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# *IAB internet advertising revenue report*

2015 full year results

April 2016

An industry survey conducted by PwC and sponsored  
by the Interactive Advertising Bureau (IAB)



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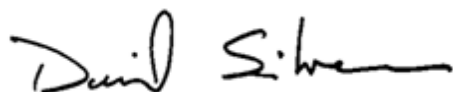
# ***Background***

## ***About the IAB internet advertising revenue report***

Conducted by PwC Advisory Services LLC (“PwC”) on an ongoing basis, with results released quarterly, the “IAB Internet Advertising Revenue Report” was initiated by the Interactive Advertising Bureau (IAB) in 1996. This report utilizes data and information reported directly to PwC, publicly available online corporate data, and information provided by online ad selling companies.

The results reported are considered to be an accurate measurement of internet/online/mobile advertising revenues because much of the data is compiled directly from information supplied by companies selling advertising online. The report includes data reflecting online advertising revenues from websites, commercial online services, ad networks and exchanges, mobile devices, and email providers, as well as other companies selling online advertising.

The report is conducted independently by PwC on behalf of the IAB. PwC does not audit the information and provides no opinion or other form of assurance with respect to the information. Only aggregate results are published and individual company information is held in strict confidence with PwC. Further details regarding scope and methodology are provided in the appendix to this report.

A handwritten signature in black ink that reads "David Silverman". The signature is written in a cursive, flowing style.

David Silverman  
PwC

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# *Executive summary*

## *IAB internet advertising revenue report 2015 full year highlights*

Internet advertising revenues (“revenues”) in the United States totaled \$59.6 billion for the full year of 2015, with Q4 2015 accounting for approximately \$17.4 billion and Q3 2015 accounting for approximately \$14.7 billion. Revenues for the full year of 2015 increased 20.4% over 2014.

### **Key trends underlying 2015 results**

**Revenues increase 20.4% in FY 2015** — Internet advertising revenues in the United States totaled \$17.4 billion in the fourth quarter of 2015, an increase of 18.3% from the 2015 third-quarter total of \$14.7 billion and an increase of 22.8% from the 2014 fourth-quarter total of \$14.2 billion. 2015 full year internet advertising revenues totaled \$59.6 billion, up 20.4% from the \$49.5 billion reported in 2014.

*“Mobile’s impressive upswing is a testament to its increasing importance to marketers,” said Randall Rothenberg, President and CEO, IAB. “Digital video is also seeing strong growth, and we anticipate brands and media buyers will drive further excitement about the future of the medium at the upcoming Digital Content NewFronts.”*

— Randall Rothenberg, President and CEO, IAB

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**Mobile advertising increases 66% in FY 2015** — Mobile advertising in the United States totaled \$20.7 billion during FY 2015, a 66% increase from the prior year total of \$12.5 billion.

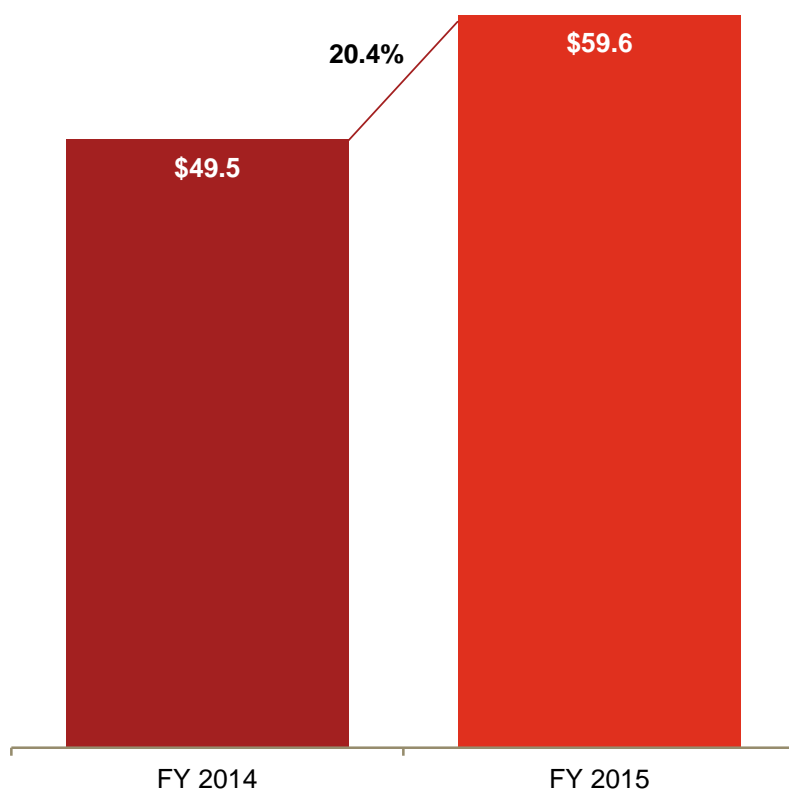
*“Internet advertising was a disruptive innovation when the industry was formed,” said David Silverman, partner, PwC US. “Twenty years later we still see double-digit growth rates, including 20 percent in 2015. Three key disruptive trends – mobile, social, and programmatic – continue to fuel this exceptional rate of growth.”*

