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**2014 Full Year and Q4 2014**

**IAB/PwC Digital Advertising  
Revenue Report**

April 2015

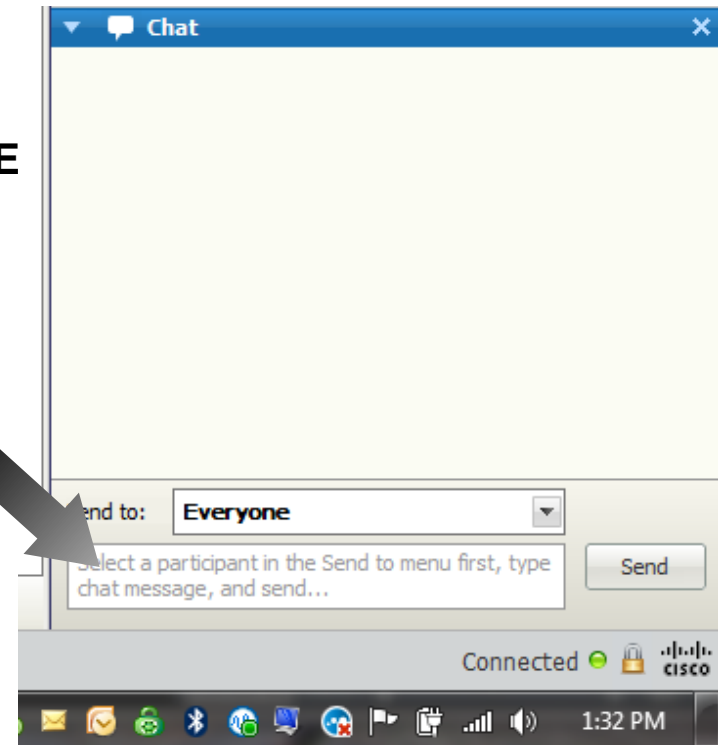
# Agenda

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- **Welcome**
- **2014 Full Year and Q4 Digital Ad Revenue Highlights**  
Sherrill Mane, SVP Research, Analytics & Measurement, IAB
- **Detailed Analysis of IAB PWC 2014 Full Year and Q4 Report**  
David Silverman, Partner, PriceWaterhouseCoopers
- **POV from Magna Global on US Digital Media**  
Vincent Letang, EVP Director of Global Forecasting, Magna Global
- **Q & A**

# Important Note on Q&A

- We will open a voice line for journalists to ask questions at the end of the presentations.
- IAB members should ask questions using the WebE user interface—Please type questions into the Chat box on the WebEx user interface at any time during the presentations.
  - We will create a queue and answer as many questions as possible following the presentations.
  - Additional press questions should be directed to Laura Goldberg: [Laura.Goldberg@iab.net](mailto:Laura.Goldberg@iab.net)
  - Additional questions from IAB members should be directed to Kristina Sruoginis: [Kristina@iab.net](mailto:Kristina@iab.net).



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**2014 Full Year and Q4 2014**

# **IAB/PwC Digital Ad Revenue Report Highlights**

April 2015

Sherrill Mane

SVP, Research, Analytics and Measurement, IAB

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# 2014 Interactive Advertising Sets New Revenue Records

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- **2014 annual US interactive ad revenues broke \$49 billion, marking the fifth consecutive year of double-digit annual growth.**
  - This represents a 16% (or \$6.7 billion) increase from 2013's \$42.8 billion.
- **Mobile closes 2014 with stellar growth and substantial share of total digital ad dollars.**
  - Mobile at \$12.5 billion now accounts for 25% of digital ad revenue, making it the second largest format measured.
  - Annual ad revenue grew \$5.4 billion or 76% over YAG.
  - Fairly even split between search (48%) and display-related (49%) indicates that both are driving the growth.

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# Fifth Consecutive Record Breaking Year

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- **Digital video remains the fastest growing format of the non-mobile display-related market, climbing 17% to \$3.3 billion from \$2.8 billion in 2013.**
- **And, with a nominal 1% growth rate, banners garnered \$8.1 billion for a 16% share of interactive ad dollars.**
- **Search, at 38% of total digital ad revenue, grows 3%, earning \$19.0 billion.**
- **With growth of 57% over 2013, social media ended 2014 with \$7.0 billion in ad revenue**

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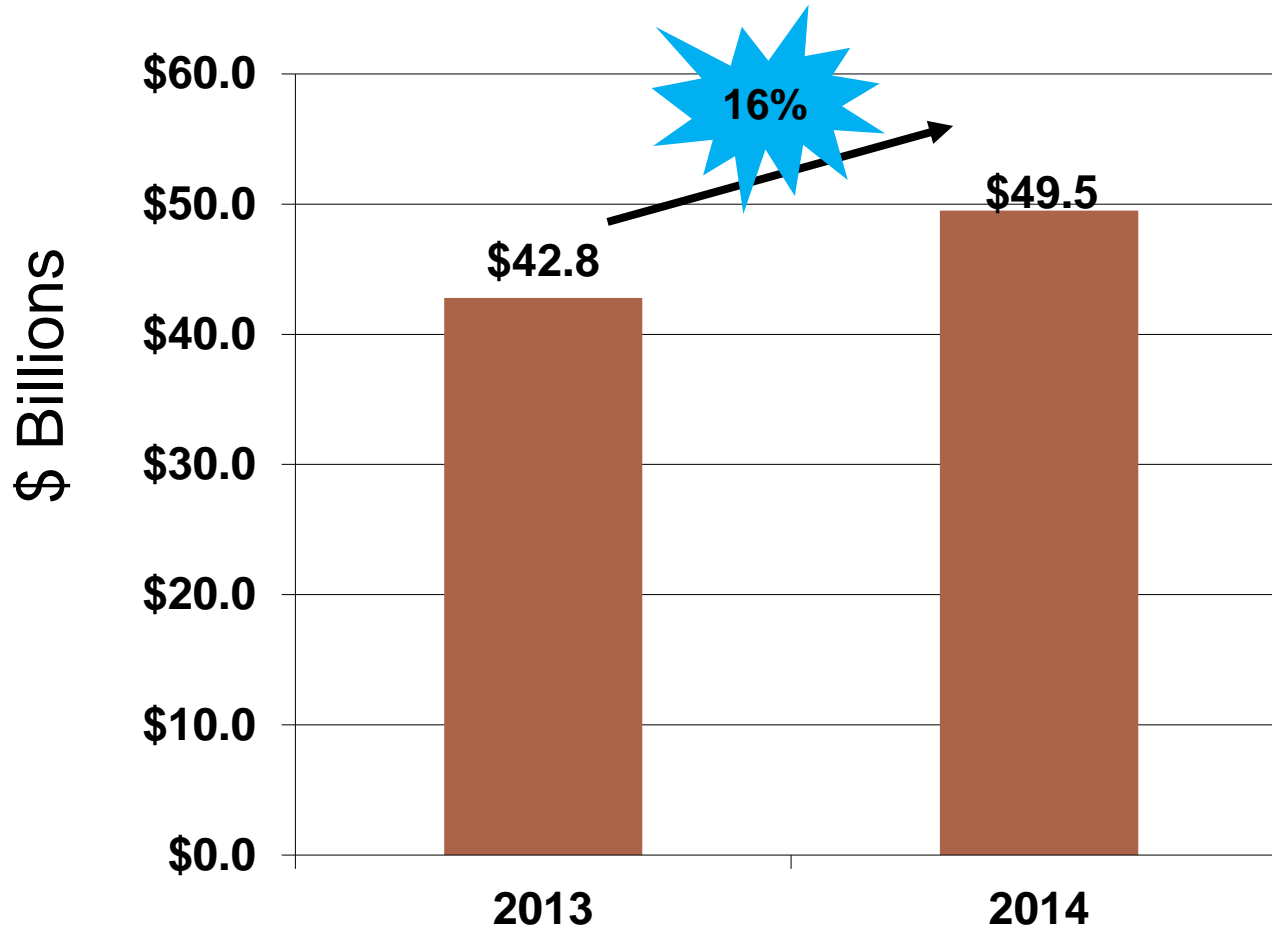
# Fourth Quarter 2014 Interactive Advertising Sets More Records

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- **Fourth quarter 2014 revenue of \$14.2 billion represents the best quarterly result ever for US interactive advertising.**
  - This is a 16.9% increase over same time last year (\$12.1 billion in Q4 2013)
- **Interactive advertising growth continues to outperform the total media market based on both Nielsen and Kantar estimates for Fourth Quarter and Full Year 2014**

# 2014 Annual Revenue Growth

Digital Ad Revenue Growth (2013 vs. 2014)



Total Media Ad Revenue Growth (2013 vs. 2014)

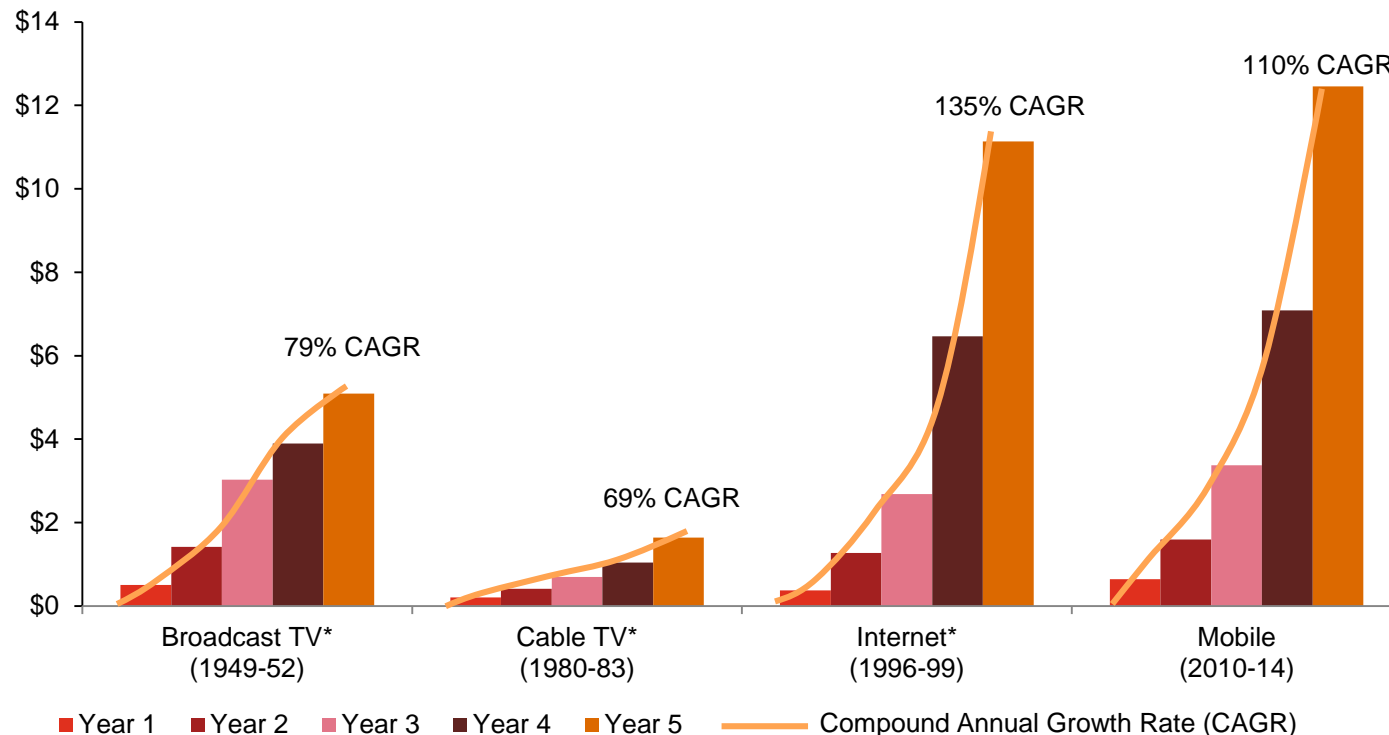
The Nielsen Company estimates total media revenues grew **1%** over 2013 to **\$124.8 B**; Kantar Media estimates a **0.7%** increase to **\$141.2B**

Sources: IAB Digital Advertising Revenue Report, 2014 Full Year and 4<sup>th</sup> Quarter Report; The Nielsen Company, MonitorPlus (Standard Calendar, Total includes B2B, National Internet (Display only), FSI Coupons), Apr. 2014; Kantar Press Release Apr. 2014



# Early Internet and Mobile Ad Revenue Growth Rates Outpace Cable and Broadcast TV

Comparative U.S. Advertising Media Annual Ad Revenue Growth For First 5 Years (\$ Billions)

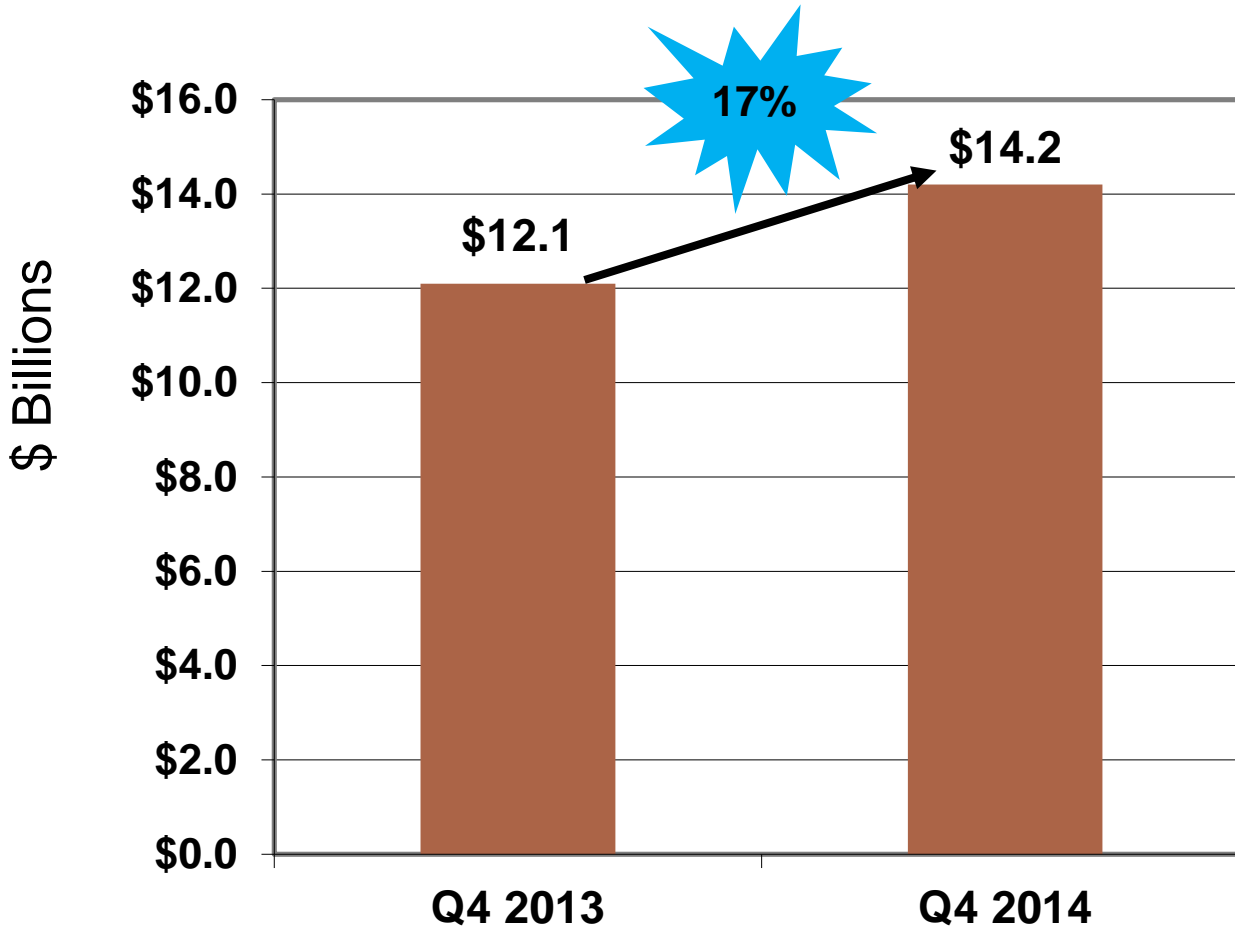


Sources: IAB/PwC Internet Ad Revenue Report, FY 2014; McCann-Erickson

\*Adjusted for Inflation

# Q4 2014 Revenue Compared With Q4 2013

Digital Ad Revenue Growth (Q4 '13 vs. Q 4 '14)



Total Media Ad Revenue Change (Q4 '13 vs. Q4 '14)

