

The State of **Digital Advertising** in 2023

Navigating Economic Downturns and Artificial Intelligence

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Foreword

These are not quiet times for advertising.

Recession looming over the horizon (or not), it's clear 2023 is a year of major changes for the advertising industry. Talks of shifting privacy policies and AI language processors have been all over the news headlines since the end of 2022. The signs of a distressful year were there all along.

We wanted to see how these matters affect advertisers—so we asked 200 of them what their plans are for this year.

The results of our research were quite interesting, especially given the context: we found that pessimistic news headlines had little effect on advertising professionals. On the contrary: instead of allowing the “R” word to scare them off, they are resolute on staying focused. Instead of letting indecision plague their actions, advertisers are embracing AI technologies. And instead of fearing the seemingly unavoidable shift in privacy policies, they're buckling up for the ride.

Intrigued? I invite you to take a closer look at our survey, the findings we uncovered, and what some of the best minds in advertising think about them.



Bogdan Carlescu,

VP of Marketing at Creatopy

Methodology



Company size



Industry



Turnover



Brand or agency

This survey was run by Censuswide among 200 respondents over the age of 18, working in eCommerce, Entertainment, Finance, Property, Retail, and Travel in both agencies and in-house roles. All the respondents work in companies with at least 20 employees and turnovers ranging from under \$100,000 to more than \$500 million.

All of those who agreed to participate in our research are based in the United States of America and they have one of the following job titles:

- Head of PPC
- Lead PPC Specialist
- Digital Marketing Specialist
- Sr. Paid Marketing Specialist
- Digital Campaign Lead
- Sr. Paid Search & Display Manager
- Digital Advertising Manager
- Media Buyer
- Performance Media Manager



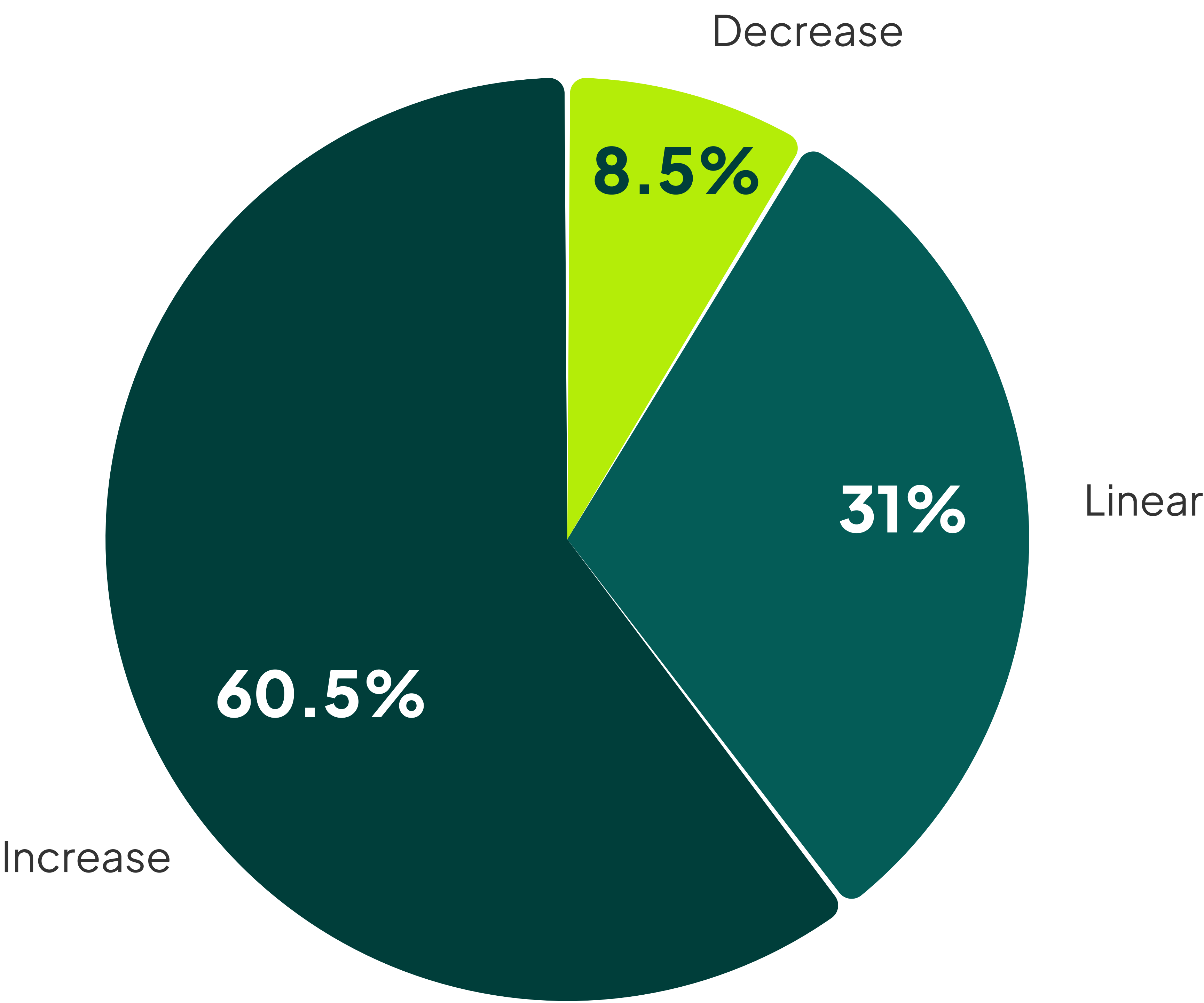
The survey was run between February 15 and February 28, 2023. Censuswide abides by and employs members of the Market Research Society, which is based on the ESOMAR principles.

Breakdown

Did you see an increase or decrease in revenue in 2022 at your company?

Most of our respondents saw an increase in the revenues of the companies they work for/ with. More specifically, 60.5% of them said they saw a boost in revenue, 31% said it’s linear, and only 8.5% saw an actual decrease.

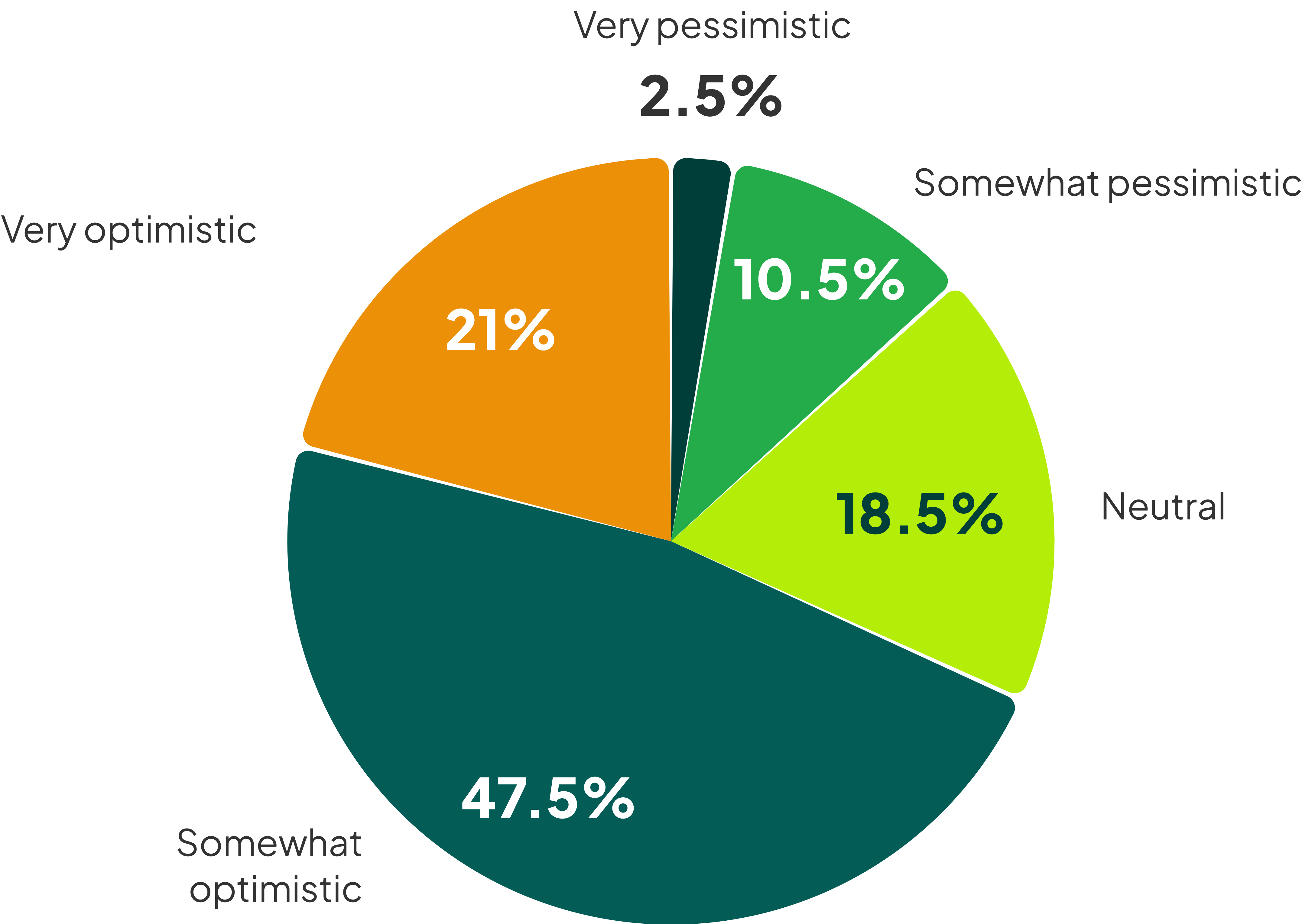
These findings were congruent across the brand/ agency split as well. Roughly 60% of both in-house and agency-based advertisers saw an increase, roughly 30% saw linearity in their companies’ revenues, and around 8% saw a decrease.



