
Jan. 24, 2014

IAB Interactive Advertising Outlook 2014

J.P. Morgan

Advertising/Marketing Virtual Summit

Presenter: Patrick Dolan, COO, IAB patrick@iab.net

Questions: Kristina Sruoginis, Research Director, IAB kristina@iab.net

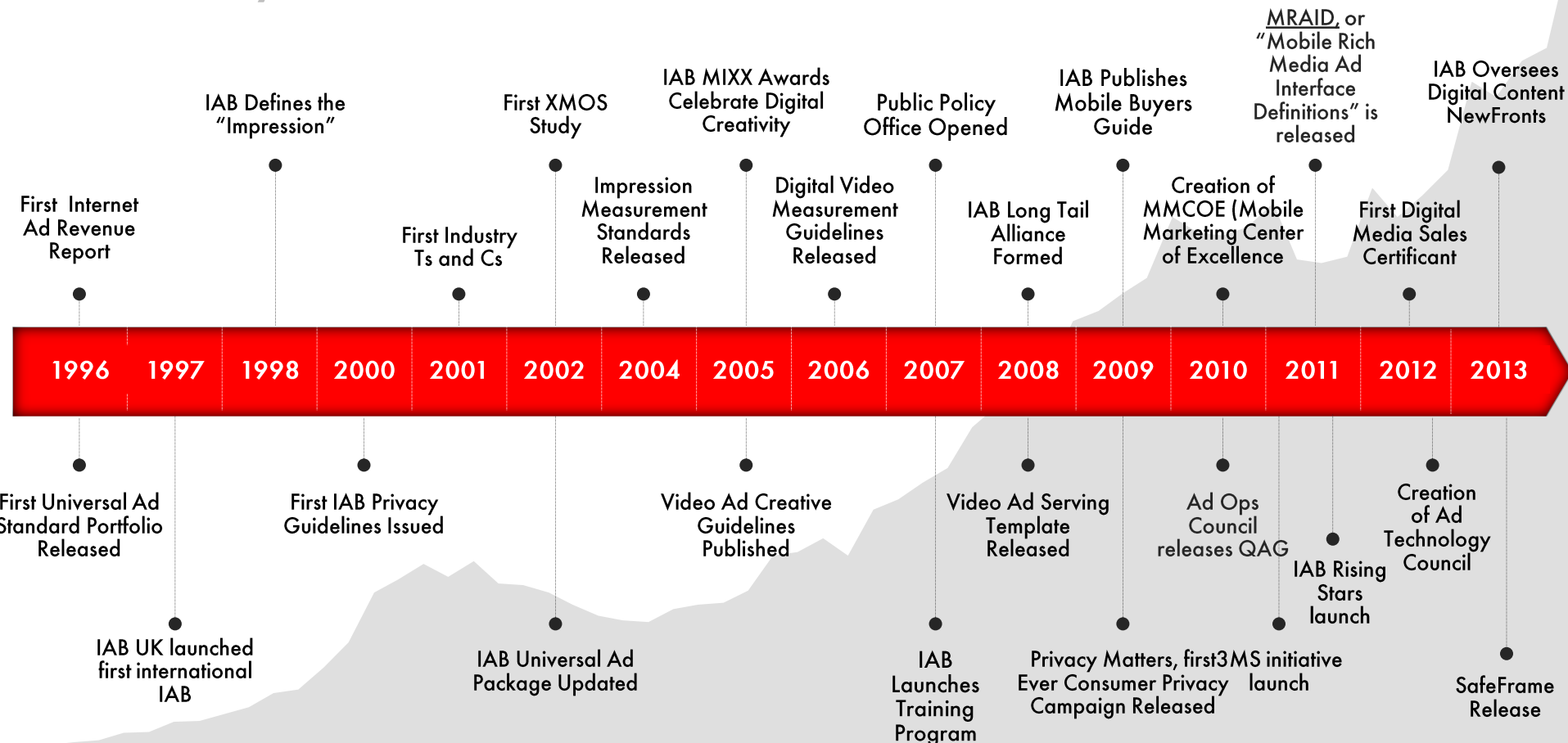
Digital Media's Biggest Tent

600+ leading media companies responsible for selling 86% of US online advertising.



IAB Invented the Modern Digital Ad Industry

Quarterly Revenue Growth Trends, in Billions 1996–2012

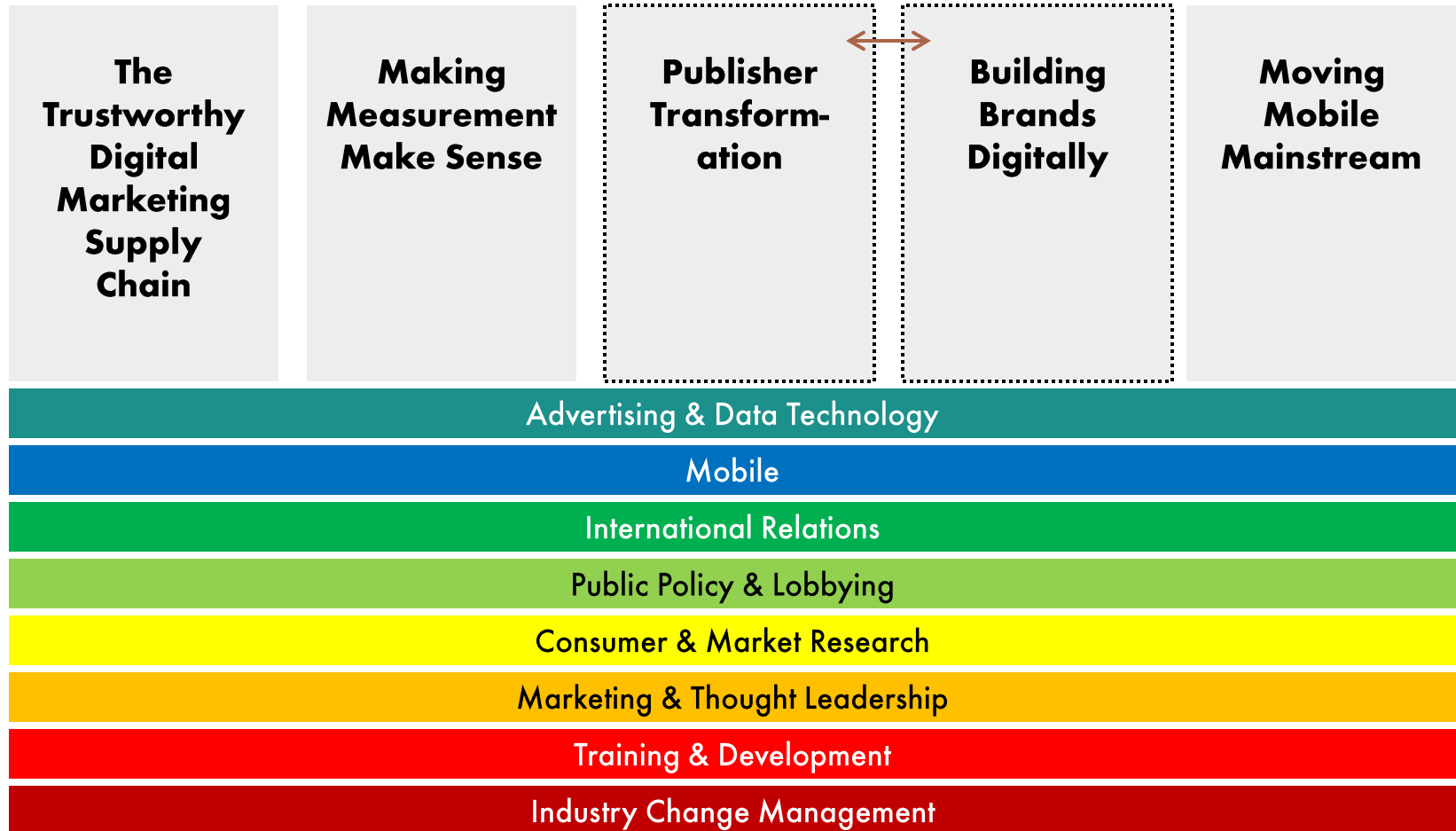


IAB Mission

**IAB empowers the
media and marketing
industries to thrive in
the digital economy.**

2014-2018

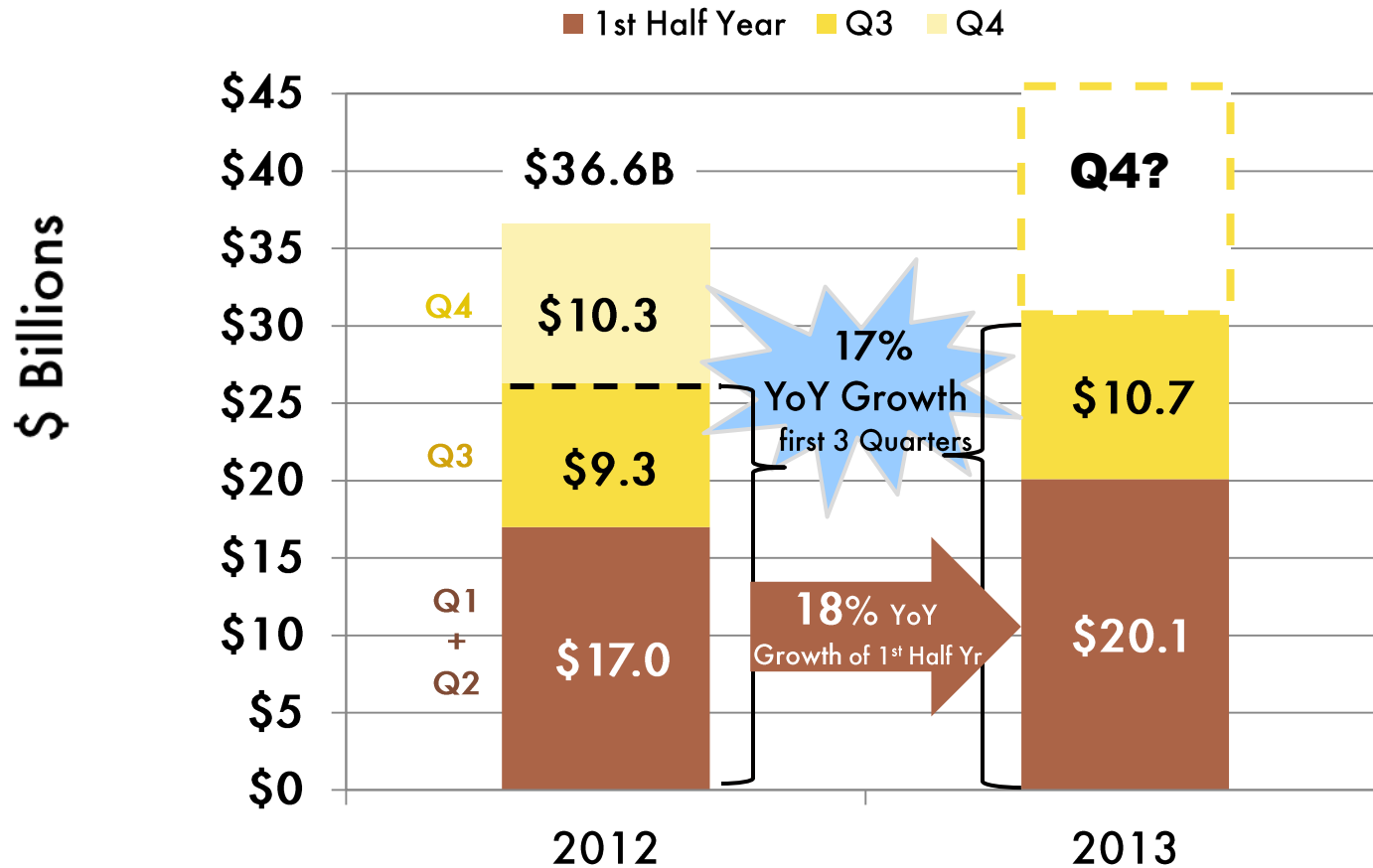
Five Enduring Priorities



Interactive Advertising 2013 Performance

Digital Ad Revenue Continues to Grow

Digital Ad Revenue 1st 3Q's 2013 compared to 1st 3Q's 2012

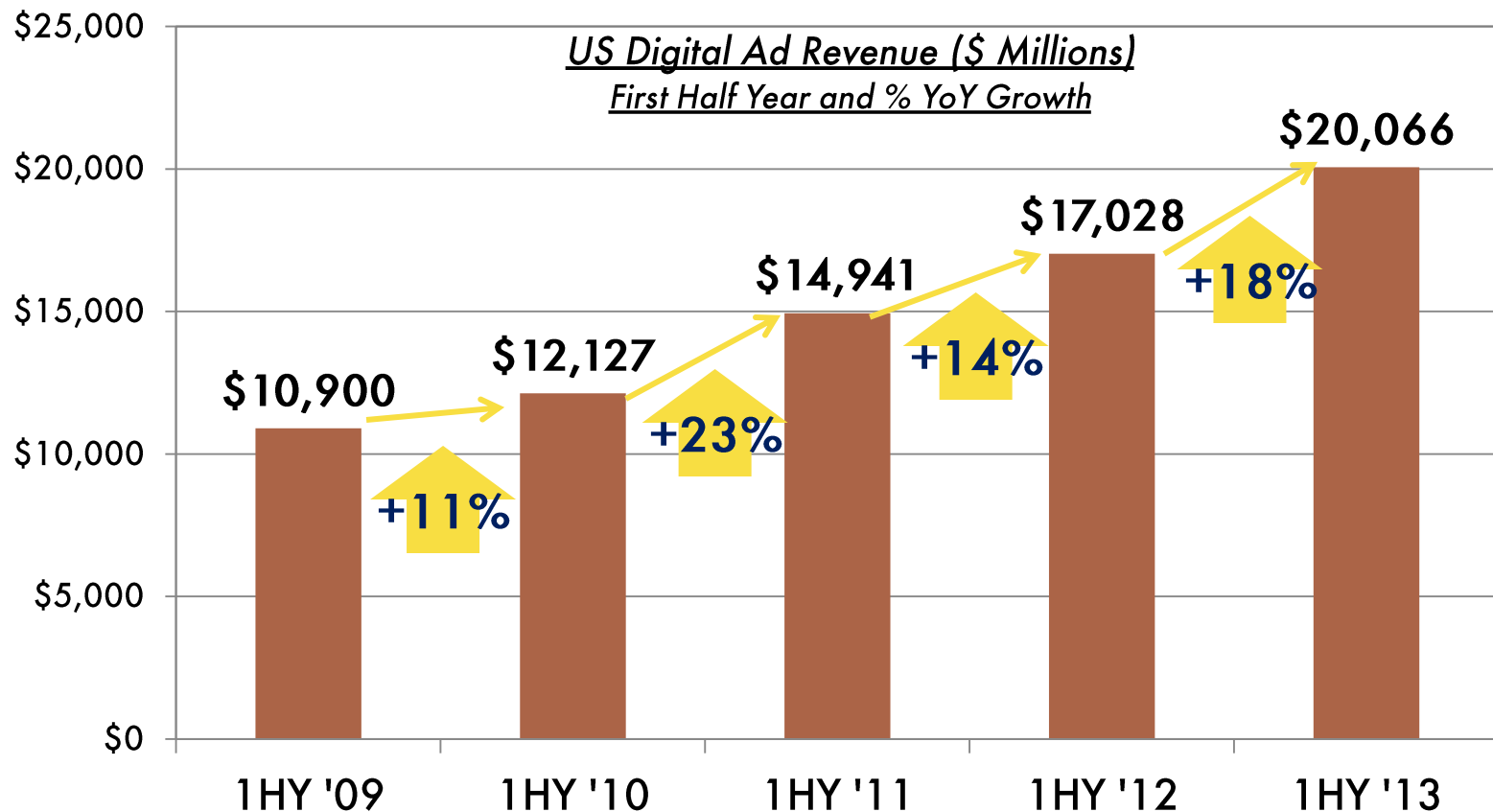


HY '13 Total Media Ad Revenue

Nielsen estimates total media revenues increased 3% from First Half 2013 to First Half 2013; Kantar Media estimates a 2% increase.