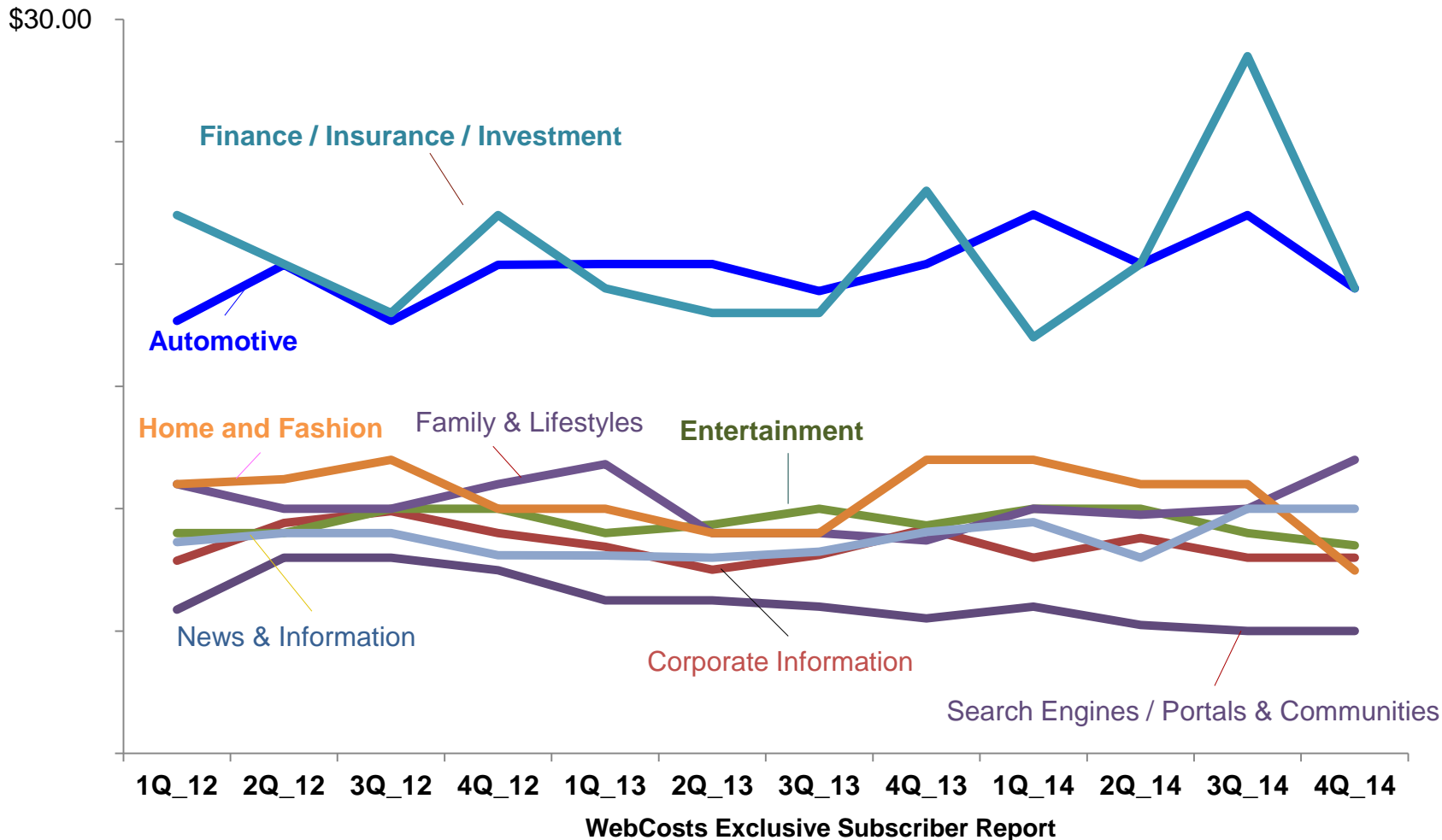
According to Nielsen, *total* media revenues grew **2%** from Q4 2013 to Q4 2014. Kantar Media estimates a **1.6%** decrease.

Sources: IAB Digital Advertising Revenue Report, 2014 Full Year and 4<sup>th</sup> Quarter Report; The Nielsen Company, MonitorPlus (Standard Calendar, Total includes B2B, National Internet (Display only), FSI Coupons), Apr. 2014; Kantar Press Release Apr. 2014

# Display: Eight Category Avg. CPM Trend

Weighted Average of all Buys in WebCosts Placed within the Quarter

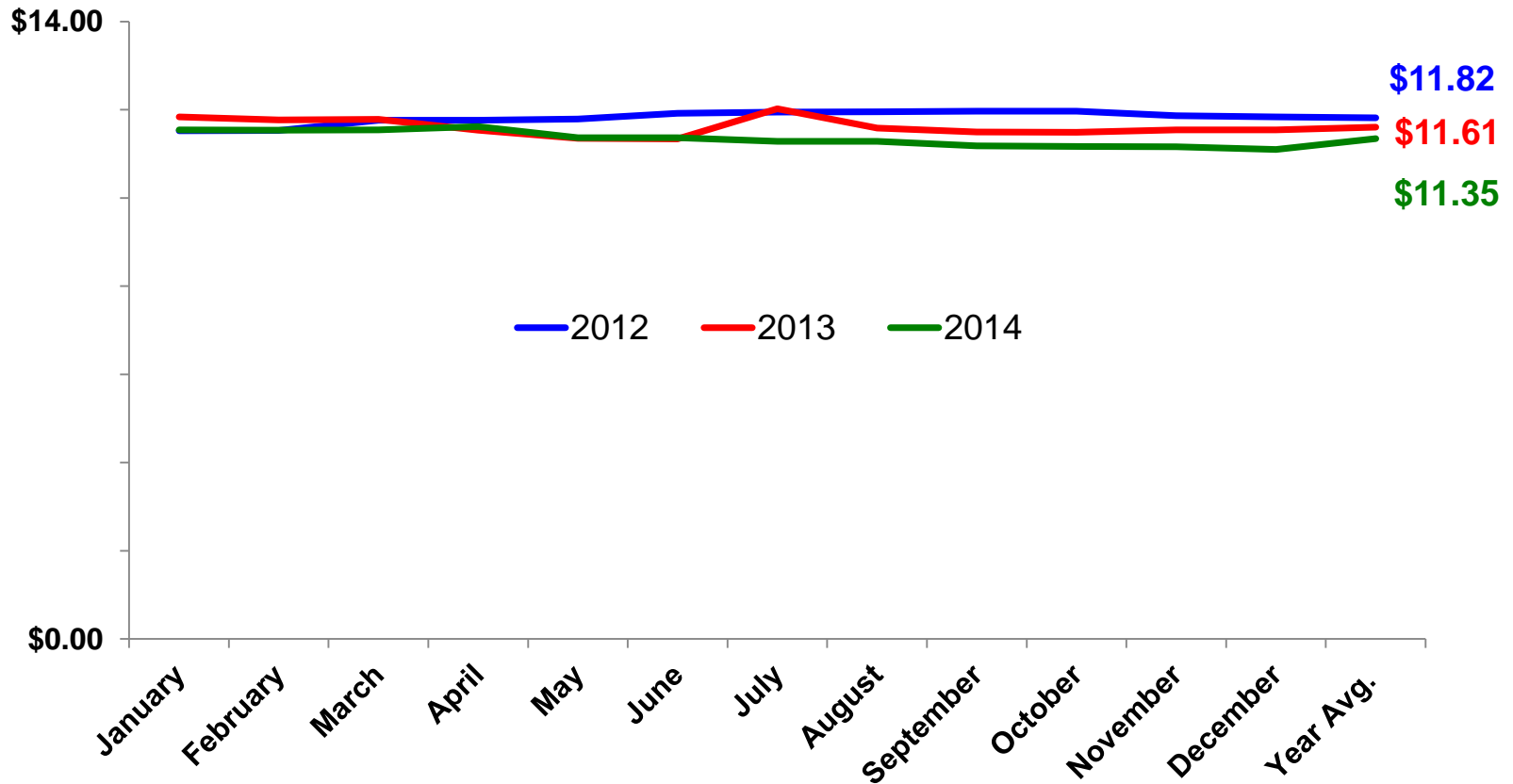
2012 – 2014 (as of March 2015)



# WebCosts Display Composite

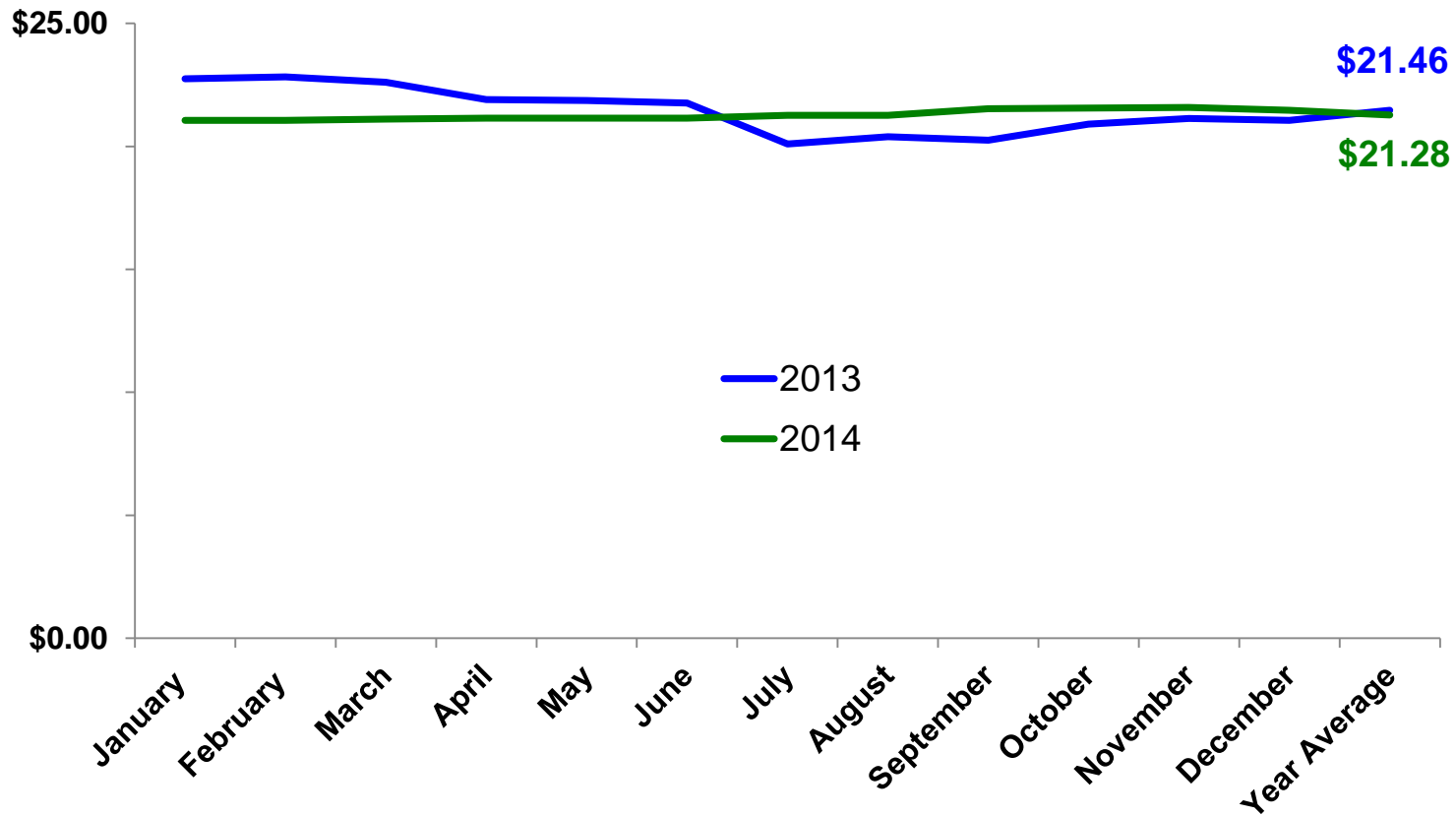
Average CPM

*Fifty Same-Site Comparative Report*



# WebCosts In-Stream Video Composite

Average CPM  
Fifteen, Same-Site, Comparative Report



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# Key Takeaways

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- **Brand spend continues to rise**

- In 2014, non-mobile display-related ad formats\* increased 5% over year ago to \$13.5 billion
- Non-mobile display-related ad formats\* revenue growth driven by:
  - Banners up 1% to \$8.0 billion;
  - Digital video exhibits 17% increase, rising to \$3.3 billion
- With relatively flat CPMs in display including video, most likely garnering brand dollar shifts in spend from other media

- **Dollars shifting from other media into digital**

- Revenue growth way ahead of the overall market and TV (national, spot and cable) continues, unabated, even in winter Olympics and mid term elections year
- Mobile likely garnering incremental spend

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\*Note: Display-related ad formats are defined as: banner ads, digital video commercials, rich media, and sponsorships.

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# Key Takeaways

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- **Negligible change in advertising verticals' contribution to digital revenue with Retail still leading at 21%**
  - Consumer Packaged Goods account for 6%, down from 7% in 2013
- **Kantar Media notes that in 2014**
  - Overall, across media, CPG spend declined – Personal Care Products down 2% and Food+Candy down 3.2%
  - Spending by Top 10 advertisers dropped 4.2%
  - Mid sized advertisers continue to grow spend, up 4.6% in 2014

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**2014 Full Year and Q4 2014**

**Detailed Analysis**  
**IAB/PwC 2013 Internet Ad Revenue Report**

April 2015

David Silverman  
Partner, PriceWaterhouseCoopers



[www.pwc.com](http://www.pwc.com)  
[www.iab.net](http://www.iab.net)

# *IAB internet advertising revenue report*

## 2014 full year results

**iab.**

**pwc**

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# *Agenda*

Survey methodology

2014 full year results

Full year and quarterly trends

Advertising formats

Social media

Pricing models

Industry category spending

Historical advertising growth of media

About PwC

# Survey Methodology

## Survey Scope

The IAB Internet Advertising Revenue Report is part of an ongoing IAB mission to provide an accurate barometer of Internet advertising growth.

To achieve differentiation from existing estimates and accomplish industry-wide acceptance, key aspects of the survey include:

- Obtaining historical data directly from companies generating Internet/online/mobile advertising revenues;
- Making the survey as inclusive as possible, encompassing all forms of internet/online advertising, including websites, consumer online services, ad networks, mobile devices and e-mail providers; and
- Ensuring and maintaining a confidential process, only releasing aggregate data.

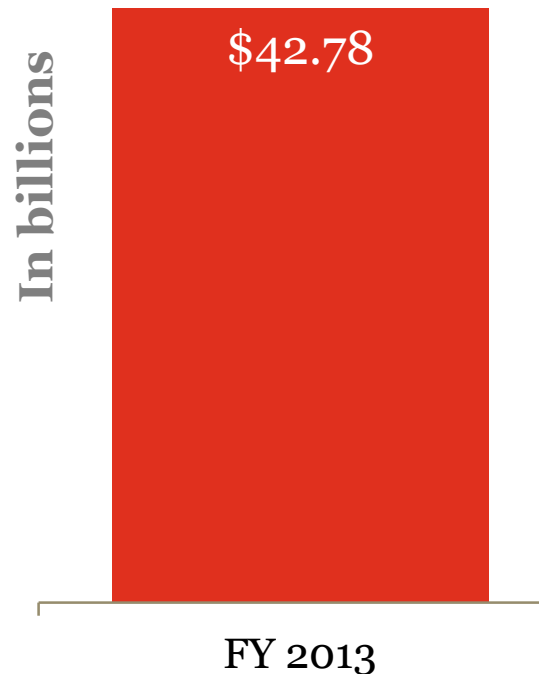
## Methodology

Throughout the reporting process, PwC:

- Compiles a database of industry participants selling internet/online and mobile advertising revenues.
- Conducts a quantitative mailing survey with leading industry players, including web publishers, ad networks, commercial online service providers, mobile providers, e-mail providers and other online media companies.
- Acquires supplemental data through the use of publicly disclosed information.
- Requests and compiles several specific data items, including monthly gross commissionable advertising revenue by industry category and transaction.
- Identifies non-participating companies and applies a conservative revenue estimate based on available public sources.
- Analyzes the findings, identifies and reports key trends.

