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# **Interactive Advertising Bureau 2009 2nd Quarter and First Six Months Internet Advertising Revenue Report**

Sherrill Mane, SVP, Industry Services, IAB

David Silverman, Partner, PwC

Professor John Deighton, Harold M. Brierley

Professor of Business Administration,

Harvard Business School

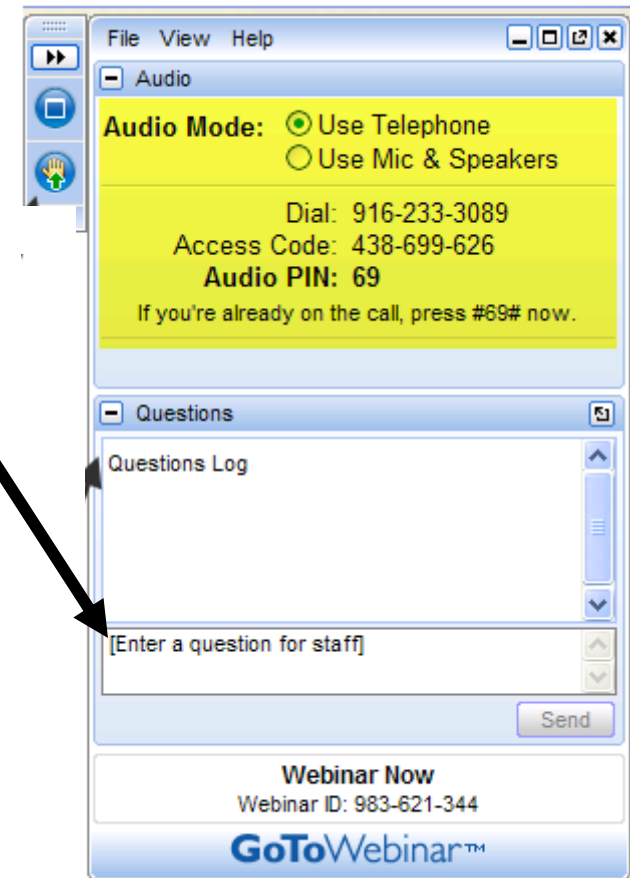
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# Agenda

- Welcome
- 2009 midyear internet revenue and the media spend landscape
  - Sherrill Mane, SVP Industry Services, IAB
- Overview of full IAB PwC 2009 midyear report
  - David Silverman, Partner, PricewaterhouseCoopers
- Widening the Perspective on Interactive Advertising
  - Professor John Deighton, Harold M. Brierley Professor of Business Administration, Harvard Business School
- Q and A

# Important Note on Q&A

- We will be using the GotoWebinar user interface for all questions for this call.
  - Please type questions into the Questions box on the GotoWebinar user interface at any time during the presentations.
  - We will create a queue and answer as many questions as possible following Professor Deighton's presentation.
  - Additional press questions should be directed to Marla Aaron, IAB Director of PR. [Marla@iab.net](mailto:Marla@iab.net)
  - Additional questions from IAB members should be directed to Joe Laszlo, IAB Director of Research. [joe@iab.net](mailto:joe@iab.net).



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# 2009 Midyear Internet Revenue and Comparisons with Other Media