Sources: IAB/PWC Internet Advertising Revenue Report, 2013 First Half and Second Quarter Report; Nielsen and Kantar Press Releases

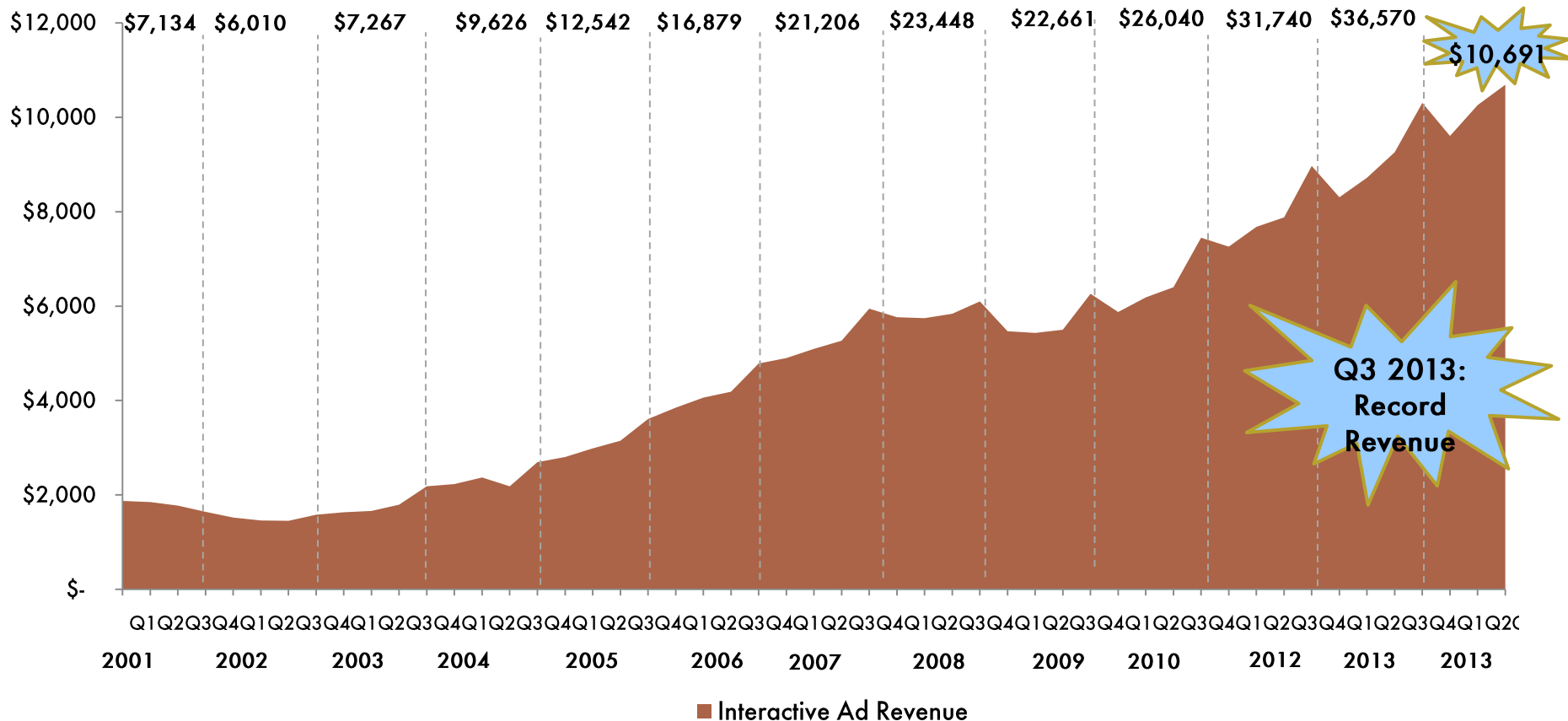
First Half Year Digital Ad Revenue Track: Double-Digit Growth For 5 Years



Source: IAB Internet Advertising Revenue Reports, First Half Year 2009-2013

The Long View: Online Advertising's Continued Double-Digit Growth

Quarterly Online Ad Revenue Comparisons – Q1 2001 - Q3 2013

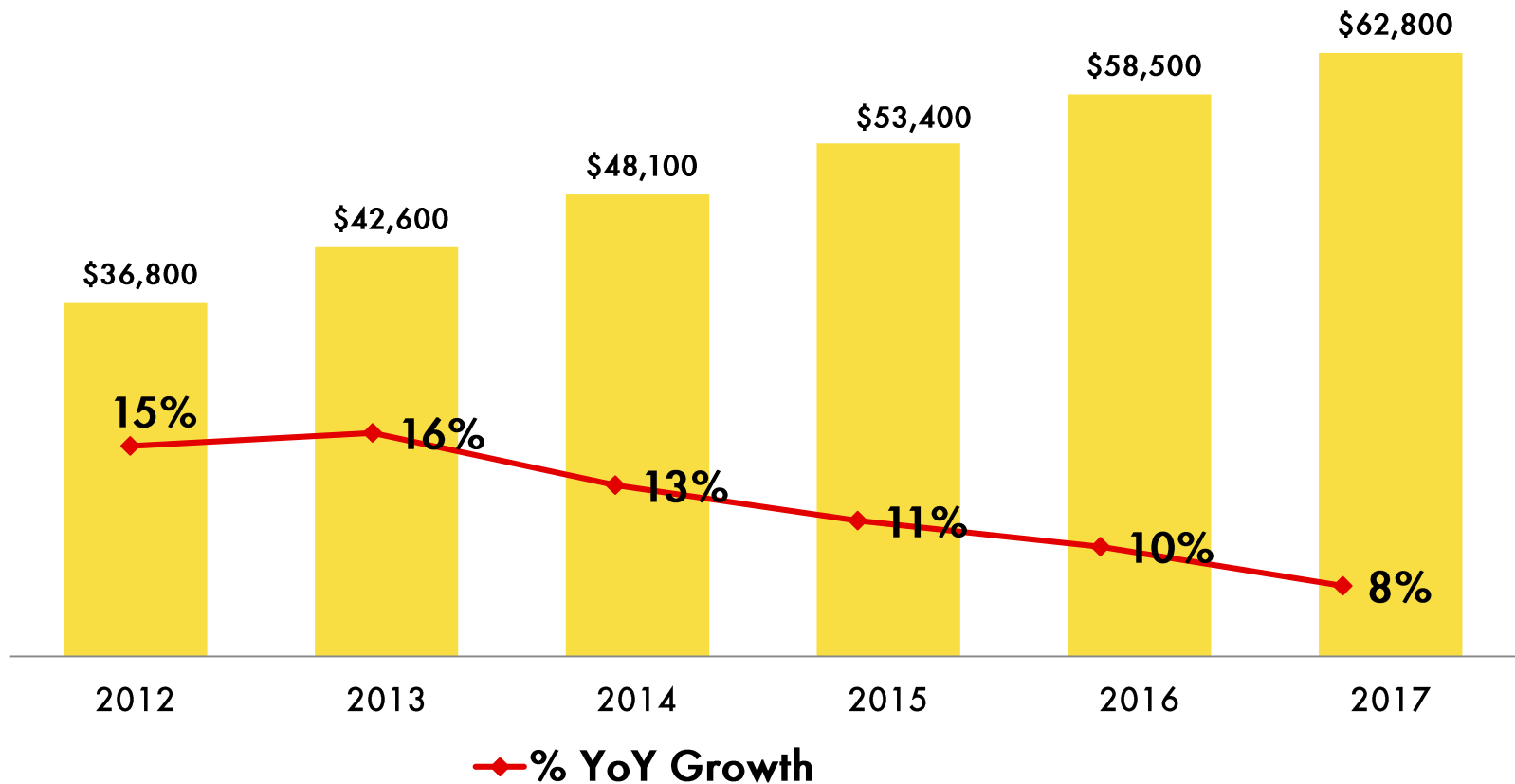


Source: IAB Internet Advertising Revenue Report, First Half 2013 ; IAB Third Quarter Report; IAB Press Release Dec. 2013

Interactive Advertising Growth 2014 and Beyond

Continued Growth Expected for Digital Ad Spend

Projected Digital Ad Spend 2012-2017
(US \$Millions)



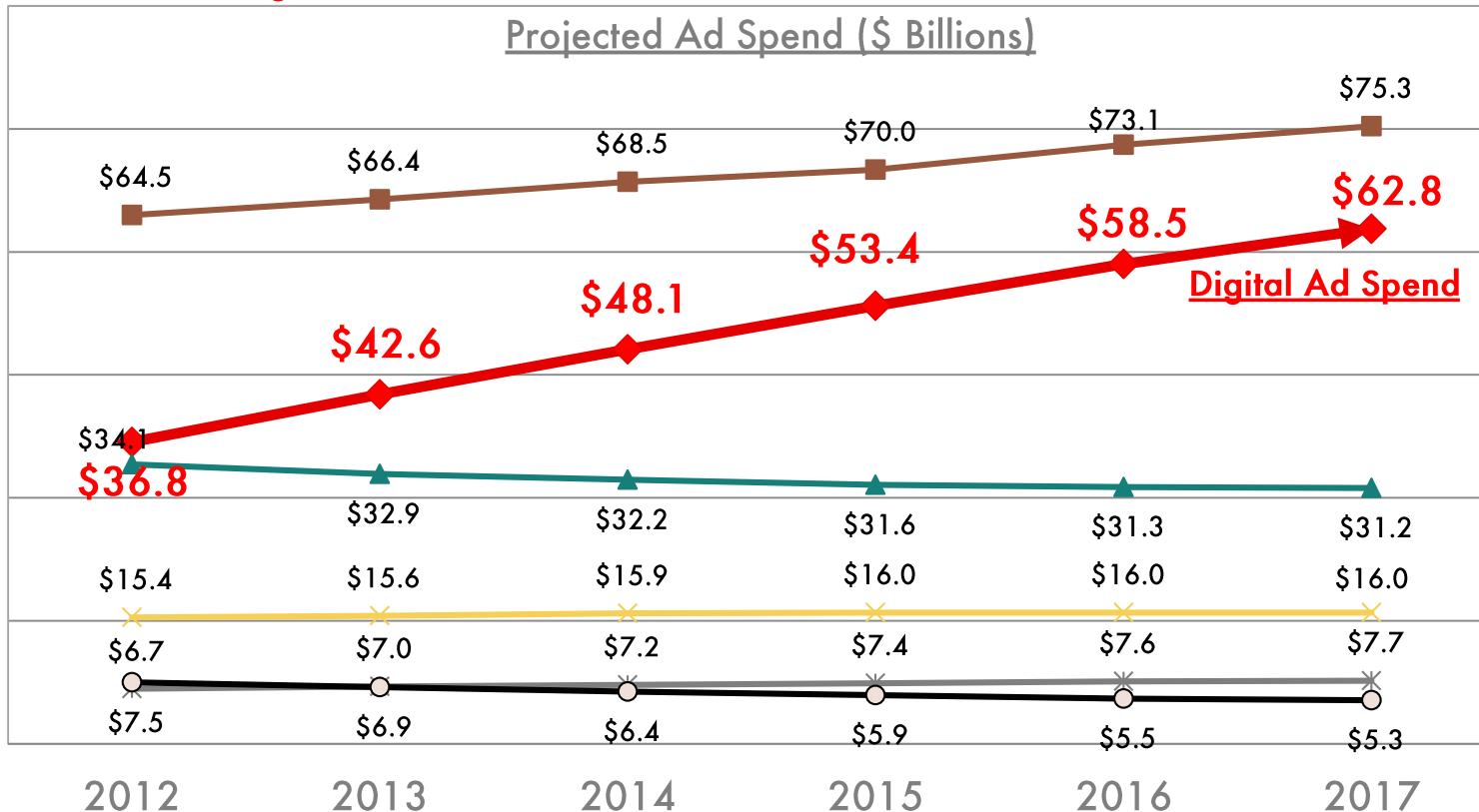
Source: eMarketer, Dec. 2013 US Online Ad Spending 2012 - 2017
Includes mobile.

Digital Revenue Growth Set to Outpace Traditional Media

- Digital Ad Revenue Projected to Grow 71% in 5 Years

% Change
2012-2017

◆ Digital ■ TV ▲ Print ✕ Radio * Outdoor ○ Directories



↑ +17%

↑ +71%

↓ -9%

↑ +4%

↑ +15%

↓ -29%

Total Annual Ad Revenues					
\$ 165.0B	\$ 171.4B	\$ 178.3B	\$ 184.3B	\$ 192.0B	\$ 198.0B

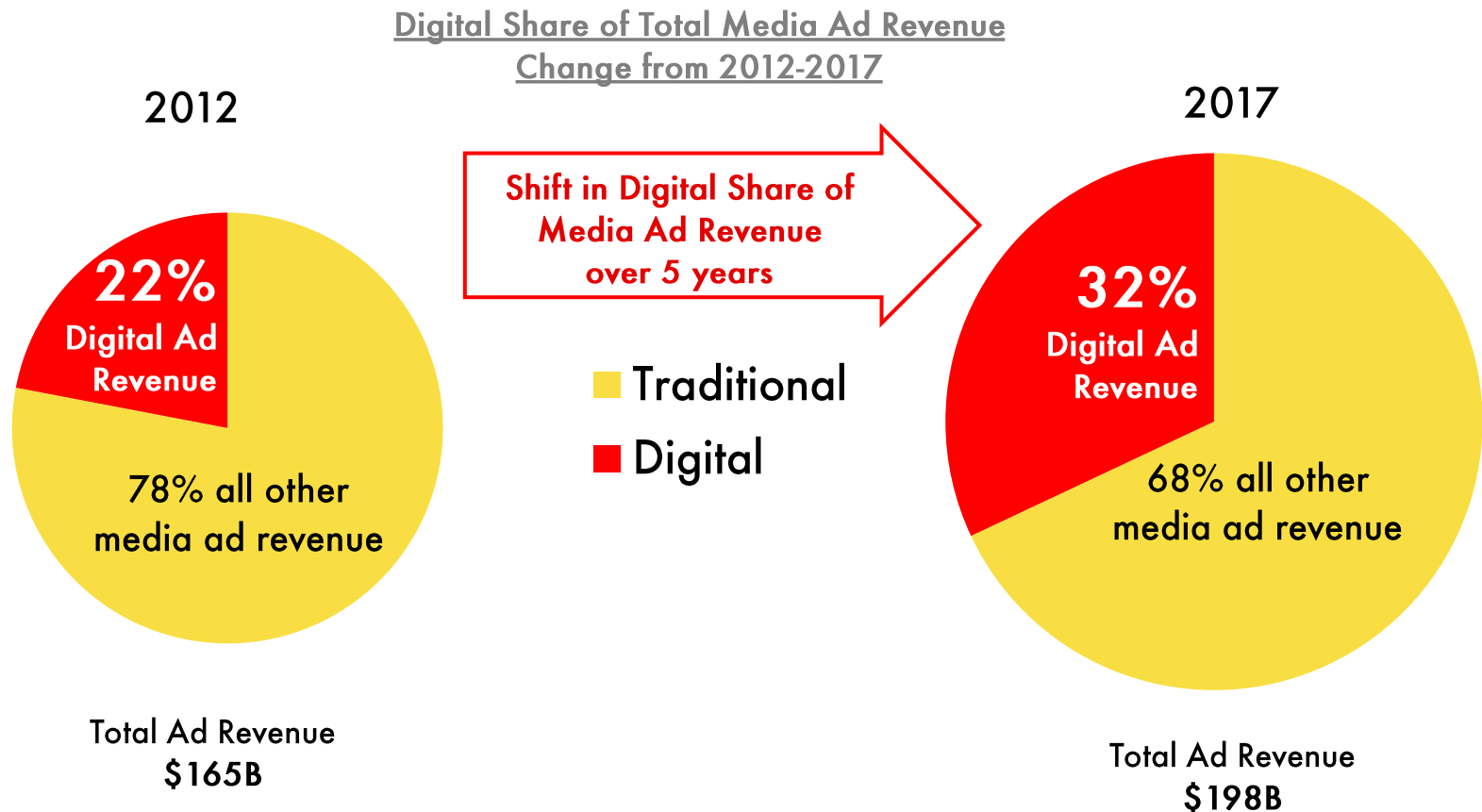
Source: eMarketer, Dec. 2013

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Digital to Take Larger Piece of Media Ad Revenue Pie

- Digital Ad Revenue set to account for \$1 in every \$3 spent on advertising in 5 years



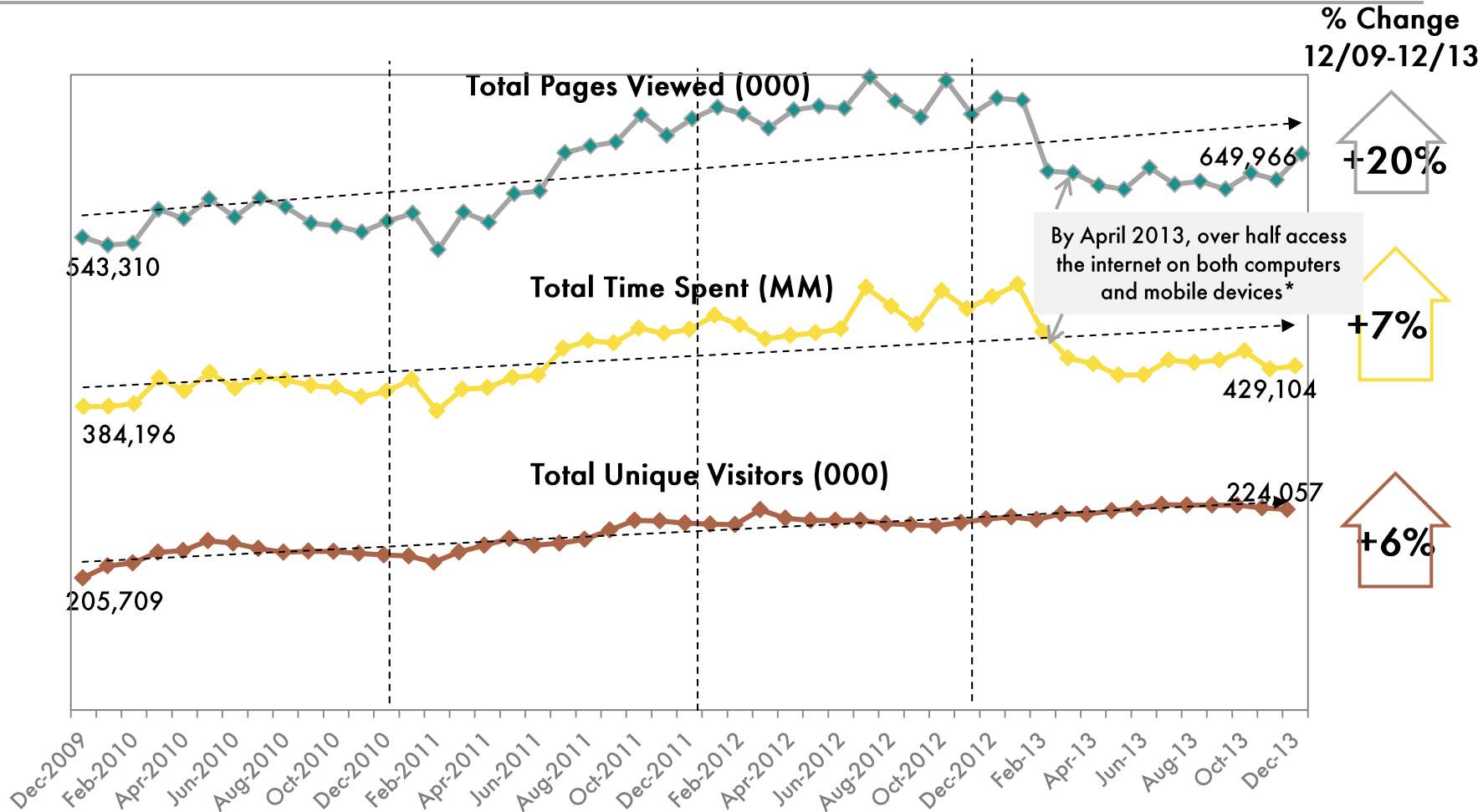
Source: eMarketer, Dec. 2013

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What's Driving Digital Ad Revenue Growth?

