of AI.

Key findings

- The use of AI-powered tools within digital marketing is set to be endemic within Europe by the close of 2024, with at least 95% of respondents set to use AI in programmatic advertising platforms; audience targeting; automated content generation; chatbots; and predictive analytics within the next 12 months.
- Overall, the use of artificial intelligence solutions has had a markedly positive impact on advertising campaigns across Europe, with 87% reporting the use of AI improved performance and return on investment (ROI).
- Almost all (99%) of surveyed agency and brand marketer professionals across Europe stated that AI has had a positive impact on advertising growth and efficiency, with none noting a decline in efficiency associated with the use of AI solutions.
- Where European digital advertising professionals are currently using AI-based targeting, this is leading to widespread reduction in advertising waste, with 80% reporting that use of these solutions had reduced advertising waste to some extent.
- Overall, high-quality targeting was the most-commonly cited benefit of applying ML and AI solutions to digital advertising campaigns. This was closely followed by increased customer engagement and assistance in determining the best ad placement on the page.
- AI is set to play a highly important role within multiple facets of digital advertising in the coming years, with AI deemed to have at least a moderate impact by 90%+ of respondents for all surveyed factors.
- Data privacy and compliance was cited by European agency and brand professionals as the leading challenge in implementing AI strategies within digital advertising, with 64% citing this as an issue. This was closely followed by the technical complexity of AI integration (62%).

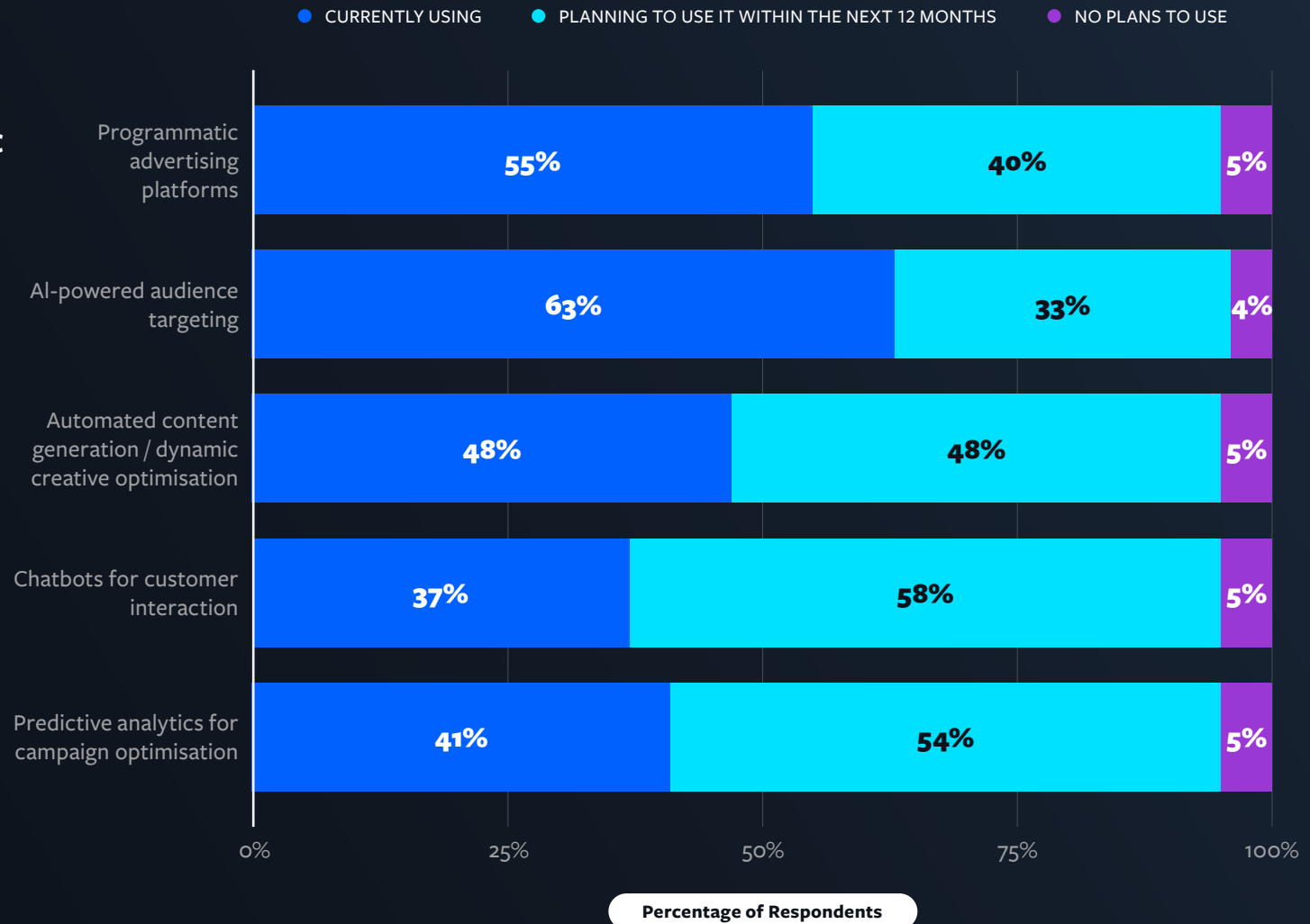
Use of AI tools and platforms

The use of AI-powered tools within digital marketing is set to be endemic within Europe by the close of 2024, with at least 95% of respondents set to use AI across all surveyed areas within the next year. Moreover, the majority of brand and agency marketers are currently using AI for audience targeting (63%) and within their programmatic advertising platforms (55%).

95%

of respondents are set to use AI in programmatic advertising platforms by the end of 2024

Figure 1: Use of AI-powered tools and platforms — Europe 2023



Impact of AI on advertising campaigns

Overall, the use of artificial intelligence solutions has had a markedly positive impact on advertising campaigns across Europe.

Over 90% of respondents in both France and the UK reported an improvement in performance/ROI through the use of AI solutions, while nearly half (46%) of those surveyed in Spain reported that the use of AI had significantly improved performance and ROI.

87%

of respondents reported that the use of AI in marketing improved performance and ROI