Sherrill Mane

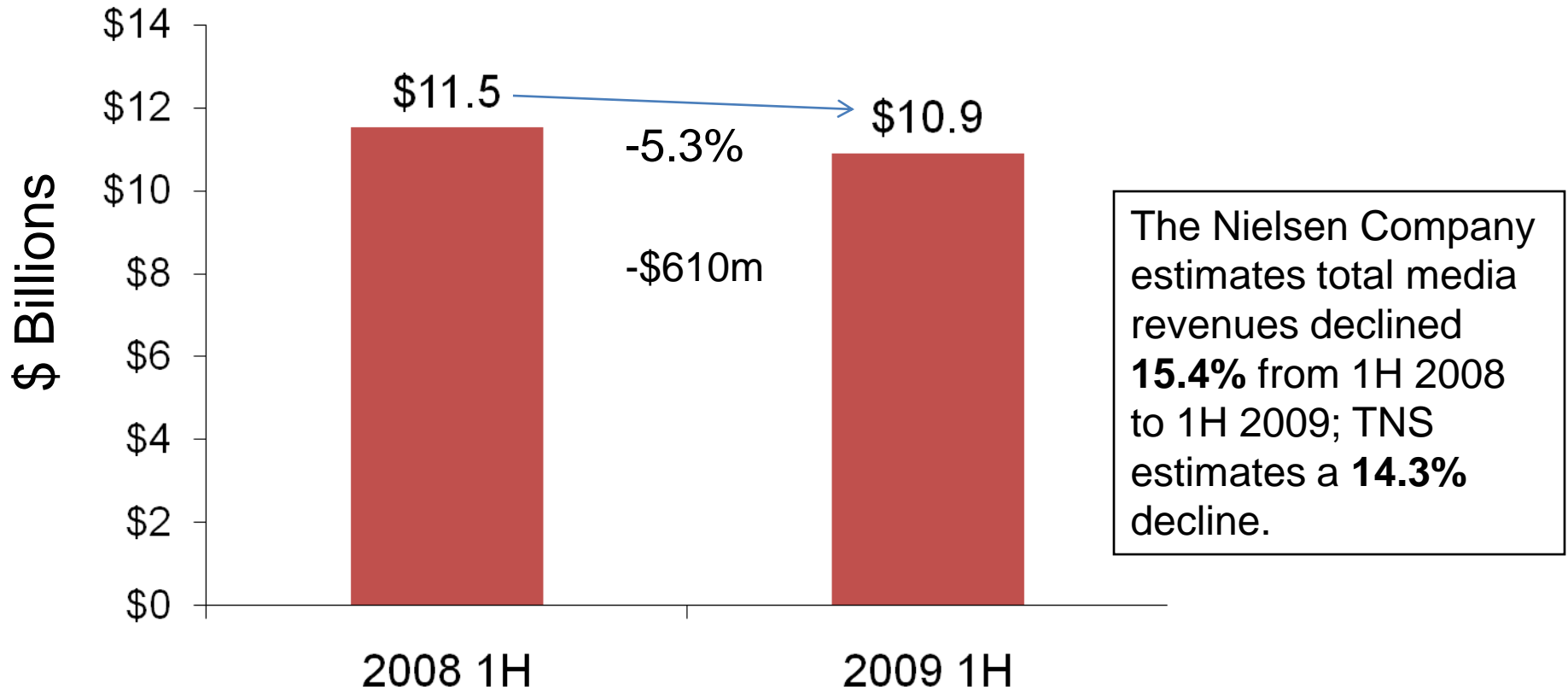
SVP, Industry Services, Interactive Advertising Bureau