Current State of Digital Usage

Continued Growth in Digital Usage: More Users are Spending More Time Online



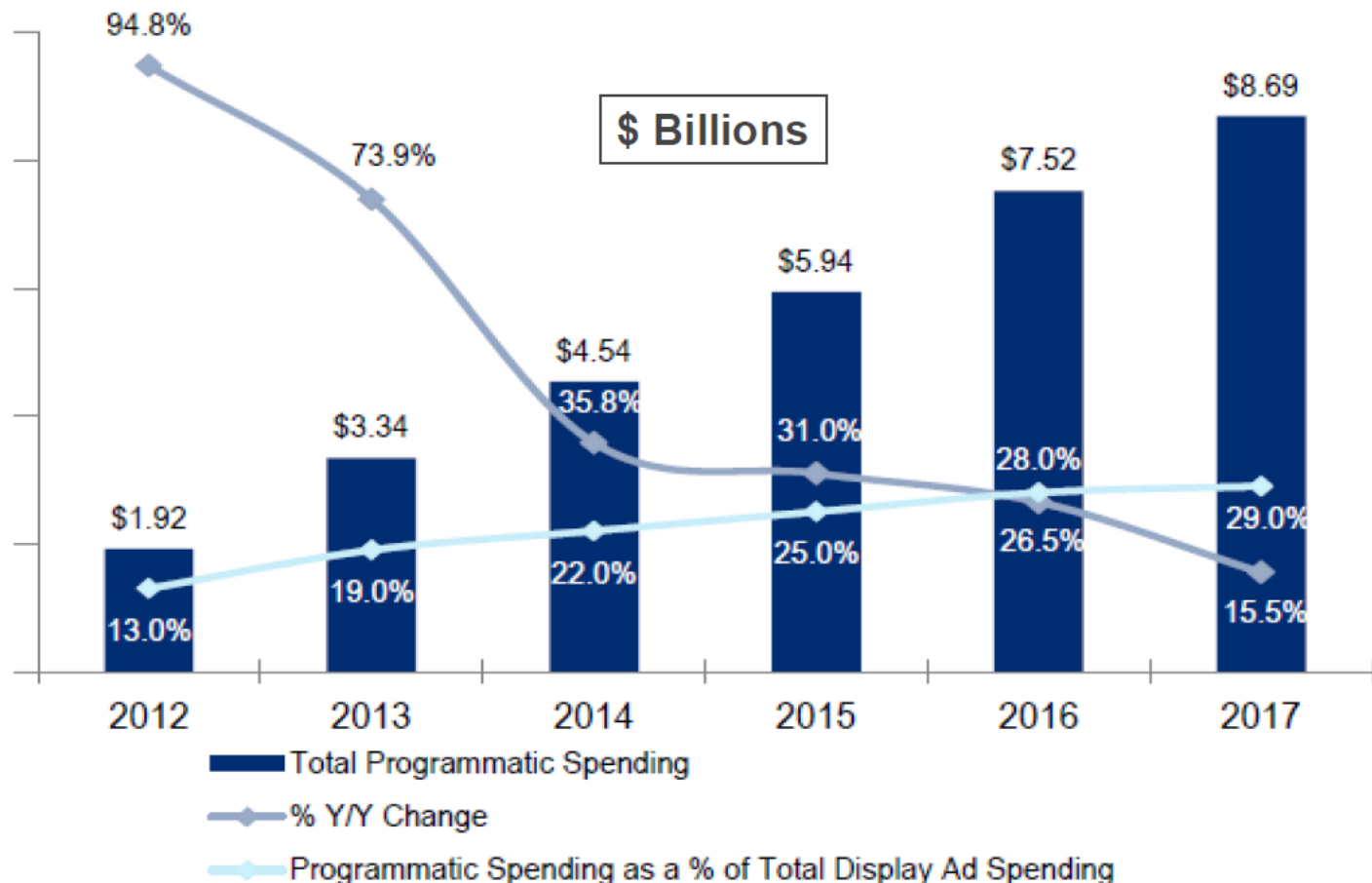
Source: IAB Trend Report 2013, ComScore MediaMetrix, Total Audience, Measurement Period: Dec. 2009-Dec. 2013

*ComScore MediaMetrix Multiplatform Total Desktop and Mobile A18+ US Audience (Apr. 2013)

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The Rise of Programmatic Buying: Easing Digital Ad Spend

- Programmatic Buying has made buying digital advertising easier, thus increasing the shift to digital.
- Some predict that over one fifth of display advertising will have been programmatically bought by year's end.

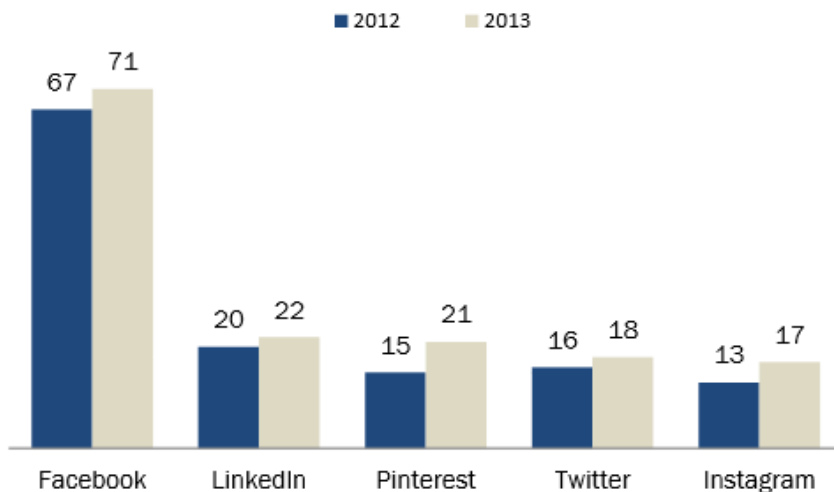


Social Media Usage Continues to Grow

- 71% of US adults use Facebook
- 42% use more than one social media site

Social media sites, 2012-2013

% of online adults who use the following social media websites, by year

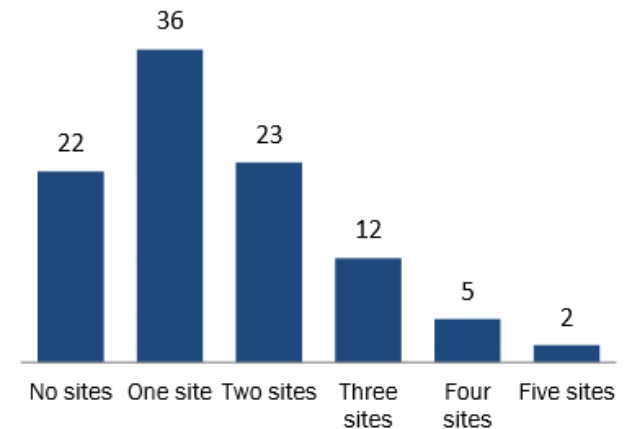


Pew Research Center's Internet Project Tracking Surveys, 2012-2013. 2013 data collected August 07 -September 16, 2013. N=1,445 internet users ages 18+. Interviews were conducted in English and Spanish and on landline and cell phones. The margin of error for results based on all internet users is +/- 2.9 percentage points.

PEW RESEARCH CENTER

Number of social media sites used

% of internet users who use the following number of social networking sites (sites measured include: Facebook, Twitter, Instagram, Pinterest, and LinkedIn)



Pew Research Center's Internet Project August Tracking Survey, August 07 -September 16, 2013. N=1,445 internet users ages 18+. Interviews were conducted in English and Spanish and on landline and cell phones. The margin of error for results based on all internet users is +/- 2.9 percentage points.

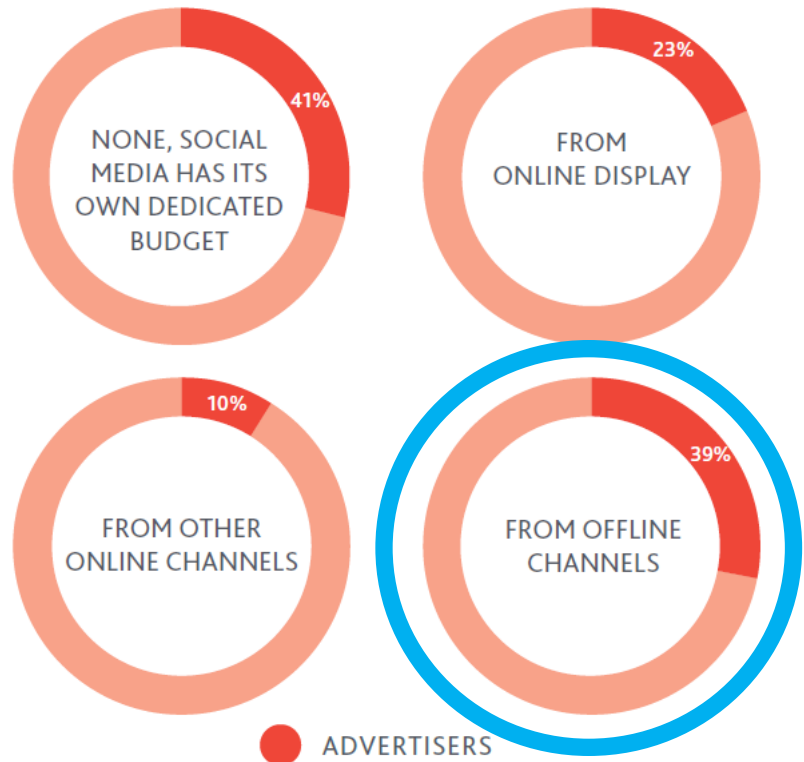
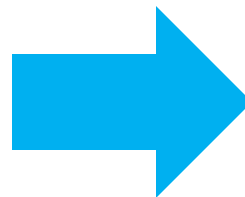
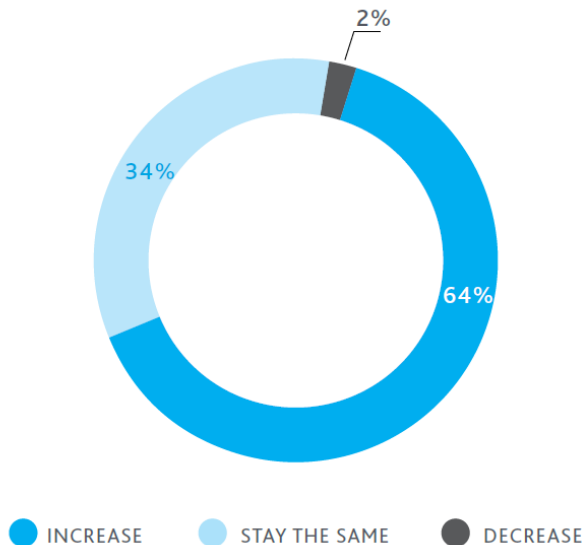
PEW RESEARCH CENTER

Social Media Advertising is Taking Budget from Offline Channels

- Social Media Advertising Budget is Coming From Offline Channels (39%) or Has its Own Budget (41%)

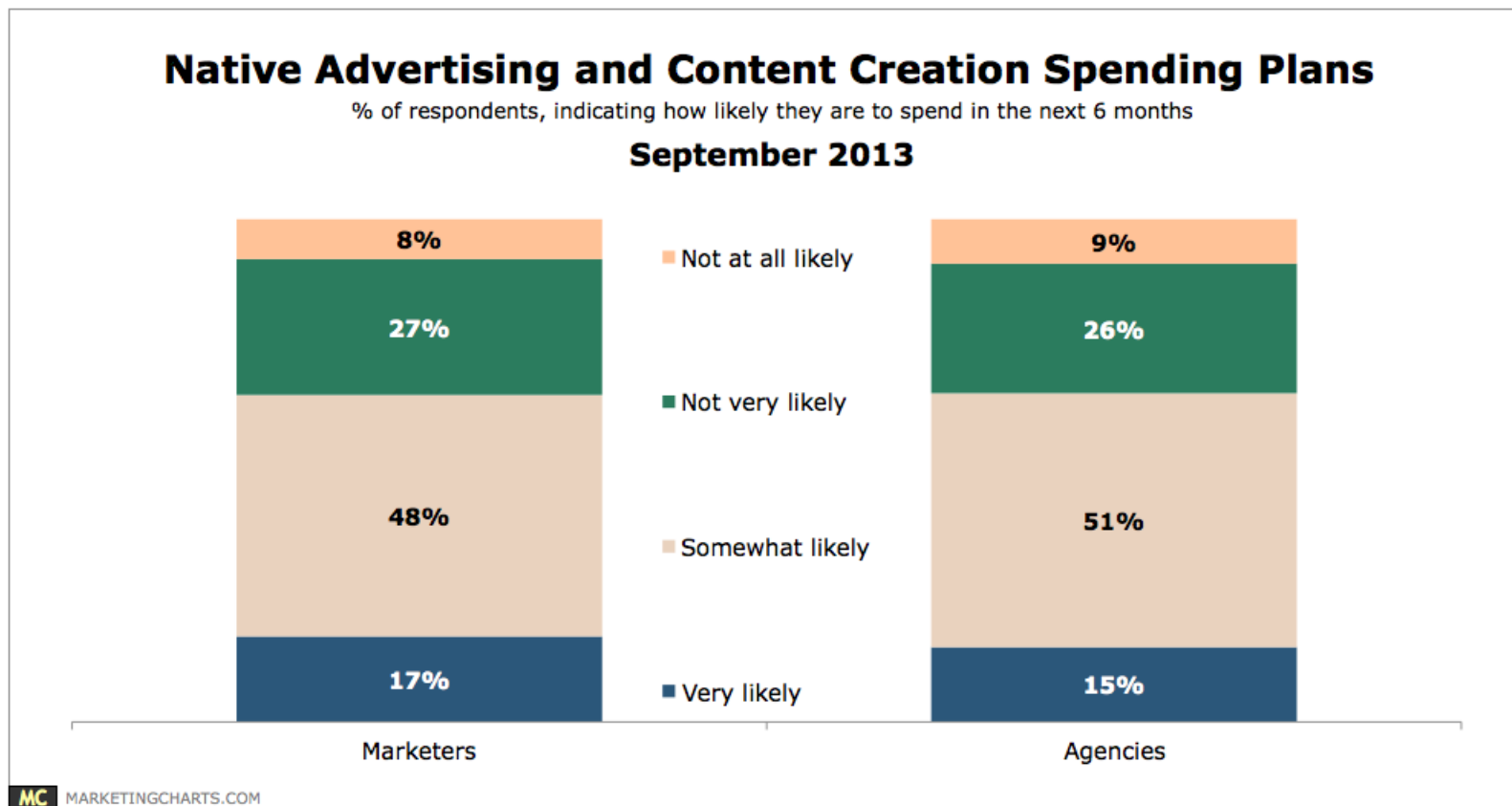
FIG. 5: WHERE DOLLARS FOR SOCIAL MEDIA ADVERTISING ARE COMING FROM

FIG. 3: ADVERTISER OUTLOOK FOR PAID SOCIAL ADVERTISING BUDGETS



New Formats, New Opportunities: Native Advertising

- Two-Thirds of Agencies (66%) and Marketers (64%) are planning to spend on Native Advertising in the next 6 months