Figure 2: Impact of AI adoption on advertising campaigns — Europe 2023

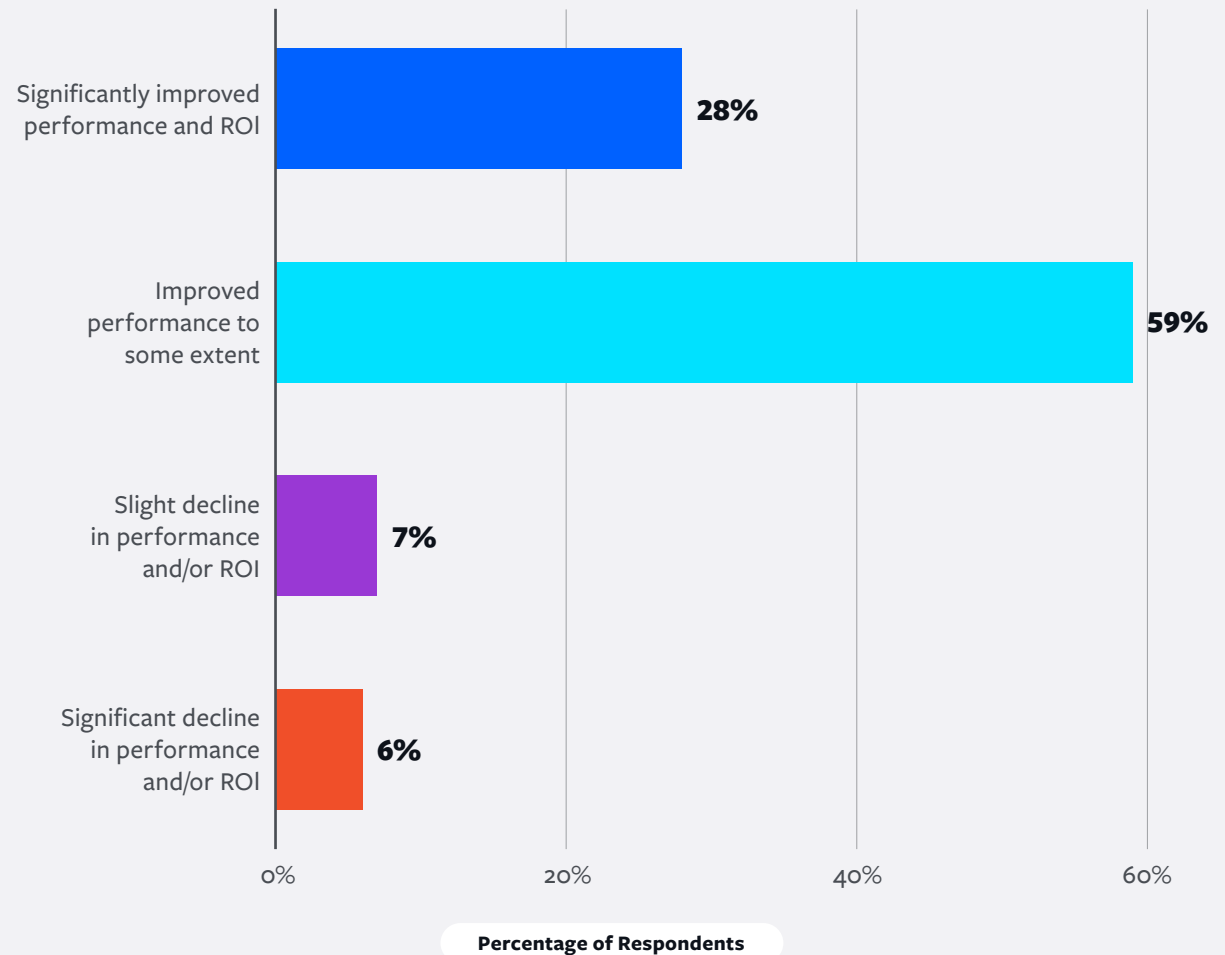
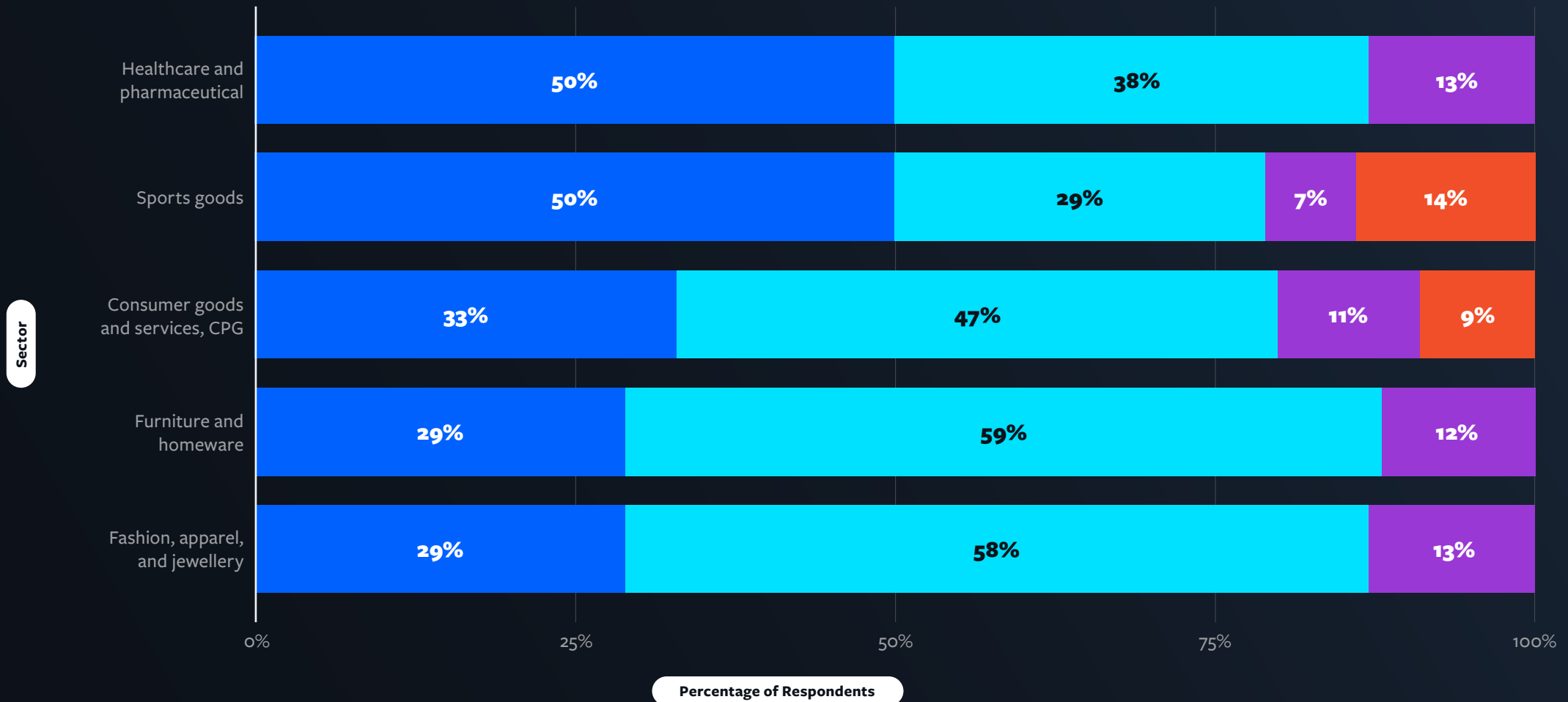


Figure 3: Impact of AI adoption on advertising campaigns — Europe 2023 (top 5 sectors)

- SIGNIFICANTLY IMPROVED PERFORMANCE AND ROI
- IMPROVED PERFORMANCE TO SOME EXTENT
- SLIGHT DECLINE IN PERFORMANCE AND/OR ROI
- SIGNIFICANT DECLINE IN PERFORMANCE AND/OR ROI