***Annual revenues totaled \$49.5 billion in 2014***

***Online advertising revenue increased 15.6% in 2014.***

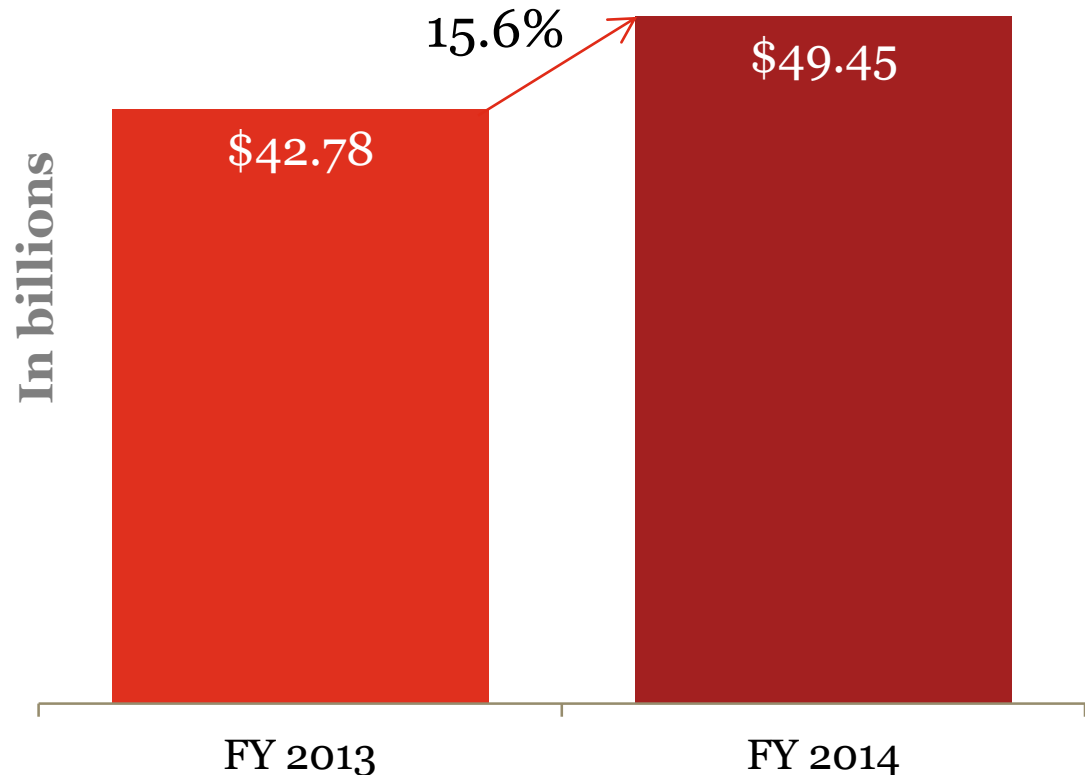


Source: IAB Internet Advertising Revenue Report, FY 2014

April 2015

## Annual revenues totaled \$49.5 billion in 2014

**Online advertising revenue increased 15.6% in 2014.**



Source: IAB Internet Advertising Revenue Report, FY 2014

April 2015

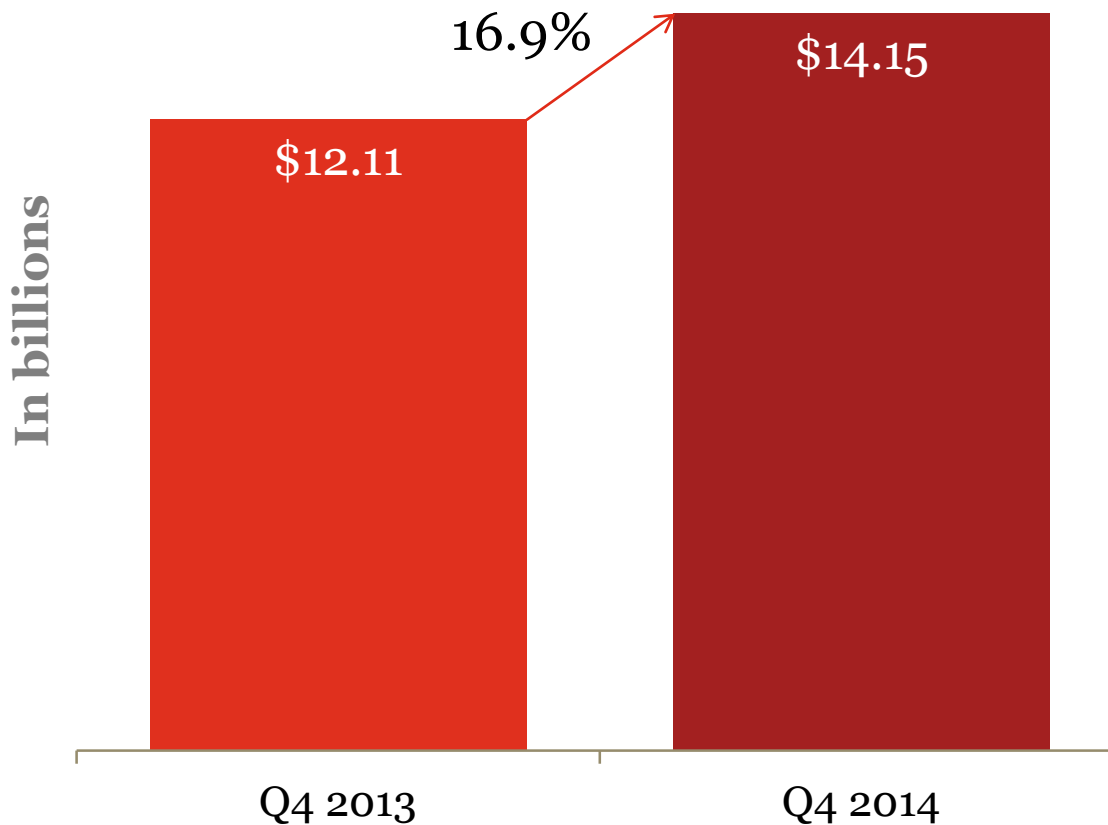
## *Fourth quarter revenues totaled \$14.15 billion in 2014*



*Revenue in Q4 2014 was 16.9% higher than in Q4 2013.*

Source: IAB Internet Advertising Revenue Report, FY 2014

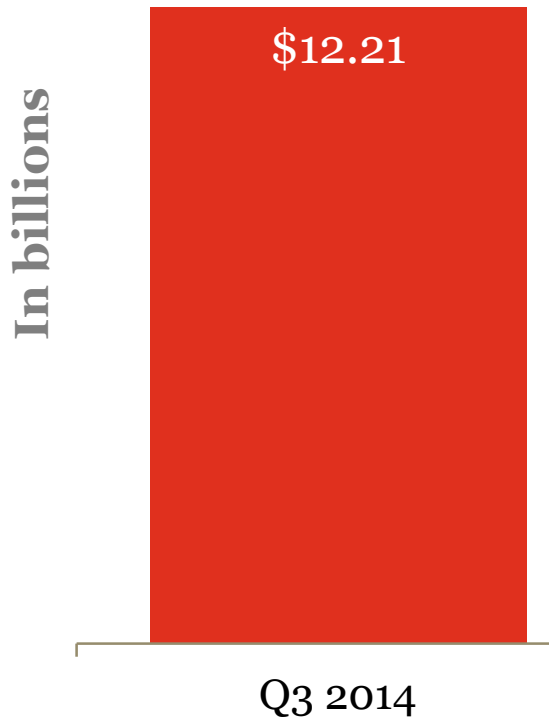
## *Fourth quarter revenues totaled \$14.15 billion in 2014*



*Revenue in Q4 2014 was 16.9% higher than in Q4 2013.*

Source: IAB Internet Advertising Revenue Report, FY 2014

## *Strong Growth between Q3 2014 and Q4 2014*

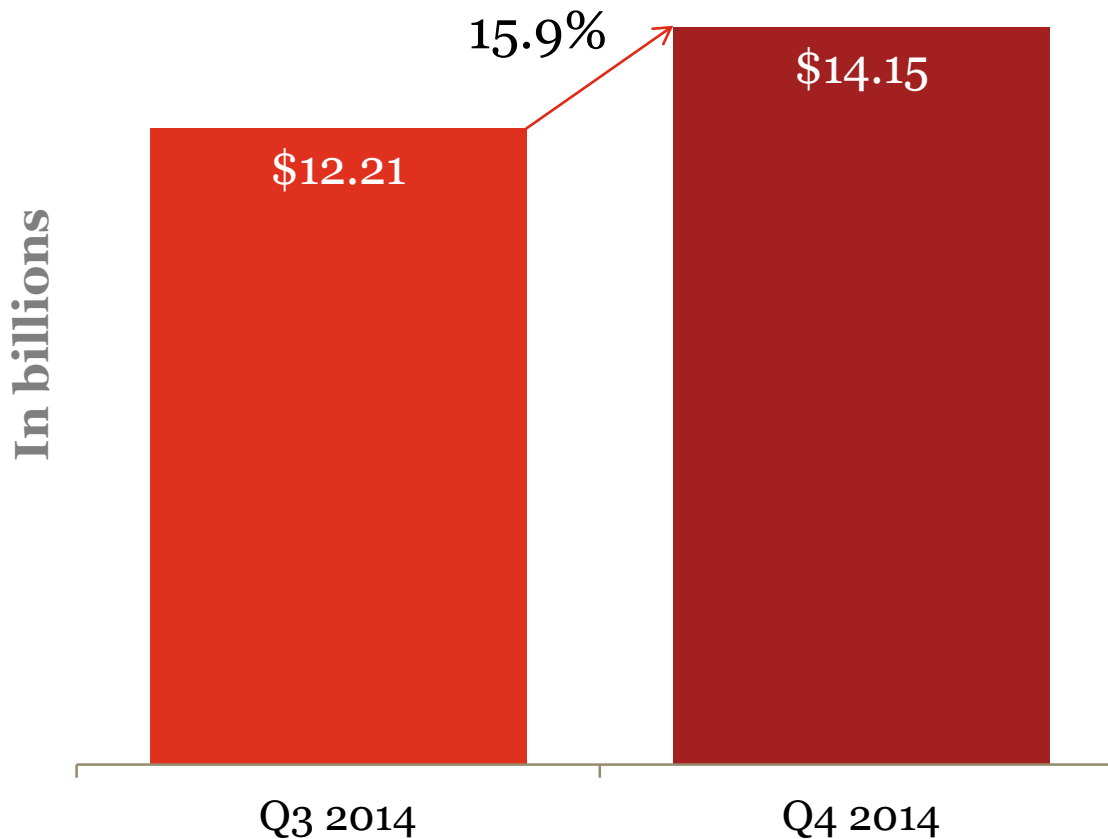


*Revenue in Q4 2014 was \$1.94 billion higher than in Q3 2014.*

Source: IAB Internet Advertising Revenue Report, FY 2014



## ***Strong Growth between Q3 2014 and Q4 2014***

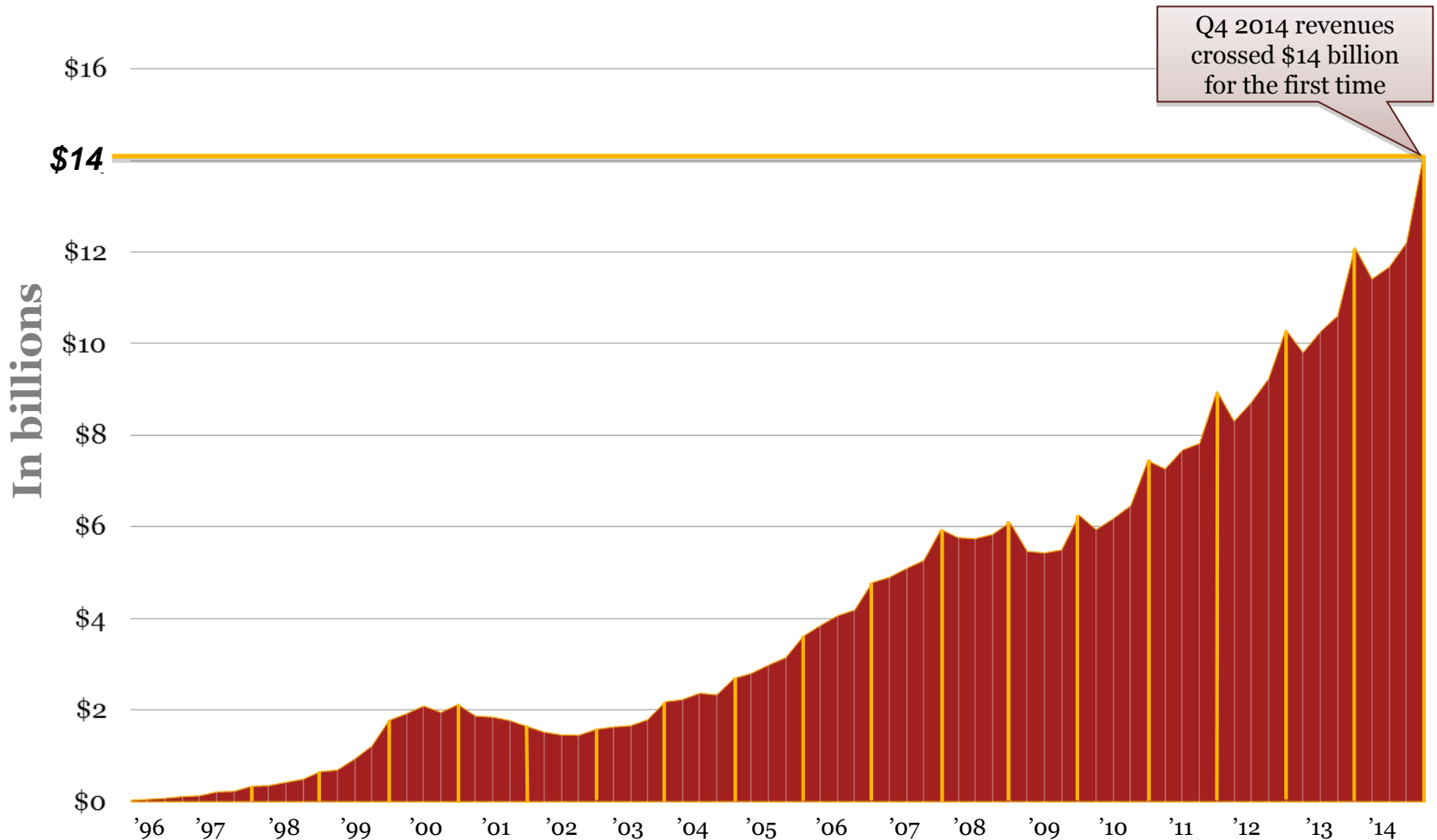


***Revenue in Q4 2014 was \$1.94 billion higher than in Q3 2014.***

Source: IAB Internet Advertising Revenue Report, FY 2014

# Quarterly growth continues upward trend

## Quarterly growth comparison, 1996–2014



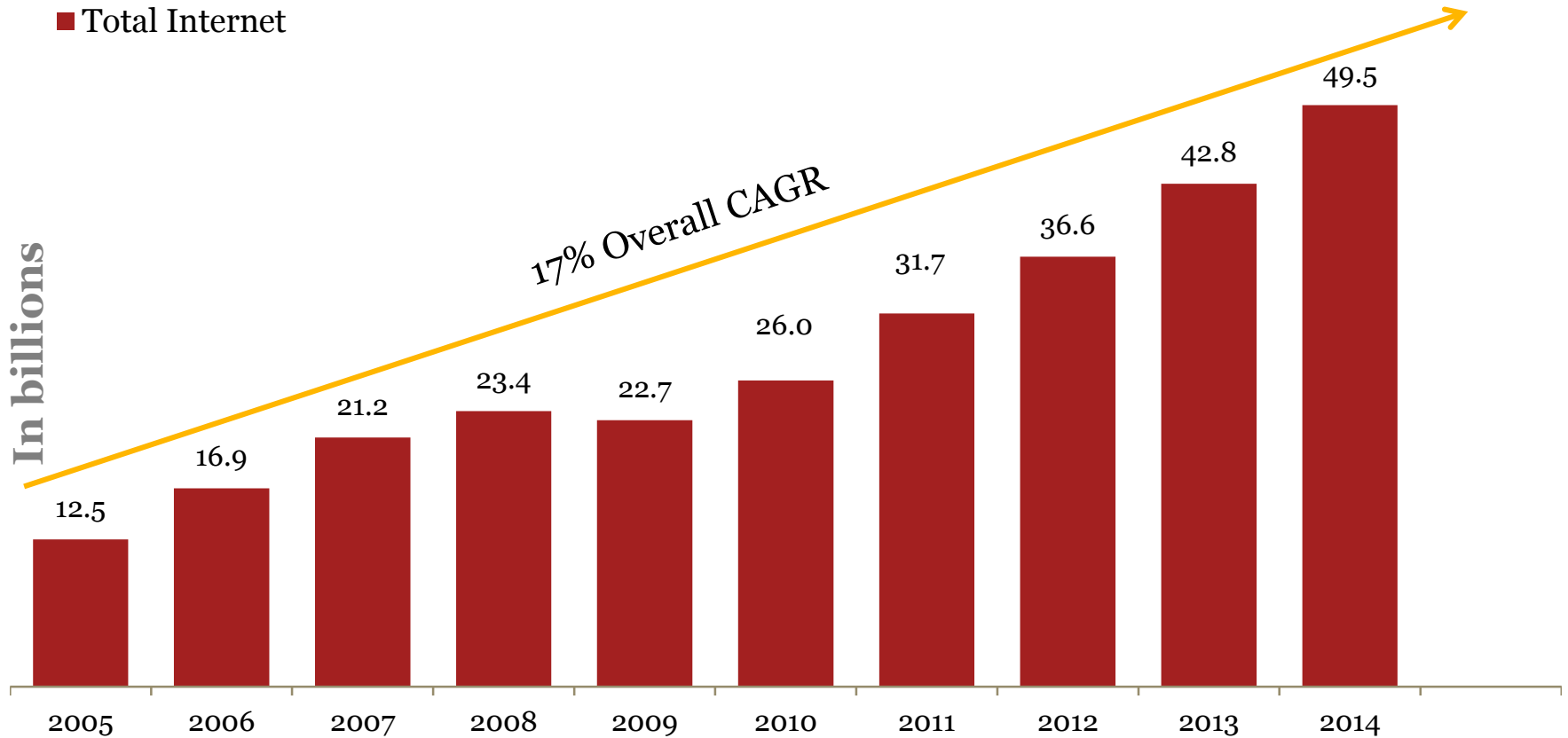
Source: IAB Internet Advertising Revenue Report, FY 2014