How optimistic or pessimistic do you feel about your budget for 2023?

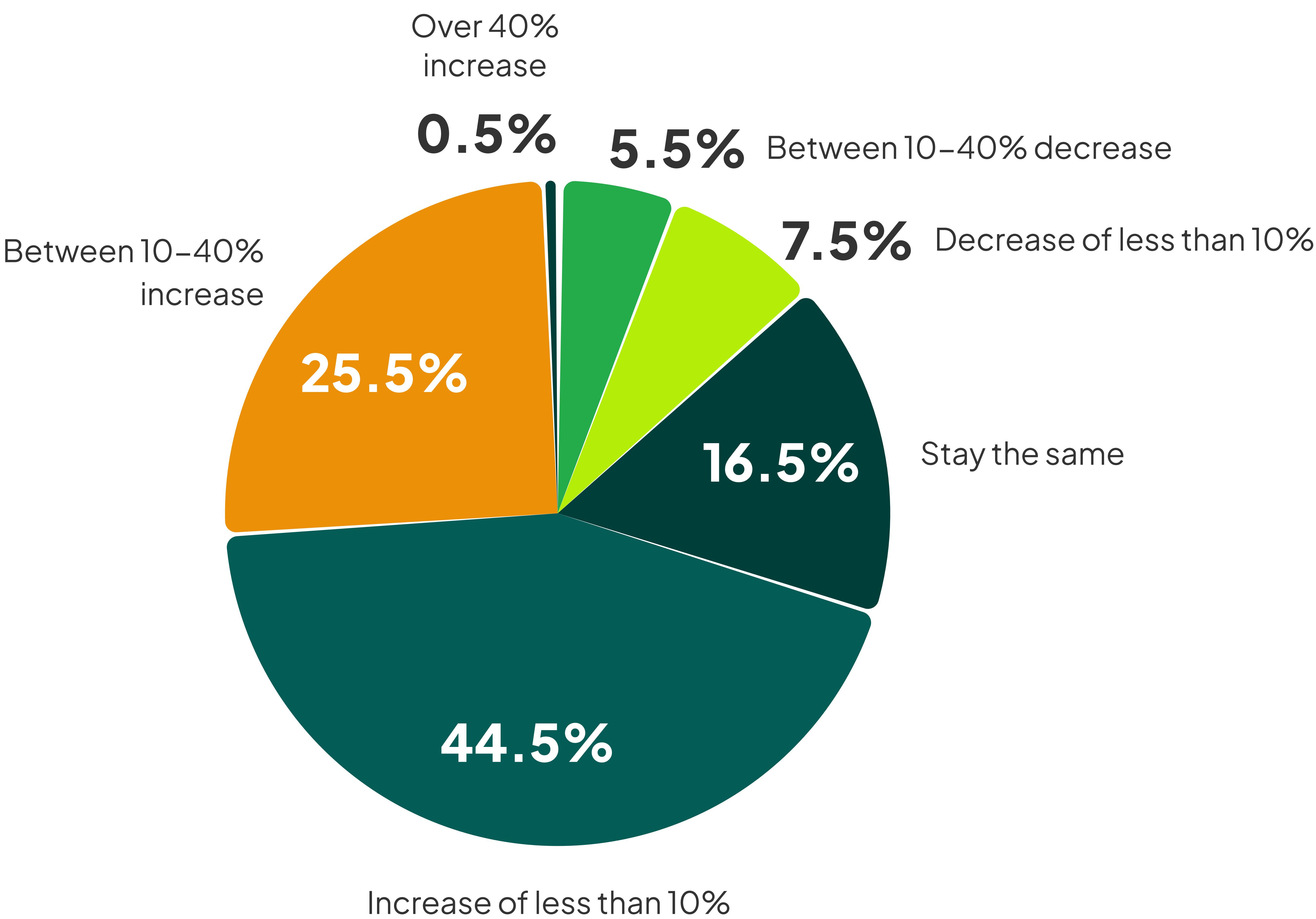
More than two-thirds of all the advertisers who answered our survey (68.5%) were optimistic about their ad budgets for 2023 (21% of them said they are very optimistic, and 47.5% said they were somewhat optimistic.). Around 18.5% said they are neutral when it comes to their ad budgets for 2023. And a total of 13% said they are pessimistic (with 10.5% saying they’re somewhat pessimistic and only 2.5% saying they are very pessimistic.)

Things stayed somewhat similar across the in-house/ agency split as well, with the largest part of both brand and agency-based advertisers showing optimism regarding their ad budgets for 2023. Agencies seemed to be slightly more optimistic, as 71.88% of the advertisers working in agency said they’re hopeful about their budgets and 9.38% saying they’re very pessimistic about it.



How, if at all, will you adjust your digital advertising budget this upcoming year?

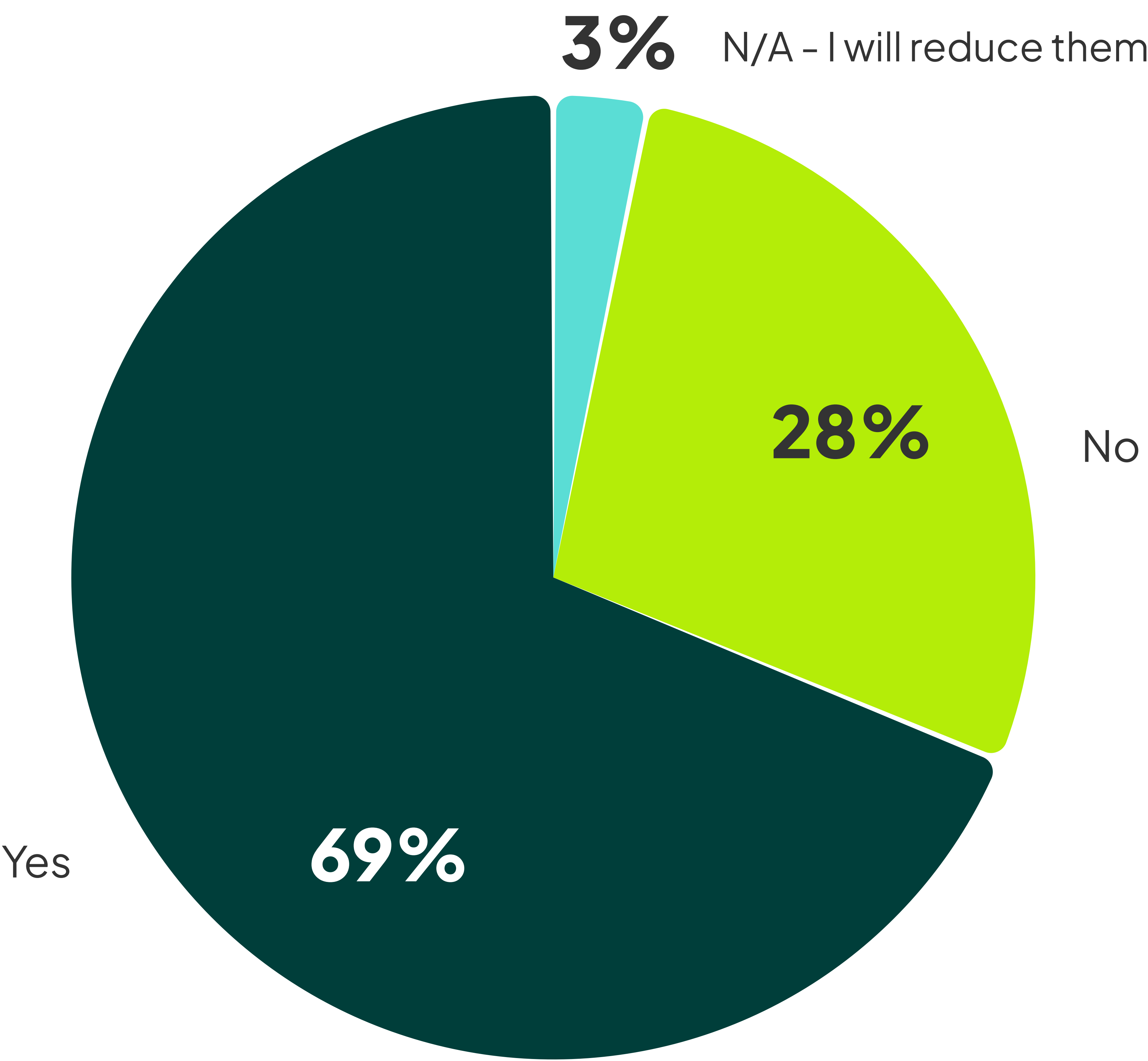
Most advertisers we asked will get more ad budget in 2023. The largest part (44.5%)received an increase of less than 10%. About a quarter (25.5%) got an increase of 10 to 40%, and a very small part (0.5%) got a 40% increase. None of our respondents got a decrease larger than 40% and only a total of 13% of them had their budgets decreased (by anything between 1% and 40%).