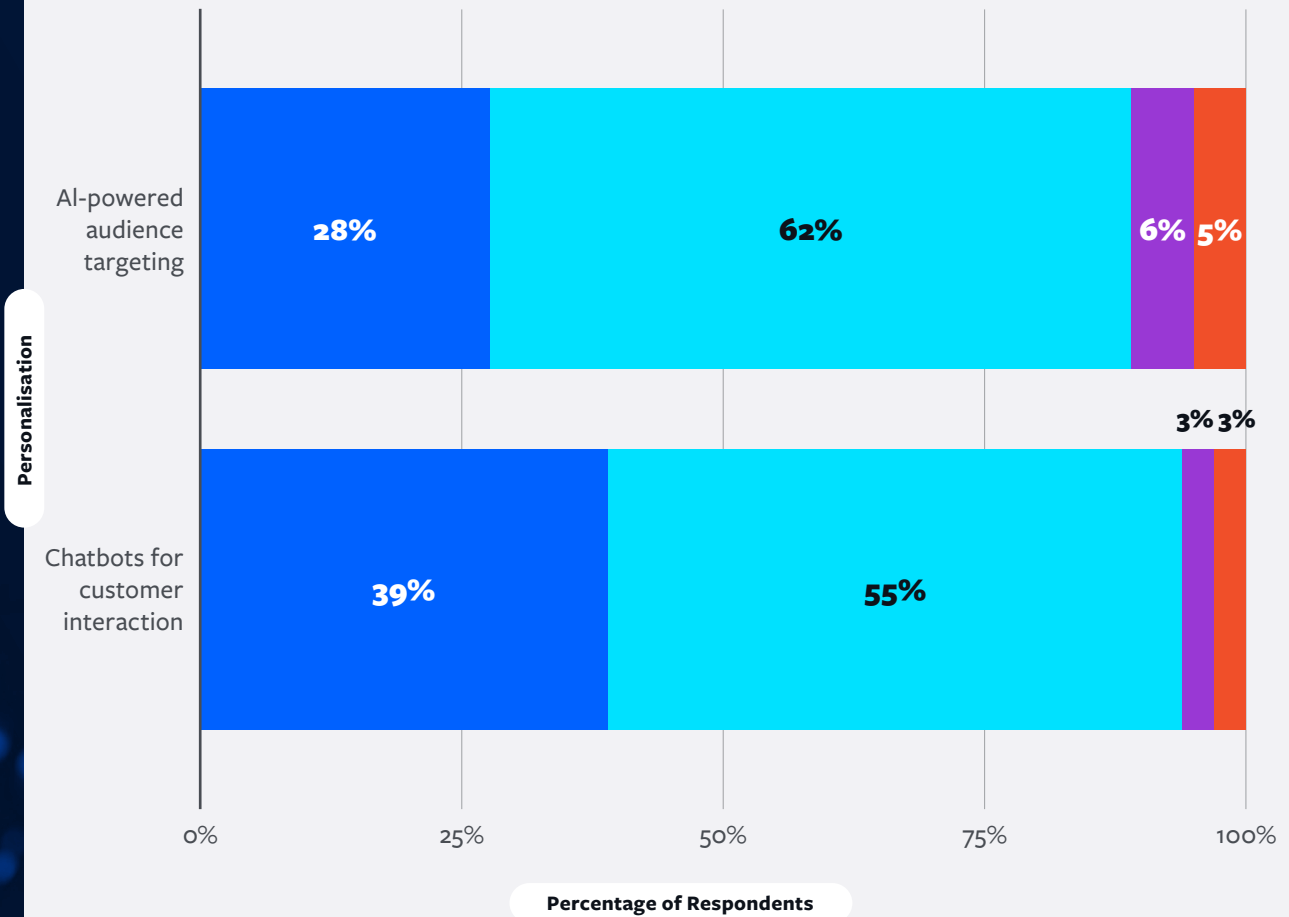


Personalisation

Where European brand and agency professionals are using AI for customer experience and personalisation, they are seeing above-average gains in performance and return on investment. Specifically, 90% of respondents are observing improvements to performance and ROI when using AI powered audience targeting, while 94% of those using chatbots for customer interaction are seeing gains in digital advertising performance.

Figure 4: Improvements to digital advertising performance through AI-powered personalisation

- SIGNIFICANTLY IMPROVED PERFORMANCE AND ROI
- IMPROVED PERFORMANCE TO SOME EXTENT
- SLIGHT DECLINE IN PERFORMANCE AND/OR ROI
- SIGNIFICANT DECLINE IN PERFORMANCE AND/OR ROI



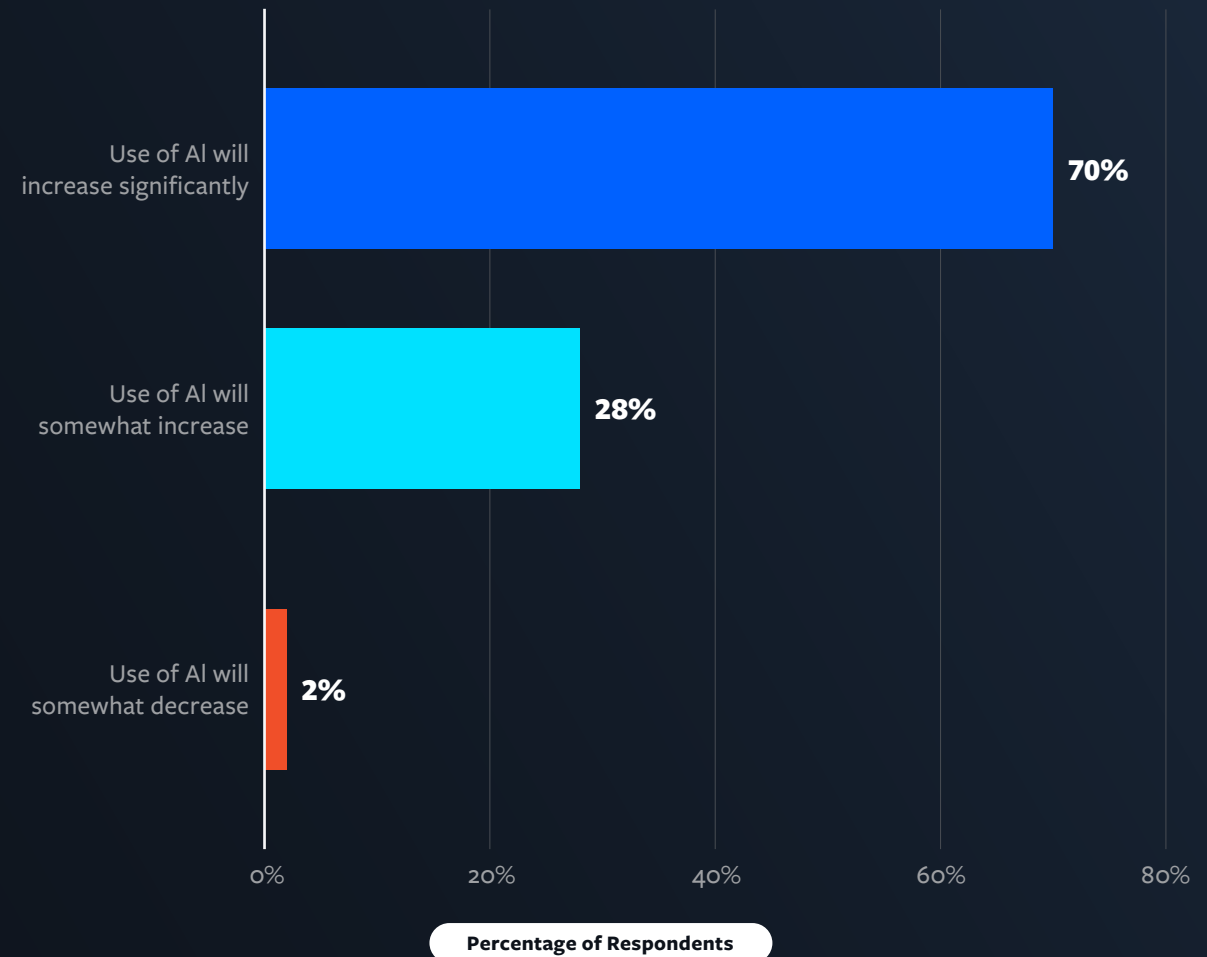
Evolution in usage of AI solutions

Corresponding with our findings on the current usage of AI solutions in digital advertising, the use of these solutions across Europe is set to proliferate rapidly over the course of the next 3–5 years. Only 2% of those surveyed stated that the use of AI is set to decrease over this period.

70%

of respondents stated that the use of AI will increase significantly in the next 3–5 years