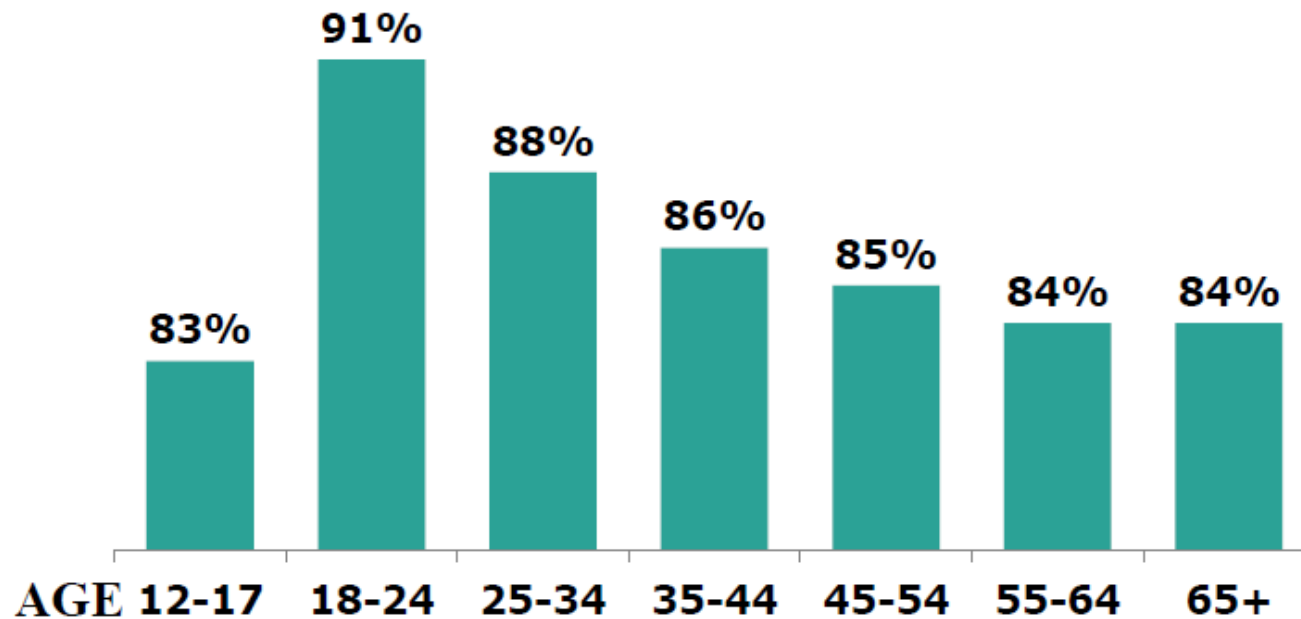
Source: Advertiser Perceptions

Current State of Digital Video

Over 83% of Internet Users Now Stream Digital Video

- Nearly all 18-24 year olds (91%) streamed digital video in Dec. 2013

Percent of Web Users Who Watch Video Online in a Month

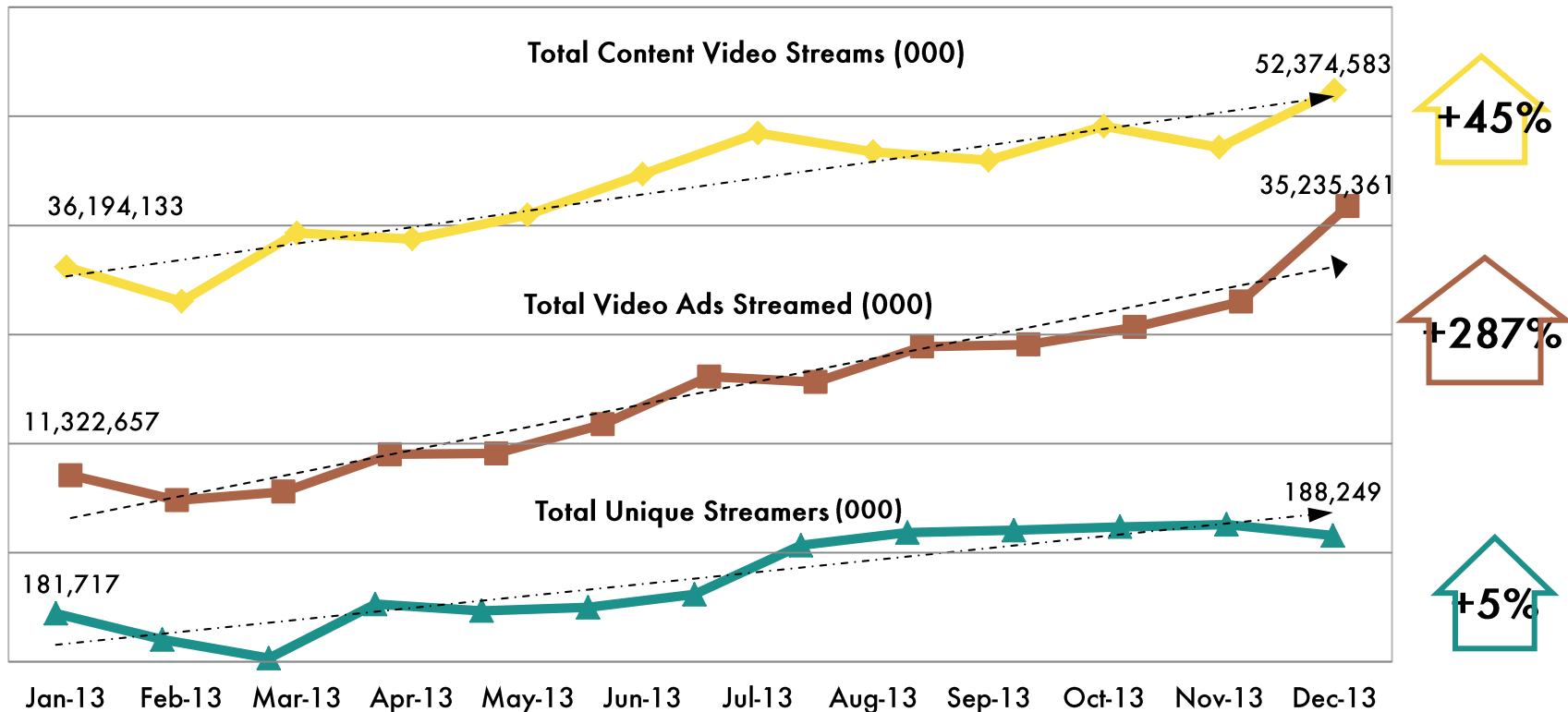


Source: ComScore VideoMetrix Dec. 13, Total Audience, Home and Work

More Streamers Are Watching More Videos and Video Ads

- Video ads have tripled in the past year to meet this growth

% YoY Change
1/13-12/13



ComScore VideoMetrix Jan. '13 - Dec. '13

Video is Increasingly Viewed on a Variety of Devices

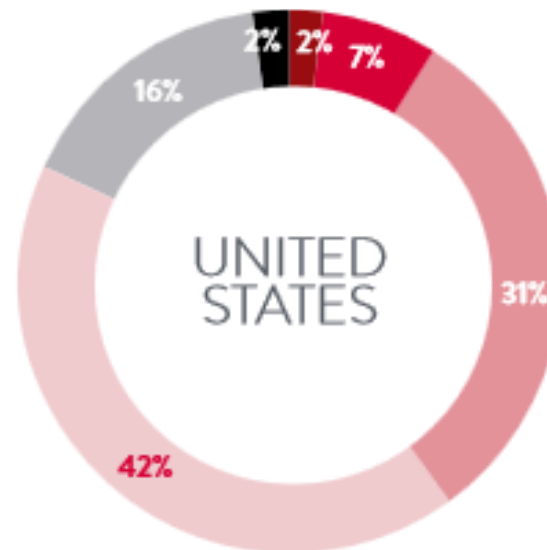
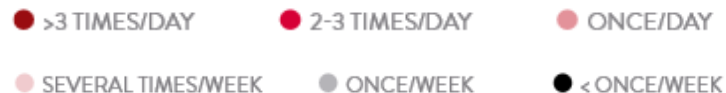
Video Viewing by Platform (HH:MM, Monthly Time Spent)



- One in Three Watch Mobile Video Once a Day

Frequency of Accessing Mobile Video

(among all mobile users who have watched video on their phone in the past 30 days)



Source: (left chart) Nielsen Cross-Platform Report Q2 2013, Sept. 2013,

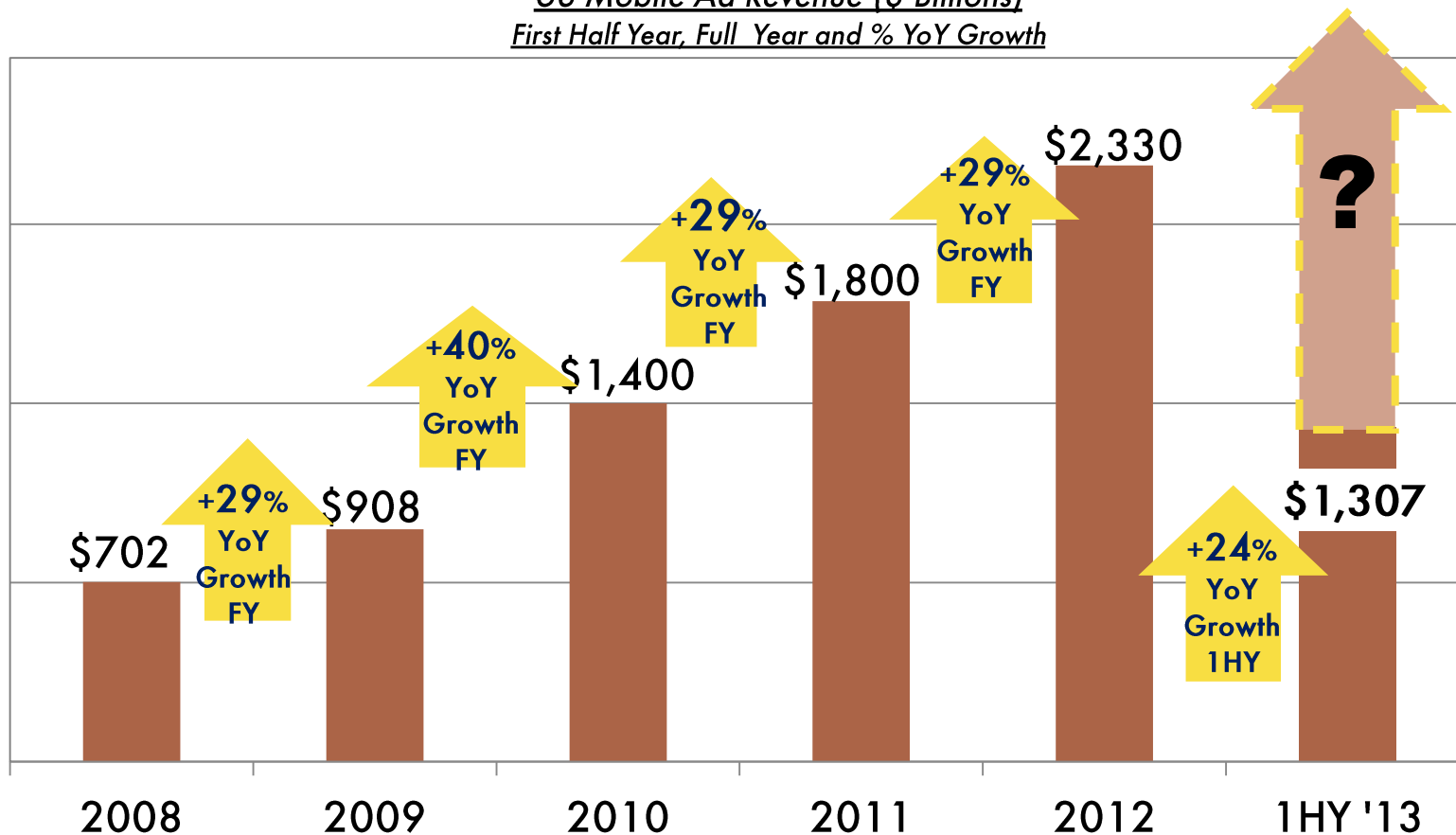
(rt. Chart) Nielsen Smartphone Insights, First Half 2012, Nielsen Mobile Video Report

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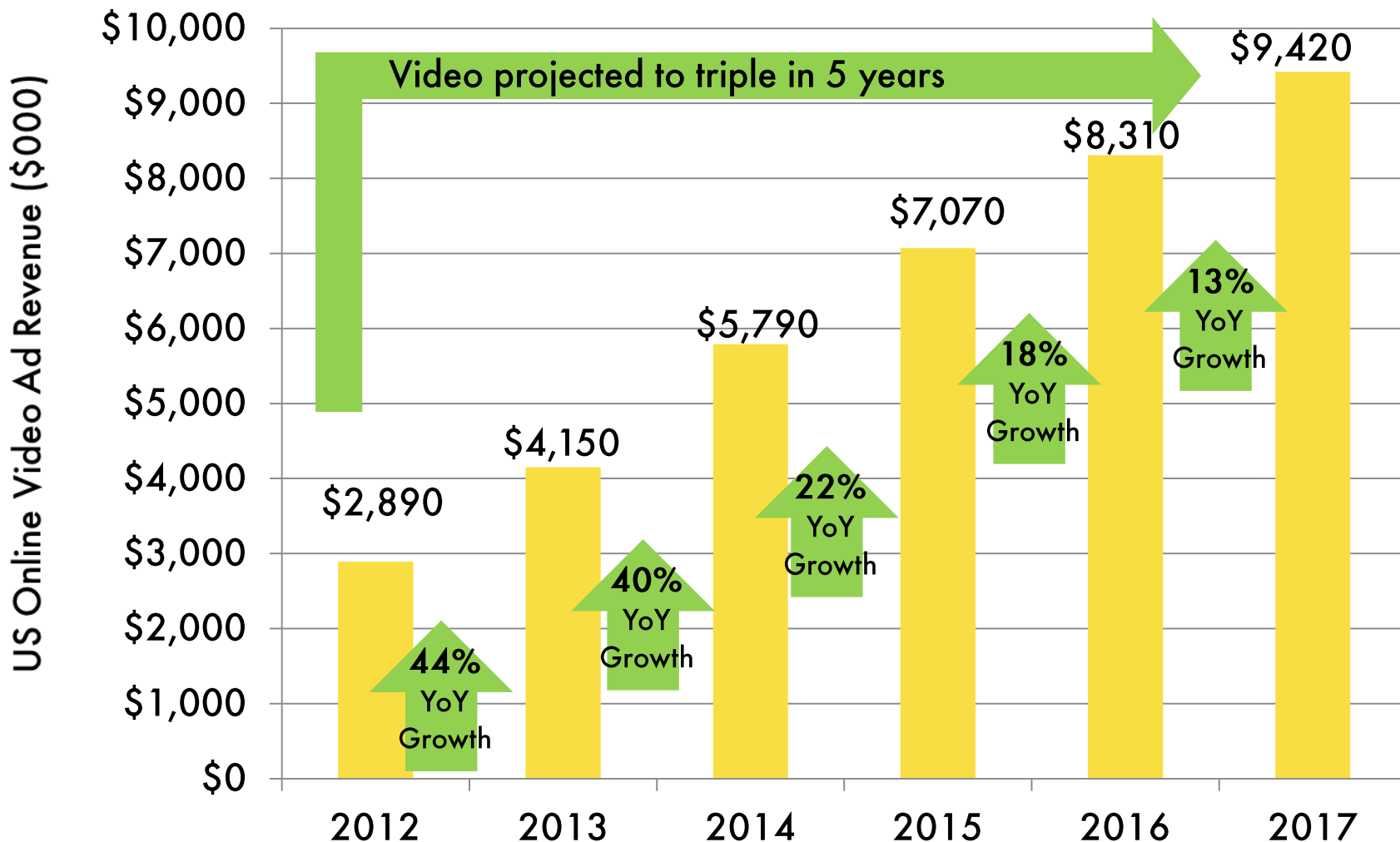
Video Ad Revenue: Continued Double Digit Growth

- Digital Video ad revenue has more than tripled in the past 5 years

*US Mobile Ad Revenue (\$ Billions)
First Half Year, Full Year and % YoY Growth*



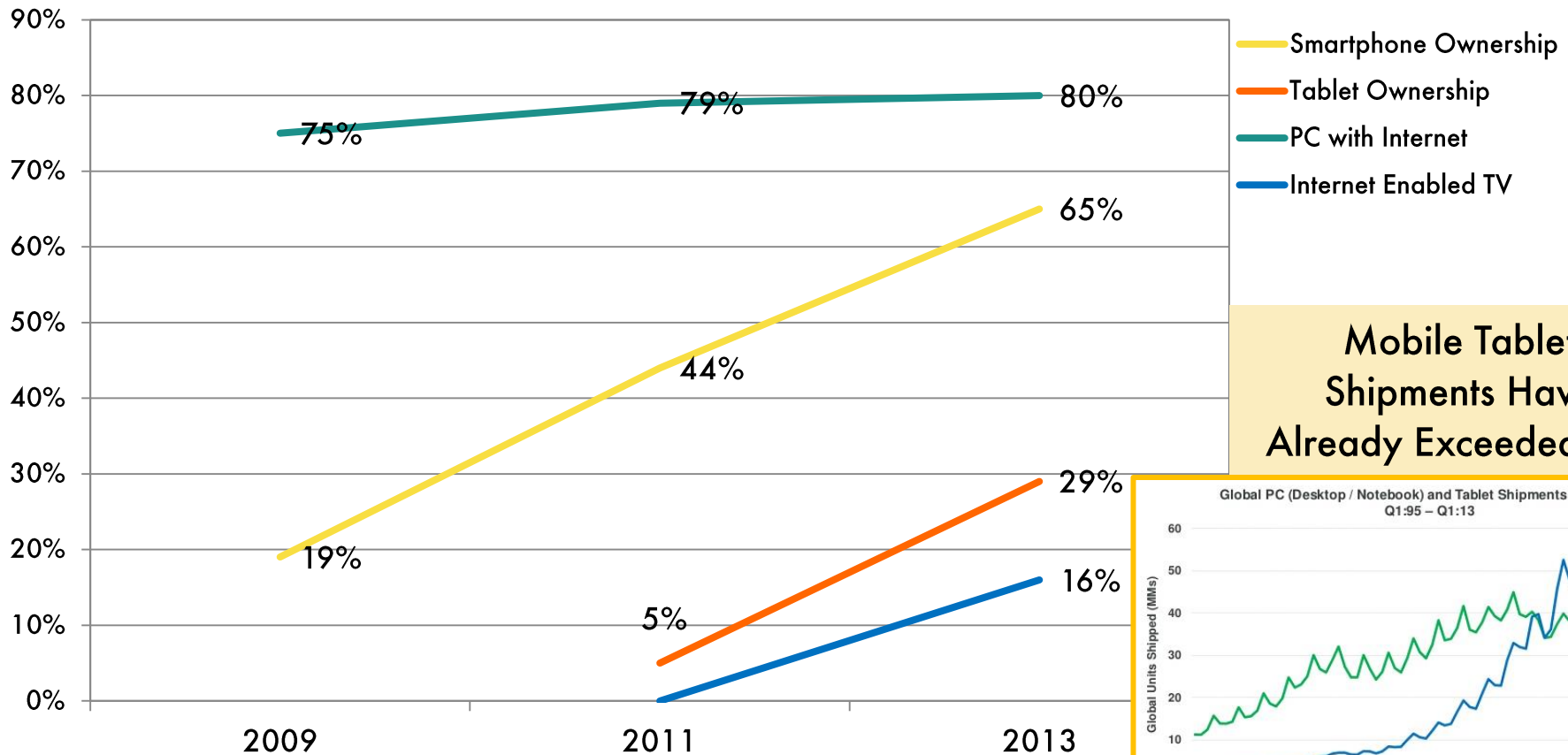
Video Ad Revenue Projected to Triple in 5 Years