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# 2009 Midyear Revenue

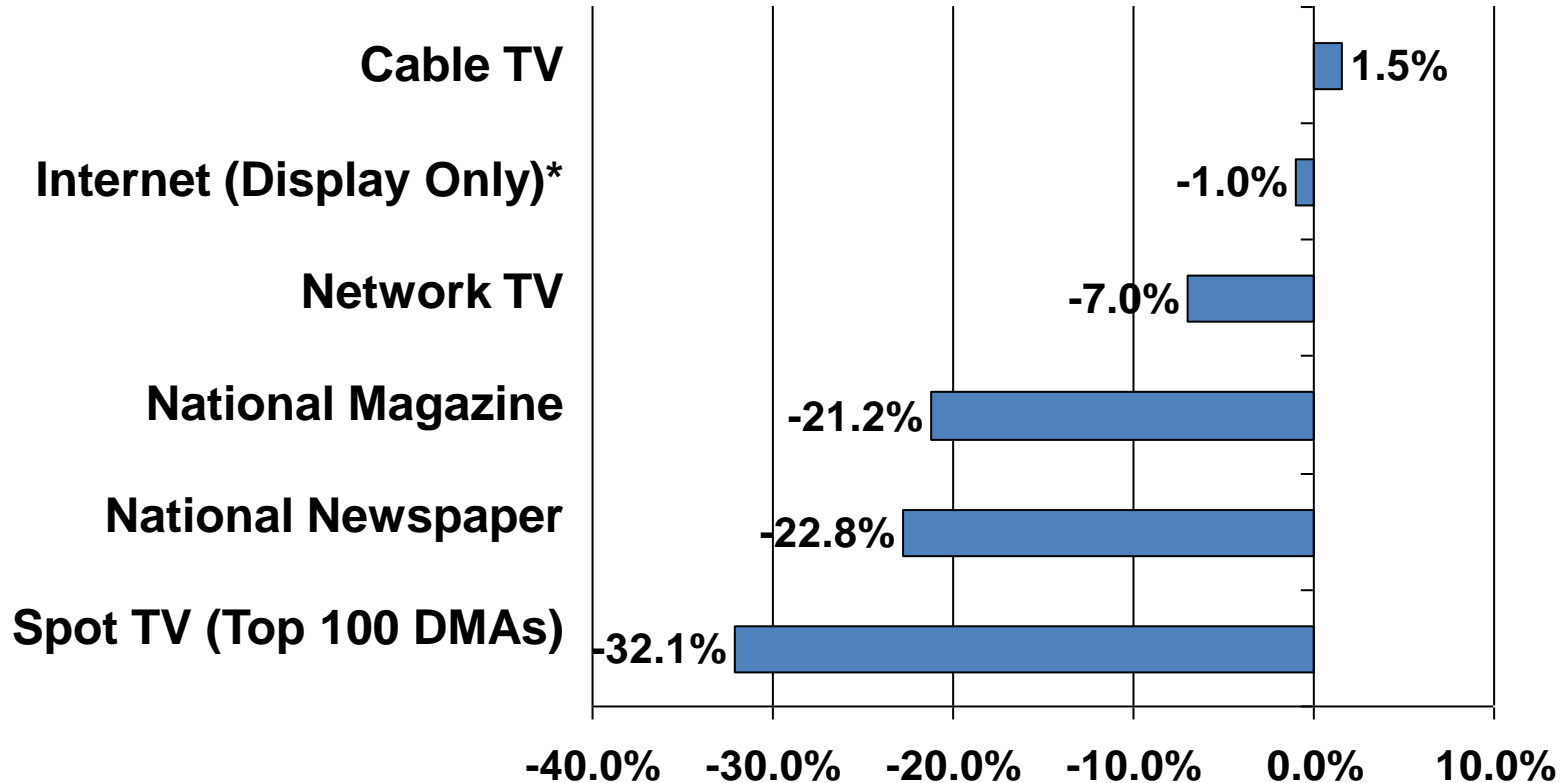
- US Internet advertising revenues for the first half of 2009 totaled \$10.9 billion
- This represents a year-to-year decline of 5.3% or \$610 million, from midyear 2008's \$11.5 billion.
- Second quarter 2009 revenue is \$5.4 billion, a 5.4% decrease versus 2Q2008, which garnered \$5.7 billion.
- Broader context: According to Nielsen, overall US advertising revenue declined 15.4% from first half 2008 to first half 2009.