Figure 5: Evolution of AI usage in the next 3–5 years — Europe 2023



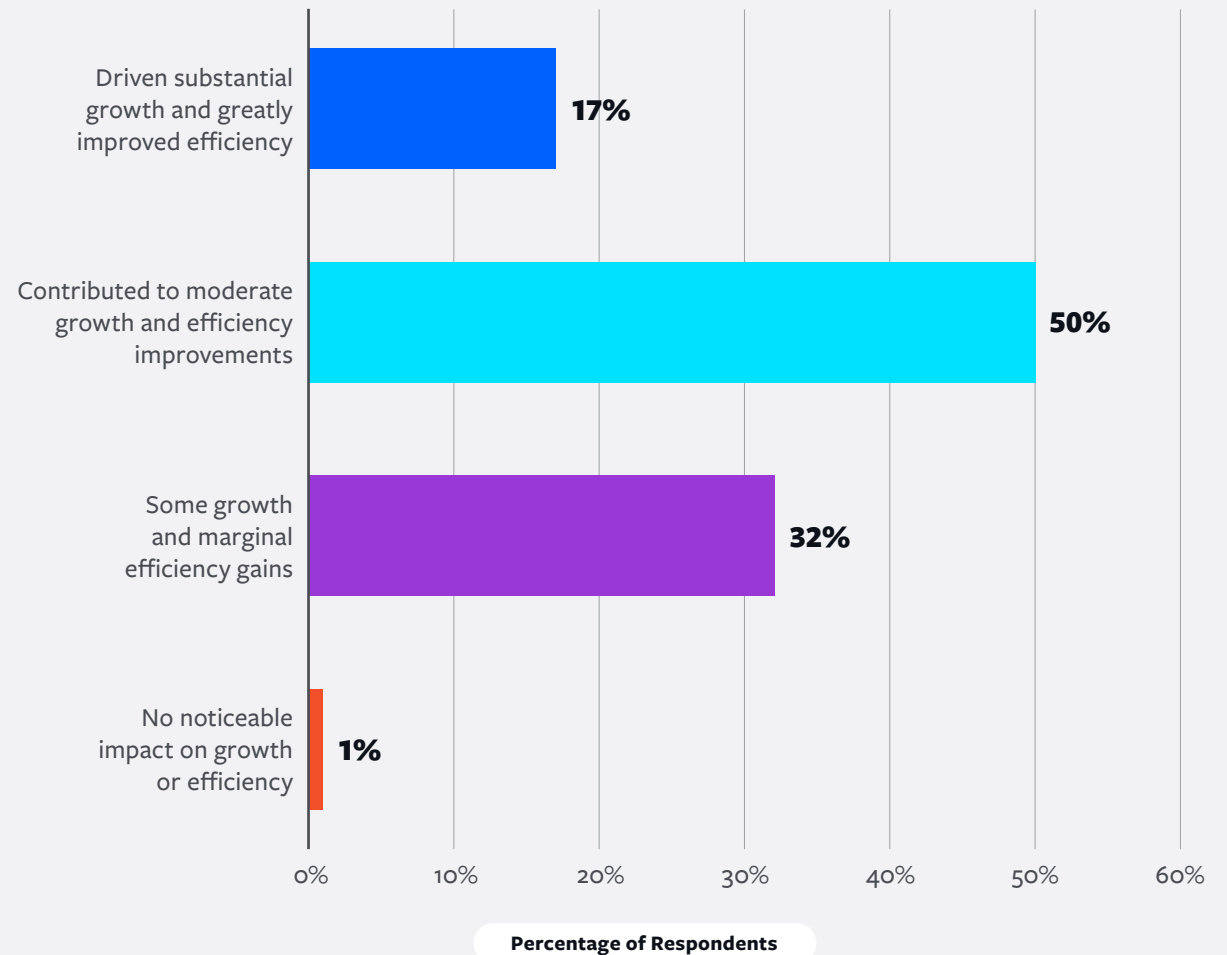
AI impact on advertising efficiency

Almost all (99%) of surveyed agency and brand marketer professionals across Europe stated that AI has had a positive impact on advertising growth and efficiency, with none noting a decline in efficiency associated with the use of AI solutions.

67%

of respondents reported moderate to substantial growth and efficiency improvements

Figure 6: AI impact on advertising growth and efficiency — Europe 2023



Reduction of advertising waste via AI-based targeting

Where European digital advertising professionals are currently using AI-based targeting, this is leading to widespread reduction in advertising waste. Nearly one-third (29%) reported that the use of AI-based targeting had significantly reduced waste, however a minority (14%) reported that using such solutions had actually increased their advertising waste.

80%

of respondents reported that use of AI-based targeting reduced advertising waste to some extent

Figure 7: Change in advertising waste by AI-based targeting — Europe 2023

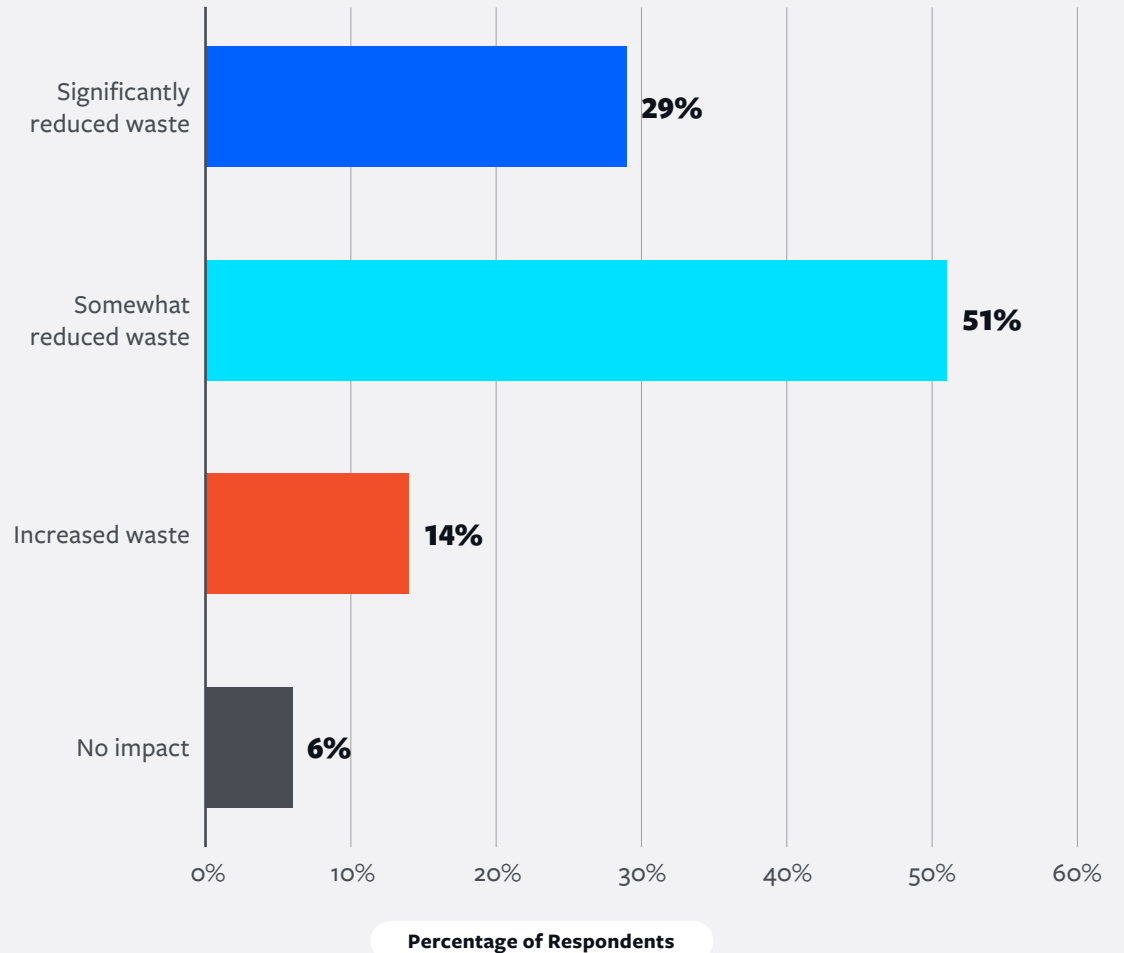
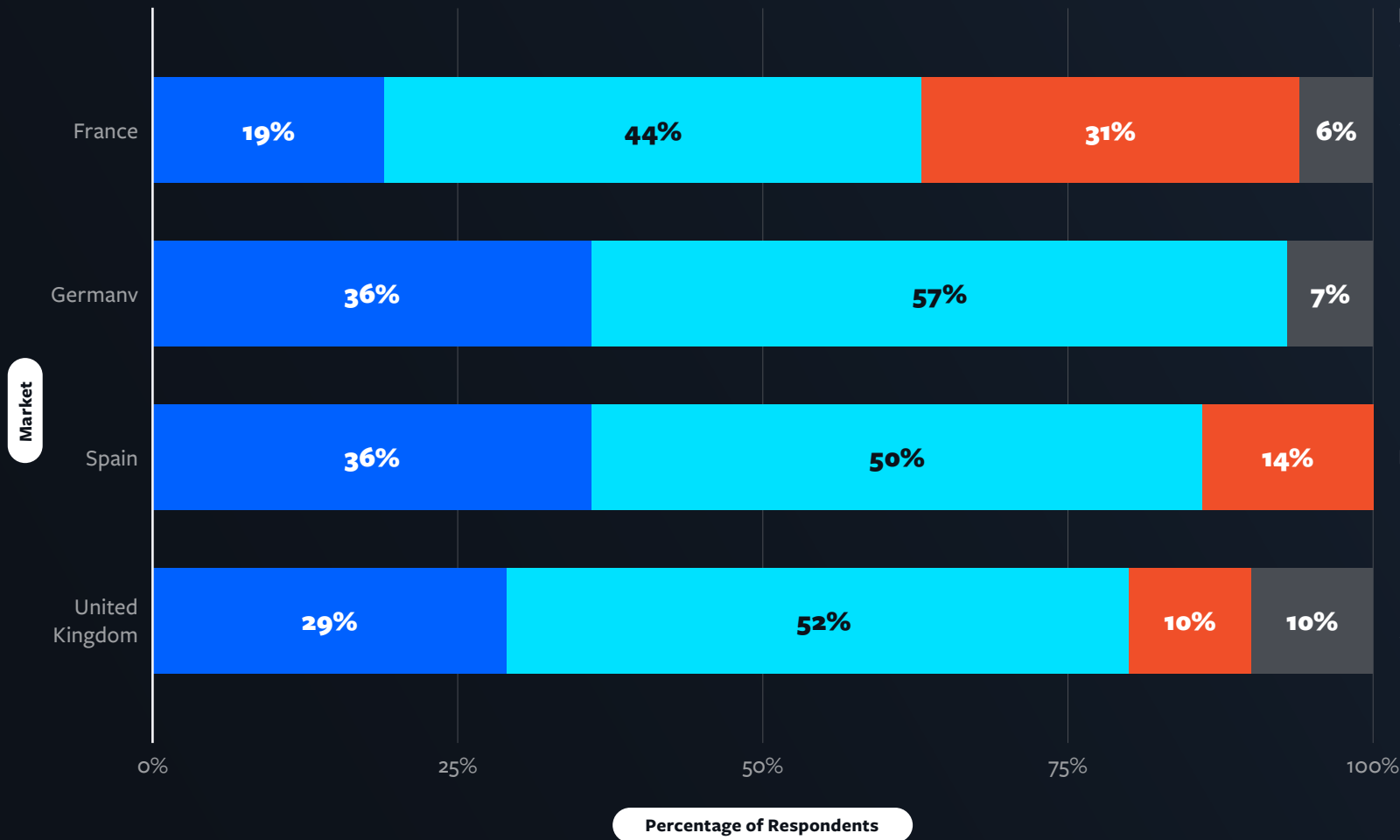