PwC

April 2015

# 2014 shows record revenues

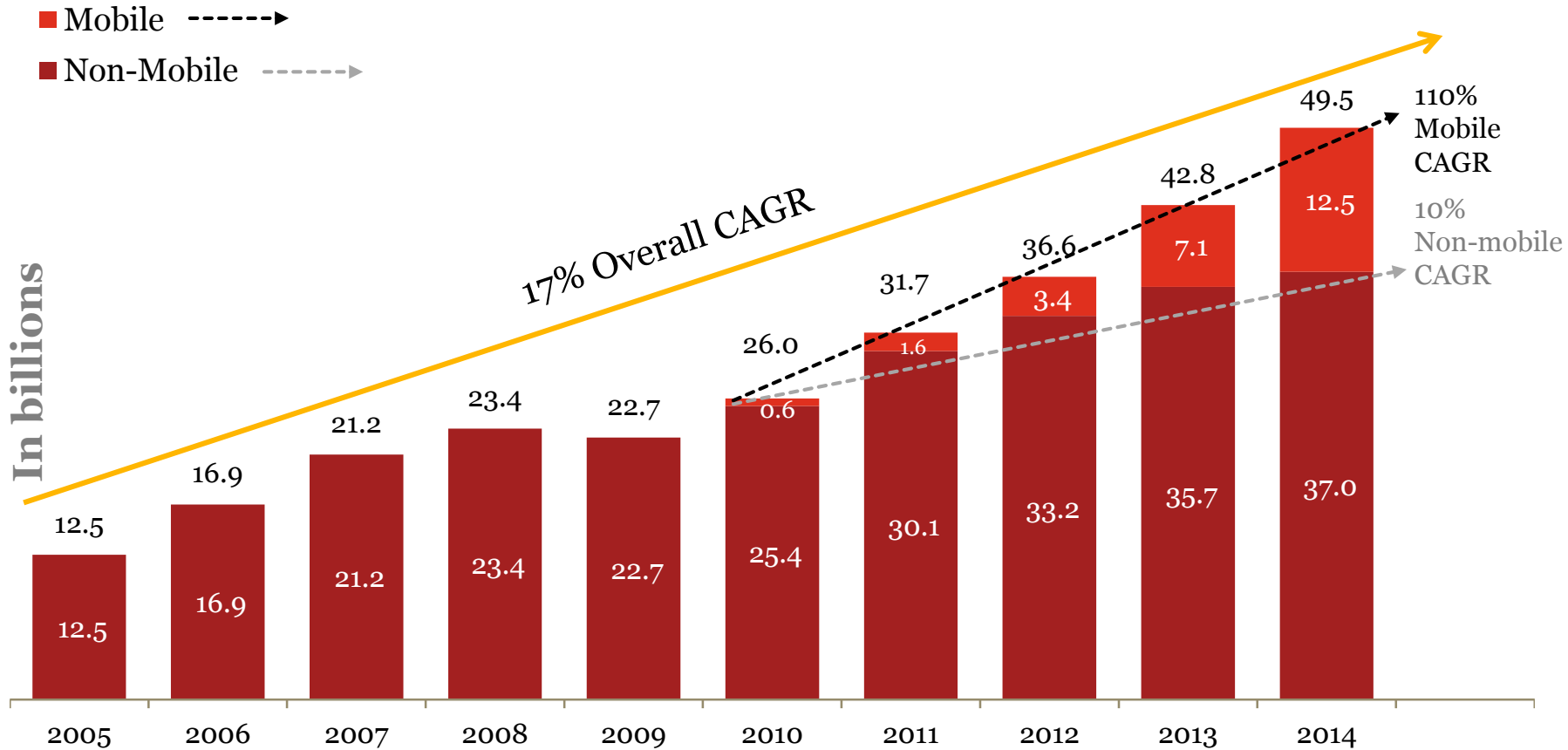
## Annual revenue 2005-2014



\* CAGR: Compound Annual Growth Rate  
Source: IAB Internet Advertising Revenue Report, FY 2014

# 2014 shows record revenues

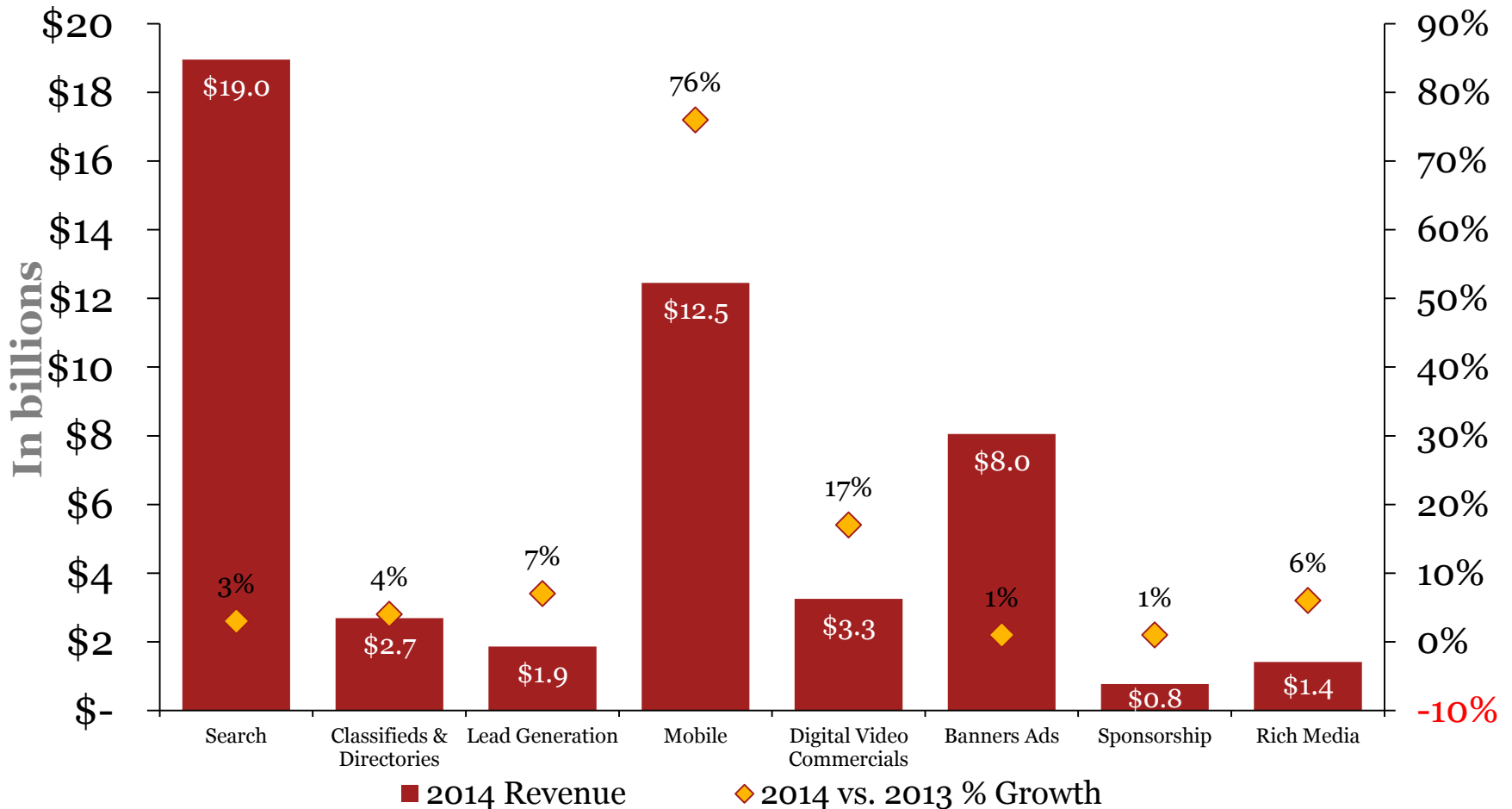
## Annual revenue 2005-2014



\* CAGR: Compound Annual Growth Rate  
 Source: IAB Internet Advertising Revenue Report, FY 2014

# Mobile shows the strongest YoY growth

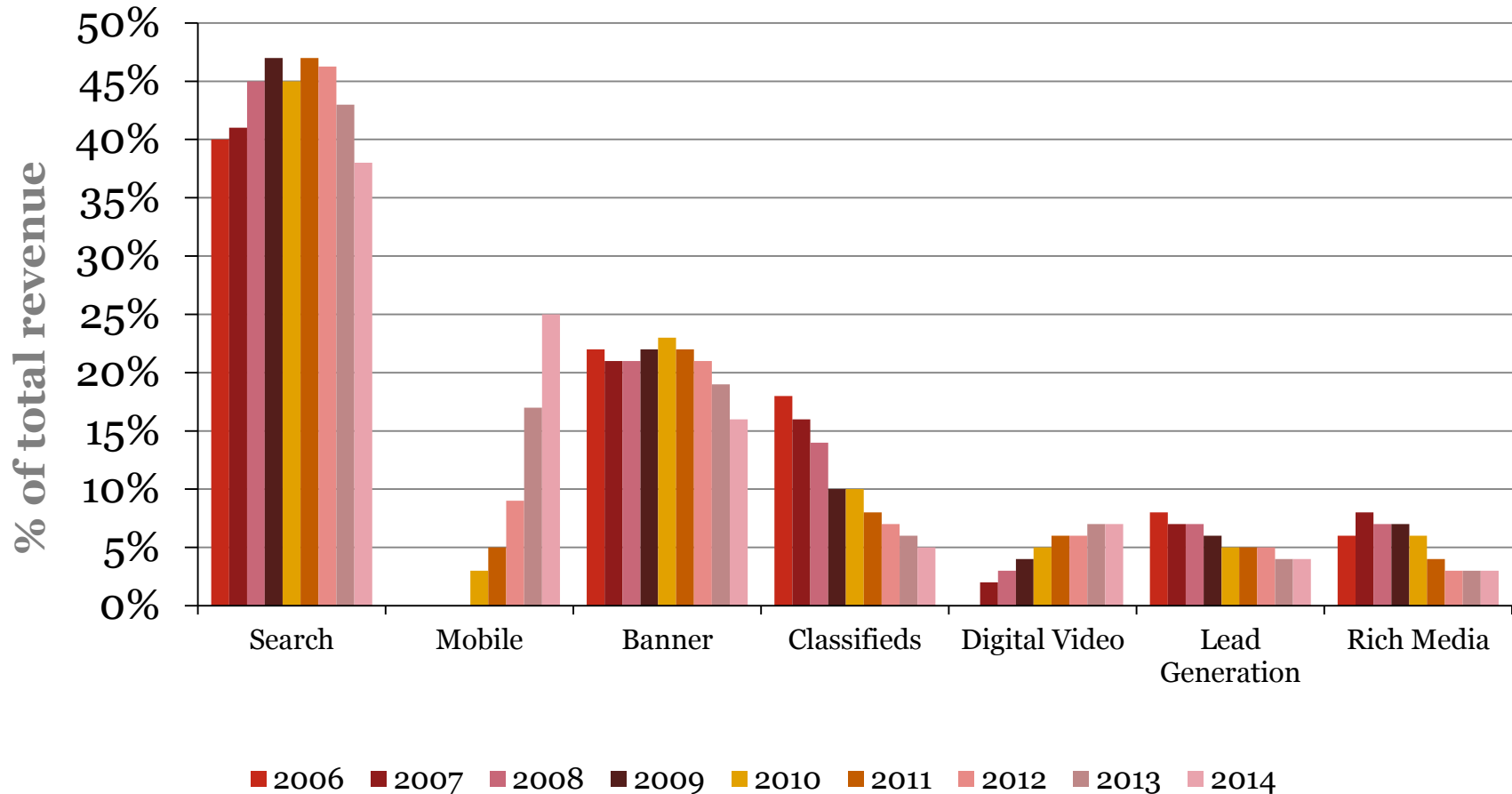
## Advertising formats – 2014 results and growth rates



Source: IAB Internet Advertising Revenue Report, FY 2014

# *Historical trends in internet advertising formats*

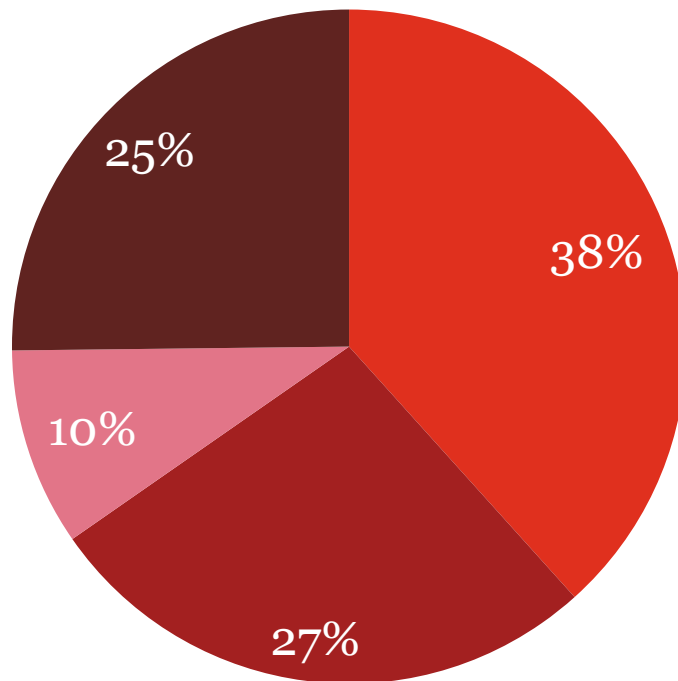
## Revenue share by major ad formats, 2006–2014



Source: IAB Internet Advertising Revenue Report, FY 2014

# *Distributing Mobile across formats demonstrates its importance to Search and Display*

**Formats –2014**  
*(Mobile separated)*

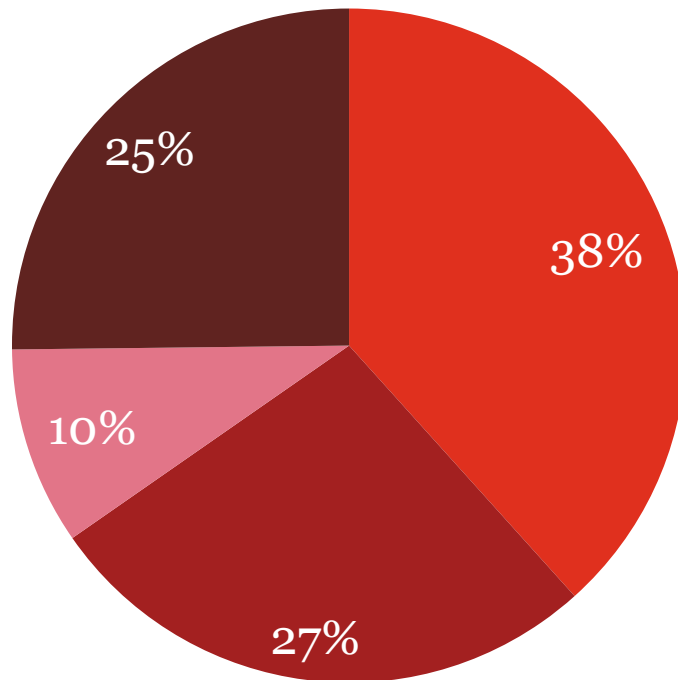


■ Search ■ Display ■ Other ■ Mobile

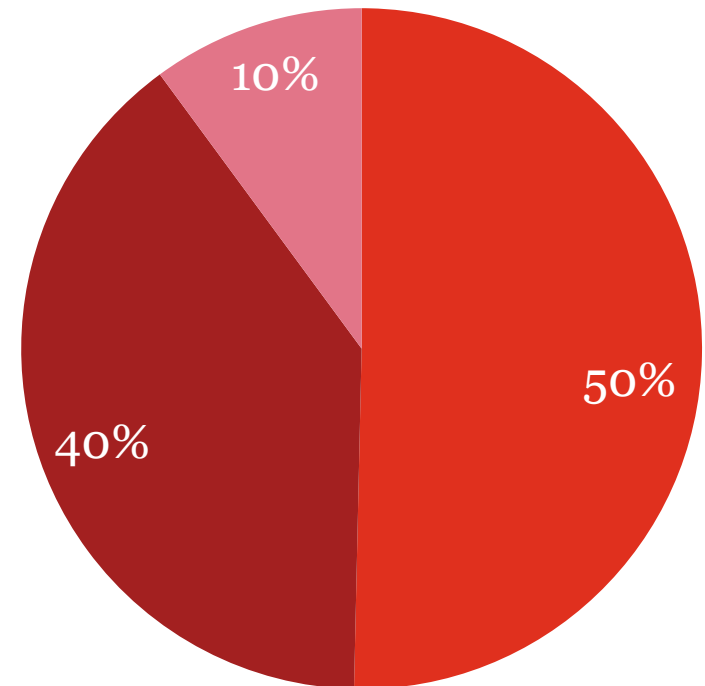
Source: IAB Internet Advertising Revenue Report, FY 2014