Will you start advertising on new platforms this upcoming year?

More than three quarters of all our respondents (69%) said they will experiment with advertising on new platforms in 2023. Only 28% of them said they won't, and only 3% said they will reduce the number of platforms they advertise on this year.

Once again, the findings were quite similar in the in-house vs. agency split. Agency advertisers were a bit more likely to experiment with new platforms (73.44% said so), but in-house advertisers didn't come far behind (66.91% of them said so).

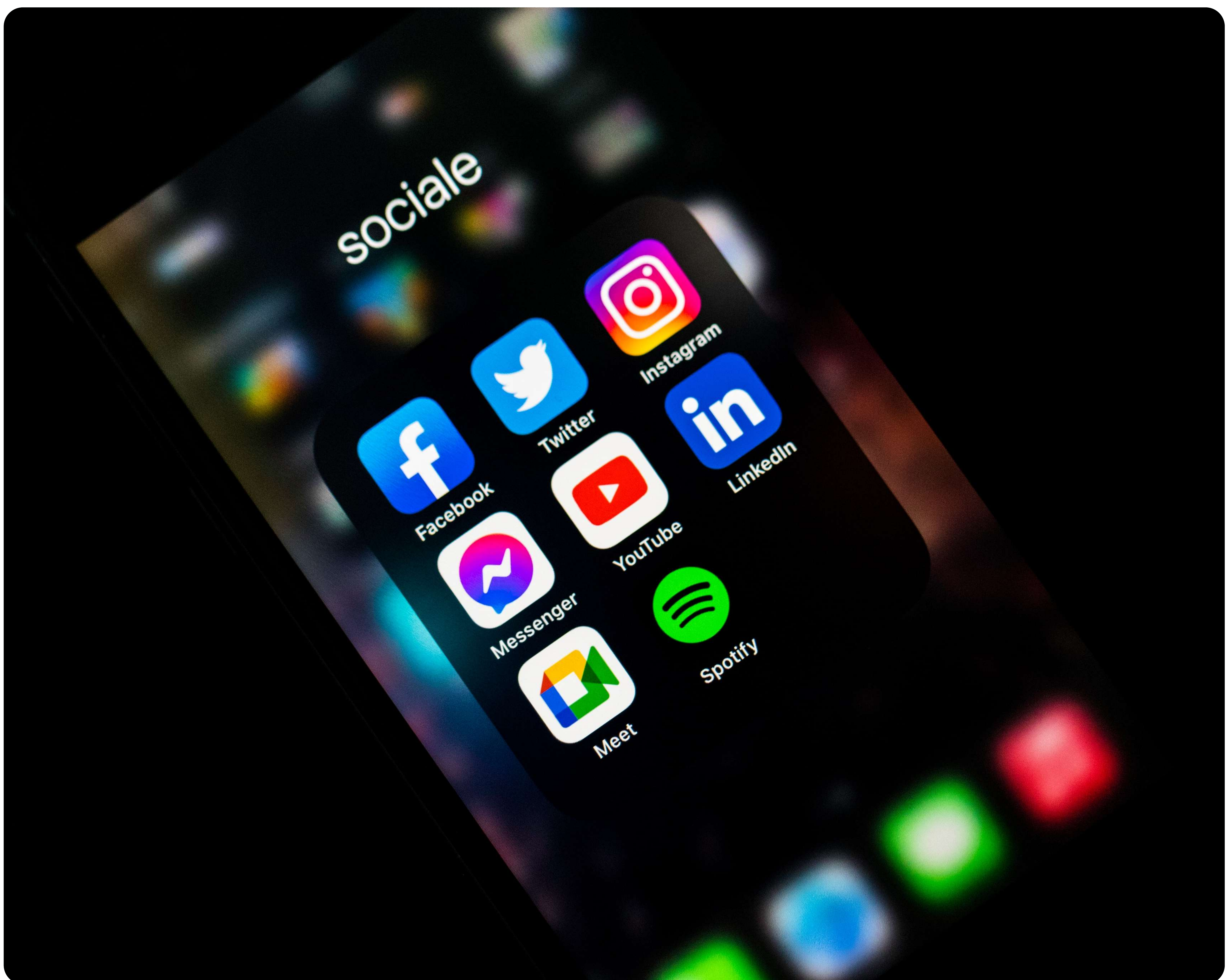


Of all the respondents who said they'll reduce the number of platforms, the largest majority said they'll do it as a result of budget constraints (83.33%) and about a third (33.33%) said they'll do it as a result of poor performance.

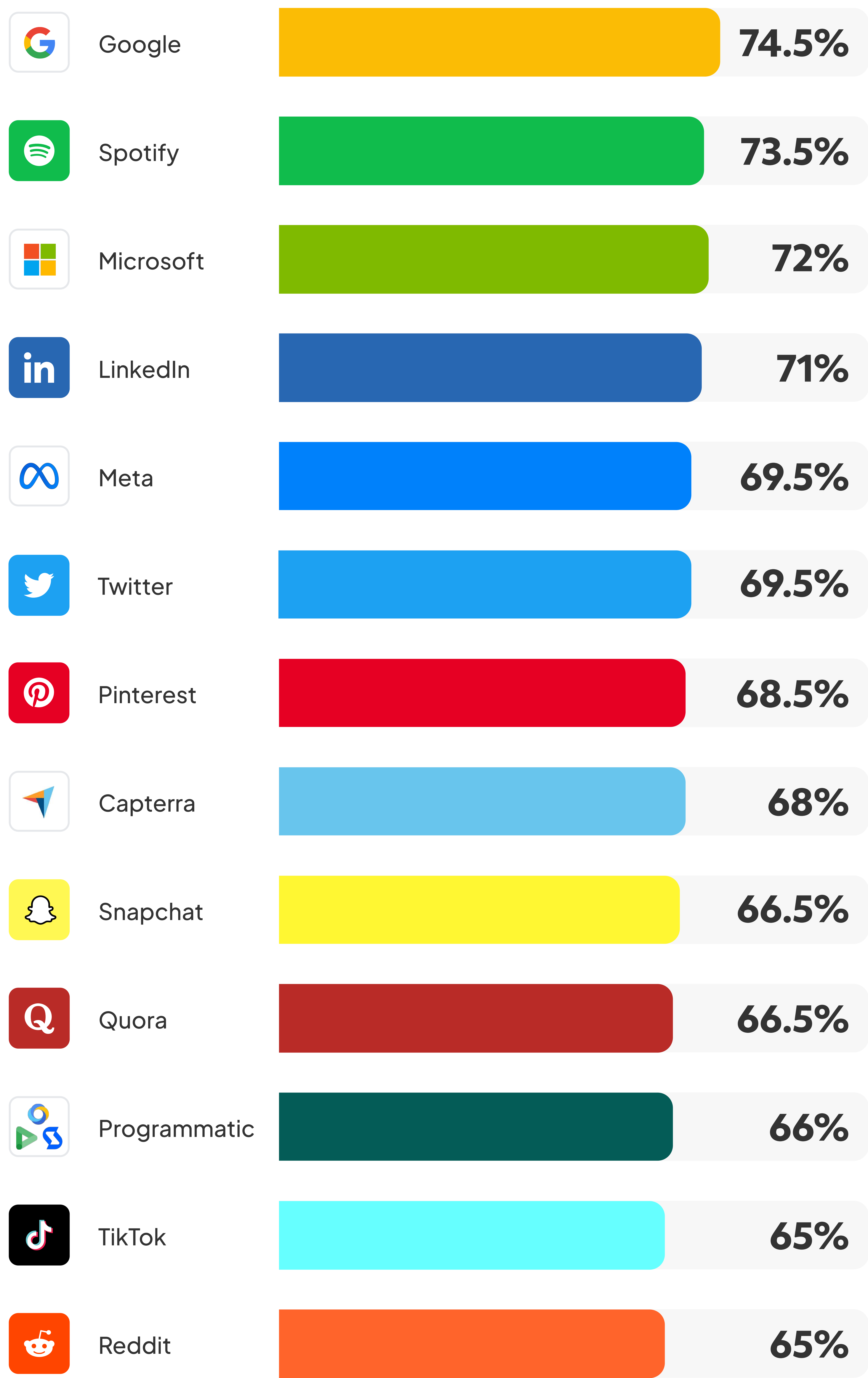
What, if anything, is your experience with advertising on the following platforms?