Figure 8: Use of AI-powered tools and platforms — Europe 2023

● SIGNIFICANTLY REDUCED WASTE ● SOMEWHAT REDUCED WASTE ● INCREASED WASTE ● NO IMPACT



Though 31% of respondents in France reported an increase in advertising waste, the majority of respondents deemed AI-based targeting solutions somewhat or significantly effective at reducing advertising waste across all surveyed markets.

93%

of respondents in Germany reported that AI-based targeting solutions had reduced advertising waste to some extent

The effectiveness of AI-based targeting solutions in reducing advertising waste also varied substantially according to the sector in which the brand or agency operates.

All respondents operating in the automotive, education, travel & tourism, and telecommunications sectors reported that AI-based targeting solutions had reduced advertising waste. A minority of those surveyed in the healthcare and electronics sectors told a more cautionary tale of no effect, or an increase, in advertising waste.

#1

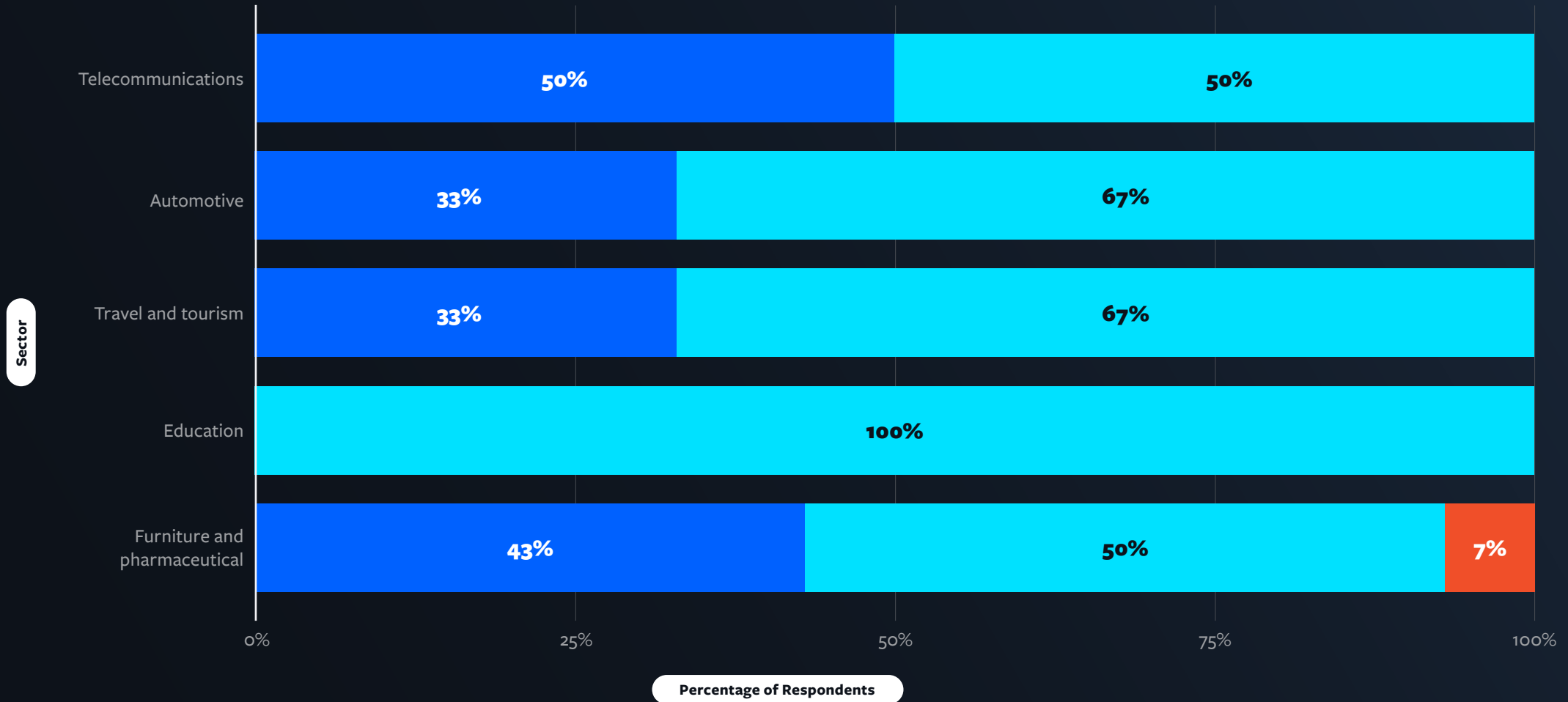
Telecommunications was designated as the #1 sector for reduction of advertising waste through use of AI

“AI, through its high-precision targeting and measurement capabilities, brings unparalleled accuracy in audience targeting and campaign impact.”

— **Yang Han**
CTO at StackAdapt

Figure 9: Change in advertising waste by AI-based targeting — Europe 2023 (leading 5 sectors)

● YES, SIGNIFICANTLY REDUCED WASTE ● YES, REDUCED WASTE TO SOME EXTENT ● NO, IT HAS INCREASED ADVERTISING WASTE



Benefits of applying AI and ML to digital advertising campaigns

Overall, high-quality targeting was the most-commonly cited benefit of applying ML and AI solutions to digital advertising campaigns (44% of respondents), followed closely by customer engagement and determining the best ad placement.

#1

High-quality targeting was identified as the #1 benefit of AI and ML use in advertising