Current State of Mobile

Mobile Device Ownership is Growing Rapidly

Device Ownership by Household (Nielsen Q3'09-Q3'13)



Mobile Tablet Shipments Have Already Exceeded PCs



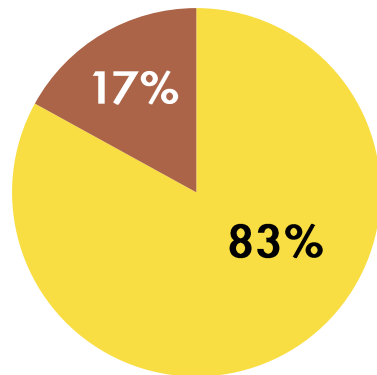
Source: Nielsen Sept 2013 What's Next; Getting Started with Mobile Marketing National People Meter panel, Nielsen Mobile Insights. (Right Chart) KPCB Apr.2013

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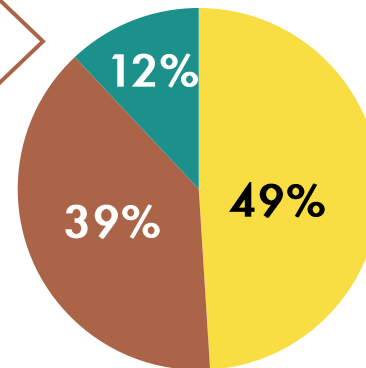
As a Result, Mobile Media Usage Has Grown Dramatically

Share of Time Spent with Digital Media By Platform

June 2010



June 2013

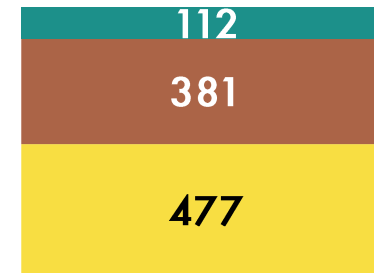
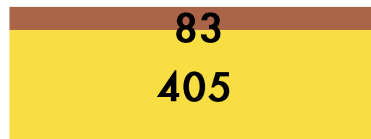


Shift in Mobile Share of Media Time

- Desktop
- Smartphone
- Tablet

Mobile Media usage now accounts for **Half** of all time spent on digital media

Time Spent with Media By Platform (Billions of Minutes)

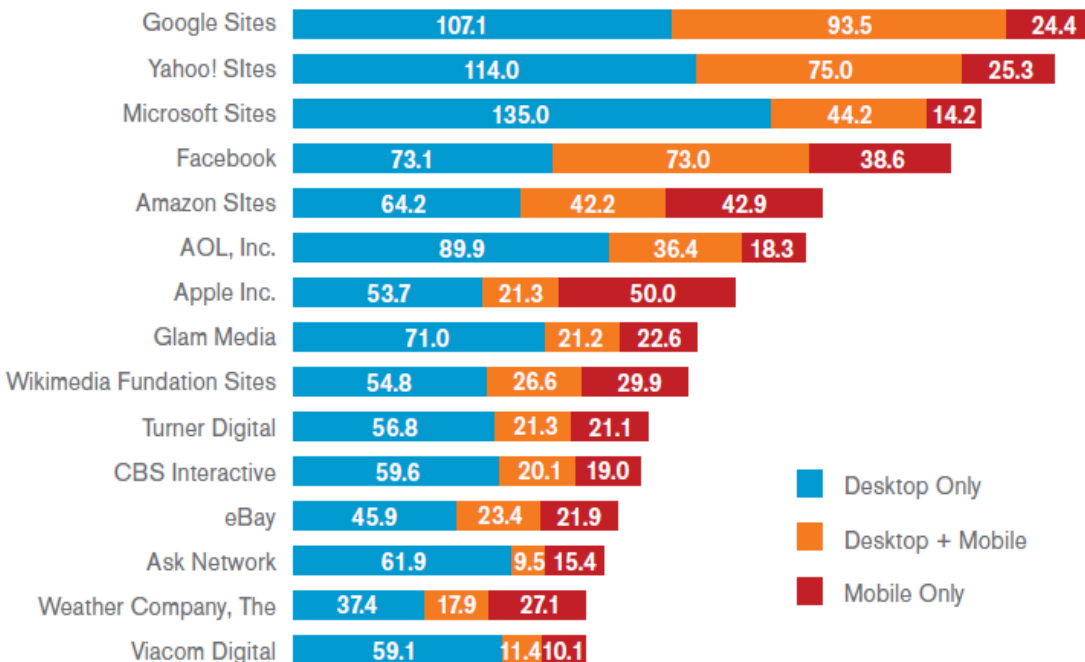


Top Sites are Being Regularly Accessed on Mobile Devices

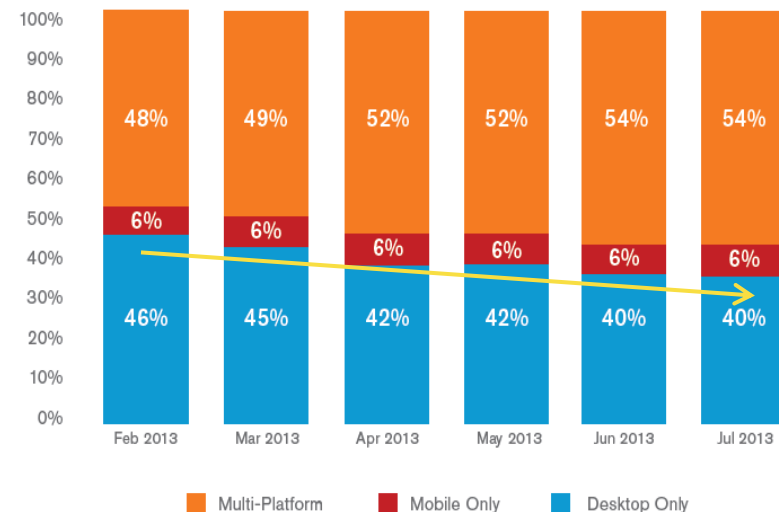
- Computer-only internet access has been dropping steadily in 2013
- By April 2013, over half of US digital consumers accessed the internet on both computers and mobile devices

Incremental Mobile Reach of Top 15 US Digital Media Properties

ComScore MediaMetrix Multiplatform Total Desktop and Mobile A18+ US Audience



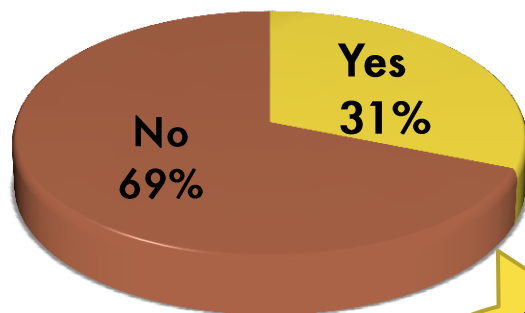
ComScore 2/13-7/13, US Adult 18+ Multiplatform Audience



Mobile is Everywhere: Mobile Devices are Shopping Companions

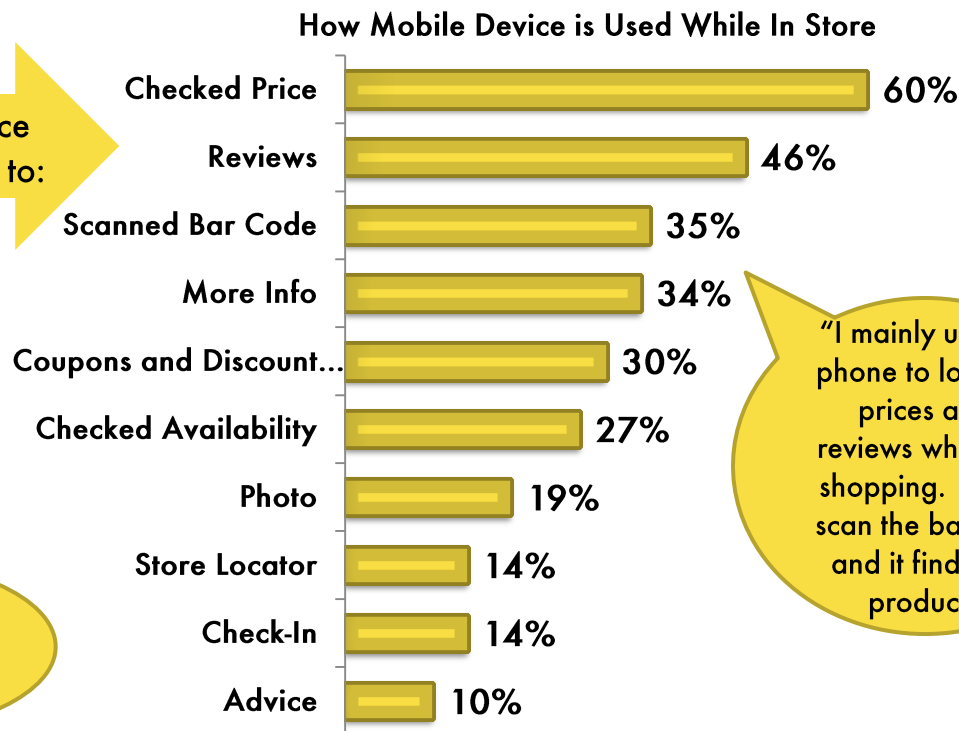
- Nearly One Third Of Consumers Use Their Mobile Device For Shopping Related Activities While In A Store
- Most Checked Prices While in the Store, About Half Read Reviews, About One Third Scanned Bar Codes and Sought More Info

Used Mobile Device For Shopping Related Activities



"When shopping, I'll use my phone to compare prices at stores."

Mobile Device Used in Store to:



"I mainly use my phone to look up prices and reviews while I'm shopping. ...just scan the barcode and it finds the product"

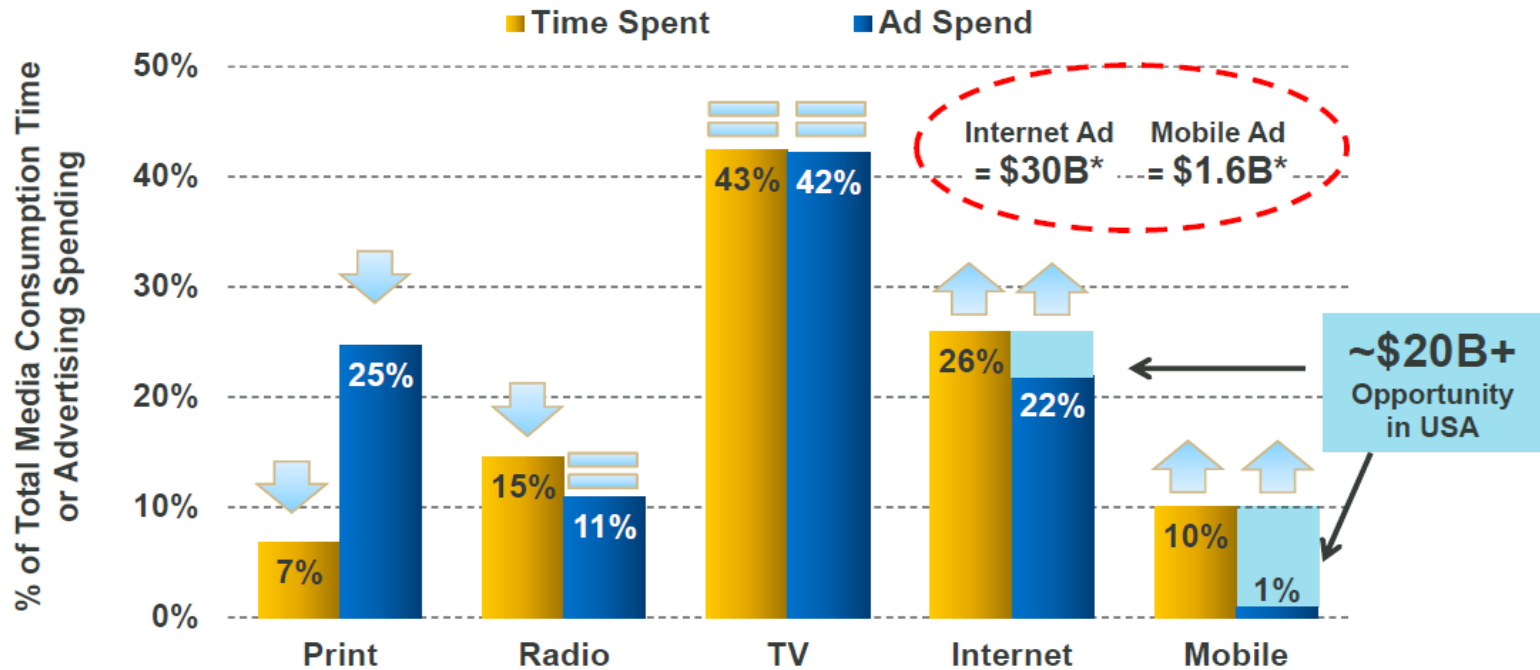
Q5. Did you use your mobile device for any shopping-related activities WHILE IN THE STORE(S)?

Q6. How did you use your mobile device WHILE SHOPPING IN THE STORE(S) for consumer electronics? Please select all that apply.

Source: IAB Showrooming: Empowering Consumer Electronics Shoppers (with Ipsos HearWatchSay), Feb. 2013

However, There's a Disconnect Between Mobile Usage and Mobile Ad Spend...

% of Time Spent in Media vs. % of Advertising Spending, USA 2011



...But This Gap is Being Filled

Note: *Internet (excl. mobile) advertising reached \$30B in USA in 2011 per IAB, Mobile advertising reached \$1.6B per IAB. Print includes newspaper and magazine. \$20B opportunity calculated assuming Internet and Mobile ad spend share equal their respective time spent share. Source: Time spent and ad spend share data eMarketer, 12/11, Internet and mobile ad dollar spent amount per IAB.