When it comes to the platforms advertisers have used/ are currently using, will use, and have never used, the results were interesting:

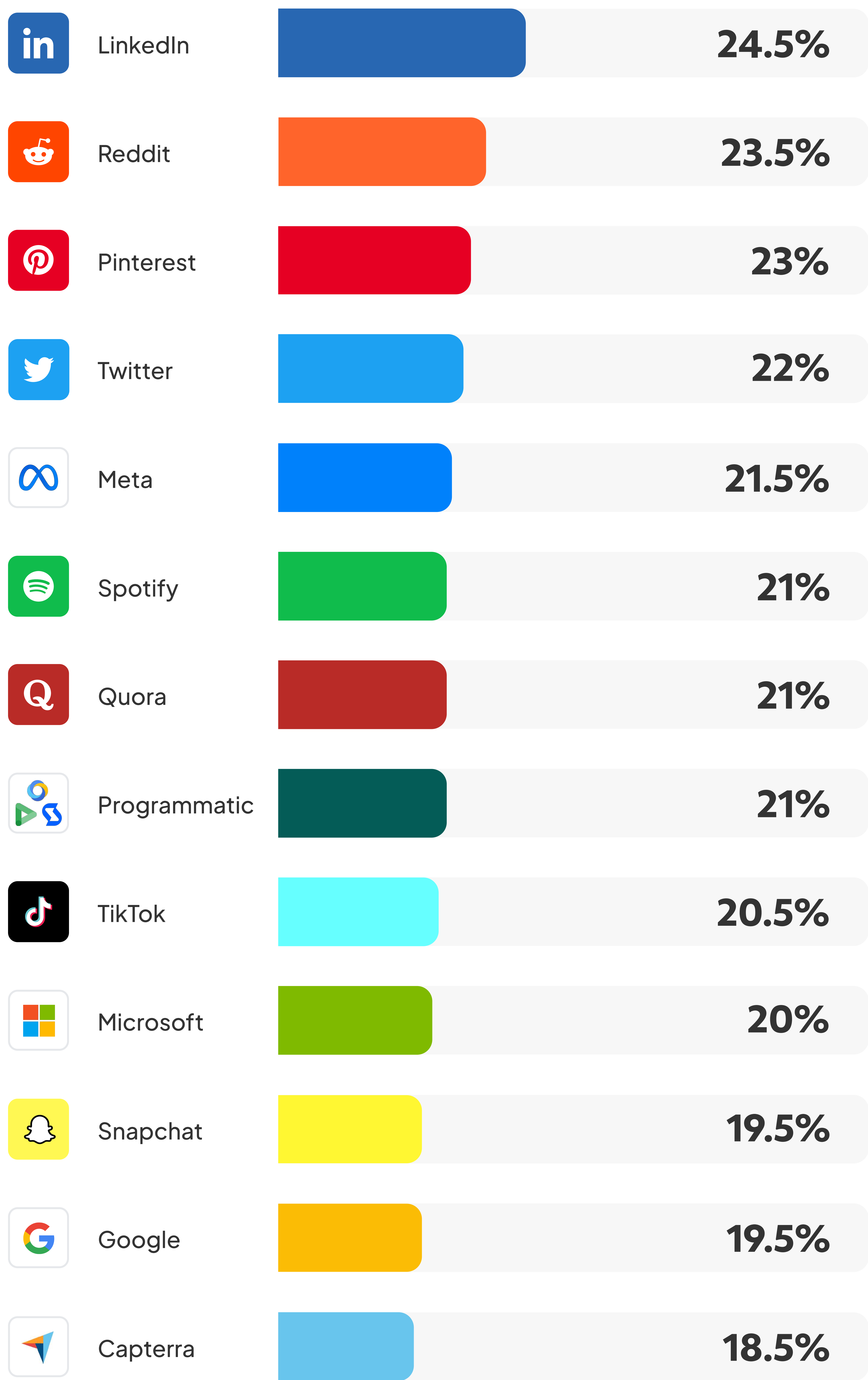
- Historically, Google is the most used ad platform, followed in by Spotify and Microsoft Bing
- In terms of what they'd like to use in the future, advertisers voted LinkedIn, Twitter, and Meta as their favorites
- TikTok, Snapchat, and Capterra ranked as the least popular ad platforms – our respondents never used them and weren't planning to in the future.



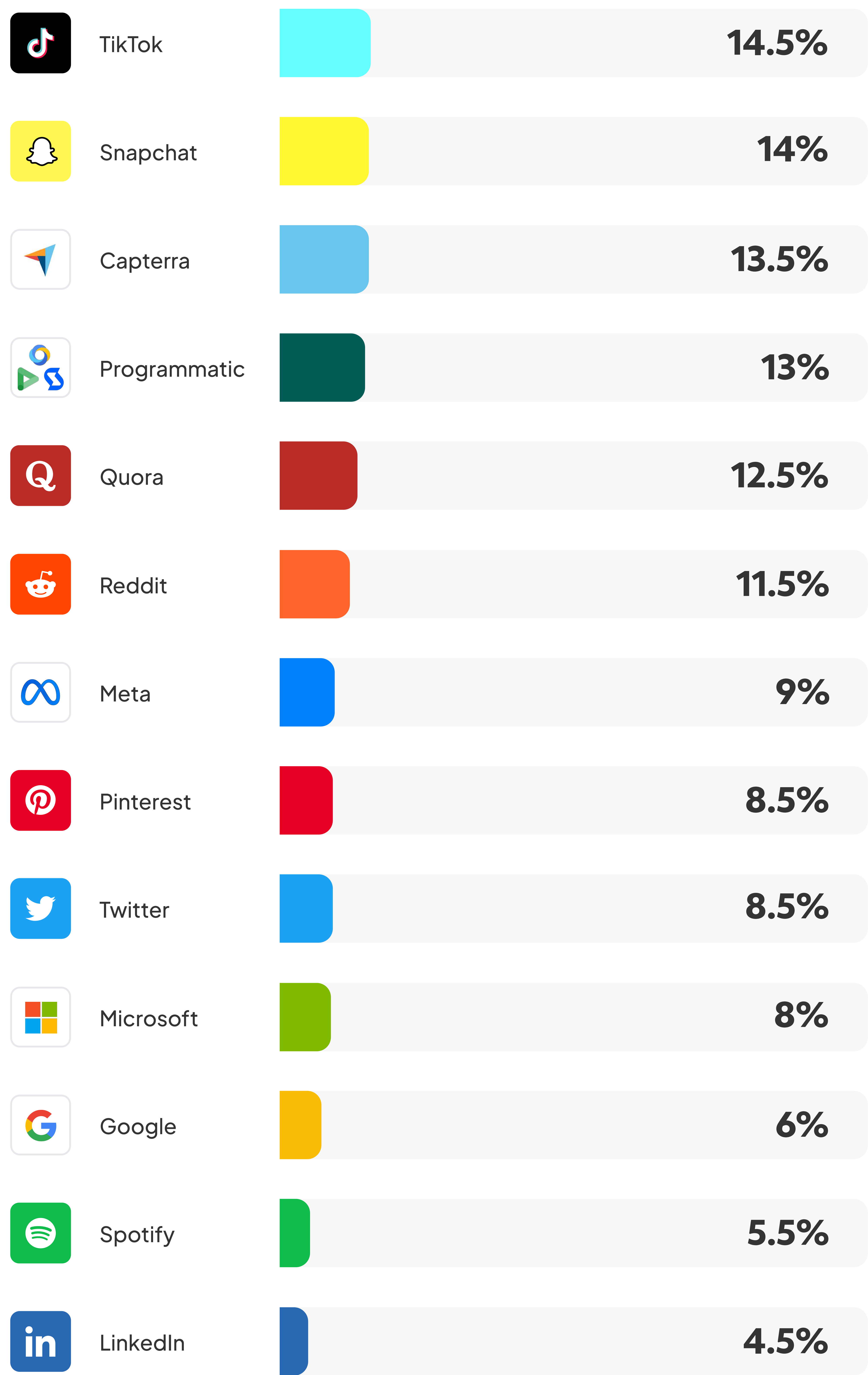
The platforms our respondents **have historically used and are currently using**



The platforms our respondents **would like to use in the future**



The platforms our respondents **have never used and have no plan to use**



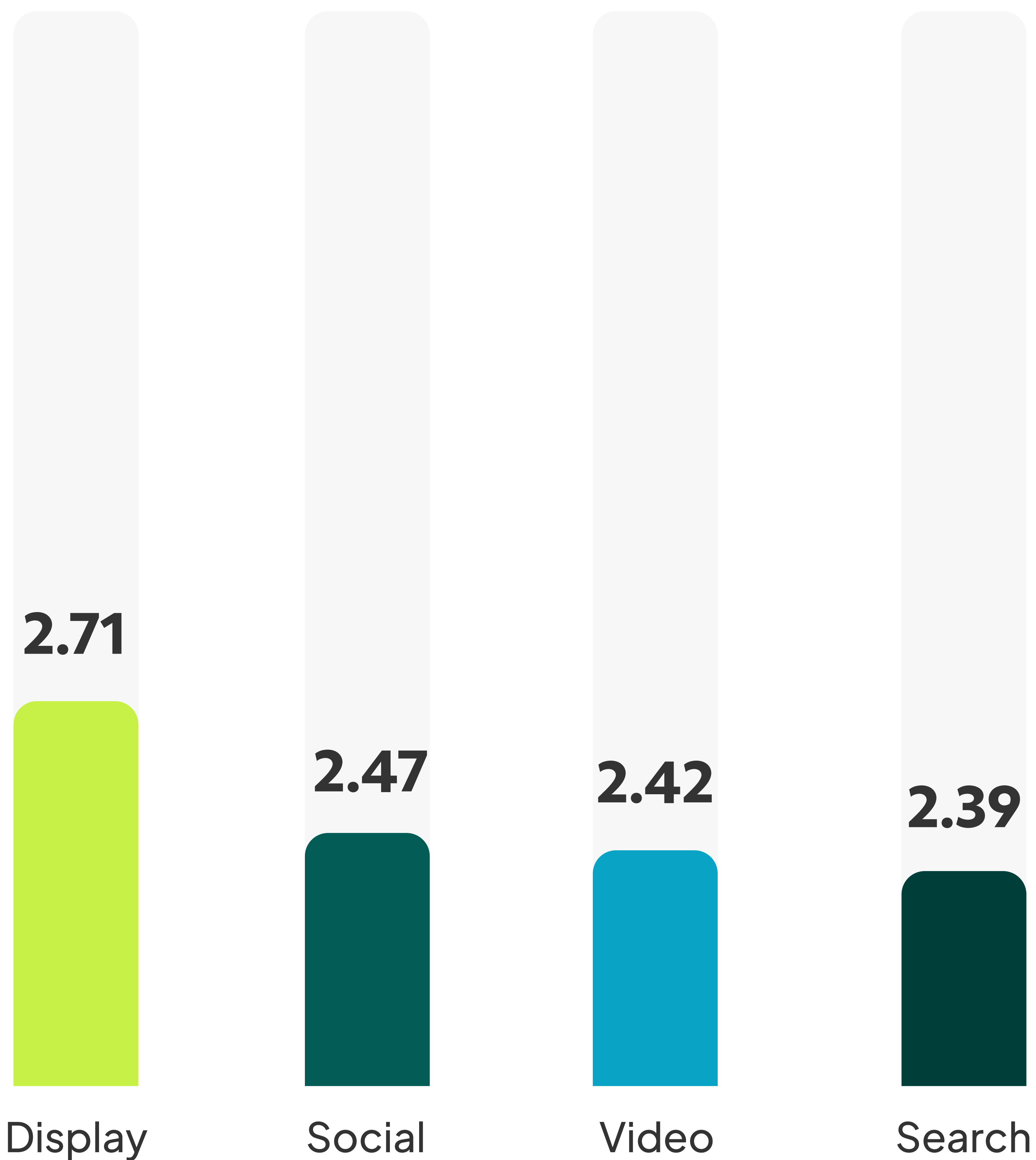
Rank which of the following four channels are important to you

