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July was the worst month for ad spending in 2 years

Article

The news: July saw ad spending go through its worst monthly decline since July 2020. **Ad spending contracted 12.7%** year over year in July, per MediaPost and Standard Media Index's US Ad Market Tracker.

- July 2020 ad spending itself was low, down 17.8% from the year prior as the tail end of the COVID-19 recession played out.

Why is this happening? Ad spending soared during pandemic-induced lockdowns because of increased screen time and new digital advertising channels, but a confluence of factors have caused the market to cool down.

- The first reason is simple: Lockdowns are over and people are returning to everyday life. That means less time on screens and more time out in public, which has given a boost to out-of-home (OOH) advertising and ads on non-visual platforms like **Spotify**.
- Rising inflation has caused businesses to reexamine spending and has also pushed consumers to spend less. There's debate about whether the US is currently in a recession, but buyers don't seem optimistic—**70% of consumers** say they think there's currently a recession, per Brand Keys.
- On top of that, advertising norms have been shaken thanks to **AppTrackingTransparency** on **iOS**, a wave of privacy regulations, and the ever-delayed rolling out of third-party cookies on Chrome.
- With spending falling and no post-ATT solution for digital advertising in sight, the outlook is spreading nerves.

The spillover: Whether the decrease in spending is a "downturn" or just a stabilization, the impact on advertising and related industries is undeniable. Companies that overextended during the pandemic by increasing ad spend or headcount are now pulling back.

- Advertiser Perceptions reports that **one in five marketers have cut their ad spending**. Automakers, historically large advertising spenders, have instead put their money behind customer experience, prompting sweeping changes at ad agencies.
- Layoffs have hit nearly every sector touched by advertising, even as US employment rises overall. Big Tech companies had a series of brutal earnings reports that prompted **Snap**, **Meta**, **Netflix**, and others to begin layoffs.
- Publishers like **The New York Times** reported ad revenue drops in Q2, but it was saved by rising subscription revenues. Others weren't so lucky: **Gannett** began mass layoffs that affected at least 13 news outlets across the country on Friday. **Vox**, **Recurrent Ventures**, and others have also slashed headcount as ad revenues dwindled.

What's here to stay: The contraction has wounded many sectors of the ad industry, but has also revealed which pandemic shifts are here to stay.

- OOH ad spending will grow in 2022, but at a much slower rate than its digital counterparts, even as the world reclaims some normalcy from the pandemic.

- The post-ATT and third-party cookie landscape has given rise to new digital advertising channels. Influencer marketing has emerged as a cheaper alternative to traditional channels for Big Tech and many brands, though it has its own kinks to work out.
- Retailers from **Michaels** to **Walmart** have raced to launch retail media ad networks to tap into the still-growing pool of global ad spending. That same frenzy has come for streaming services, who are all rushing to launch ad-supported subscription tiers to meet consumers' desire for cheaper subscriptions and advertiser demand for high-impact ads.

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