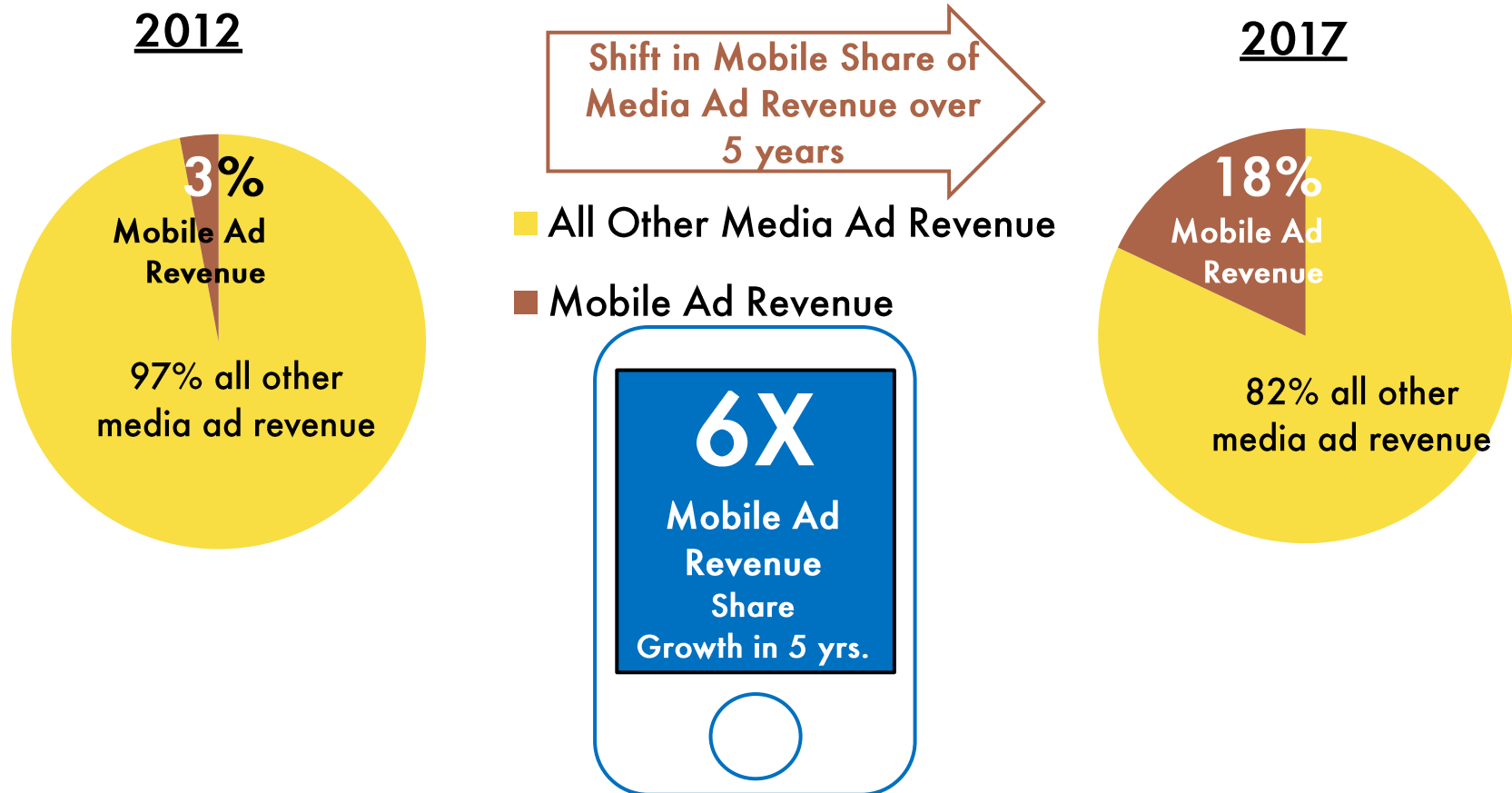
KPCB

Source: KPCB Mary Meeker Presentation: Internet Trends. Dec. 2012

Mobile is Set to Take a Larger Piece of the Media Ad Revenue Pie

- Mobile ad revenue projected to grow six-fold in five years

Mobile Share of Total Media Ad Revenue Change from 2012-2017

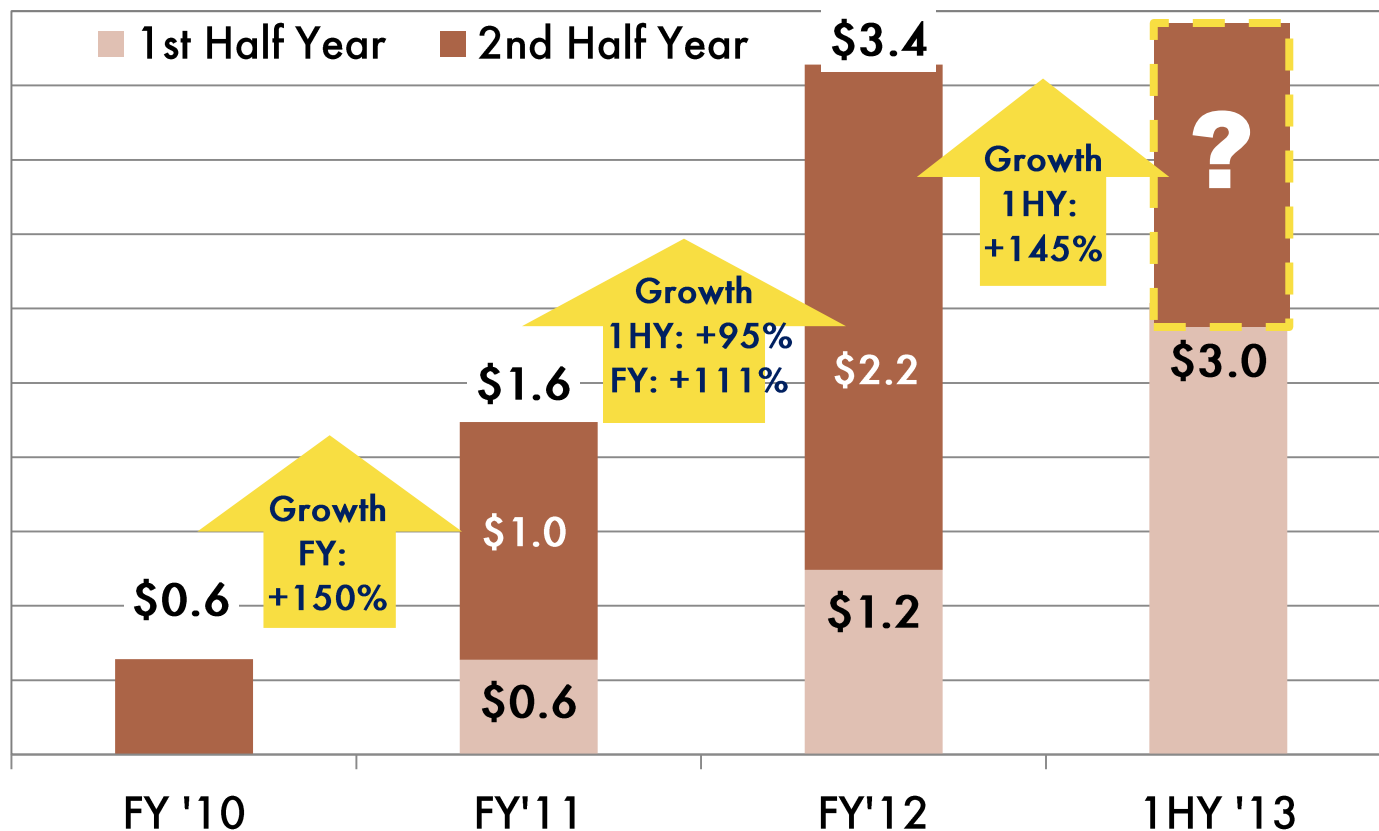


Source: eMarketer, Dec. 2013

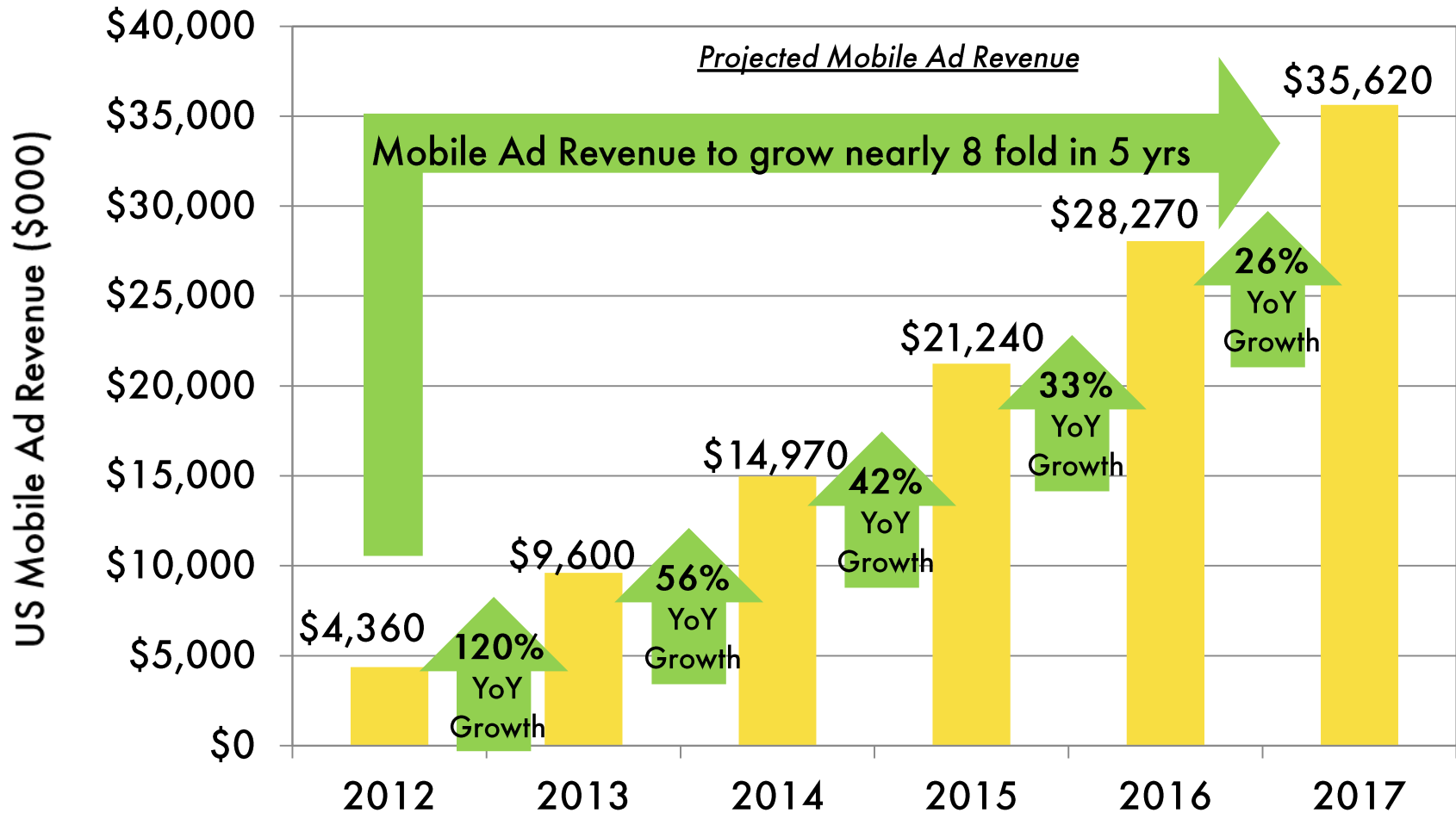
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US Mobile Advertising Revenue To Date: Triple Digit Growth

*US Mobile Ad Revenue (\$ Billions)
First Half Year, Full Year and % YoY Growth*



Continued Revenue Growth Projected for Mobile Advertising



Source: eMarketer, US Mobile Ad Spending 2012 - 2017, Sept. 2013.

Includes display (banner, rich media and video), search and messaging-based ads.

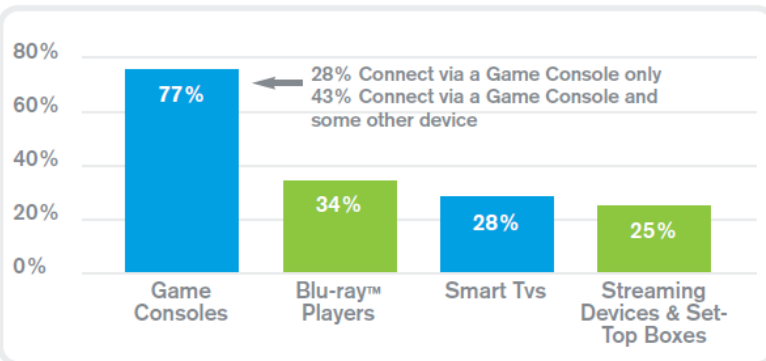
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What Does the Future Hold for Digital?

The Growth of Connected TV

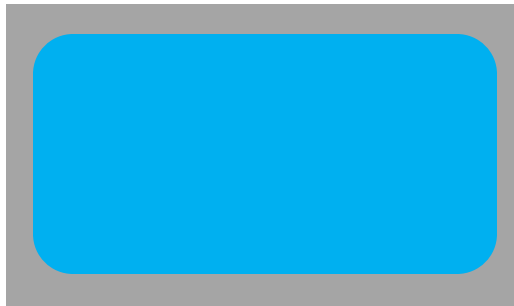
- 25% of TVs shipped in 2011 were "Smart" and that number continues to grow at 60% year over year
- 70% of Connected TV users say they interact with the ads

Devices With Which Viewers Connect TVs To The Internet

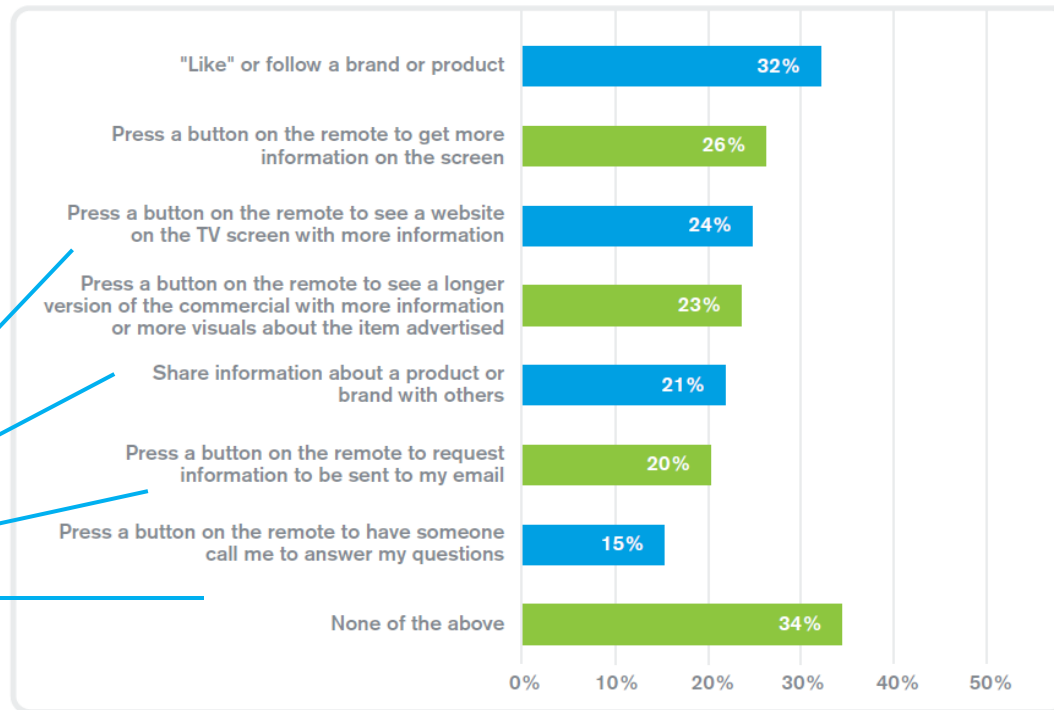


Source: 2012 Frank N. Magid Associates, Inc.

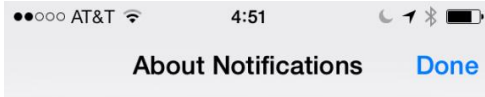
Please indicate all the different devices you use to connect to the Internet in your home. Please read the response options carefully and select all that apply.



Actions Connected TV Viewers Are Most Likely To Take With Ads



Beacon Technology: Personalized In Store Advertising



Here are some things you'll be able to do with in-store notifications:

- Pick up your online orders quickly.
- See what's happening in the store that day.
- Read product reviews and buy accessories right from your iPhone.
- View your iPhone upgrade eligibility.

How iBeacon technology works.



We've placed wireless Bluetooth beacons throughout the Apple Store. You'll receive notifications from us based on which beacon you're near. Bluetooth must be enabled on your iPhone. [Read more details](#)