We asked our respondents to rank the four main types of ad channels (Search, Social, Display, and Video) according to how they plan to split their budget in 2023, with #1 being the channel that will get the most spend/ money/ budget and #4 being the one that will receive the least spend.

Based on each respondent's ranking, we calculated a score for each platform, a weighted average where the first choice had the largest weight, and the last choice had the lowest weight.

This is what the results look like:

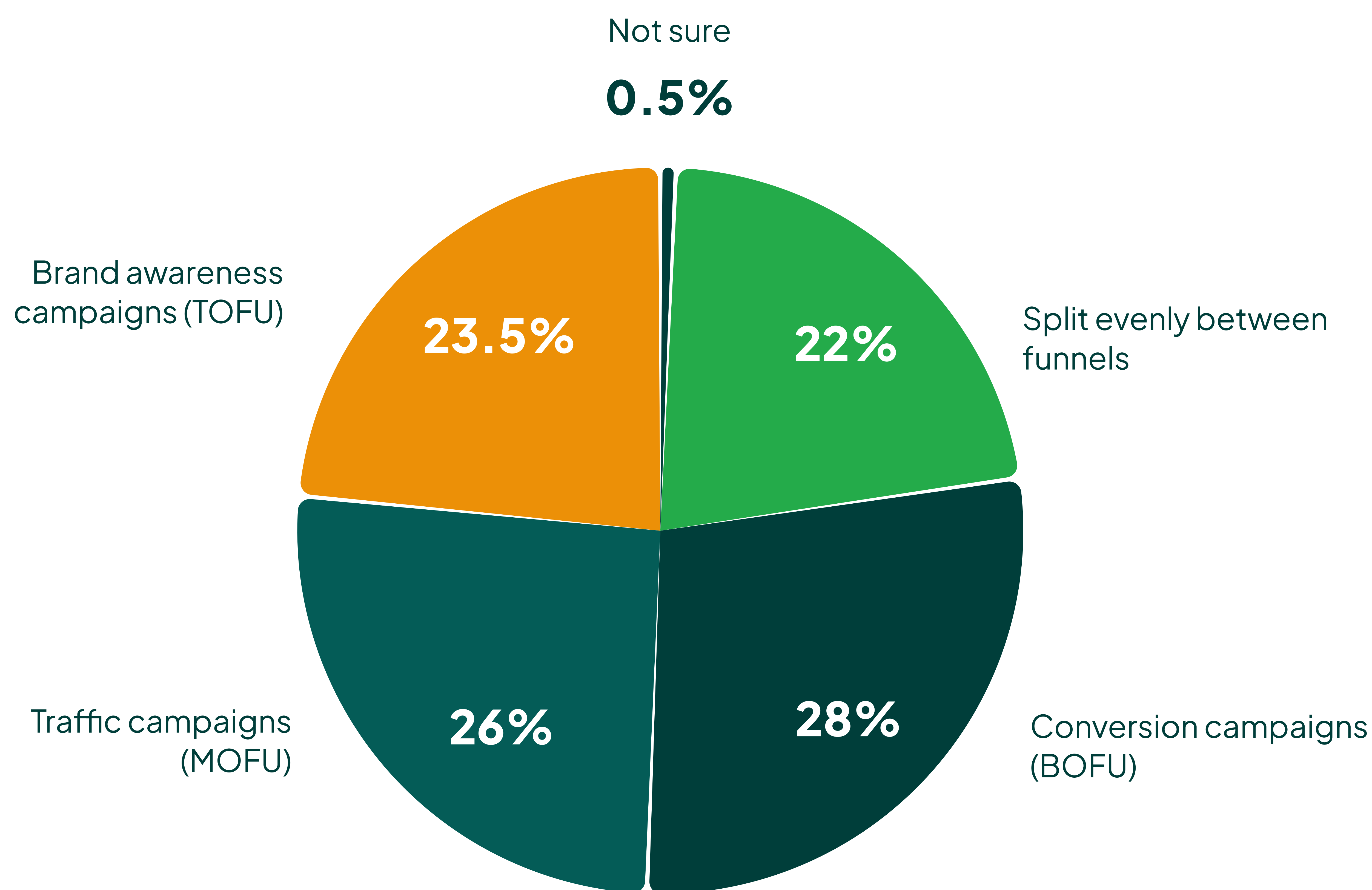
- Display came in first (with a score of 2.71). 28% of respondents chose this channel as their number one priority and another 32% picked it as their #2.
- Social ranked second (with a score of 2.47). 25% of respondents chose Social as their most important channel to direct their budget towards and 23% placed it second.
- Video ranked third (with a score of 2.425). 21.5% of respondents chose Video as their main channel.
- Search ranked fourth (with a score of 2.395). While 25% of respondents picked Search as the channel they'll invest most in 2023, a larger share of 32.5% ranked it in 4th place.



How will you distribute your budget when it comes to funnels?

Although numbers were fairly evenly distributed, our survey showed that most advertisers (28%) will invest more money in conversion (BOFU) campaigns. Traffic (MOFU) and Awareness (TOFU) ranked as second, respectively third most popular options in 2023 (at 26%, respectively 23.5%). Furthermore, 22% of all advertisers we interviewed said they will split their budgets equally between funnels.

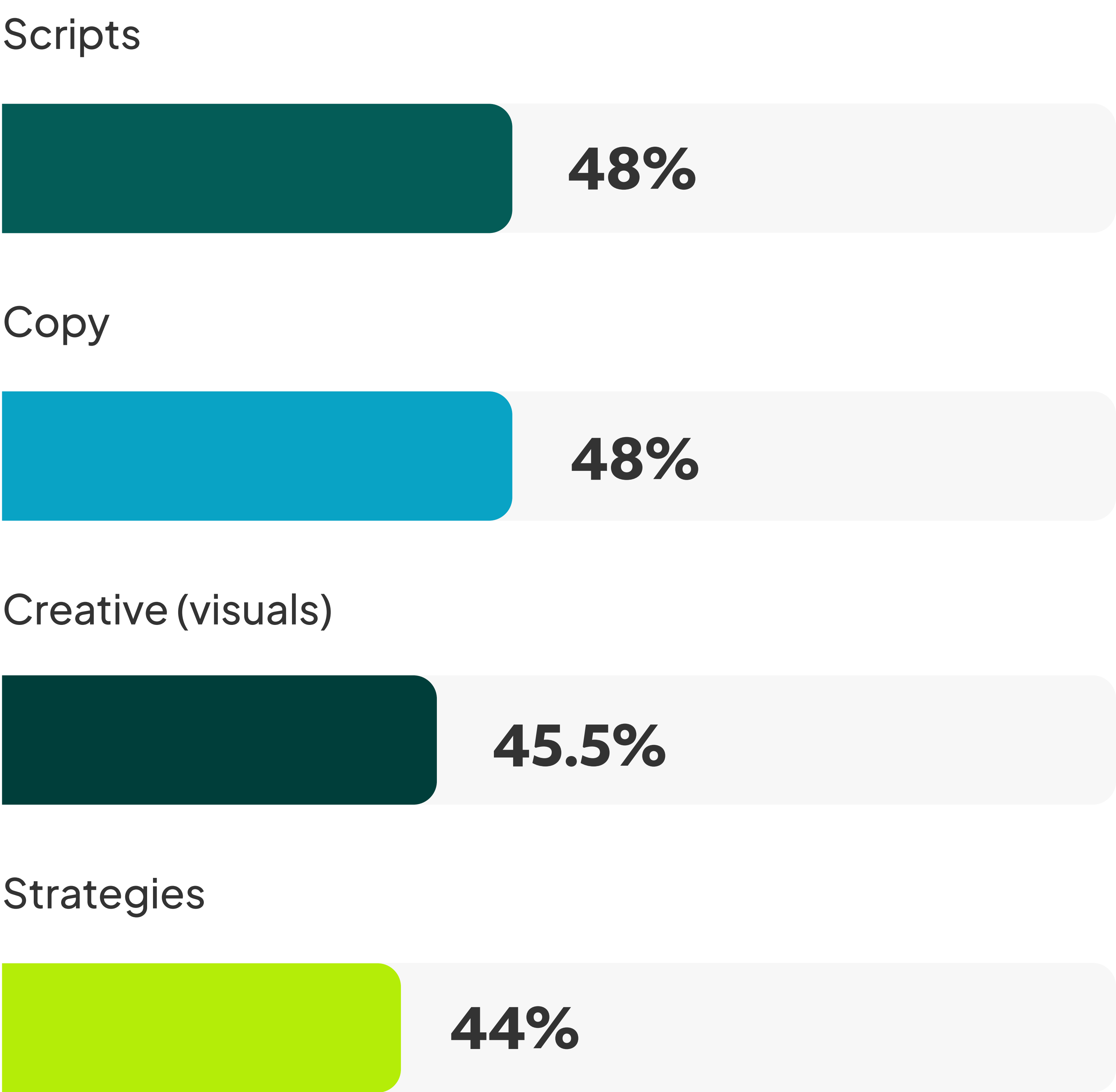
In the in-house vs. agency split, it seemed that agencies are slightly more interested in Awareness campaigns, as 25.56% of our respondents in this sector said they'll direct more budget in this area (compared to 22.06% in the case of in-house advertisers.)



