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## AD COSTS RISING AS BRANDS BATTLE FOR LIMITED CUSTOMER ATTENTION

- **Search advertising cost increase outpaces rate of inflation by 450%**
- **Mobile ad investment in Europe continues to grow**
- **European consumers sensitive to advertising, but open to personalisation**

The growth of online audiences seems to have hit a peak, with website visits in Europe increasing by a nominal 5% since 2014.<sup>1</sup> As the battle for customers builds momentum across the region, marketers are facing increased advertising costs, which are yielding a smaller return on investment. This is the main finding of Adobe Digital Insight's latest report, the State of Digital Advertising: Europe, released to mark the first day of Adobe Summit EMEA 2017.

The report revealed that, in 2016, the price increase of Cost-Per-Click (CPC) search advertising outran the European rate of inflation by 4.5 times, at a rate of 16% compared to 3.5% inflation.<sup>2</sup> And, with price rises in the wake of the EU referendum limiting UK consumer spending power, marketers aren't just fighting for narrower audiences, but smaller wallets too.

Higher ad costs have made a significant dent into marketers' budgets across Europe, with brands increasing spend on search advertising by 47% in the last two years.<sup>3</sup> However, these brands only received an increase in site visits of a third (33%) in return for this investment, suggesting that their budgets are yielding lower returns.

"One of the biggest shifts in the advertising industry has been the explosion of digital channels, with digital ad spend increasing leaps and bounds year on year. It is more important than ever for advertisers to take a more strategic look at how they can effectively shift towards a digital buying and delivery process that provides full transparency and better returns," said John Watton, Senior Marketing Director, Adobe EMEA.

### ENGAGING AUDIENCES

Despite the price hikes marketers are facing to acquire online audiences, engagement rates are slipping across all platforms. In 2016, consumers across Europe spent an average of eight seconds less on each website visit than the year before (343 in 2016, compared to 351 in 2015).

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<sup>1</sup> Recorded between Q1 2017 to Q1 2014

<sup>2</sup> Recorded between Q4 2016, to Q4 2015

<sup>3</sup> Recorded between Q4 2016 to Q4 2014

This decline in engagement has also resulted in more difficulty getting new visitors to return. The report found that, in the European retail and travel industries, only one in three new site visitors return, suggesting that if marketers don't engage their audiences, they won't turn into customers.

Engagement rates vary by country. In France and the Netherlands, for example, time spent on websites dropped by 28 and 44 seconds respectively between 2015 and 2016. However, Germany only saw a drop of eight seconds. UK audiences are relatively more engaged, with a 31 second increase during the same period.

## **MOBILE AS A KEY PLATFORM FOR ENGAGEMENT**

Meanwhile, mobile advertising continues to grow in Europe, and with mobile traffic now accounting for almost half of all European website traffic (49% as of Q1 2017), marketers have been quick to recognise mobility as a critical tipping point. There has been significant brand investment in mobile across the region, with the number of mobile ad impressions purchased by marketers increasing by one-fifth (19%) year-on-year between 2015 and 2016.<sup>4</sup> Despite this increase, three quarters of UK marketers (76%) still believe they underinvested in smartphone advertising spend in 2016.

But mobile has turned out to be a double-edged sword for advertisers, with mobile content commanding considerably shorter attention spans than desktop content. In Europe, one-fifth of consumers (18%) move on after a mobile video ad has played for five seconds, with an overall completion rate of 63% - significantly lower than the 80% video ad completion rate on desktops.

## **MORE DEMAND FOR PERSONALISATION**

The study also found that marketers need to do more to deliver relevant content to consumers. Just a third of British consumers (33%) believe that advertisers have improved their ability to deliver compelling ads in the last two years. This is despite nearly half of brand and agency marketers in the UK (49%) stating they've improved at doing so over the same period, marking a disconnect between how marketers think they're performing, and what consumers see as relevant and interesting advertising.

In Europe, strong consumer appetite for ad personalisation could help remedy this disconnect – as long as it is done well. More than half of the millennials (53%) surveyed prefer content that is personalised to their interests, while only a fifth (21%) don't want any personalisation at all.<sup>5</sup> There is room for improvement, however, as about one third (31%) believe that personalised ads aren't an improvement on general ones.

"With online audience growth slowing, the battle for customer loyalty is well and truly on. But with a disconnect between how marketers rate themselves and how effective consumers think they are, it's clear that more needs to be done to engage audiences. Coupled with a growing cost of acquiring customers, experience matters more than ever before. This means all marketing activities working hand in hand across all channels and platforms to deliver relevant, beautiful and timely experiences that keep customers coming back. The demand for mobile experiences as well as more personalised content is there, and now is the time to act on it," Watton concluded.

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<sup>4</sup> Recorded between Q4 2016, to Q4 2015

<sup>5</sup> Millennials defined as those aged between 18-34

**Helpful Links**

Read more about the report on [CMO.com](http://CMO.com)

**Adobe Digital Insights**

Adobe Digital Insights publishes research on digital marketing and other topics of interest to senior marketing and e-commerce executives across industries. The findings of this report are based on analysis of over 340 billion visits to over 6,000 websites (Jan 2014 to Jan 2017), 4.7 billion video ad impressions from France, Germany and the United Kingdom, and 188 billion paid responses to consumer searches in Europe.

An email survey was also conducted with 1,000 consumers per country over the age of 18 in France, Germany, UK, Netherlands and Sweden. A survey was also completed by digital markets in France, Germany and the United Kingdom, with 100 responses per country.

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