# 2009 First Half Results Compared With First Half 2008



# Major Media Feel Current Economic Crunch

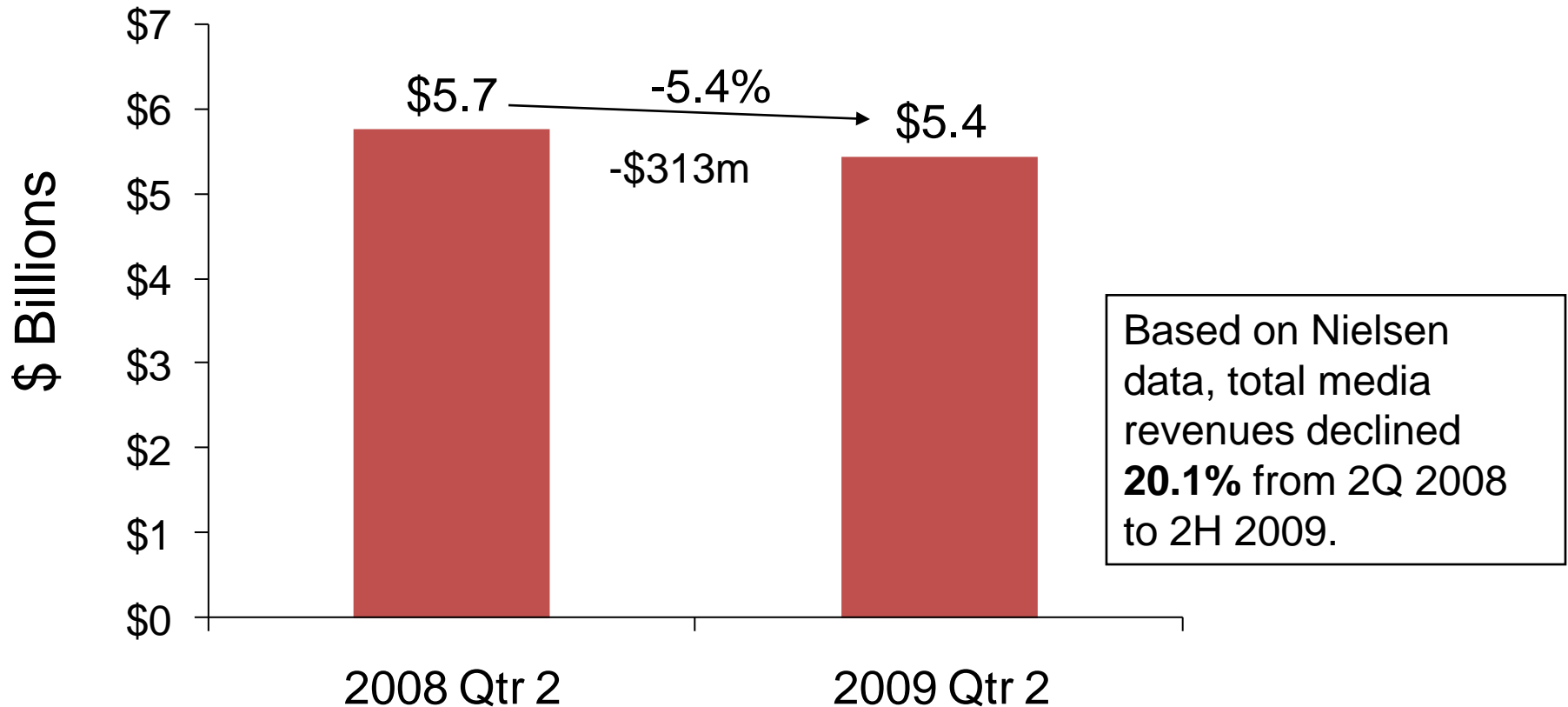
First Half 2009 Versus First Half 2008 Change in Advertising Revenue



*\*IAB ad revenue report shows display revenue down by 1.1%.*

Source: "US Ad Spending Fell 15.4% in The First Half, Nielsen Reports," The Nielsen Company Press Release, Sept. 1, 2009.

# Second Quarter 2009 Results Compared With Second Quarter 2008



Source: IAB Internet Advertising Revenue Report, 2009 Second Quarter and First Six Months Results; Nielsen



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# The Up-Side of Down

“In good times, people want to advertise; in bad times, they have to.”

—Bruce Barton, co-founder of BBDO

- Search grew to \$5.1 billion (up almost 2% vs FH '08)
- Digital video revenue at \$477 million is up 38% from 1H '08 to '09
- The Media vertical shows double digit spending growth
- The Entertainment category is growing as well
  - Growth in these two verticals is consistent with consumers seeking cheaper leisure alternatives in economic slowdowns
- Online media operate throughout the purchase funnel, positioning them well as advertisers combine DR and branding needs in a tough economy

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# Overview of Midyear 2009 IAB PwC Internet Advertising Revenue Report

David Silverman,  
Partner, PricewaterhouseCoopers

# **Widening the Perspective on Interactive Advertising**

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John Deighton  
Harold M. Brierley Professor of Business Administration,  
Harvard Business School

## **Internet advertising: Still the advertising industry's brightest spot, 15 years after the birth of the category**

- The site of some of the most interesting marketing innovation,
- And likely taking share from traditional media.