In what areas of digital advertising, if any, do you plan to use/ have used AI? (Tick all that apply)

Most of our survey respondents (48%) said they will use AI technology for scripts and copy and 45.5% of them said they'll use it for visuals. What's more, 44% of them said they'll use AI tech to build on their strategy.

But most interestingly, none of all the respondents said they have no interest in Artificial Intelligence in advertising – which consequently means 100% of the advertisers we interviewed do show interest in these emerging technologies.



In-house advertisers showed more interest in using AI tech for writing copy (as 49.26% of them picked it as an area they'll experiment with in 2023, versus 45.31% in the case of agency advertisers.) Furthermore, in-house advertisers also showed slightly more interest in using AI for writing scripts (as compared to agency advertisers.)

On the flip side, 50% of agency advertisers said they'll use AI to generate visuals, whereas in-house respondents showed a bit more reticence to the idea (43.38% of them still voted it as an option they'll experiment with, though.)



I expect that the advertising landscape will continue to evolve rapidly, with new technologies and platforms emerging all the time, including AI adoption for platforms, software, browsers etc.

In particular, I think we will see more emphasis on personalization and interactive experiences, as consumers become more demanding and sophisticated. While emerging social media platforms like TikTok may provide new ways of reaching younger audiences, I believe that platforms like Facebook and Google will continue to dominate the market, but as advertisers, we all need to be open to adopting new players who specialize in specific niches or verticals.



Ana Radu

PPC Manager at Creatopy

What other trends, if any, do you expect to be big in 2023? (Tick up to three)

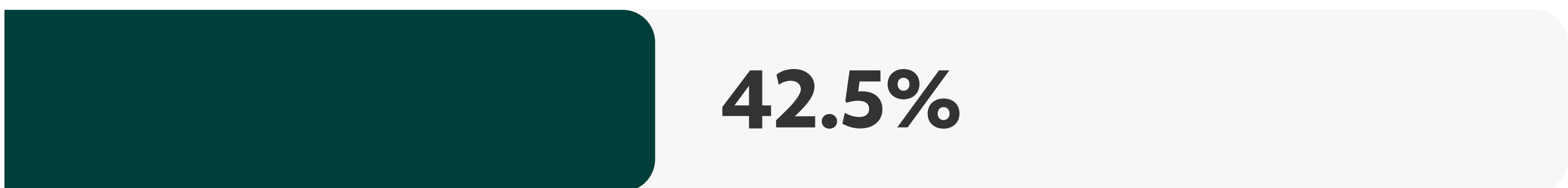
The reduction in workforce seems to have left a mark on advertisers, with 50.5% of them putting it at the center of the biggest trend in 2023: the use of automation tools. Next up in the list of predictions, 42.5% of our respondents thought more small businesses and inexperienced advertisers will exit the market.

39.5% of our respondents thought there will be less competition as a result of the budget cuts. But only 34% thought they'll get less results for the same ad spend as in 2022.

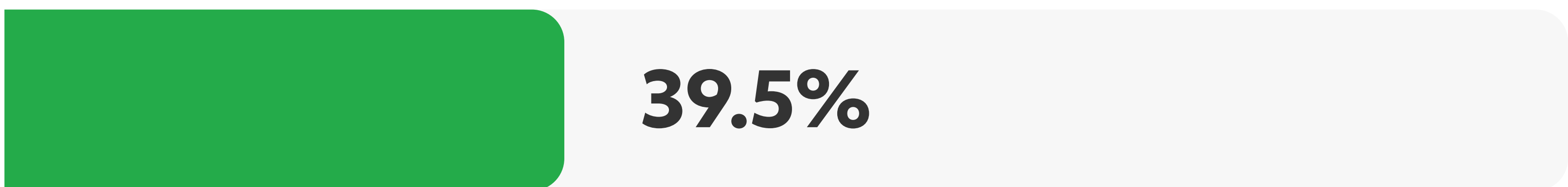
More use of automation tools due to reduction in workforce



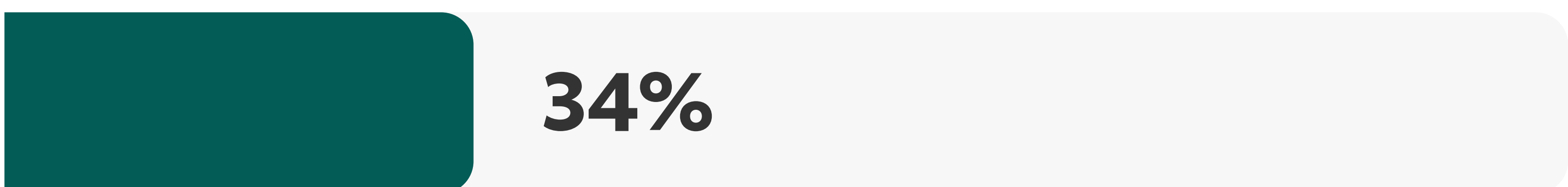
Reduction on the market of small businesses and inexperienced advertisers



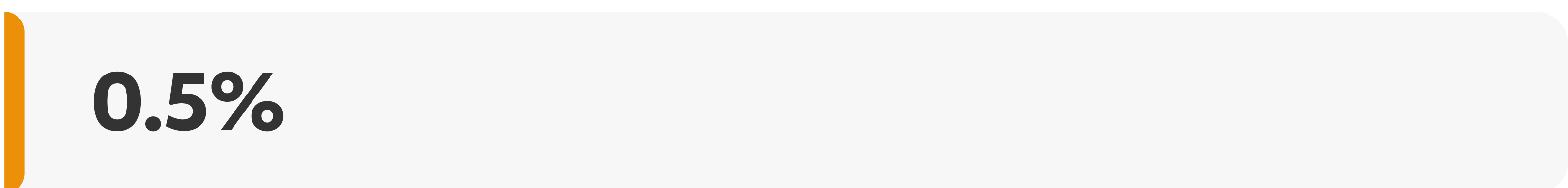
Less competition, due to budget cuts



Less results, for same spend as compared to 2022



Not sure



In-house advertisers were slightly more inclined to think the market will reduce the number of small businesses and inexperienced advertisers (43.38% picked this among their options, as compared to 40.63% of agency advertisers.)

What's more interesting, however, is the difference in opinions regarding how competitive the market will be due to budget cuts. 41.91% of advertisers working in-house picked this among their options, while only 34.38% of agency-based respondents did it.



There will be a much higher lean towards automation. This will lead to even less control for advertisers. But on the other hand, automation will free up time for the more strategic part of the advertiser's work.