# *Distributing Mobile across formats demonstrates its importance to Search and Display*

**Formats –2014**  
*(Mobile separated)*



**Formats –2014**  
*(Mobile included)*



■ Search ■ Display ■ Other ■ Mobile

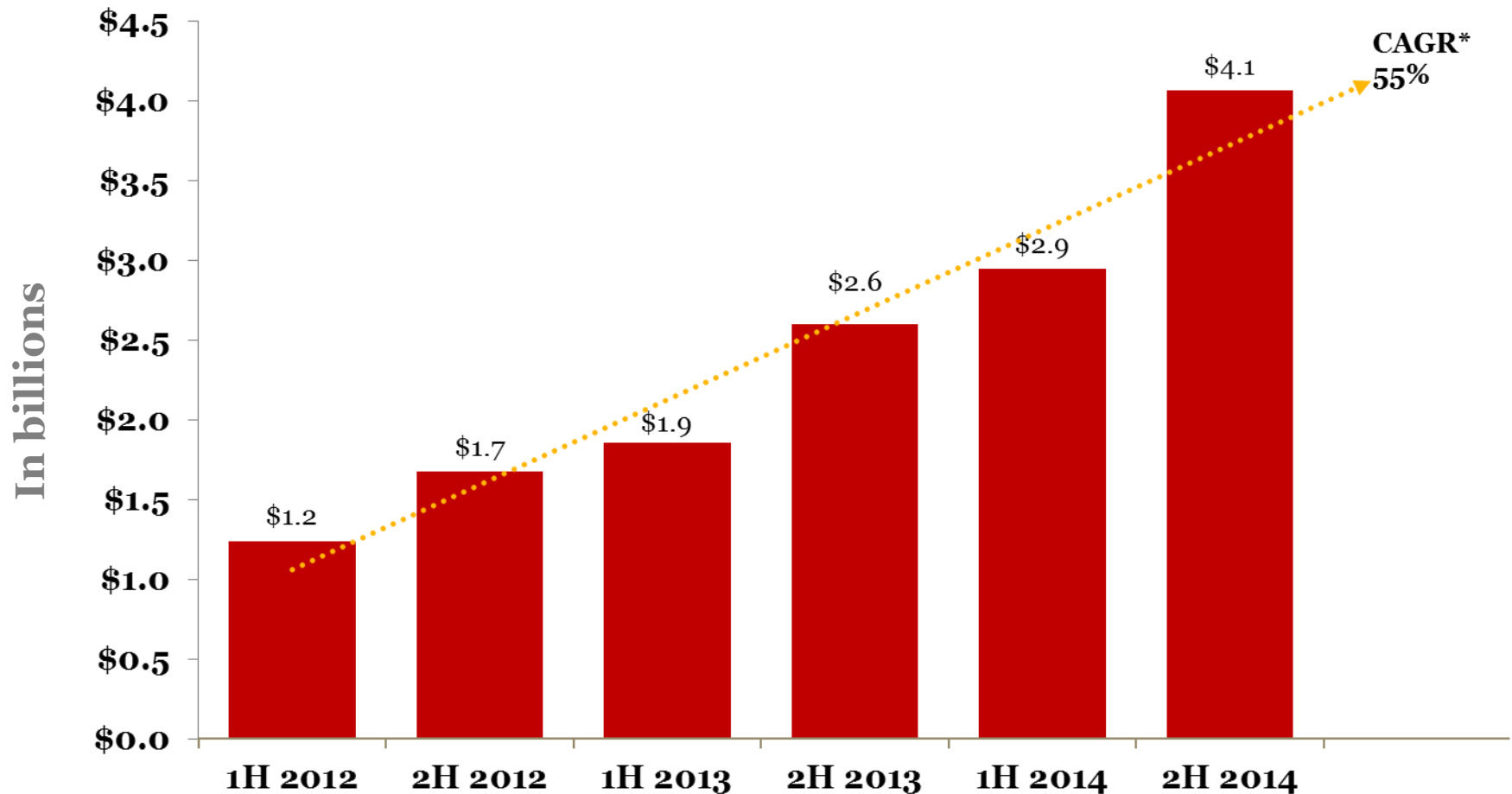
■ Search ■ Display ■ Other

Source: IAB Internet Advertising Revenue Report, FY 2014



# *Social media demonstrates continued growth*

## Social media ad revenues, 2012 –2014



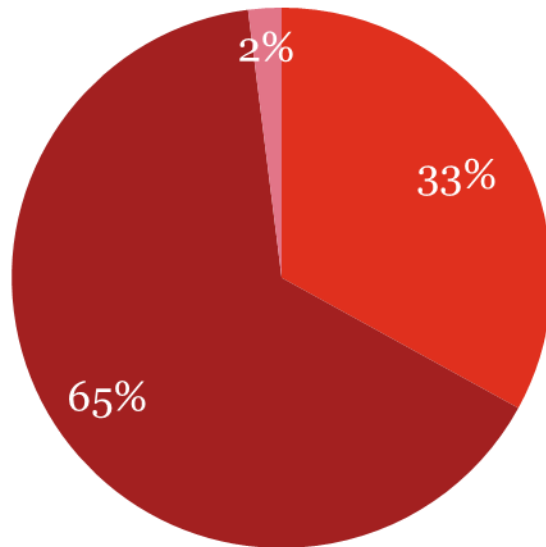
\* CAGR: Compound Annual Growth Rate

Source: IAB Internet Advertising Revenue Report, FY 2014

# *Performance-based pricing shows slight uptick*

## Internet ad revenues by pricing model, 2013 vs. 2014

**2013**

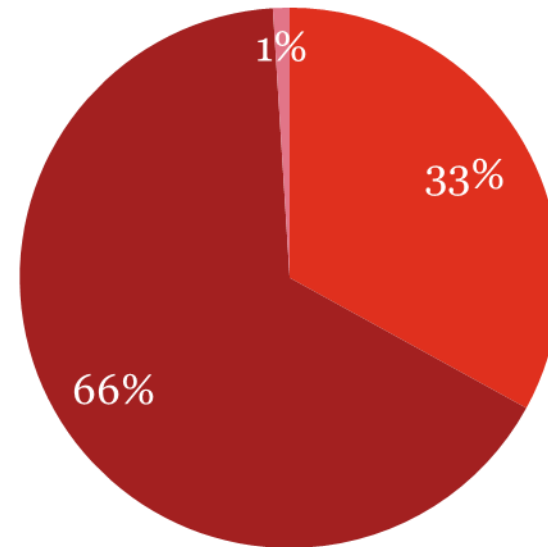


■ Impression-based ■ Performance-based  
■ Hybrid

Total – \$42.8 billion

Source: IAB Internet Advertising Revenue Report, FY 2014

**2014**

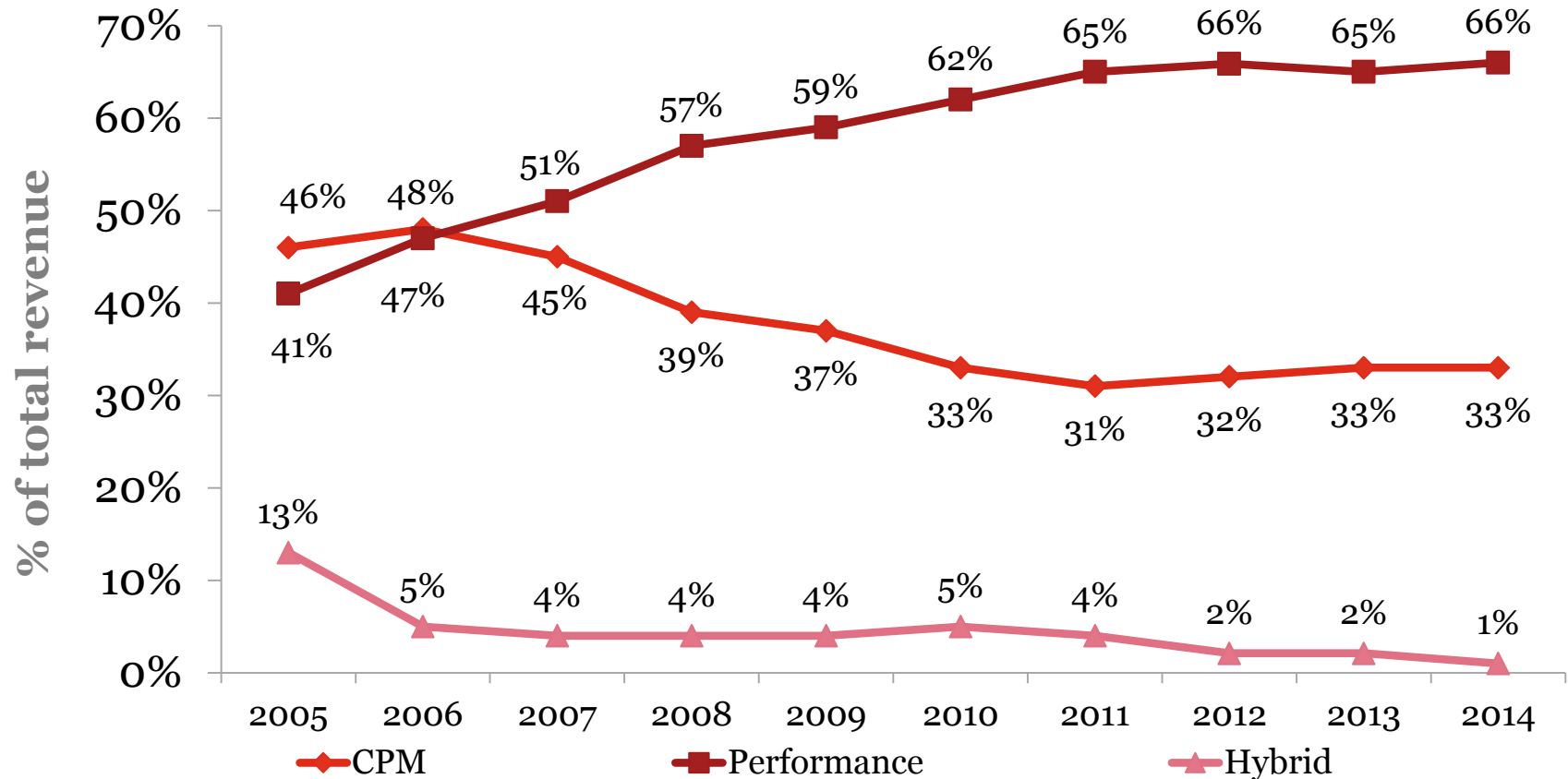


■ Impression-based ■ Performance-based  
■ Hybrid

Total – \$49.5 billion

# Historical pricing model trends

## Internet ad revenues by pricing model, 2005–2014

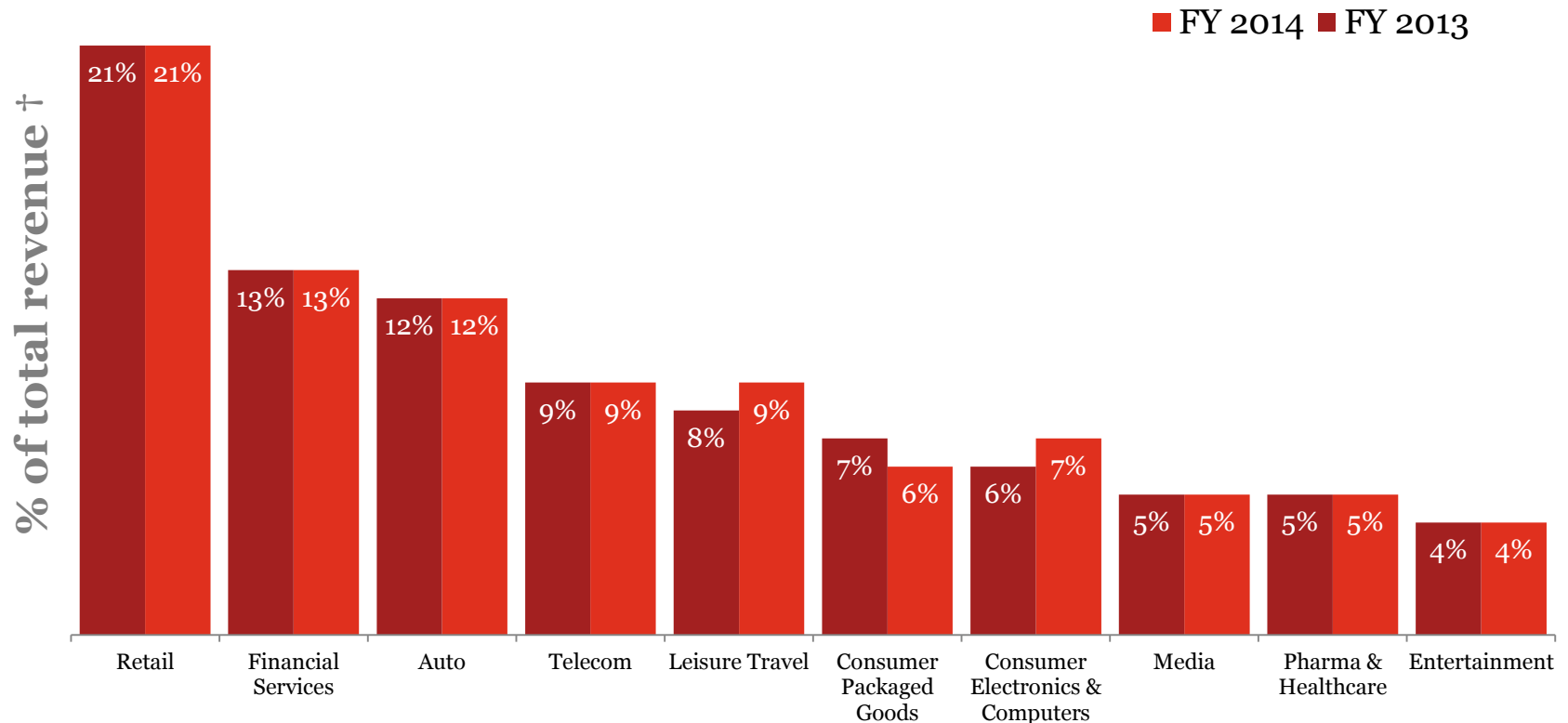


Note: Pricing model definitions may have changed over the time period depicted both within the survey process and as interpreted by respondents

Source: IAB Internet Advertising Revenue Report, FY 2014

# Internet ad revenues by major industry category

\$42.8 B in 2013 vs. \$49.5 B in 2014

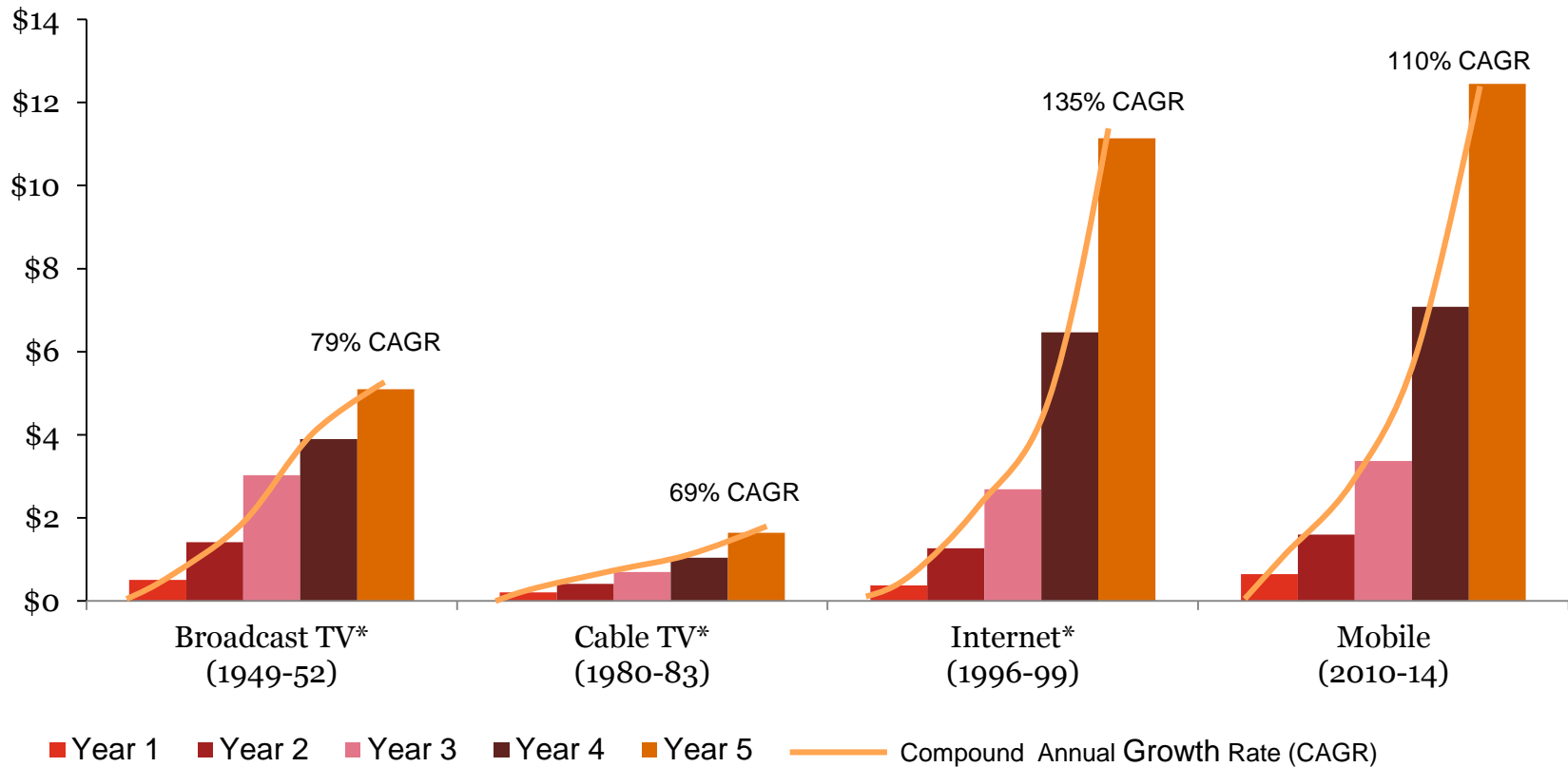


† Amounts do not total to 100% as minor categories are not displayed.