Figure 10: Benefits of applying AI and ML to digital advertising campaigns

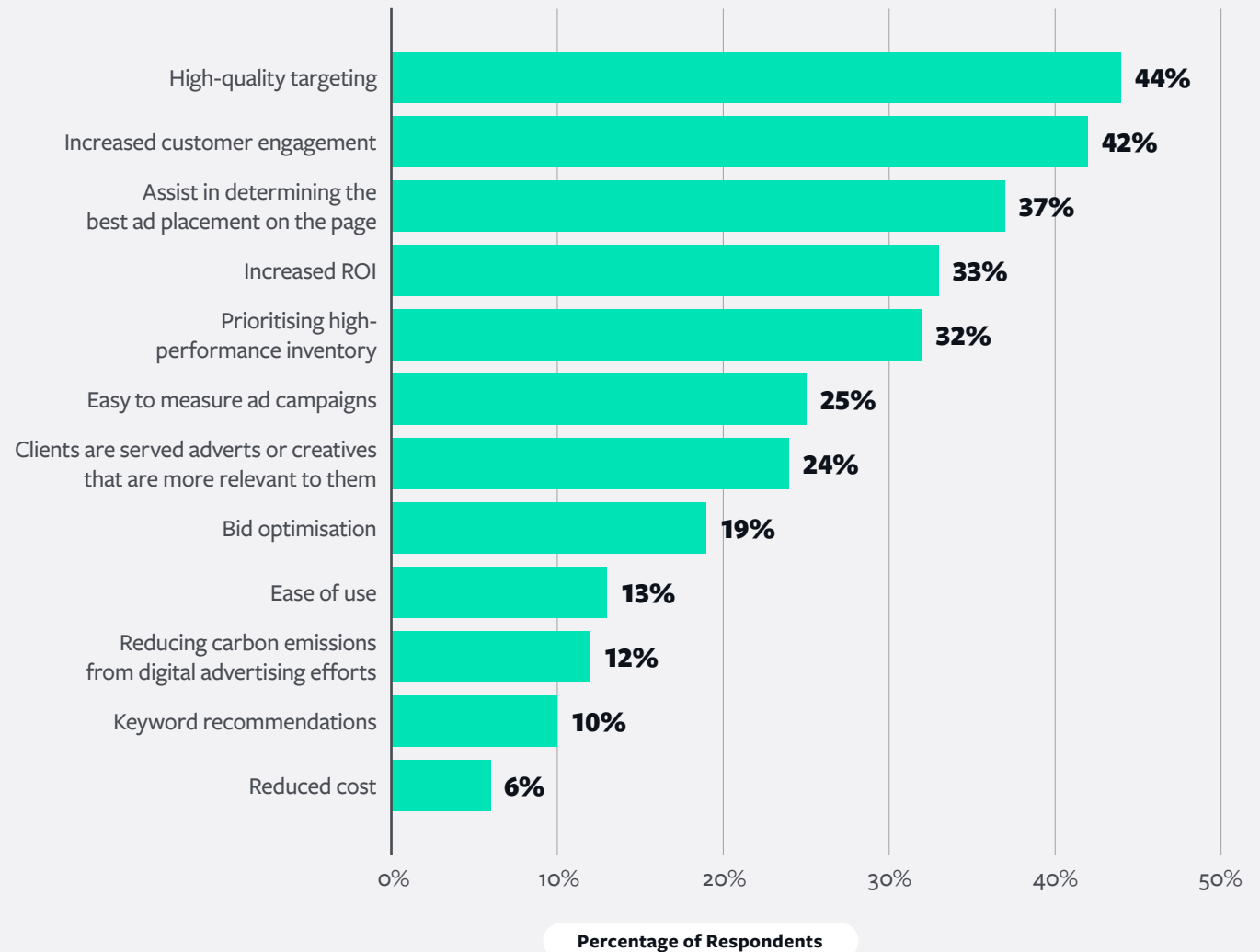
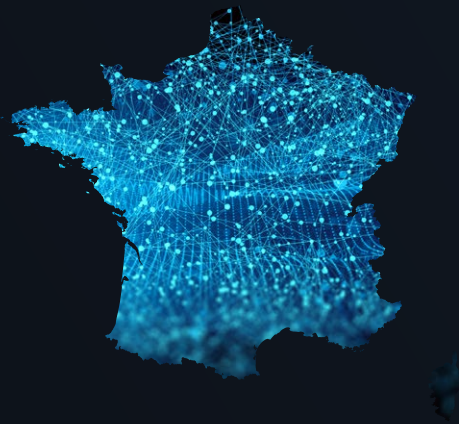


Figure 11: Top three benefits of applying AI and ML to digital advertising campaigns — by market



France

- High-quality targeting (60%)
- Increased customer engagement (44%)
- Ease of campaign measurement (40%)



Germany

- High-quality targeting (60%)
- Relevant ads/creative served to clients (36%)
- Determining best ad placement on page (36%)



Spain

- Increased customer engagement (52%)
- Determining best ad placement on page (48%)
- Prioritisation of high-performance inventory (48%)



UK

- Relevant ads/creative served to clients (44%)
- Increased ROI (41%)
- Increased customer engagement (41%)

Importance of AI within 3–5 years for digital advertising factors

AI is set to play a highly important role within multiple facets of digital advertising in the coming years, with AI deemed to have at least a moderate impact by 90%+ of respondents for all surveyed factors. Over half (53%) stated that AI will be critically important for both cross-channel campaign coordination and within voice and visual search advertising (51%), with the latter likely driven by the advent of AI-powered text-to-image models.

97%

stated that AI will be important to some extent in programmatic advertising dominance

Figure 12: Proportion of respondents deeming AI to be critically important within digital advertising factors — top factors by market

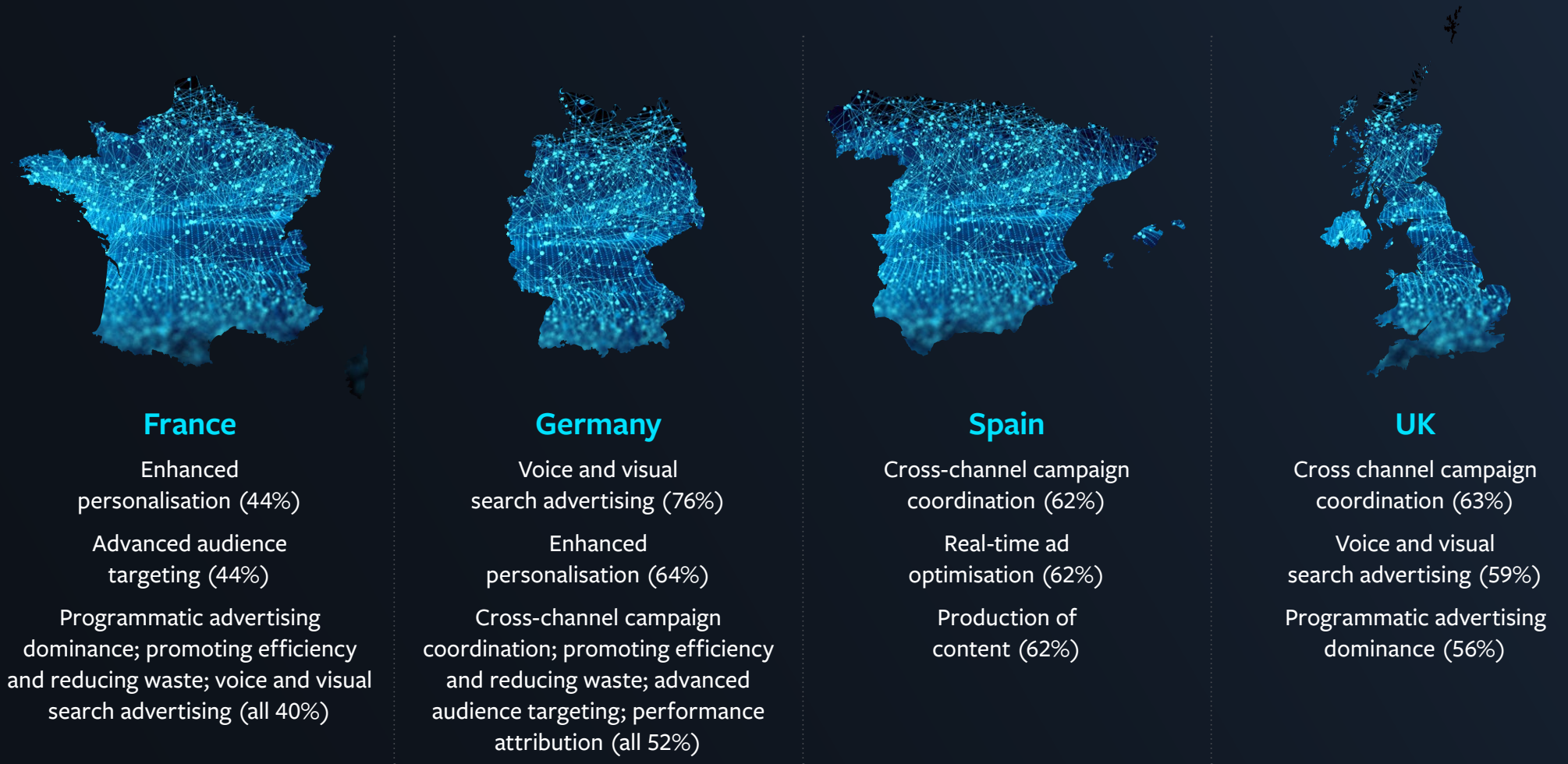


Figure 13: Proportion of respondents deeming AI to be critically important within digital advertising factors — Europe 2023 (by sector)