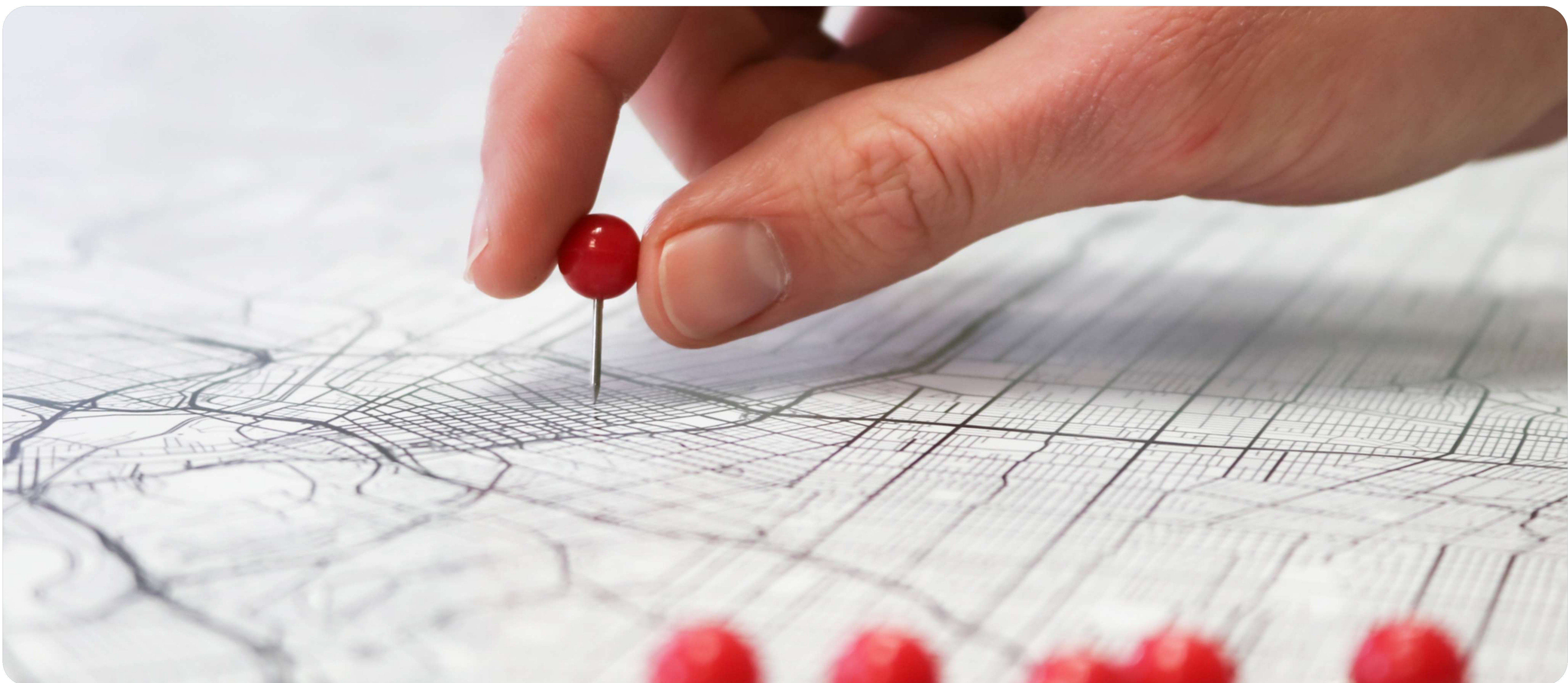
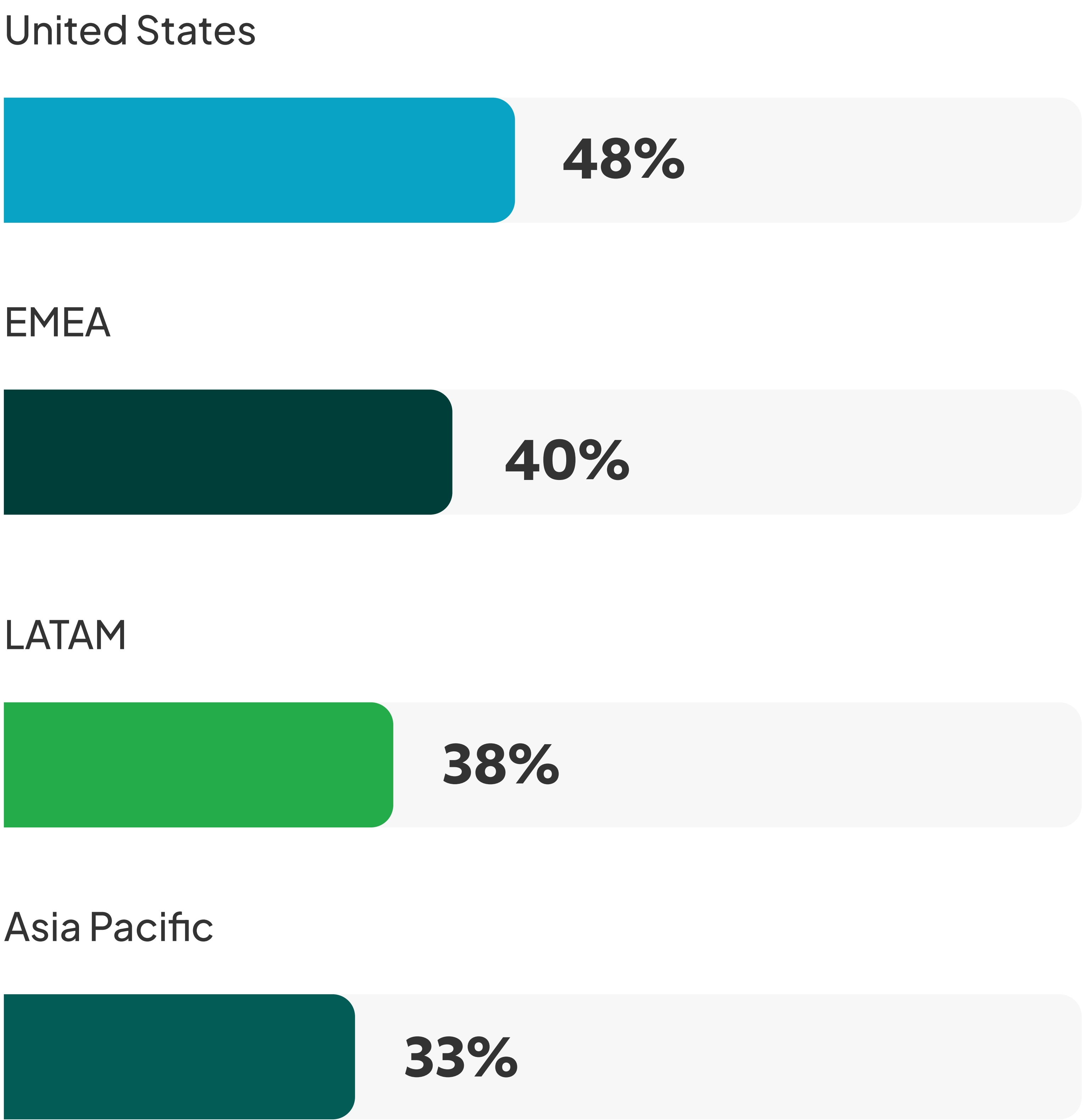
In the past we could win by simply being stellar performers. Strategic thinking was there, but it was secondary. The roles will switch places. Strategic thinking will gain more and more traction. We will still have to be good at execution. But the majority of our energy must be directed to strategy, to the whys and hows. The machine will free lots of time to give us this needed energy for the 'how', being more focused on the executional part, of course guided by us.



Diana-Alina Aldea

PPC Team Lead at Creatopy

What region(s) do you run ads in?



Key Takeaways



60.5%

of advertisers saw an increase in revenue in 2022



70.5%

of advertisers got more ad budget in 2023



68.5%

of advertisers are feeling optimistic about this year



69%

of advertisers will try new channels in 2023



44.5%

respectively 44% of advertisers will use AI for scripts and copy



Display Advertising

will be the most popular option this year, followed by Social, Video, and Search ads

Expert Insights

QUESTION 1

Why do you think so many advertisers are optimistic about their budgets in 2023?



Kasim Aslam ✓

CEO and Founder of Solutions 8

No clue. I think they're going to be sorely disappointed. The rate at which machine learning is commoditizing the traffic ecosystem is alarming. The most sophisticated players in every market will gobble up market share at unprecedented rates.



Paul Romancsak ✓

PPC Advertising Coordinator at Flipsnack

Despite the less promising economic landscape, many companies have started to recover and find a steady pace. As they see better results from their campaigns, they are increasing the advertising budgets for 2023. Additionally, some advertisers are forced to increase their ad spend due to increased competition within their industries or changes in the ad platforms' algorithms.



Diana-Alina Aldea ✓

PPC Team Lead at Creatoy

The fact we can see increases in advertising budgets in 2023, despite the rumors of the economic situation taking a turn over this year, looks very promising and encouraging. I'm happy to see such high optimism amongst my fellow PPCers. I am also very optimistic about this year, which looks promising so far in terms of results for us.

In my opinion, in 2023 will win the advertisers that know some tactics from five years ago may be outdated. Advertisers that think more out of the box.

Advertisers that are here to do just that: advertise, adapt, fail, learn at a fast pace (very importantly), succeed, and repeat.

**Ana Radu** ✓

PPC Manager at Creatopy

Even during times of economic uncertainty, there are always businesses that are growing and in need of advertising services. In fact, in the past years, the pandemic has accelerated the shift towards online services and digital marketing, which has led to an increase in demand for online advertising.

This has resulted in many businesses allocating more budget towards digital advertising, as it has proven not only to be a cost-effective way to reach the target, but also enables advertisers to optimize campaigns for better ROI in real-time. I think that the combination of cost-effectiveness, real-time optimization, and greater control over budgets is driving advertisers to remain optimistic about their advertising investments for 2023.

QUESTION 2

How do you think the advertising landscape will evolve in the next few years, and what role will these platforms play?

**Kasim Aslam** ✓

CEO and Founder of Solutions 8

AI changes everything for everyone. It'll force the advertising industry into an event horizon where the first business in every ecosystem to scale will own that ecosystem.

**Paul Romancsak** ✓

PPC Advertising Coordinator at Flipsnack

In the next few years, I think that we can expect to see further significant advancements in the use of automation and machine learning in the advertising landscape. Ad platforms will continue to improve their algorithms and use data to optimize ad campaigns for better targeting and to better predict future ad performance.

This will lead to even less manual work and increased efficiency. We can also expect even more focus on privacy, with the privacy regulations like GDPR and CCPA. Ad platforms will need to become more transparent in their data collection and offer more control to users over their data. This, along with the shift towards a cookieless future will lead to privacy-focused ways of tracking, attribution models, and audiences that rely on first-party data.