Source: IAB Internet Advertising Revenue Report, FY 2014

# Historical advertising growth of media

## Comparative U.S. advertising media annual ad revenue growth for first 5 years (In billions)



Sources: IAB/PwC Internet Ad Revenue Report, FY 2014; McCann-Erickson

\*Adjusted for Inflation

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# *PwC New Media Group*

## **Contacts**

For information about our New Media Group, contact one of the following PwC professionals:

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646.471.5421

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**Russ Sapienza**

Partner, Advisory Services

646.471.1517

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**Stephanie Faskow**

Manager, Advisory Services

954.604.1968

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**2014 Full Year and Q4 2014**

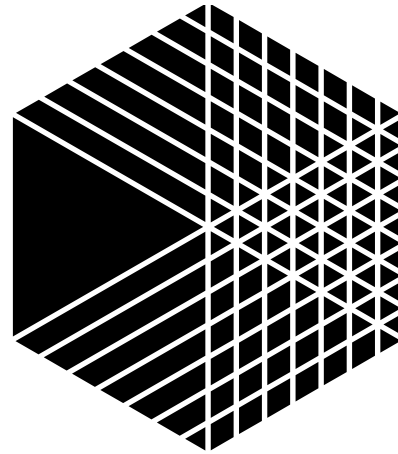
**POV from Magna Global  
on US Digital Media**

April 2015

Vincent Letang

EVP, Director of Global Forecasting, MagnaGlobal

**MAGNA**



**GLOBAL**

## **Perspective on US Digital Media**

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IAB/PWC Webinar  
April 22, 2015

Vincent.Letang@magnaglobal.com

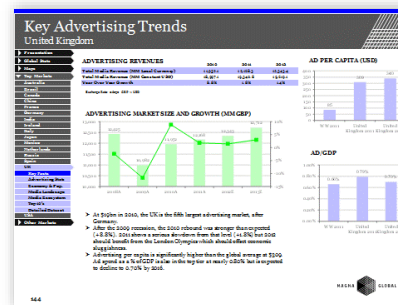




# About MAGNA Intelligence

- **MAGNA Intelligence** is a division of MAGNA GLOBAL (IPG Mediabrands), focusing on market research and forecasting.
- **We analyze and forecast:** net advertising revenues, ad costs and inflation, market profiles, media consumption, technology trends (e.g. programmatic).
- **Scope:** all media categories, 73 countries.
- **We invented it:** we started adspend forecasting 65 years ago in the US (Bob Coen).
- We are trusted: primary source of **Wall Street's** media analysts. Quoted by WSJ, Bloomberg, AdExchanger etc.

## Ad Spend Forecasts



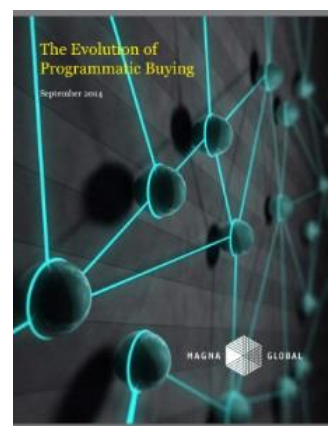
## Media Economy Reports



## Inflation Forecasts



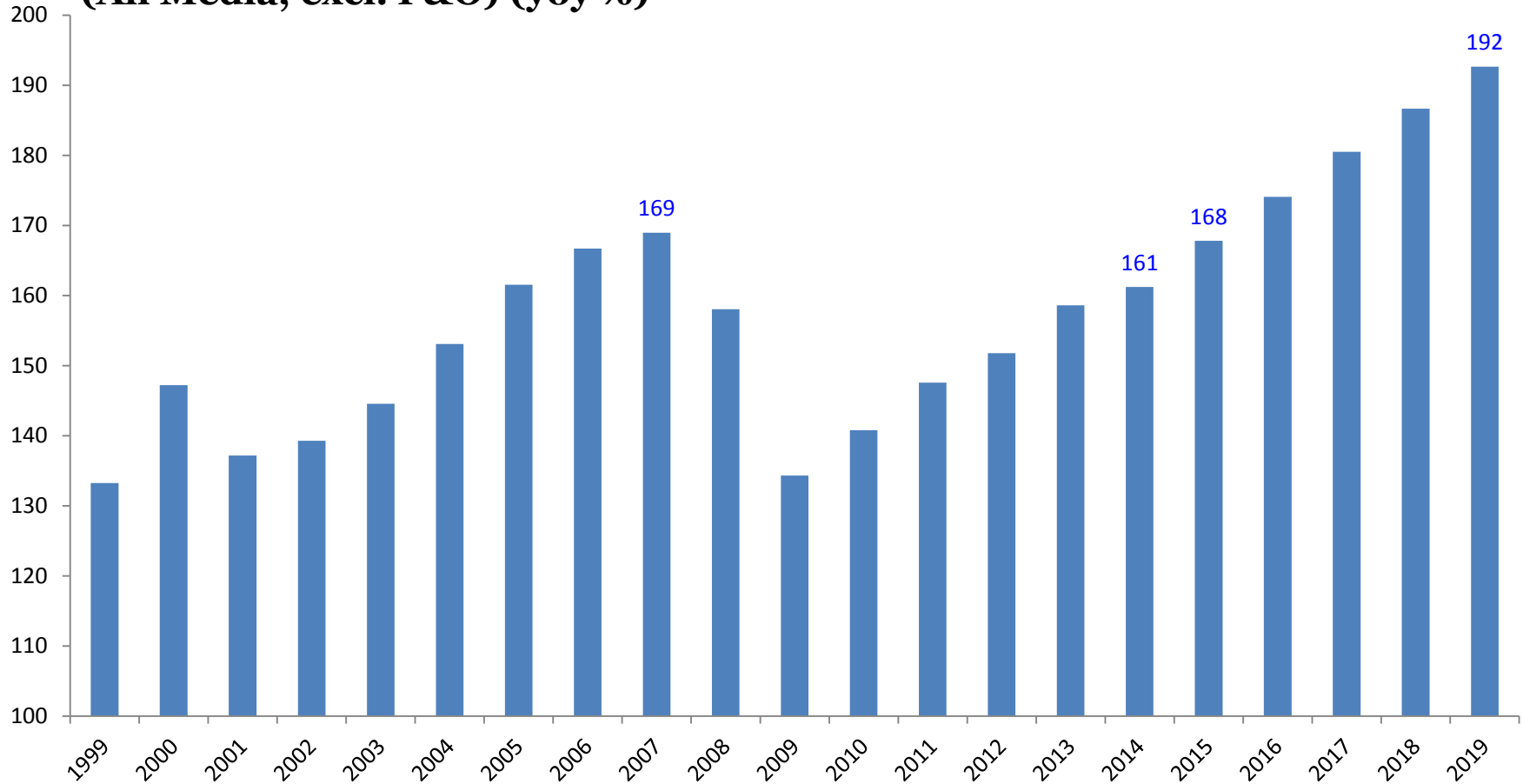
## Programmatic Report



# US Market Forecast

Long Term Trend: 2015 will Barely Catch up with Pre-Recession Highs

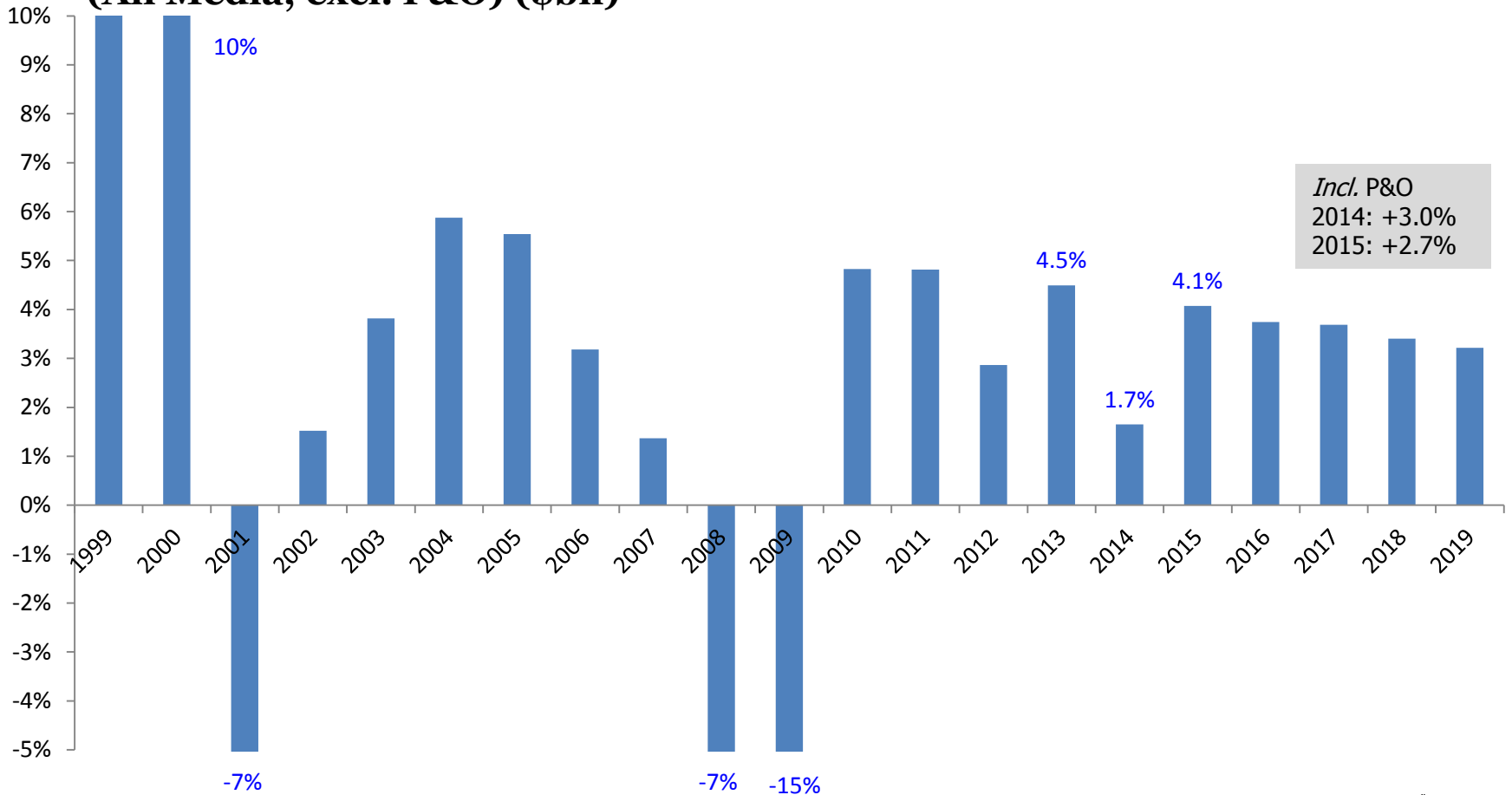
## Long Term Ad Spend Forecasts (All Media, excl. P&O) (yoy %)



# US Market Forecast

Long Term Trend: Total Spend will Re-Accelerate in 2015-2016

## Long Term Ad Spend Forecasts (All Media, excl. P&O) (\$bn)

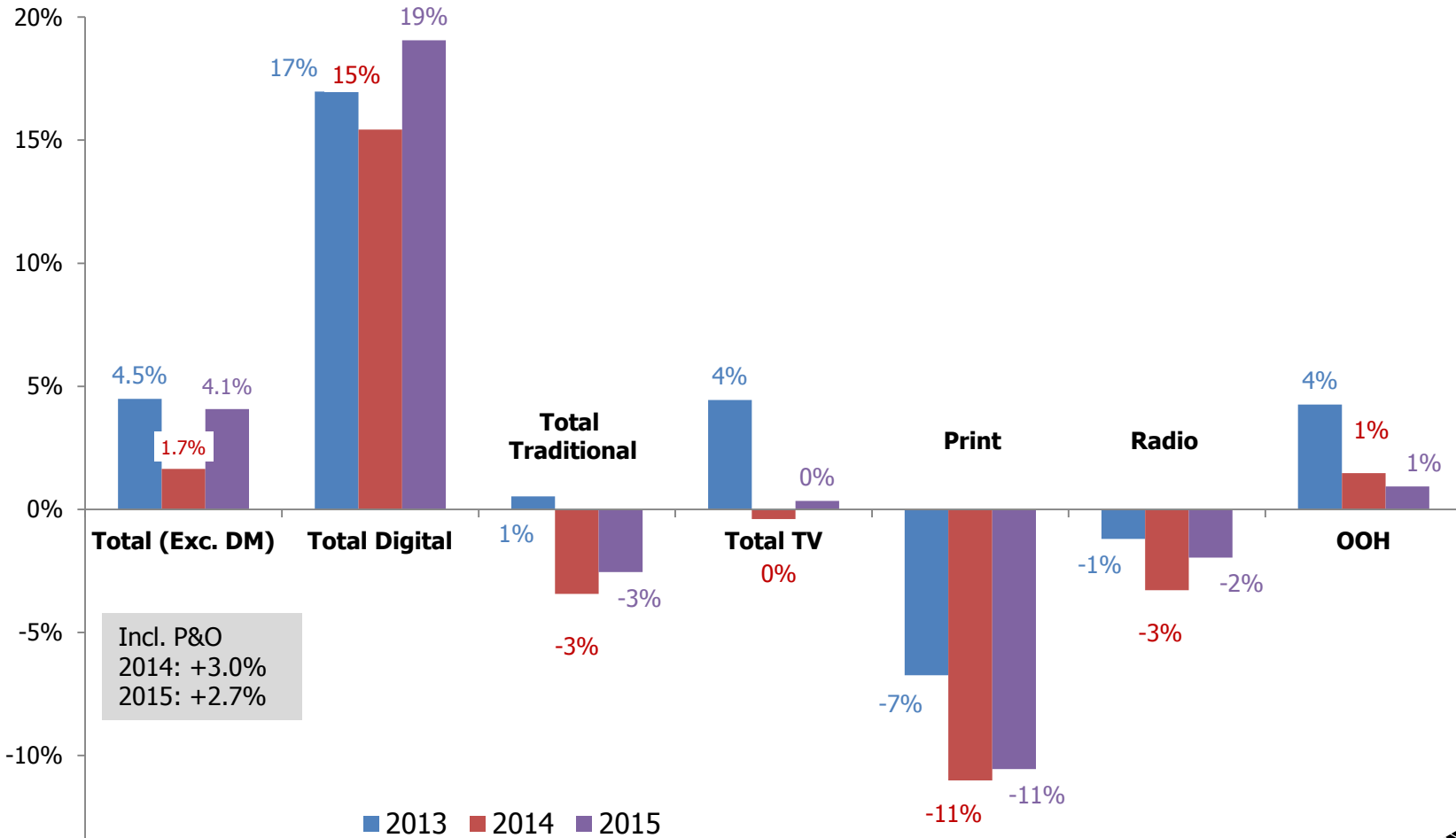


*Incl. P&O*  
2014: +3.0%  
2015: +2.7%

# US Market Forecast

## Digital Media Now Concentrate all the Growth

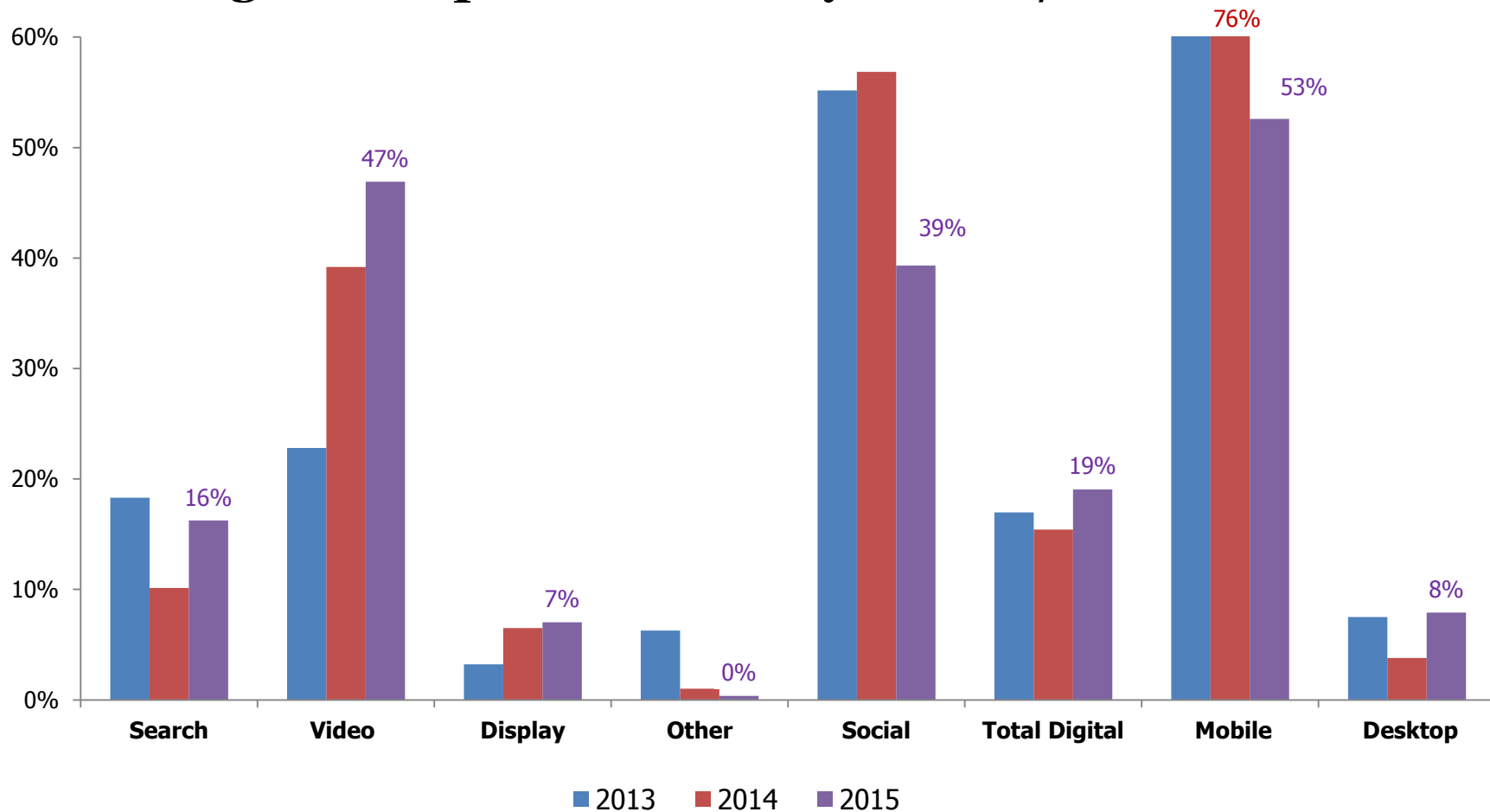
### Ad Spend Growth by Media Category (excluding P&O)