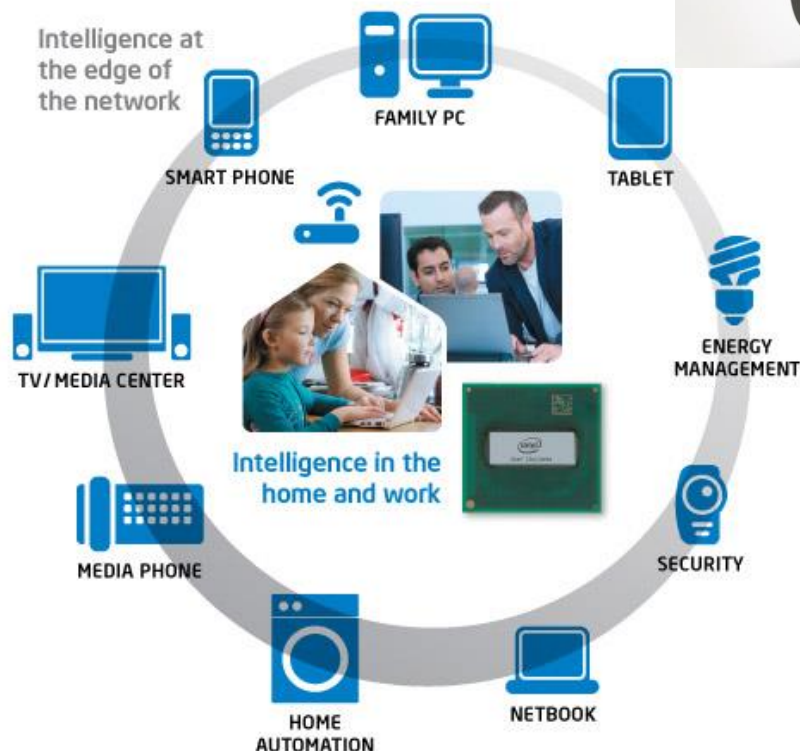


The Internet of Things: Everything Connected Online

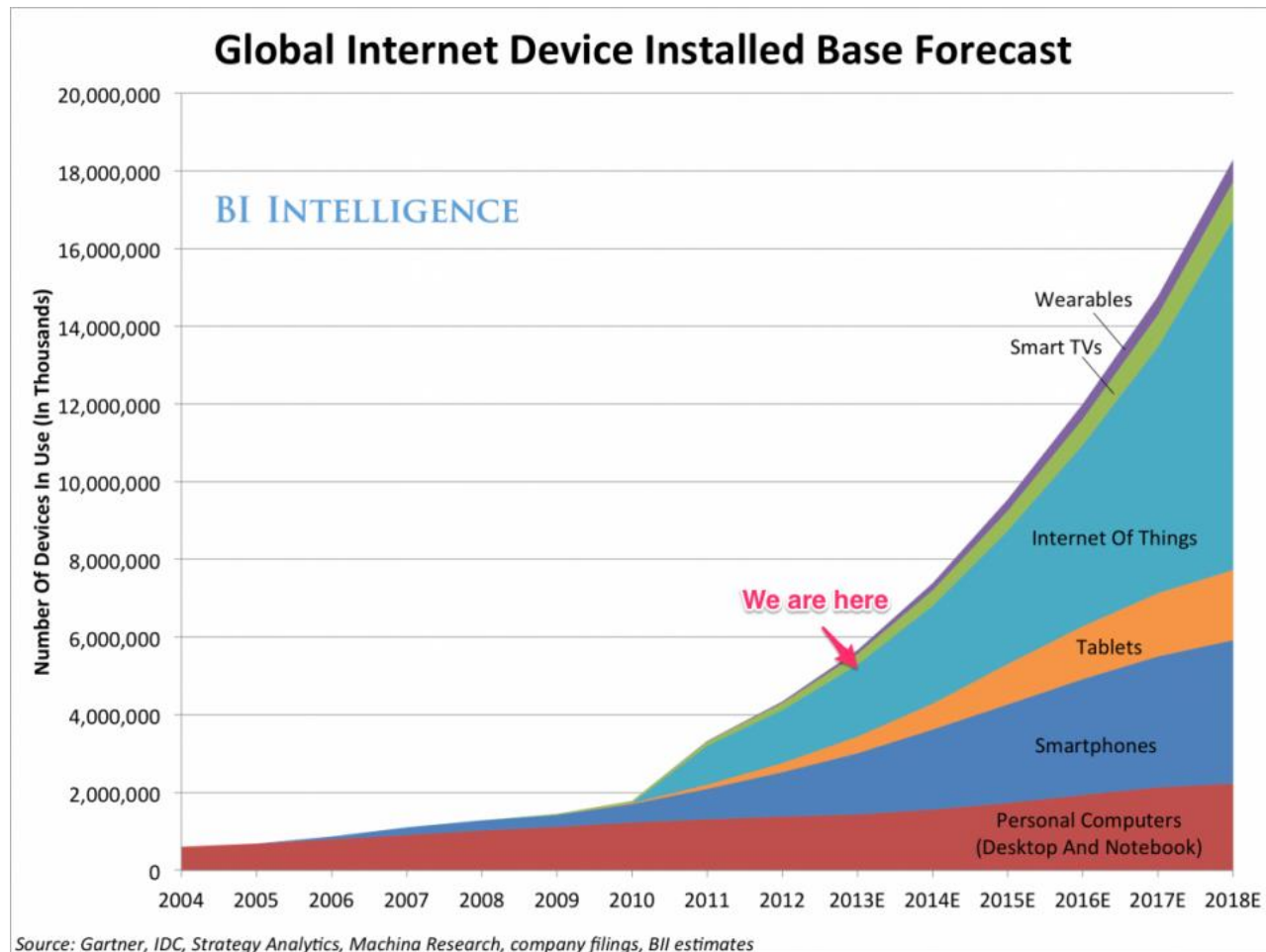
- Google Launched Google Glasses in 2013
- And Just Bought Nest for \$3.2 Billion



Nest's first product was a smart thermostat that adjusts to your living patterns.



The Internet of Things: Everything Connected Online



Source: Gartner, IDC, Strategy Analytics, Machina Research, company filings, Business Insider Intelligence estimates. Business Insider, Dec. 2013

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All Powered by Big Data

65 billion

Location-tagged payments made in the U.S. annually

154 billion

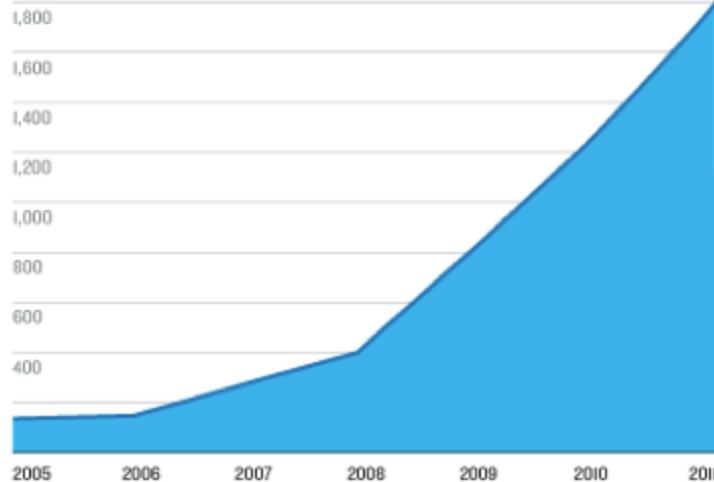
E-mails sent per day

87%

U.S. adults whose location is known via their mobile phone

Digital Information Created Each Year, Globally

2,000 BILLION GIGABYTES



2,000%

Expected increase in global data by 2020

111 Megabytes

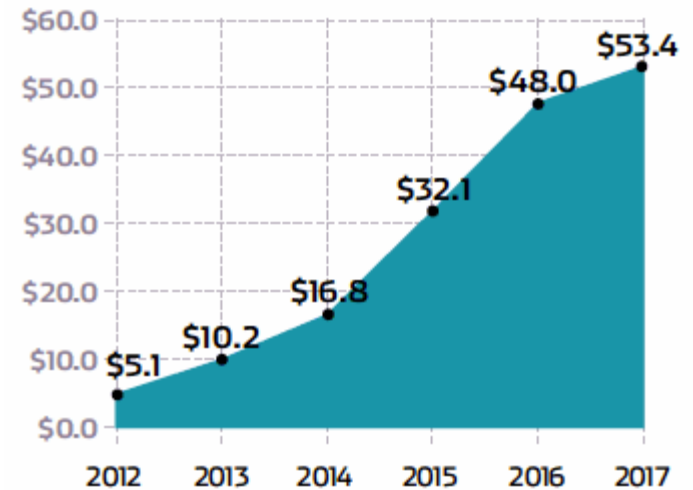
Video and photos stored by Facebook, per user

75%

Percentage of all digital data created by consumers

Big Data Marketplace 2012-2017

(Sales in \$ billions)

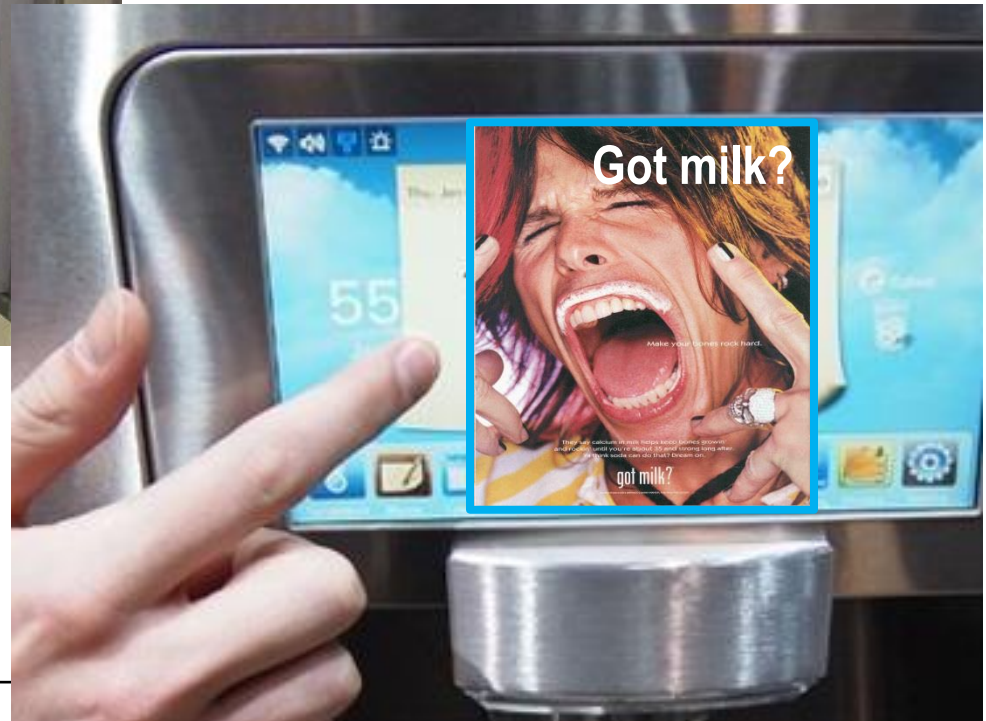


SOURCE: Wikibon.com, 2012



Sources: IDC, Radicati Group, Facebook, TR research, Pew Internet

...To Sell More Digital Advertising



IAB 2014

2014 IAB Events

The IAB is the convening voice of the industry - hear from and network alongside industry experts at all of our cutting-edge events.



IAB Annual Leadership Meeting
February 9 - 11, 2014 • Palm Desert, CA

Mobile: IAB Marketplace
April 7, 2014 • New York



IAB Cross-Screens
May 15, 2014 • New York

Advertising Technology: IAB Marketplace
June 9, 2014 • New York



IAB MIXX Conference & Expo
September 29 - 30, 2014 • New York

IAB MIXX Awards
September 30, 2014 • New York



IAB Ad Operations Summit
November 3, 2014 • New York

Thank You!

www.iab.net

Questions?

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Kristina Sruginis, Research Director, IAB kristina@iab.net

Appendix

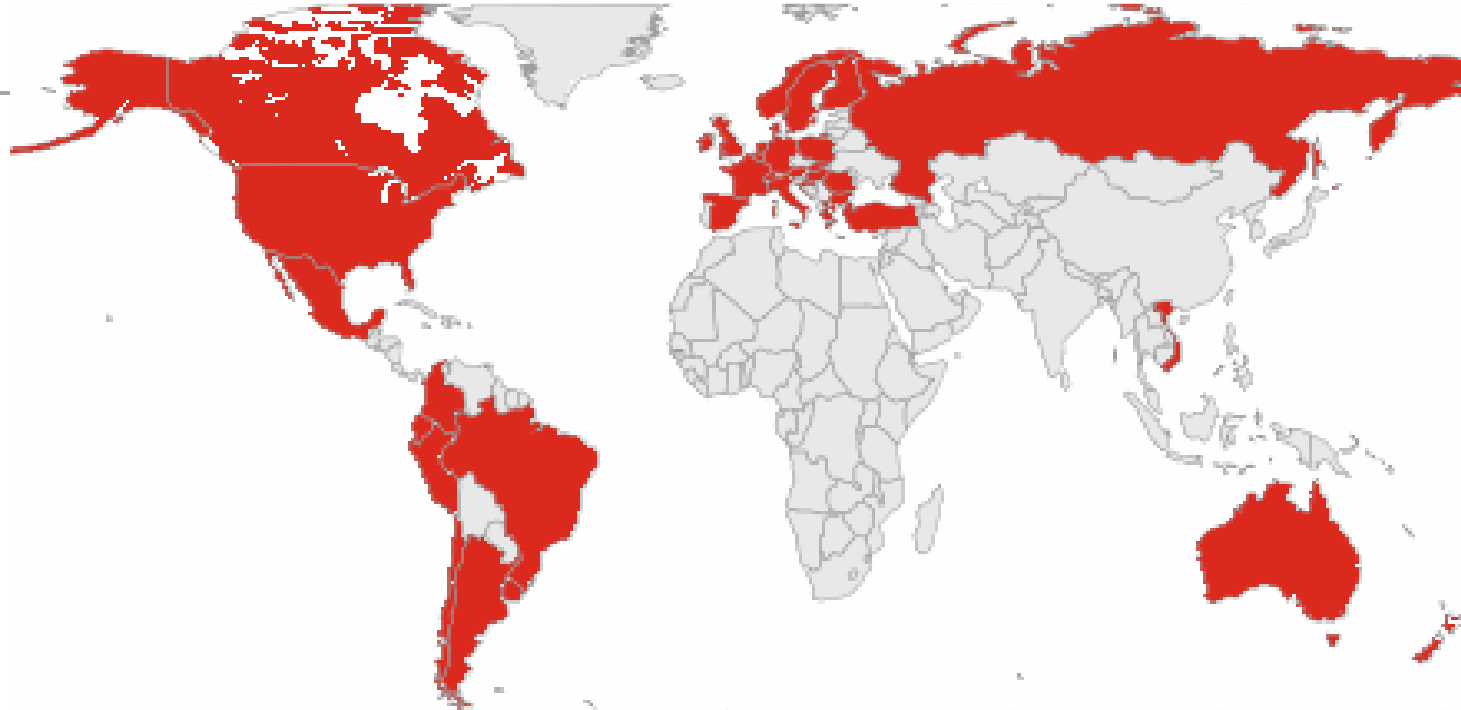
Additional Slides

Questions?

Patrick Dolan, COO, IAB patrick@iab.net

Kristina Sruginis, Research Director, IAB kristina@iab.net

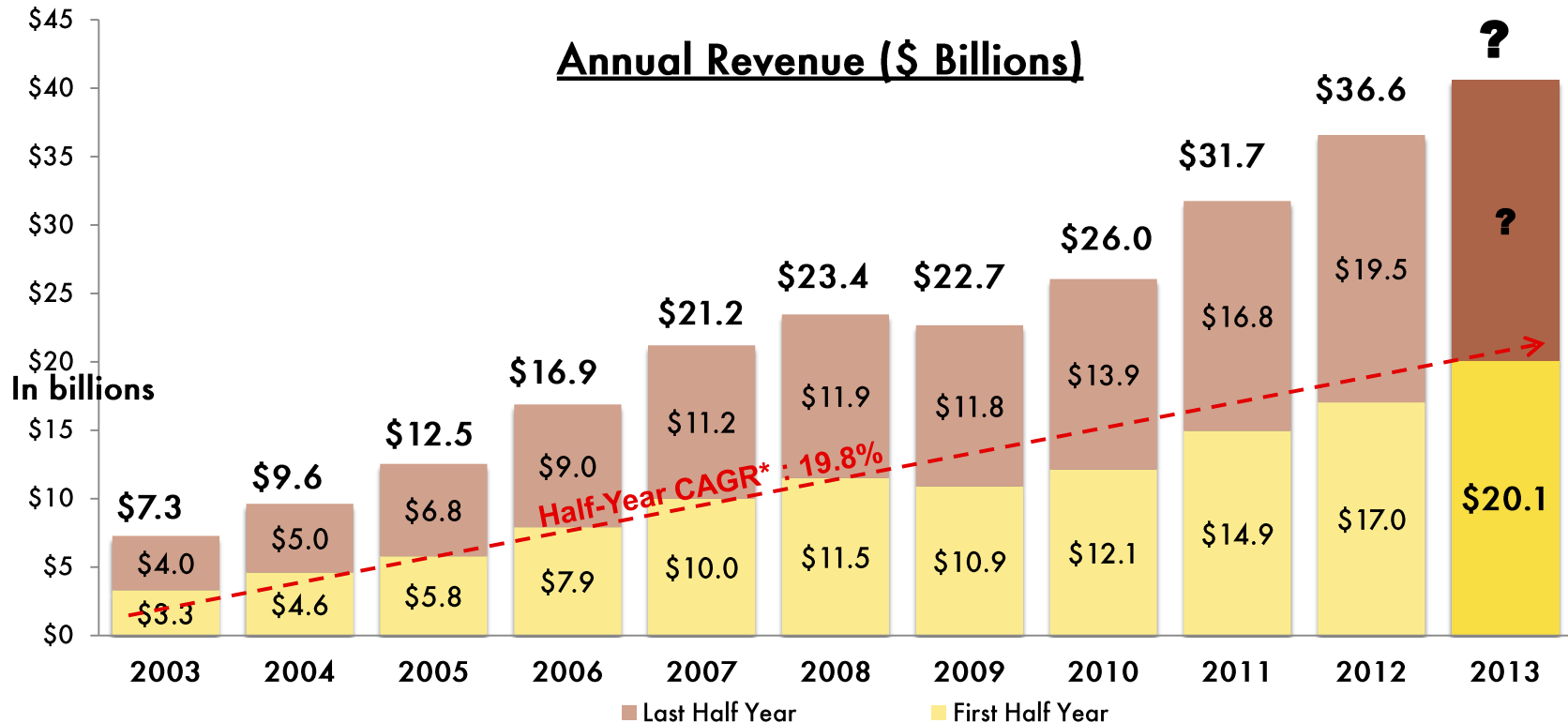
Global Scope – Local Operations



Europe				Regional	Asia Pacific	South America	North America
<ul style="list-style-type: none"> • IAB Austria • IAB Belgium • IAB Bulgaria • IAB Croatia (INAMA) • IAB Denmark (FDIM) • IAB Finland 	<ul style="list-style-type: none"> • IAB France • IAB Germany (BVDW) • IAB Greece • IAB Hungary • IAB Ireland • IAB Italy 	<ul style="list-style-type: none"> • IAB Macedonia • IAB Netherlands • Norway (INMA) • IAB Poland • IAB Romania 	<ul style="list-style-type: none"> • IAB Russia • IAB Serbia • IAB Slovakia • IAB Spain • IAB Sweden • IAB Turkey • IAB UK 	<ul style="list-style-type: none"> • IAB Europe 	<ul style="list-style-type: none"> • IAB Australia • IAB New Zealand • IAB Singapore • IAB Vietnam 	<ul style="list-style-type: none"> • IAB Argentina • IAB Brazil • IAB Chile • IAB Colombia • IAB Ecuador • IAB Peru • IAB Uruguay 	<ul style="list-style-type: none"> • IAB (United States) • IAB Canada • IAB Caribbean • IAB Mexico

Digital Advertising 2013

- Full Year Digital Ad Revenue is 5 Times Larger than 10 Years Ago
- First Half Year Digital Ad Revenue has Doubled Over the past 5 Years