QUESTION 3

What's your experience with Spotify ads? Did you expect Spotify to have such popularity among advertisers?

**Paul Romancsak** ✓

PPC Advertising Coordinator at Flipsnack

We have not yet run ads on Spotify, as our focus has primarily been on lead generation. I was concerned that the leads generated from Spotify ads might be of lower quality, as our target audience who would be able to purchase our more expensive premium plans may already have a premium subscription on Spotify, and therefore, would not be exposed to our ads on the platform.

Nevertheless, I think that Spotify can be an ideal advertising platform for consumer goods companies, artists, and for general brand awareness campaigns.

**Diana-Alina Aldea** ✓

PPC Team Lead at Creatoy

I tested Spotify ads in the past, but I must admit I was surprised to see it so high in the top. But this may show us that advertisers are more open to testing new things, to diversifying their strategies, in order to bring the best results for their clients, or companies, which I think is great.

Waving the ride of change, being an early-adopter, testing new things, being open to risk and keeping things in balance are key elements for the evolution of a PPCer, so he doesn't get stuck in a routine and runs to seed.

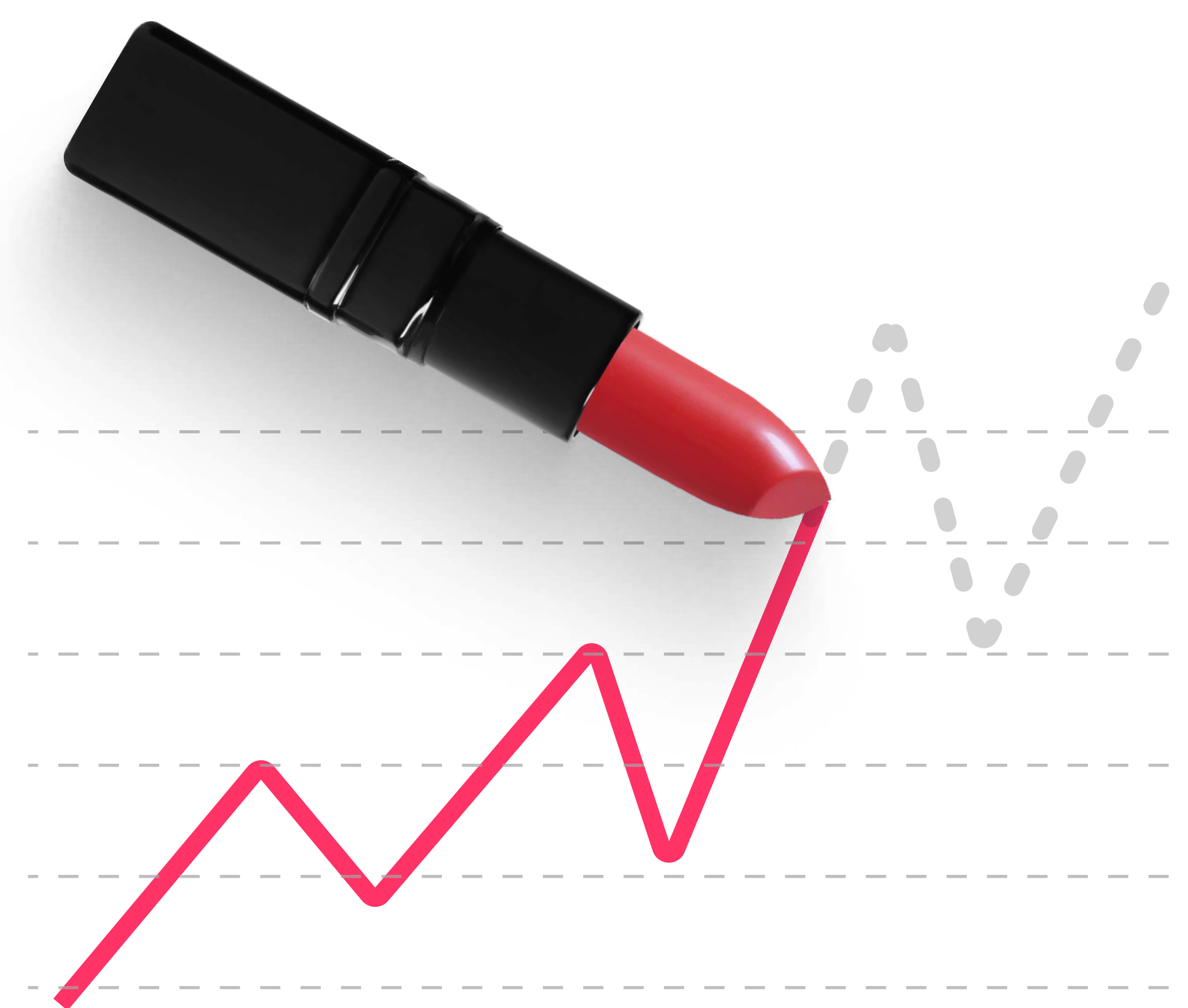
**Ana Radu** ✓

PPC Manager at Creatopy

Based on my experience, Spotify ads have proven to be a highly effective platform for reaching a specific audience. In terms of reach and brand awareness, Spotify ads have shown impressive engagement rates, making it an attractive option for businesses looking to expand their customer base. Given these advantages, I believe it is not surprising that Spotify has gained such popularity among advertisers, and I expect it to continue to be a go-to platform for many in the future.

Conclusion

During the early 2000s recession, Leonard Lauder, chairman of Estée Lauder, coined a new economic index. They called it “the lipstick index”, and it basically argued that people are more likely to buy lipstick during times of economic hardship. The explanation behind this might make sense to some of you: if you cannot afford expensive beauty products, you can at least afford a quick pick-me-ups – like a new shade of lipstick to go with your high hopes of a better economy.



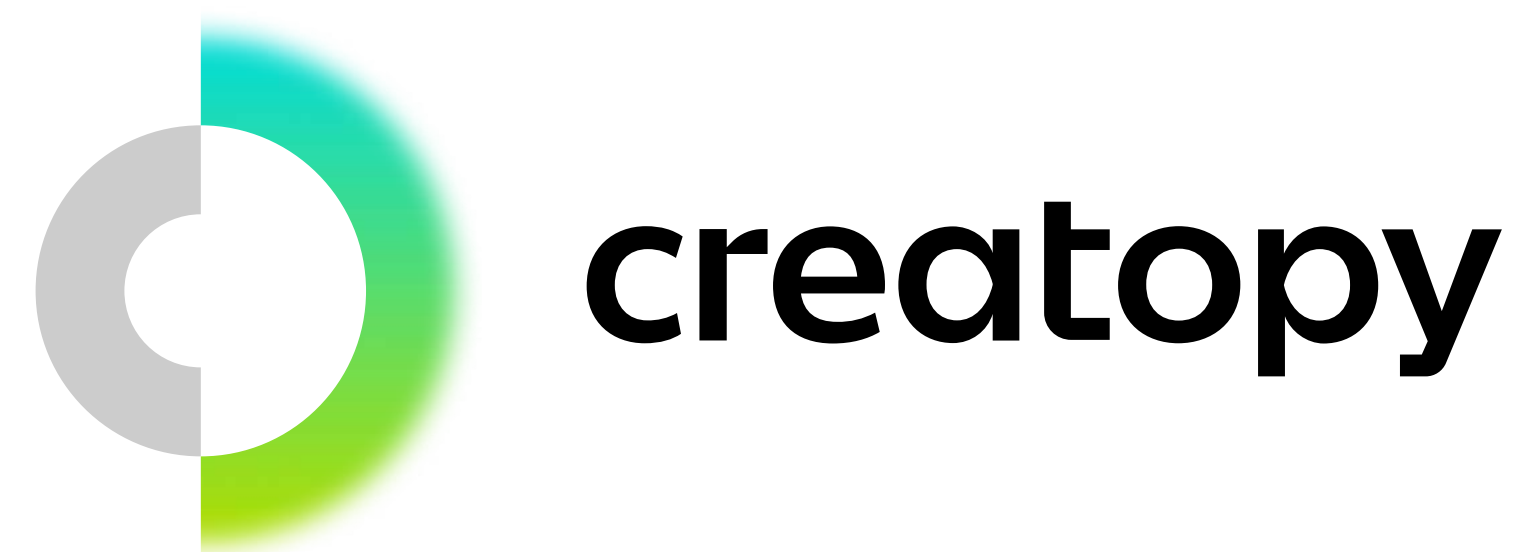
In 2022, some said the lipstick index made a comeback, while others said the same index is in a pretty good place. The contradiction perfectly summarizes the uncertainty hovering over everyone’s heads: one day it’s the end of the world, next day they’re postponing it for a later (and equally uncertain) date.

There might be a storm ahead of us. But at least from what we’ve noticed in our survey, advertisers are less worried about that – and more concerned about spending whatever budgets they have on ads that will drive an impact on their bottom line. Small or large, across industries, and sometimes invariably of their revenue, businesses are still spending money on ads. Some are more restrained with experimental spending, true. And many won’t try out new platforms.

But all in all, advertising’s well and good. Adapting, as it has always been – and, with the emergence of AI tools, perhaps even shifting gear towards new and exciting lands.

Our advice?

Land-ho, advertisers! There’s an ocean of novelty to explore and no time for fear!



Creatopy is an **ad design automation platform**, helping brands & agencies across the world create, automate and deliver their digital ads.



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