# US Market Forecast

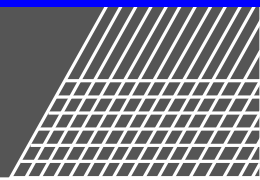
Mobile, Social, Video will Continue to Drive US Digital Spend

## US Digital Ad Spend: Growth by Format/Platform

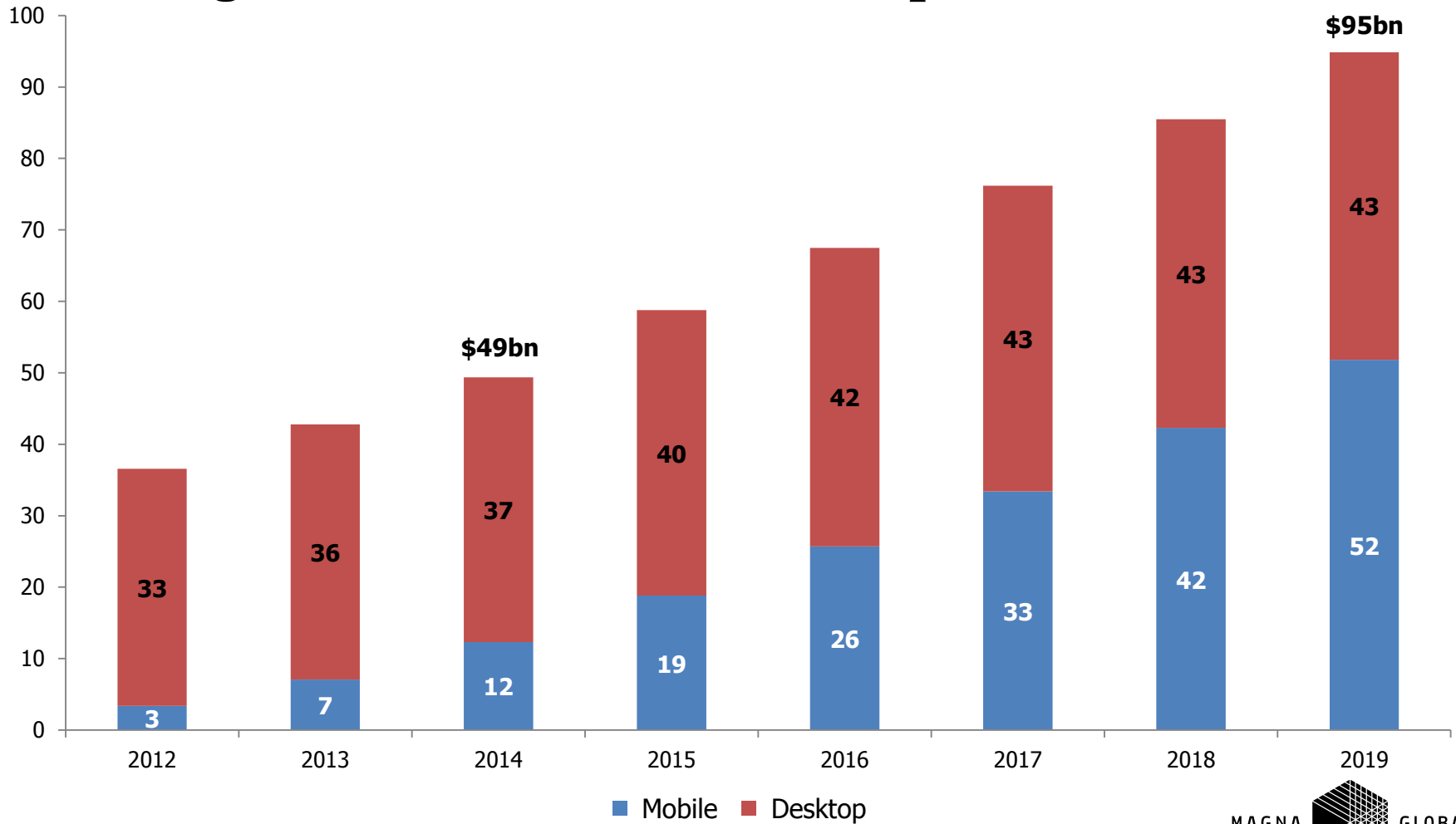


# US Market Forecast

Mobile Digital Ad Revenues will Catch-up with Desktop by 2018

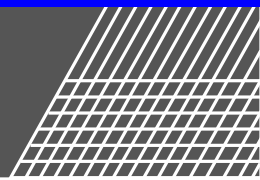


## US Digital Media – Mobile vs Desktop (\$b)

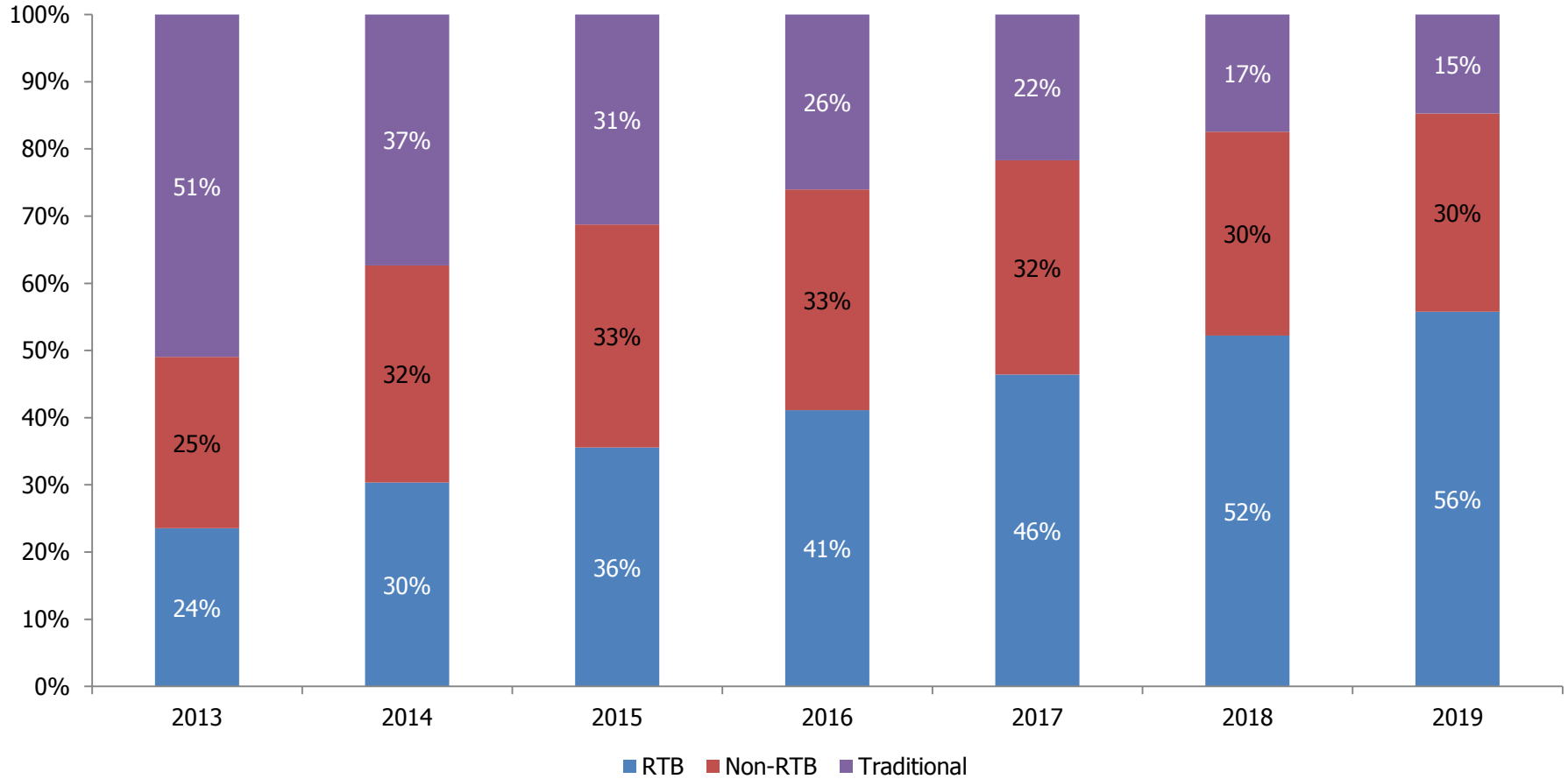


# US Market Forecast

85% of Display-Related Inventory will be Traded Programmatically by 2019

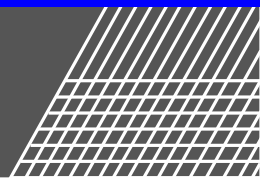


## US Programmatic Forecasts

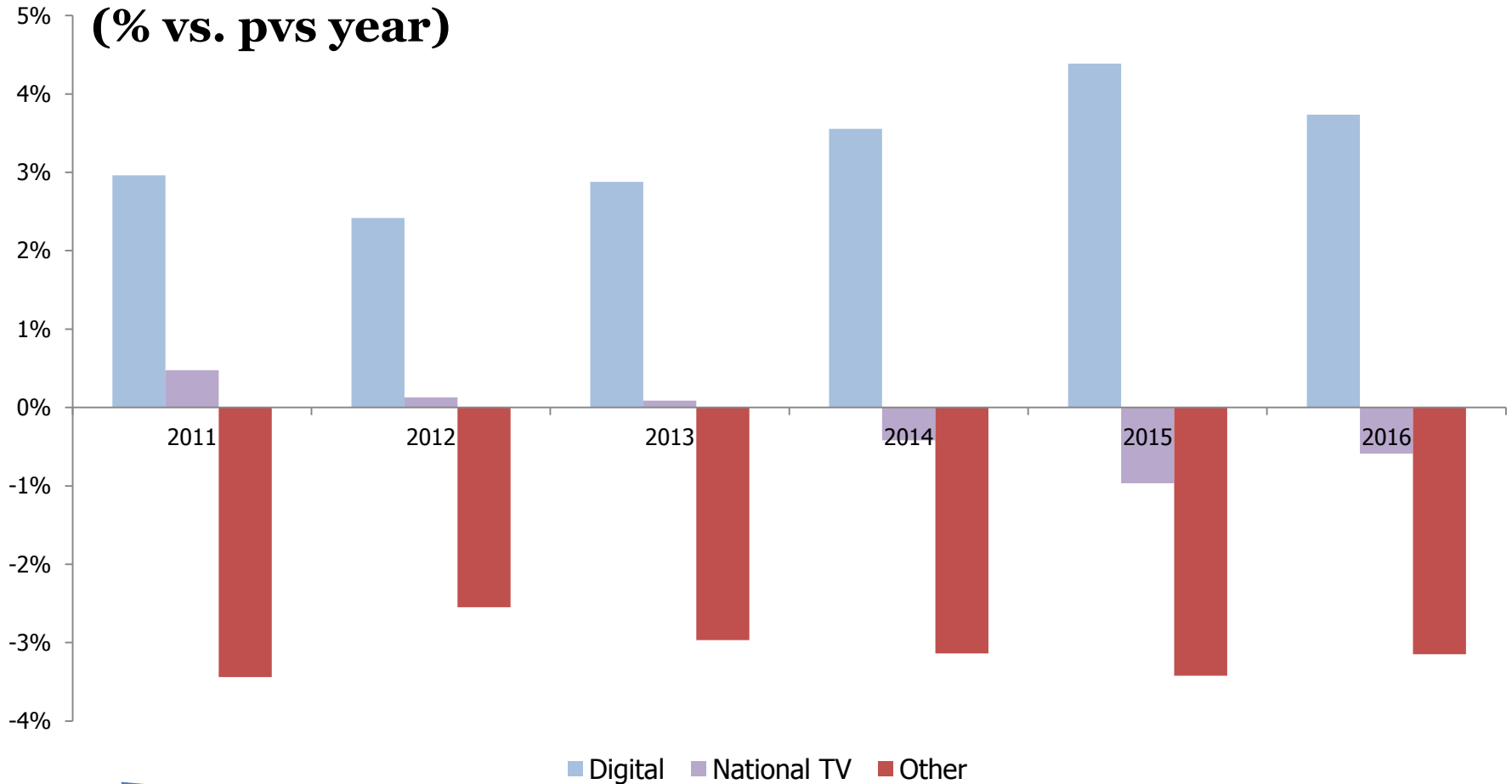


# US Market Forecast

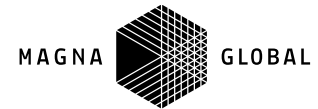
Acceleration in the Shift to Digital: 2014 a Tipping Point?



## Market Share Gains/Losses by Media Category (% vs. pvs year)



Reading: in 2011, print, radio and OOH media combined lost 3.5% in market share compared to the previous year, while digital media captured an extra 3% and television captured 0.5%.