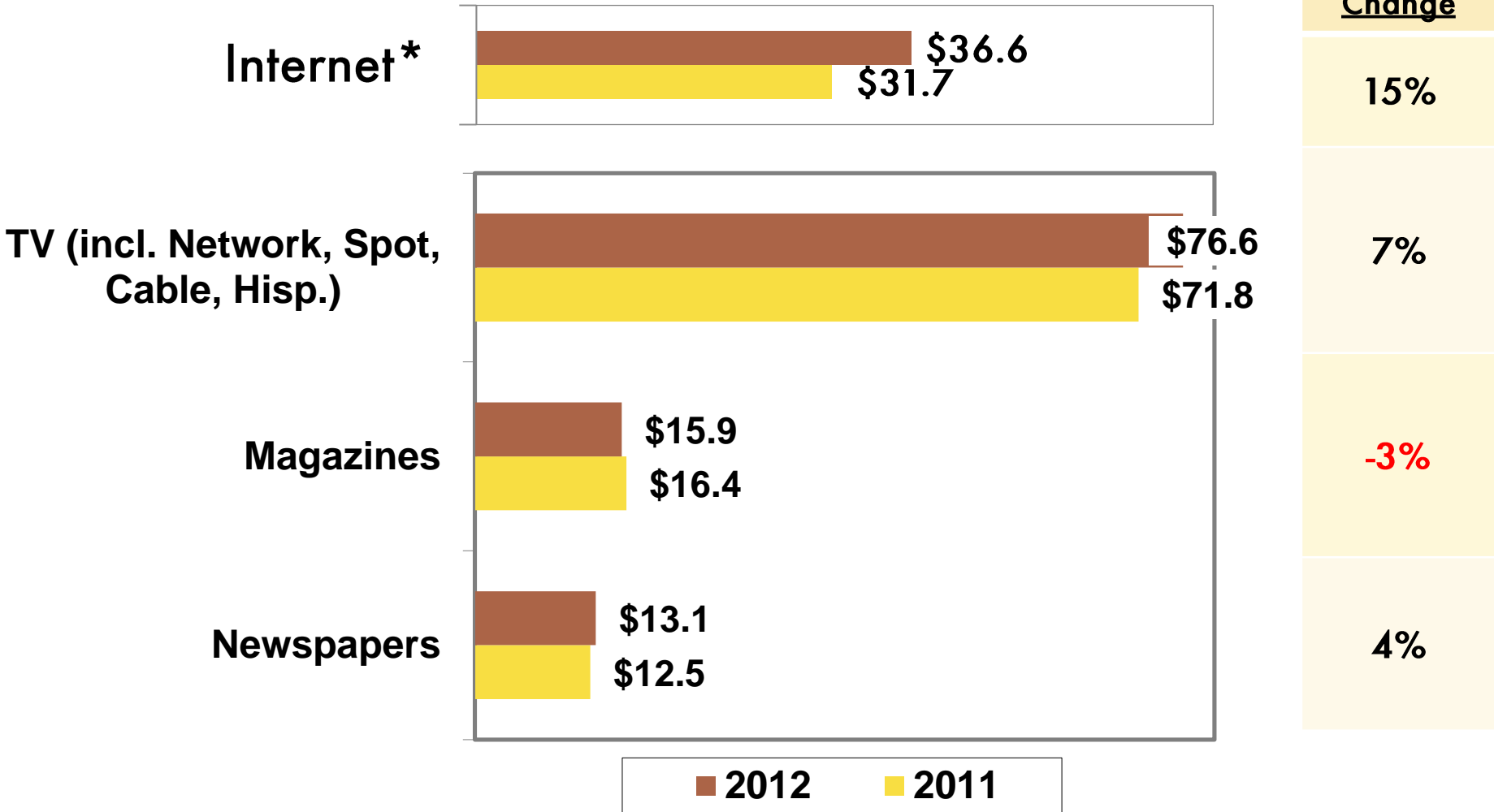
Source: IAB 2012 Full Year and 2013 First Half Year Digital Advertising Revenue Reports

*CAGR - Compound Annual Growth Rate

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Digital Media has the Second Largest Ad Revenue of Any Media

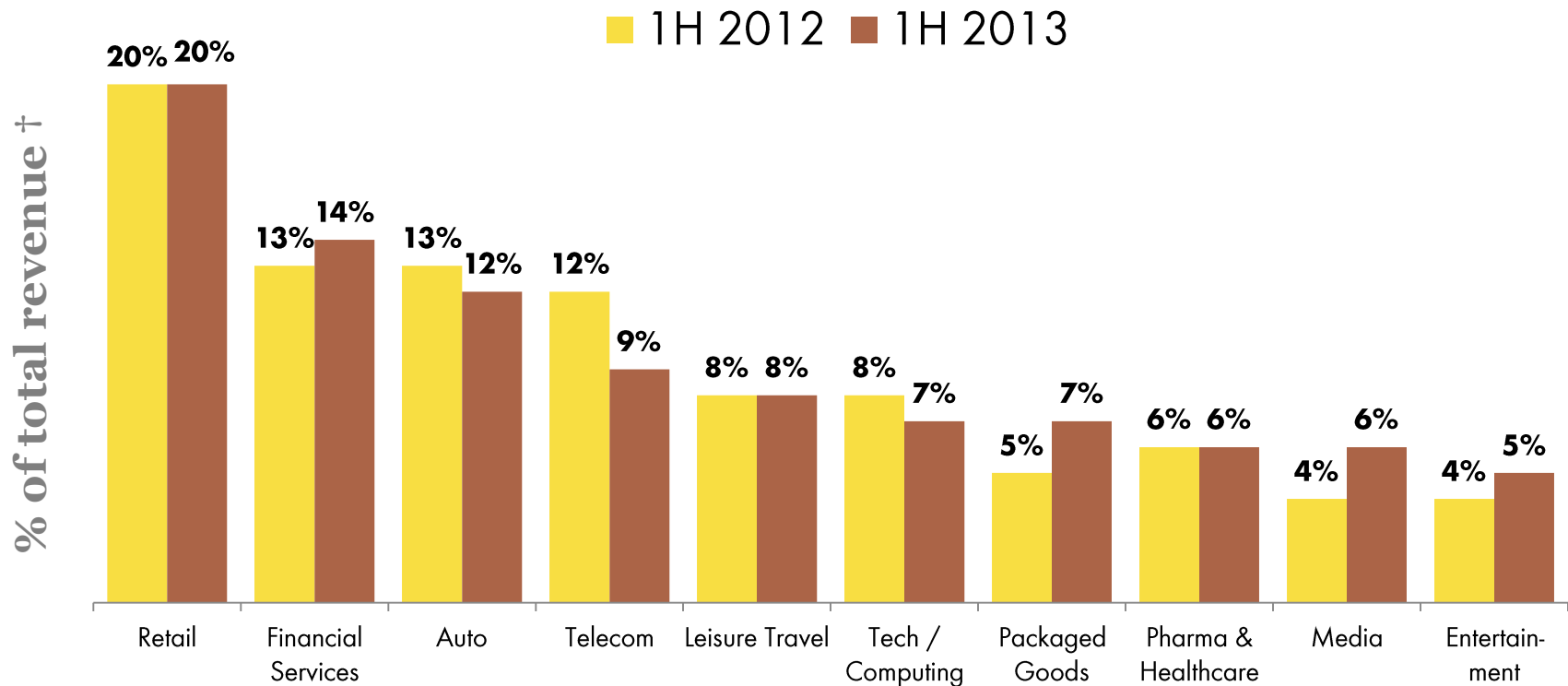
Total Ad Revenue 2012 vs. 2011 (\$Billions)



Source: *IAB/PWC 2012 Full Year and Q4 2012 Digital Advertising Revenue Report
 The Nielsen Company, Monitor Plus, April 2013 (Standard Calendar), Nielsen reporting classification change since last report.
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Internet Ad Revenues by Major Industry Category

- \$17.0 B in HY 2012 vs. \$20.1 in HY 2013

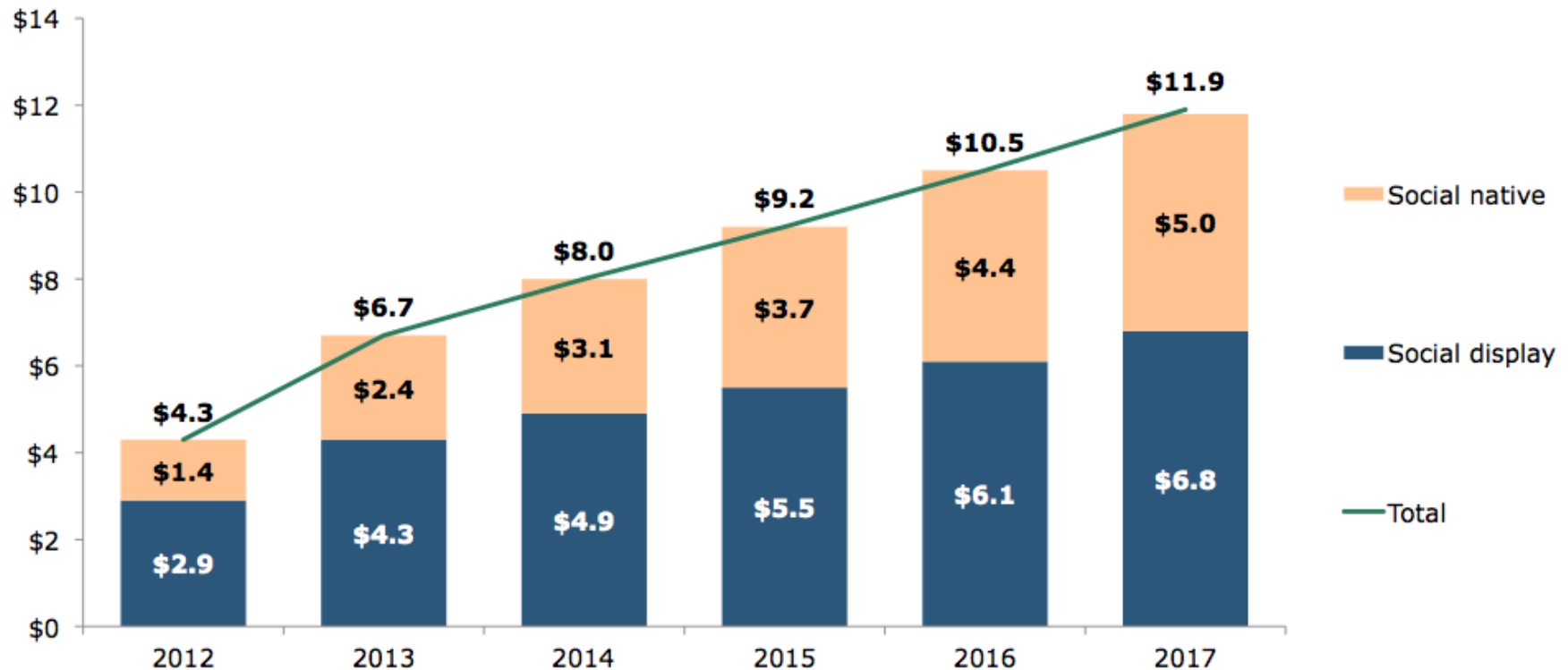


† Amounts do not total to 100% as minor categories are not displayed.

Social Media Continues to Offer New Advertising Solutions

US Social Ad Revenue Forecast, Display v. Native

\$ billions
2012-2017



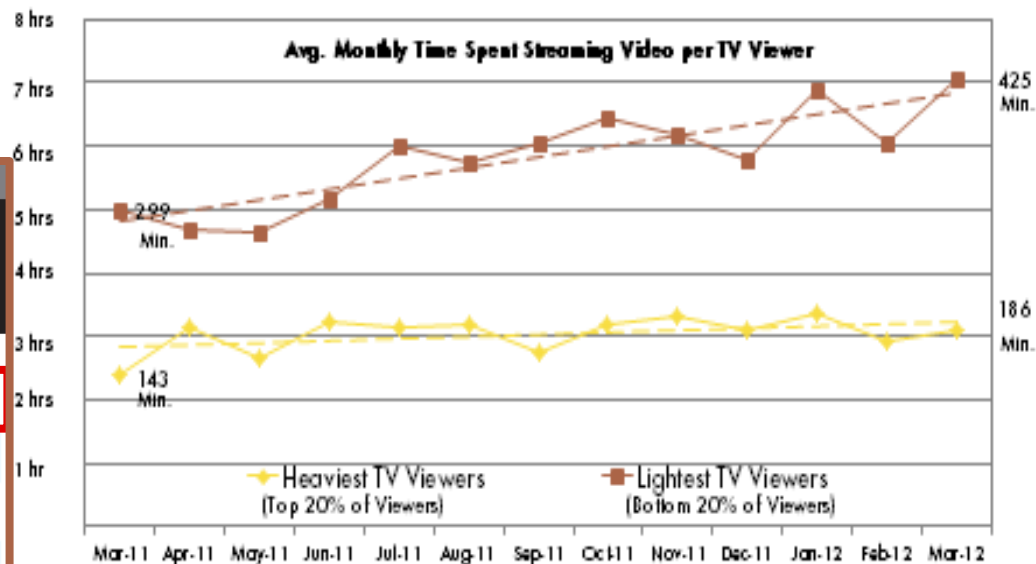
MC MARKETINGCHARTS.COM

BIA/Kelsey

Light TV Viewers Spend More Time Streaming Videos

- Lightest TV Viewers Stream Twice as Much Online Video as Heaviest TV Viewers

Nielsen Cross-Platform Homes
Ranked by Time Spent Viewing TV



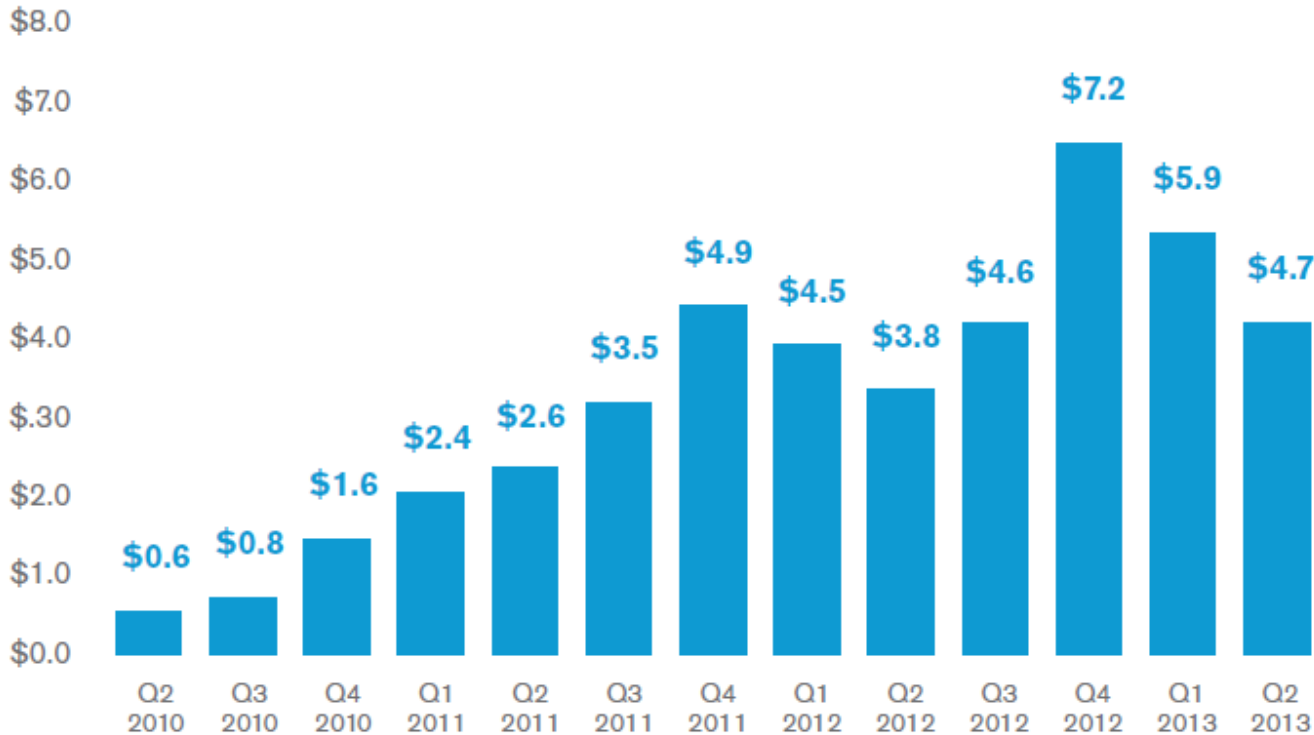
Nielsen Cross-Platform Homes
Ranked by Streaming Video Usage

STREAMING QUINTILE	COMPOSITE			
	# OF PERSONS (000)	STREAM (AVERAGE DAILY MINUTES)	INTERNET (AVERAGE DAILY MINUTES)	TV (AVERAGE DAILY MINUTES)
Stream 1	26,997	23.8	57.5	240.3
Stream 2	26,986	2.7	35.2	253.3
Stream 3	27,004	0.9	23.4	258.2
Stream 4	26,993	0.2	16.1	269.2
Stream 5	27,000	0.0	9.0	265.1
Non Streamers	102,930	0.0	1.6	236.3
All	237,910	3.2	16.8	248.2

Measurement Period: March 2011-March 2012. Segment Average Minutes Per Tuning/Streaming Day Per Person. Nielsen Cross-Platform Homes Panel. Note: Home Only Usage.



M-Commerce is Growing



U.S. Mobile Commerce Spending by Quarter (Billions)

Source: comScore
M-Commerce Measurement

Date: Q2 2010 – Q2 2013

Source: ComScore: Marketing to the Multiplatform Majority, Sept. 2013.

Thank You!

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Questions?

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