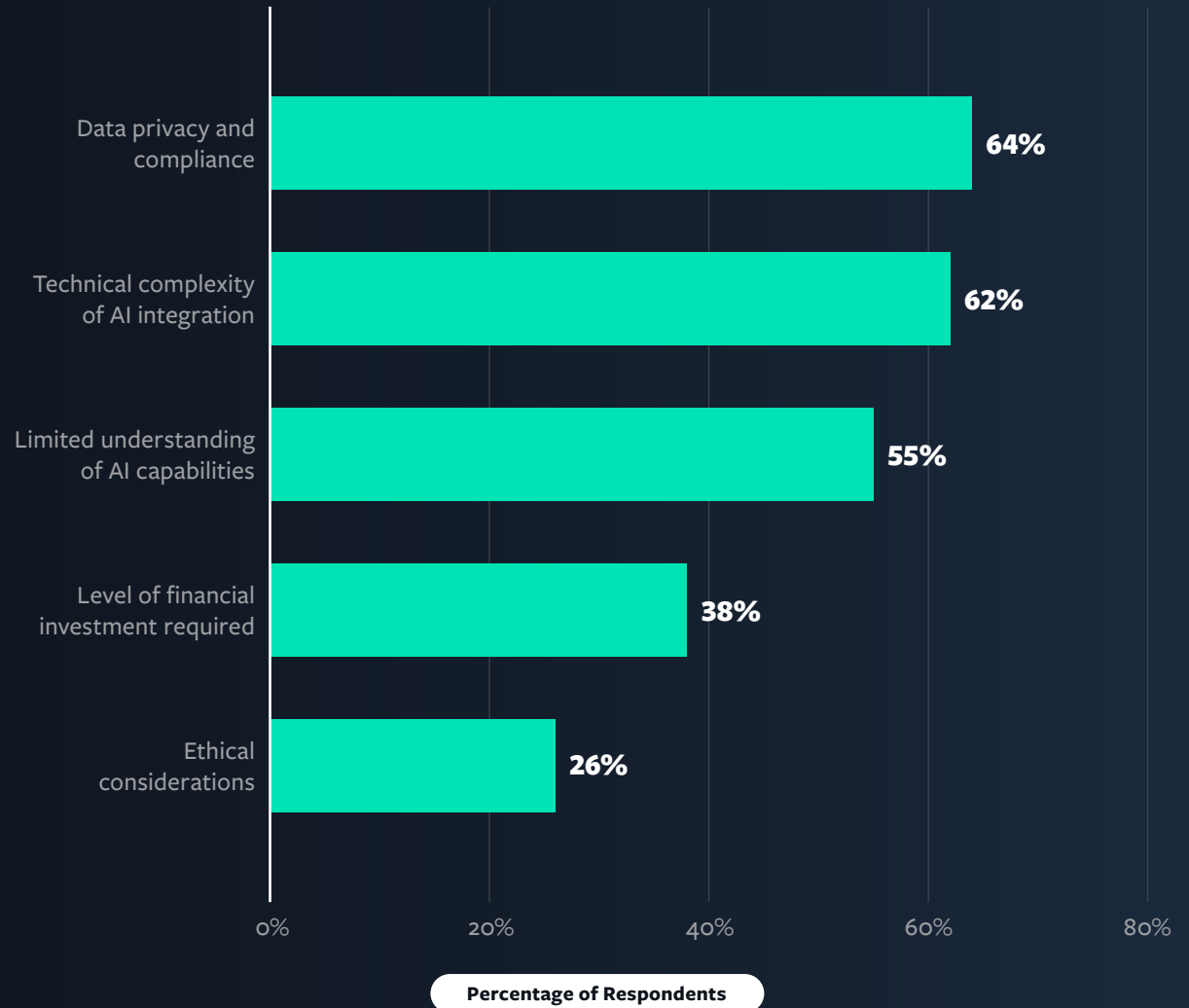
Digital advertising factor	Automotive	B2B goods and services	Consumer goods and services, CPG	Education	Electronics and technology	Fashion, apparel, and jewellery	Financial services	Furniture and homeware	Healthcare and pharmaceutical	Real estate	Sports goods	Telecommunications	Travel and tourism
Cross-channel campaign coordination	33%	51%	60%	50%	62%	63%			88%		71%		
Advanced audience targeting				50%	62%					50%			60%
Enhanced personalisation	33%	51%					52%						
Real-time ad optimisation	33%									50%		43%	
Programmatic advertising dominance							65%						
Performance attribution				50%								43%	
Promoting efficiency and reducing wastage					62%								
Lowering carbon emissions associated with digital advertising	33%												

Challenges in implementing AI strategies

Data privacy and compliance was cited by European agency and brand professionals as the leading challenge in implementing AI strategies within digital advertising, with 64% citing this as an issue. This was closely followed by the technical complexity of AI integration (62%), indicating that more work needs to be done to both educate and reassure brands on how they can deploy AI/ML solutions, whether directly or through the use of partners, effectively in the post-cookie age.

Challenge

Figure 14: Challenges in implementing AI strategies — Europe 2023



79%

of respondents cited limited understanding of AI capabilities as a key concern for those operating in the sports goods sector

The German market proved atypical in terms of challenges associated with deploying AI and ML strategies. Here, 80% of respondents cited technical complexity as a challenge, followed closely by limited understanding of AI capabilities. Only 40% of respondents operating in Germany cited data privacy and compliance issues as a challenge.

Figure 15: Challenges in implementing AI strategies
— Europe 2023 (by market)

Benefit of applying AI and ML to digital advertising campaigns	France	Germany	Spain	UK
Data privacy and compliance	72%	40%	74%	70%
Technical complexity of AI integration	64%	80%	41%	63%
Limited understanding of AI capabilities	32%	72%	56%	59%
Level of financial investment required	48%	32%	33%	37%
Ethical considerations	32%	8%	26%	37%

There was also substantial variation in the challenges associated with implementing AI strategies according to the sector in which the respondent operates within.



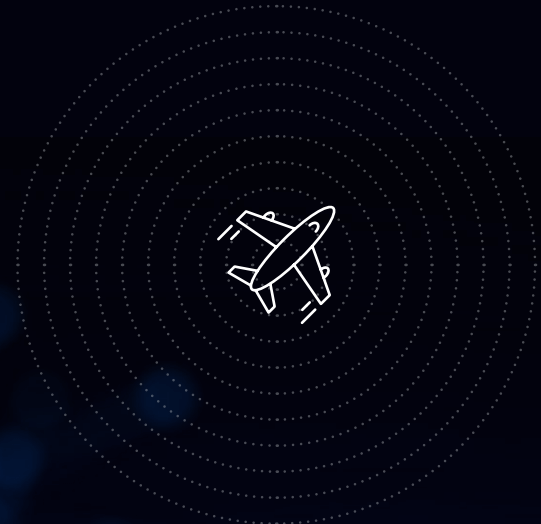
100%

of respondents in the education sector cited potential data privacy and compliance issues as a challenge



79%

of brands and agencies in the sports goods sector cited limited understanding of AI capabilities as a key concern



0%

of those surveyed in the travel and tourism industry cited limited understanding of AI capabilities as a key concern

The agency AI paradox: performance versus waste

There is an inverse relationship between performance gains associated with the use of AI, and reduction of advertising waste, depending on whether an agency is independent or is part of a holding company.

