

Powering Up

**IAB UK's recommendations to help SMEs
unlock the value of digital advertising**

The Internet Advertising Bureau (IAB UK) is the industry body for paid-for, commercial digital advertising. We represent businesses across the digital advertising supply chain – media owners and publishers, platforms, media agencies and ad technology providers – and work with our members to develop and promote good practice to build a better future for digital advertising, for the benefit of everyone.

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IAB UK's regional SME roundtables

IAB UK hosted a series of regional roundtables in Newcastle, Stoke, Leeds and Cardiff to understand the challenges and opportunities of digital advertising for small businesses and local media, a microcosm of the online ad-supported business model. This programme involved bringing together business and political leaders across the country to share successes and highlight what further support SMEs need to thrive.

This paper shares our key takeaways and recommended policy priorities for the Government to help unlock the full potential of digital advertising for the economy – locally, regionally and nationally.

Our insights are the product of conversations with senior business representatives, heads of regional media outlets, local small businesses, academics, local government and political stakeholders, and a survey of 800 UK SMEs.

We welcome discussions with stakeholders from across the political spectrum on the insights in this paper. Together we can support SMEs to start and grow, benefiting the economic and societal health of local areas.



Digital advertising's contribution to economic growth

Digital advertising is the paid promotion of a brand's product or service in online media and content. For example, ads on websites and apps (e.g. images or videos); ads in and around digital video or audio content; paid-for search ads; or classified ads.

Digital advertising is a crucial growth-driving sector because it:

- **Finds new customers and markets**, increasing sales, and building awareness of their company or brand
- **Generates revenue** that helps media owners and service providers to create online content and services and develop new products
- **Funds free access to online content and services** so people can read the news, enjoy entertainment, talk to friends and search for jobs for free, saving households an average of **£580 per year**
- **Supports local and national economic growth**. In 2022, digital advertising supported two million jobs and contributed £129bn to the UK economy in gross value added (GVA). This includes **more than £48bn and over 800,000 jobs in local economies and supply chains**

SMEs benefit significantly from digital advertising, and its importance is only increasing:

SMEs that invested in digital advertising in 2022 saw a combined annual sales uplift of

£26bn

Digital advertising is the most used paid-for advertising channel for SMEs with an estimated total spend of up to

£10bn

per year (around 45% of the UK's total digital ad spend)

Two-thirds of UK SMEs have used some form of paid digital advertising in the last year;

74%

of those say they get a good return on their investment

81%

of SMEs say digital advertising is important to their business success (up from 63% in 2020)



SMEs, digital advertising and local media: a valuable relationship

Digital advertising fuels business growth. It has transformed the ability of companies of all sizes to connect with customers and deliver the right advert, to the right audience, at the right time. Digital advertising is particularly beneficial for SMEs because it:

- **Targets ads** at the audiences most likely to be interested in their products and services, so budgets can be spent cost-effectively
- **Enables performance-based formats** that benefit businesses with small budgets because the advertiser only pays if the ad delivers an agreed outcome
- **Delivers measurable results:** metrics like clicks, site visits and linked sales show how well ads are performing and demonstrate return on investment

Digital advertising provides essential revenue streams that are crucial for the sustainability of local news and journalism in the digital age. Our roadshow programme clearly demonstrated there is a healthy reciprocal relationship between local advertisers and local news outlets. SMEs want to advertise around quality content in trusted environments and local news providers can offer this, along with advertising products tailored to SMEs.

Organisations representing SMEs told us that digital advertising is seen as cost-effective and a good route to market. In our survey, SMEs cited the ability to reach new customers, good prices and sales impact as drivers for using digital advertising. From our roundtable discussions, it was apparent that local news providers with digital offerings and specialist advertising teams are well-placed to help SMEs get the most out of digital advertising. Plus, they have the knowledge, insights and data about their readership to effectively target adverts to the right audience and measure the outcomes.

The ad-supported business model helps maintain a vibrant local democracy by keeping local and regional press viable. In turn, hyper-local advertising offerings can strengthen community ties and give SMEs opportunities to align with high-quality local news stories and content. It's vital that the reciprocal relationship between local news and digital advertising - which enables this news to remain free to access - is healthy, thriving and sustainable in the long term.