While the numbers are down, it's attributable to the economy, not diminished interest in the medium.

- Decline is concentrated in depressed verticals (auto, job listings, financial services.)
- Less recession-sensitive industries, like media, telecom and entertainment, grew.

Internet advertising, particularly search advertising, is a Social Barometer for the New Normal of consumer behavior

- Search is curiosity made visible.
- We are curious about affordable indulgences.

Where is interactive advertising expenditure increasing?

Games, books, music, dance, concerts, television  
Broadcast and cable television  
Mobile phone services

And interactive advertising expenditures are relatively healthy, even where their effects are not direct.

- Display spending, while more easily cut than search, is being cut less than broadcast media.
- Is a share shift under way?

Why the relative robustness of interactive advertising? Advertisers follow audiences, and audiences are moving online.

- That's where innovation is happening.
- Time spent on social networking sites has trebled in the past year according to Nielsen.
- Advertising on these sites doubled, as measured by Nielsen.

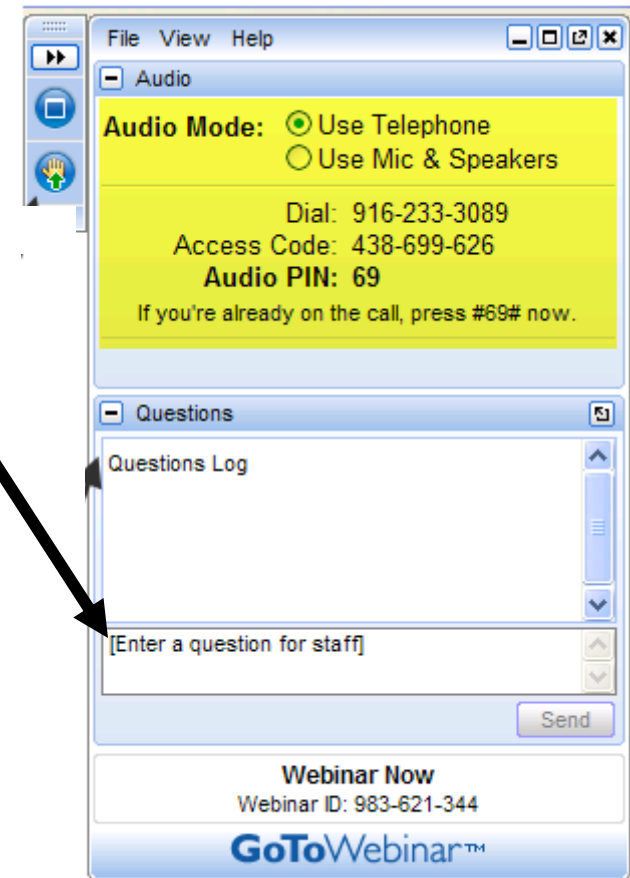


In our study for the IAB released in June 2009, we estimated that advertising had grown the share it contributes to the cost of running the Internet from 7% in 2002 to 11% in 2007.

But U.S. real GDP peaked at the end of 2007. Today advertising's contribution to the cost of providing the benefits of the Internet is likely larger, and likely to grow larger still over the coming decade.

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# THANK YOU

## UPCOMING IAB EVENTS

- IAB Ad Operations Summit, New York, Nov 16, 2009
- IAB Annual Leadership Meeting, La Costa Resort, Carlsbad, CA, Feb. 21-23, 2010

## IAB PROFESSIONAL DEVELOPMENT

- **Oct. 15:** Presentation Skills
- **Oct. 20:** Ad Operations for Account Execs
- **Oct. 21:** Action Planning for Your Digital Career
- **Oct. 29:** Marketing on the Go: Mobile Advertising
- **Nov. 5:** Conversion Attribution

*See: [www.iab.net/events](http://www.iab.net/events)*