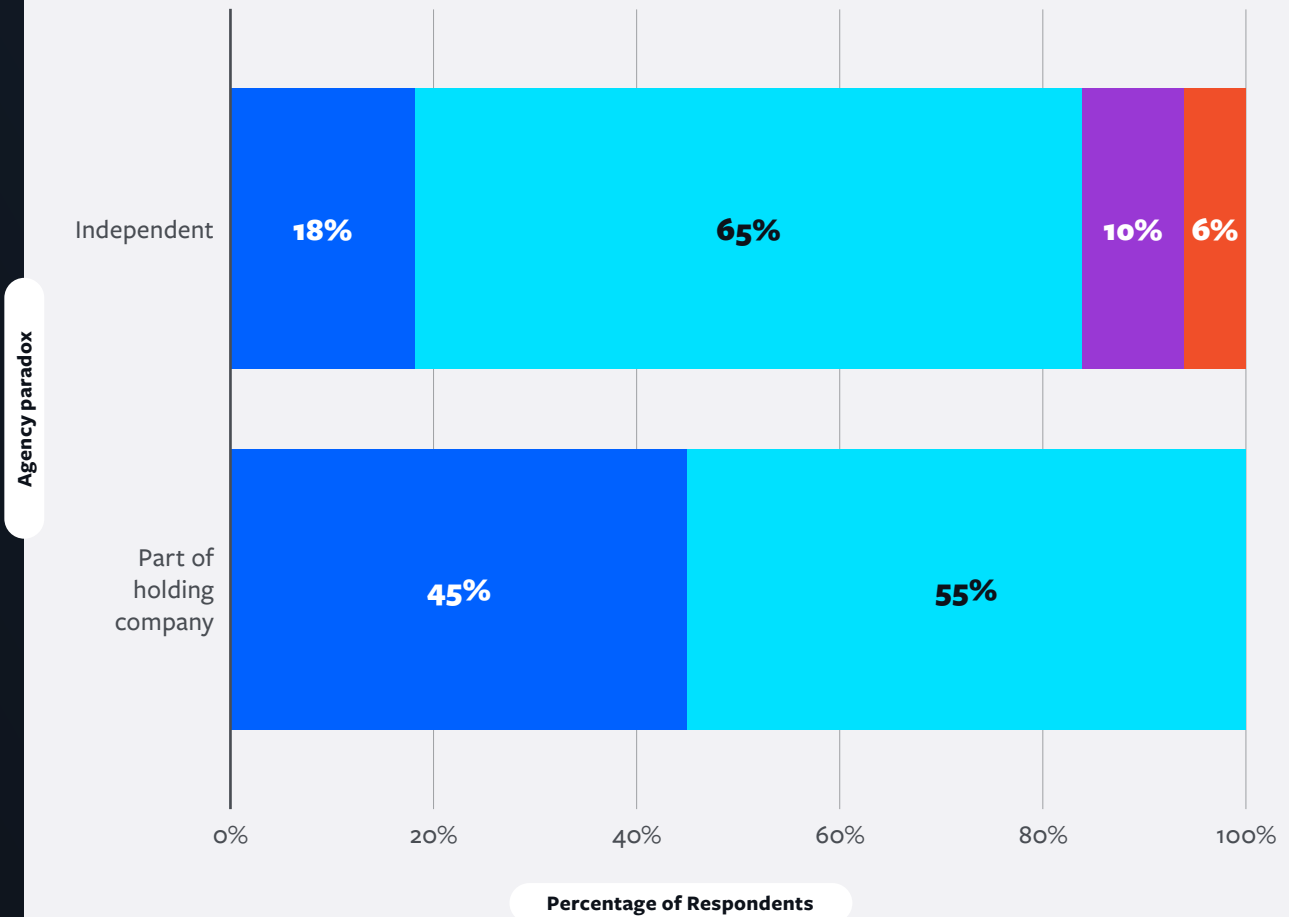
All surveyed European agency professionals working within a holding company reported improved performance and ROI in their advertising campaigns through the use of AI tools. However, only 18% of independent agencies reported significant gains, with a similar proportion (16%) reporting declines in performance and ROI.

45%

of respondents at agency holding companies reported significantly improved performance and ROI through the use of AI

Figure 16: Impact of AI adoption on advertising campaigns — Europe 2023 (by sector)

- SIGNIFICANTLY IMPROVED PERFORMANCE AND ROI
- IMPROVED PERFORMANCE TO SOME EXTENT
- SLIGHT DECLINE IN PERFORMANCE AND/OR ROI
- SIGNIFICANT DECLINE IN PERFORMANCE AND/OR ROI



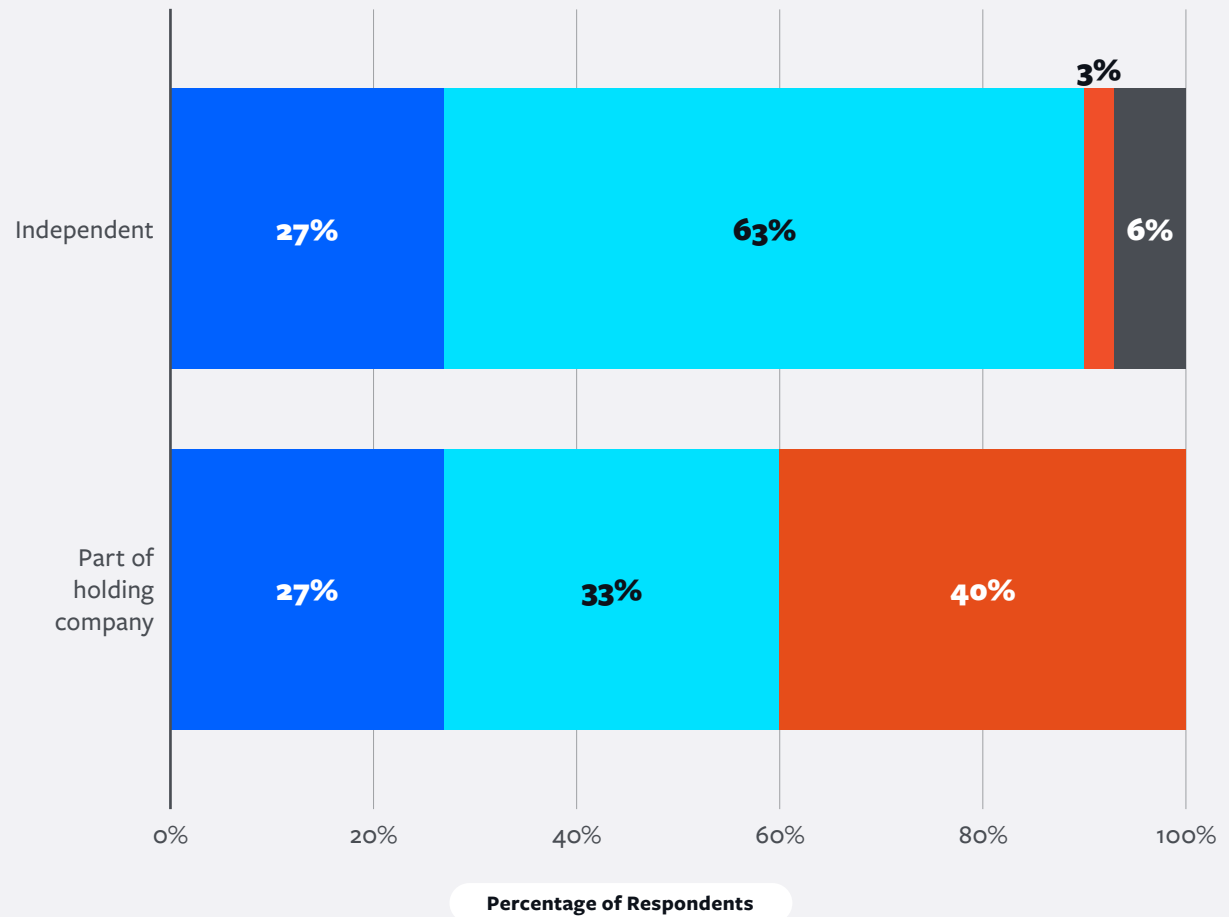
Despite holding group-tied agencies reporting greater growth and ROI gains through the use of AI, 40% are reporting increased waste associated with AI-based targeting, compared to only 3% of independent agencies.

Though this is an interesting paradox, it is still important to note that, overall, 90% of independent agencies and 60% of holding group-tied agencies still noted a reduction in advertising waste via the use of AI tools.

Agency paradox

Figure 17: Impact of AI adoption on advertising campaigns — Europe 2023 (by sector)

- SIGNIFICANTLY REDUCED WASTE
- SOMEWHAT REDUCED WASTE
- INCREASED WASTE
- NO IMPACT



Acknowledgements

ExchangeWire and StackAdapt would like to take this opportunity to thank the surveyed participants.



ABOUT STACKADAPT

StackAdapt is a multi-channel programmatic advertising platform used by the most exceptional digital marketers. This state-of-the-art platform is where some of the most progressive work in machine learning meets cutting-edge user experience. Ad buyers plan, execute, and manage data-driven digital advertising campaigns across all devices, inventory, and publisher partners.

For more information, please visit www.stackadapt.com



ABOUT EXCHANGEWIRE

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SAMPLE & METHODOLOGY

Original data within this report is derived from a survey of 104 media professionals working within a brand or agency within Europe. Data was collected from 6th September 2023 to 15th September 2023.