Supporting SMEs to ‘power up’ through digital advertising

94% of UK households have home internet access¹ and SMEs that aren’t using digital advertising much, or at all (around one-third say they don’t), are missing out on a great opportunity. The advertising industry, businesses and government need to work together to showcase low-cost entry points and tools to help SMEs experiment with digital advertising and find the best ways to reach customers online.

SMEs face challenges with marketing and advertising due to a lack of time, resources and knowledge, and they have limited budgets. 72% of SMEs spend below £5k a year so they need to know how to get the best value for money. We need to ‘bridge the knowledge gap’ and make digital opportunities more accessible to them.

When it comes to the support that SMEs need to make more use of digital advertising, two consistent themes emerged:

1 Education

- **Raising awareness of relevant digital advertising offerings** – including from local and regional media – will help SMEs to find the opportunities that are right for their business goals, in line with their budgets
- **Facilitating education sessions and workshops** via local councils and business groups will help SMEs understand the value and process of digital advertising. This will empower SMEs to maximise how they spend their (typically small) budgets and deliver better return on investment

2 Tools, resources and expert guidance

- **Sharing success stories** and proof points to encourage more SMEs to explore a range of digital advertising options
- **Establishing SME programmes** to simplify access to support and provide guidance on digital advertising, including campaign management, copywriting and measurement
- **Encouraging partnership working between local organisations** to connect local media and their advertising expertise with the local business community, helping SMEs find the best way to invest in digital advertising and understand and measure its effectiveness

¹ Adults’ media use and attitudes report 2024, Ofcom

Interactive Toolkit: Helping SMEs get more out of digital

Our interactive toolkit helps small businesses unlock the value of digital advertising - whatever their campaign objective. The toolkit pulls together guidance on different digital channels and strategies, tailoring advice based on businesses' individual aims and resources

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1. Firstly, does your business advertise already?

Select the option which is most appropriate for your company

A

We've never done any advertising at all

B

We've dabbled in the past, but not very much

C

We've never advertised online, but have done some offline advertising (such as newspapers, radio, posters, direct mail)

D

We've done some paid advertising on social media

E

Yes, we advertise online already

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IAB UK's SME toolkit

Responding to what we've heard from SMEs about their needs, IAB UK has created a simple, free online interactive toolkit. It contains jargon-free advice, guides and case studies to support SMEs to start using digital advertising or use it more effectively.

Catering for a range of campaign objectives and budget levels – ranging between £500 and £5 million – our aim is to provide objective, tailored advice about digital advertising and signpost useful resources or partners that SMEs might benefit from working with. In short, it's a one-stop shop to help SMEs take advantage of what digital advertising has to offer.

Explore and share the toolkit at:
iabuk.com/poweringup/tool



Harnessing the power of digital advertising for local economic growth: four policy priorities for the Government

- 1** Embed guidance and funding for digital advertising initiatives into national and local government programmes, encouraging business owners to use digital advertising to start and grow SMEs. Help SMEs in the everyday economy to develop the knowledge, skills and confidence to leverage the opportunities of digital advertising, reach new audiences and understand the efficacy of their digital ad campaigns.
- 2** Support proactive industry initiatives from IAB UK and other organisations that help SMEs use digital advertising effectively. For example, by raising awareness of IAB UK's SME Toolkit and other local, regional or national resources.
- 3** Take an evidence-led and pro-innovation approach to digital policy development that supports the digital advertising ecosystem and the ad-supported internet. Recognise the importance of digital advertising to the UK economy and to the success of the businesses that power it. Protect the essential role of digital advertising in enabling media owners and publishers to generate revenue that allows us all to access news, information, entertainment and so much more at no cost.
- 4** Include local news brands on central government ad campaign plans to help fund quality content that delivers a positive advertising environment for advertisers and consumers.

Discussing the economic value of the UK's digital advertising industry at IAB UK's parliamentary reception in December 2023, then Chair of the Lords Digital and Communications Committee Baroness Stowell said:

“Digital advertising is hugely important to the UK economy, businesses and people in general. Ad-funded online services are integral to the everyday lives of the vast majority of the population.”

IAB UK and our members will continue to work with the Government and Parliamentarians to develop a thriving and trusted digital advertising ecosystem for businesses and consumers, so that digital advertising remains a UK success story that benefits everyone.