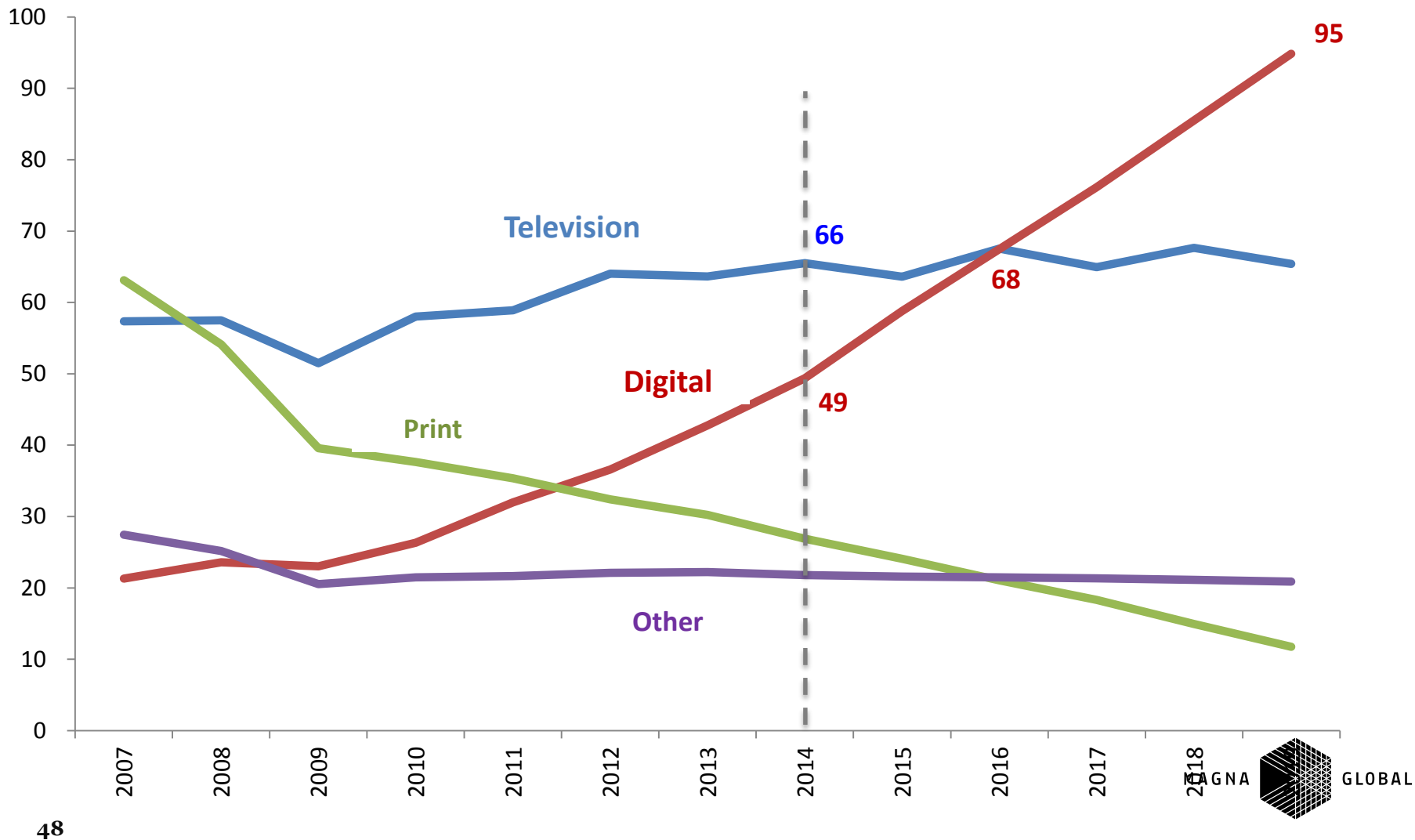




# US Market Forecast

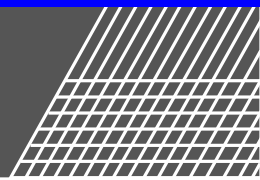
Digital Media to Become #1 Media Category in 2016

## Advertising Revenue by Media Category: LT Forecast (\$bn)

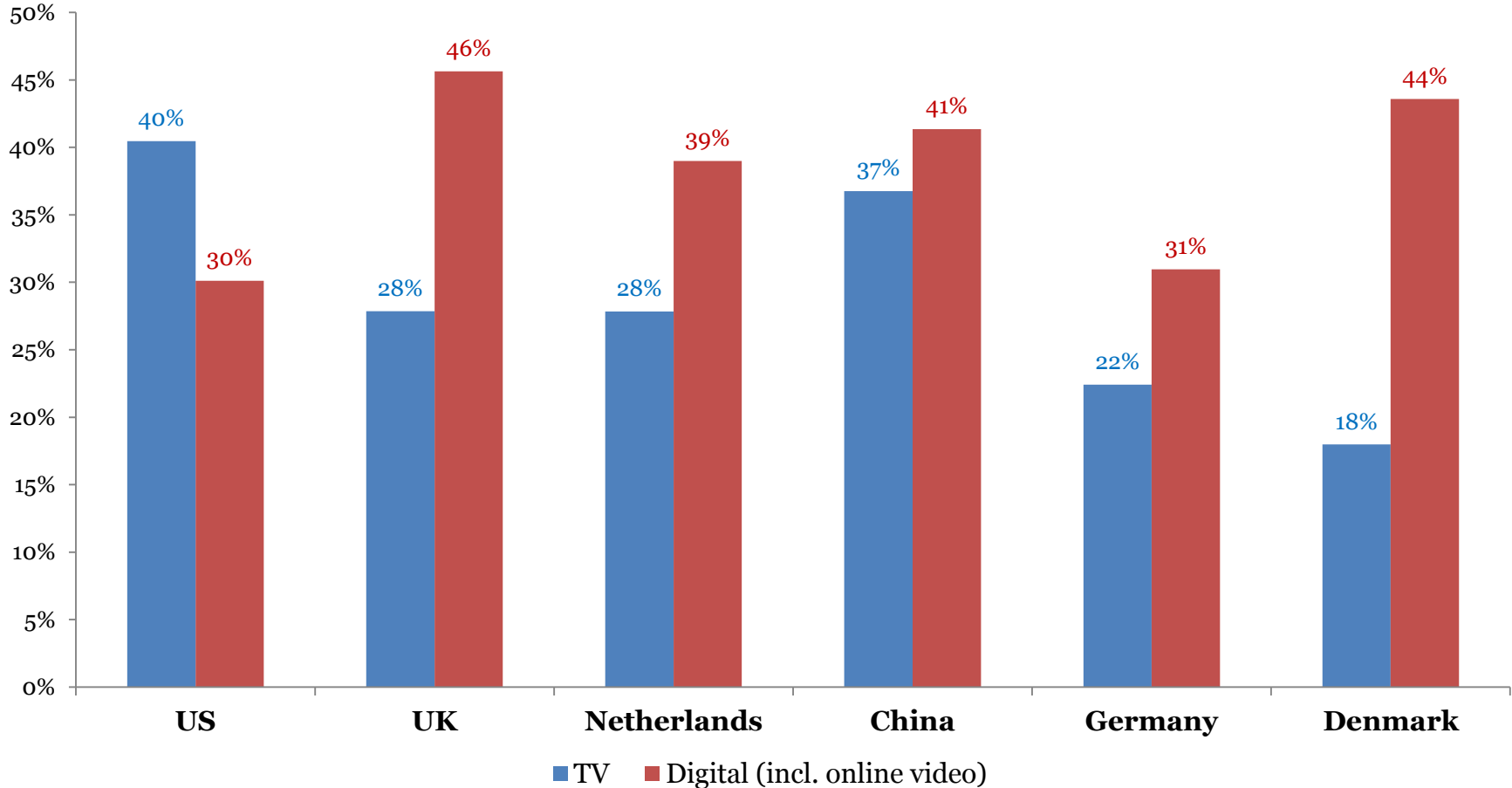


# Global Forecast

Digital Media is *Already* Bigger than TV in 14 Other Markets



## Share of Total Advertising Revenues in Selected Markets (2014)

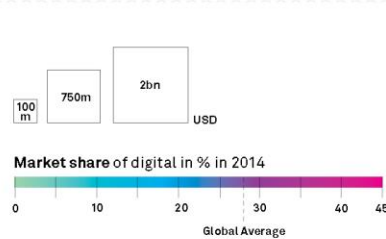
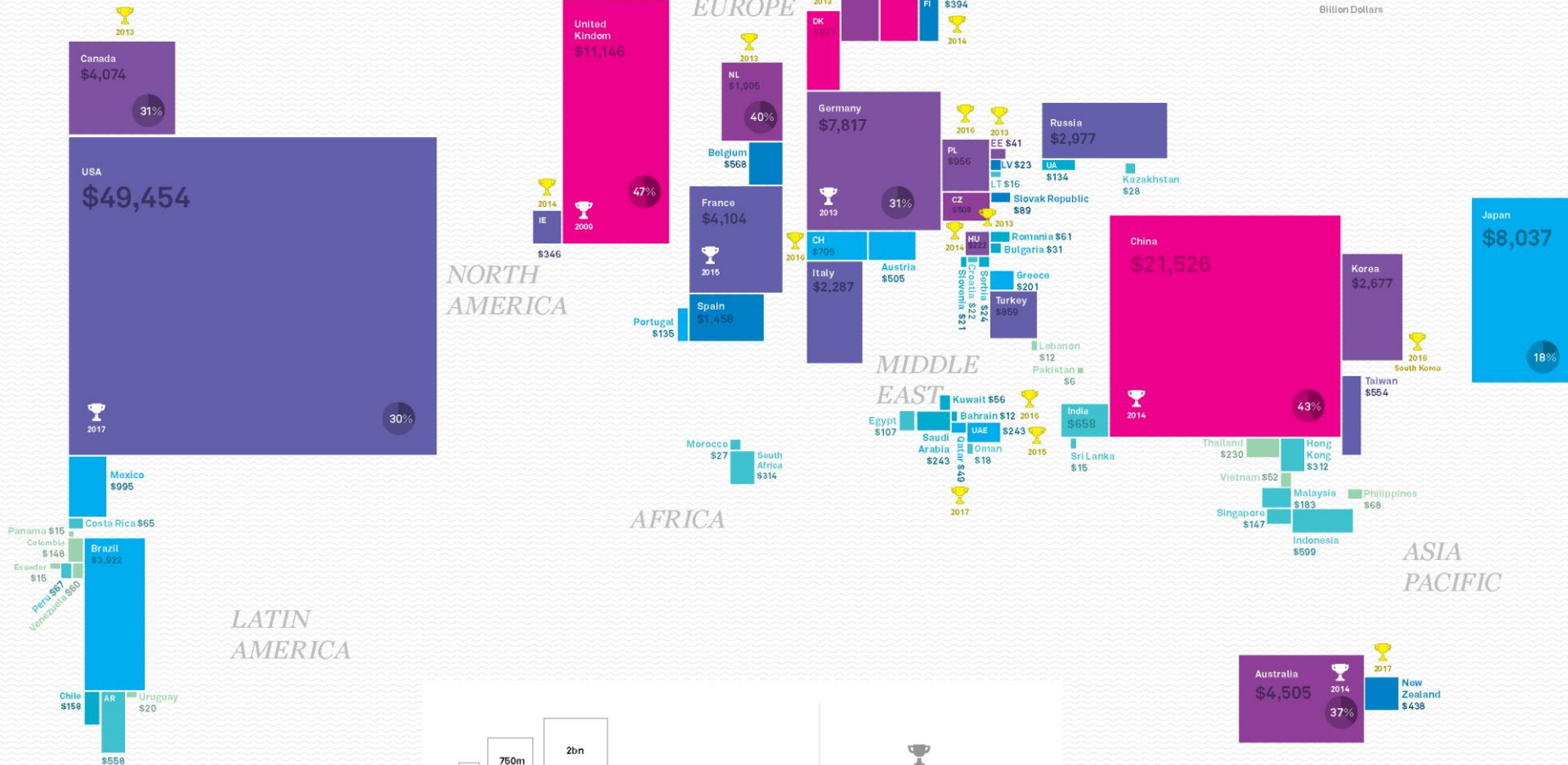


# Global Forecast

Digital Media is *Already* Bigger than TV in 14 Other Markets

## DIGITAL ADVERTISING SPEND 2014

TOTAL DIGITAL ADVERTISING SPEND **142**  
Billion Dollars



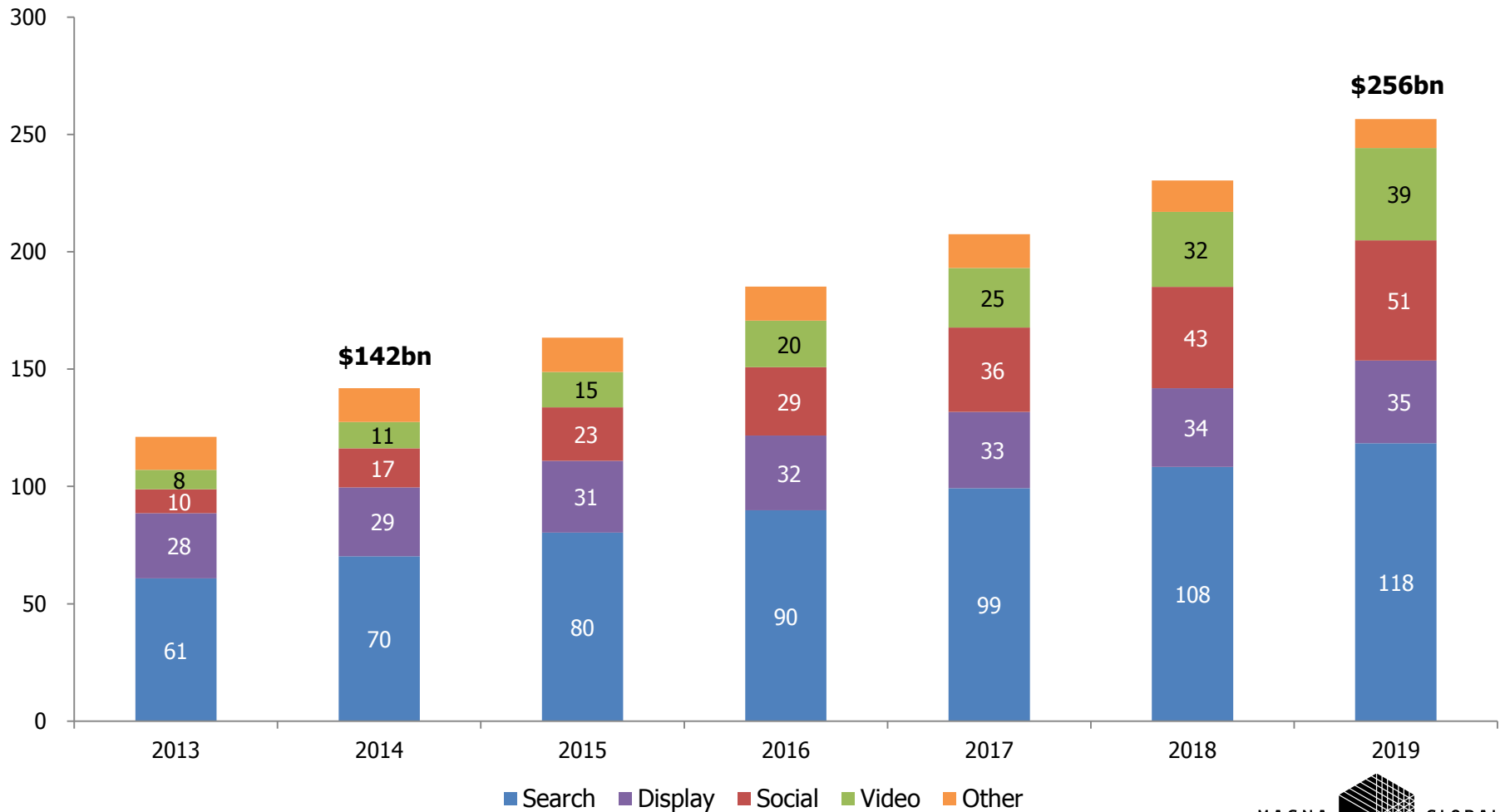
YEAR

Indicates when digital became or will become the number one media category in the market.

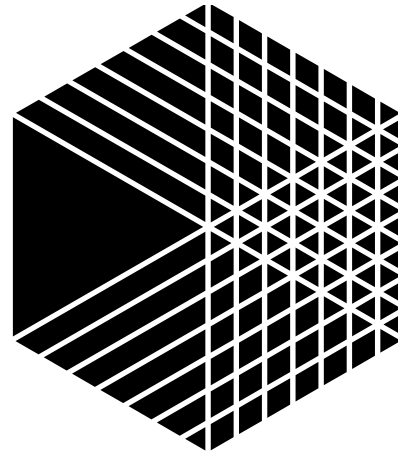
# Global Forecast

Search will Remain the #1 Format but Video & Social will Grow Faster

## Global Digital Ad spend by Format (\$b)



**MAGNA**



**GLOBAL**

## **Perspective on US Digital Media**

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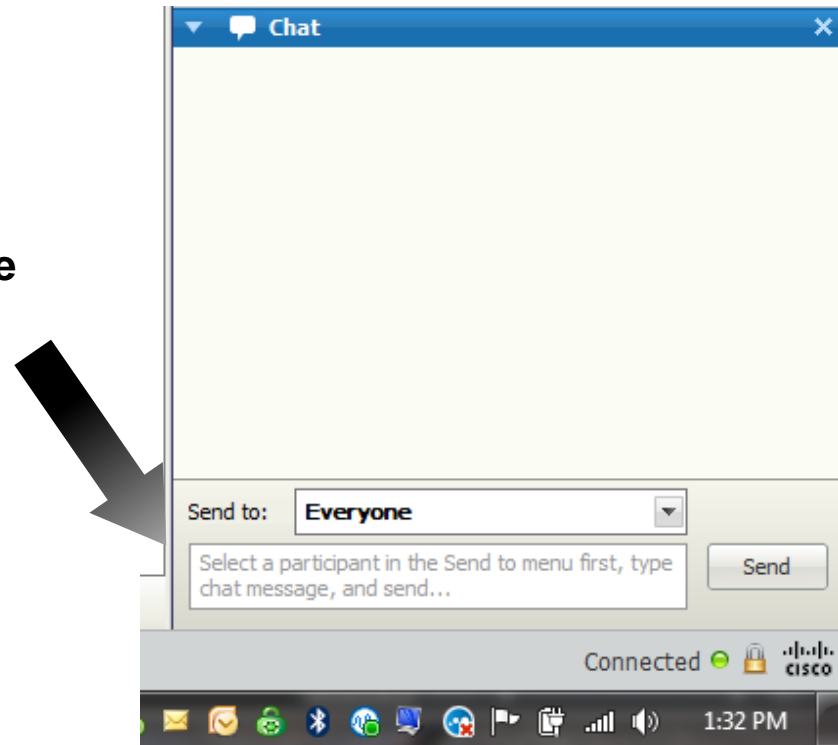
IAB/PWC Webinar  
April 22, 2015

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# Questions?

- Please type questions into the Chat box on the WebEx user interface at any time during the presentations.
  - We will create a queue and answer as many questions as possible following the presentations.
  - Additional press questions should be directed to Laura Goldberg:  
[Laura.Goldberg@iab.net](mailto:Laura.Goldberg@iab.net)
  - Additional questions from IAB members should be directed to Kristina Sruoginis:  
[Kristina@iab.net](mailto:Kristina@iab.net)



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# THANK YOU

## FOLLOW-UP QUESTIONS:

Additional questions from IAB members should be directed to Kristina Sruoginis:

[Kristina@IAB.net](mailto:Kristina@IAB.net)

Additional press questions should be directed to Laura Goldberg:

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