

Ad spending dropped in August for the third month in a row

Article

The news: Ad spending declined for the third month in a row in August, dropping 3.3% compared with 2021, [per](#) a MediaPost analysis of Standard Media Index data.

- That's far better than the market performed in July, when ad spending contracted by 12.7%, [hitting a two-year low](#). August's figures are closer to June's, when ad spending decreased by 3%.

What this means: The August showing continues a downward trend in spending stemming back to the spring, which should ease some anxiety that July's dramatic figures would become the norm. But until core issues plaguing the industry are resolved, the downturn will continue.

- Year-over-year spending decreases are inevitable as society reclaims some post-pandemic normalcy. Digital ad spending reached record highs during lockdowns that increased the average consumer's screen time, but now that society is reclaiming some normalcy, issues with addressability, measurement, and [economic uncertainties](#) have caught up with the industry.
- In July, spending took an especially drastic dip thanks in part to a lack of major sporting events. July of last year had the Olympics, NBA Finals, and the Stanley Cup championship. Sporting events remain a proven, [reliable bastion for ad spending](#), but there were much slimmer pickings this year.
- But even if the decrease is a course correction from pandemic-inflated highs, the impact on the ad industry is undeniable. Companies at nearly [every stage of the ad funnel](#) have had layoffs, from the Big Tech giants to social media and influencer marketing firms.

Major marketers are behind the dip: The decrease in spending came mostly from the top 10 ad categories, where spending fell by 5.1%. Other categories fell only 0.9%.

- That's perhaps the most worrying sign for advertisers: Issues with addressability and changes in consumer spending habits are **driving the industry's most stalwart spenders to permanently shift their strategies.**
- One of the most visible losses has come from the auto industry. Automakers have [cut advertising spending](#) for **two months in a row**, first decreasing by **23% year over year** in June, then nearly doubling to **43%** in July.
- Where's that money going instead? To customer experience and post-purchase marketing. Those changes have longstanding agencies like England's **Bartle Bogle Hegarty** [hiring for new positions](#) and reorganizing their business.

Ad Spending Growth Worldwide, by Industry/Category, 2020-2023

% change

	2020	2021	2022	2023
Technology & electronics	-6.0%	67.5%	25.0%	11.5%
Pharmaceutical & healthcare	2.4%	33.5%	11.0%	7.5%
Nicotine products	7.9%	7.9%	11.6%	7.5%
Nonprofit, public sector, and education	8.7%	30.3%	11.0%	7.1%
Household & domestic	6.7%	36.0%	6.2%	6.5%
Clothing & accessories	0.5%	35.8%	8.6%	4.5%
Retail	4.0%	41.2%	6.8%	3.6%
Toiletries & cosmetics	2.5%	22.8%	10.0%	3.2%
Telecom & utilities	6.0%	13.3%	9.9%	3.1%
Soft drinks	4.6%	7.5%	0.7%	3.1%
Media & publishing	-5.3%	-3.9%	6.9%	1.9%
Business & industrial	0.7%	35.8%	12.1%	1.5%
Food	10.5%	5.8%	1.2%	1.4%
Leisure & entertainment	-9.2%	35.9%	9.0%	0.3%
Transport & tourism	-19.8%	53.4%	11.0%	-0.4%
Alcoholic drinks	-1.4%	53.4%	11.0%	-0.4%
Financial services	5.8%	26.8%	0.6%	-4.5%
Automotive	-0.3%	23.5%	-5.3%	-12.4%
Total	1.3%	26.8%	8.3%	2.6%

Note: includes audio (radio and digital), outdoor/cinema, publishing (magazine and newspapers), pure-play internet (social media, classified, display, and search), and video (TV and streaming)

Source: WARC, "The Ad Spend Outlook 2022/23: Impacts of The Economic Slowdown," Aug 24, 2022

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Regulation looms: The industry is grossly unprepared for a regulatory crackdown, and [it's coming](#). The **Federal Trade Commission**, the **White House**, and **Congress** have all been united in taking action against advertising's existing standards around data privacy.

- Last month, the FTC [sued](#) adtech firm **Kochava** for (among other allegations) organizing and selling customer data to "assist in advertising and analyzing foot traffic at stores or other locations."
- Shortly after, the White House laid out a [list of standards for bipartisan Big Tech and privacy reform](#), also highlighting protecting users who visit "sensitive" locations like abortion clinics.
- The accusations levied against Kochava (which is now counter suing) sounded a lot like business as usual to many advertising firms, sending pangs of worry through an industry already dealing with [upended norms](#).

The big takeaway: Sporting events in the fall and winter will give ad spending a boost, but it won't do away with the industry's long-standing problems. There's no running from regulatory scrutiny or from the addressability crisis, and firms will have to adapt their business to changing standards or get left behind.

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