— David Silverman, partner, PwC

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# Annual revenues show strong growth

2014 vs. 2015 (\$ billions)



*Annual revenues for 2015 totaled \$59.6 billion, \$10.1 billion (or 20.4%) higher than in 2014.*

Source: IAB/PwC Internet Ad Revenue Report, FY2015

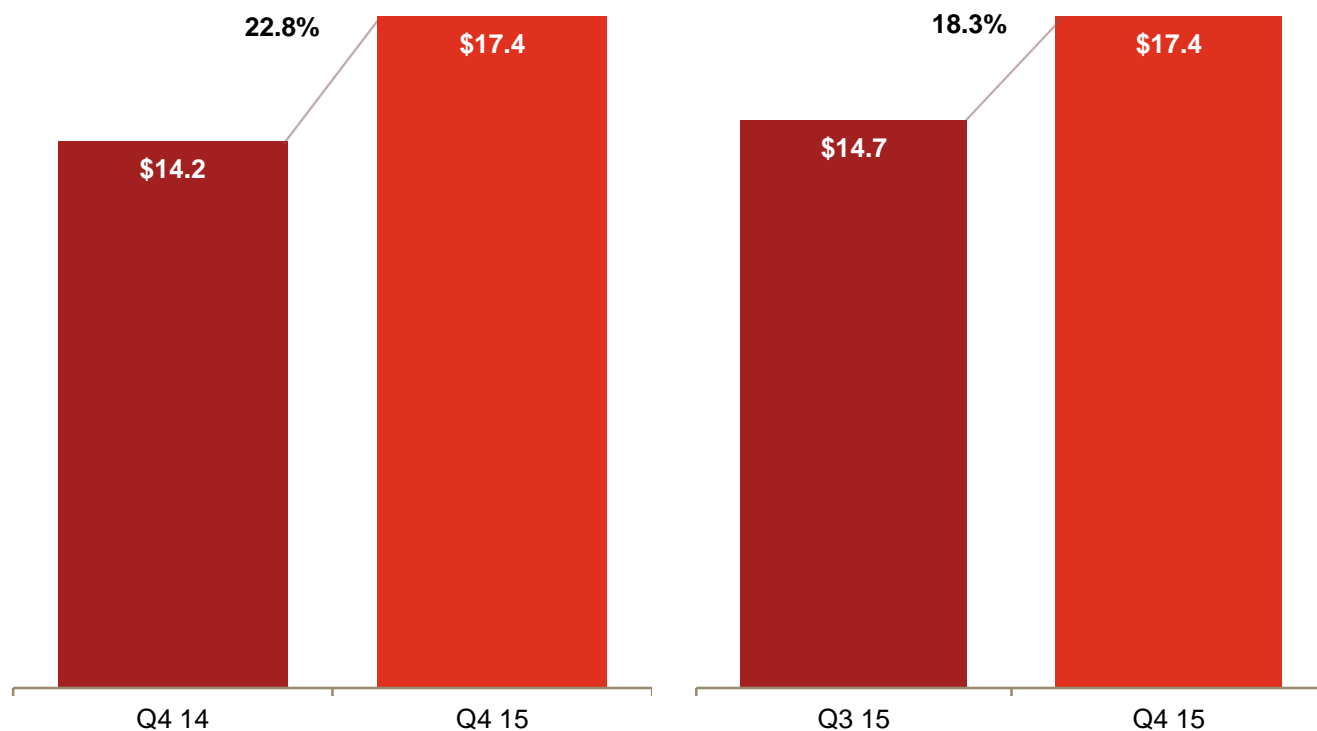
# Detailed findings

## Revenues totaled \$17.4 billion in Q4 2015

Total 2015 fourth quarter revenues broke the prior quarter record of \$14.7 billion set in the third quarter of 2015 by \$2.7 billion. Fourth quarter 2015 revenues were \$3.2 billion (22.8 %) higher than in the fourth quarter of 2014.

Q4 2014 vs. Q4 2015 (\$ billions)

Q3 2015 vs. Q4 2015 (\$ billions)



Source: IAB/PwC Internet Ad Revenue Report, FY 2015

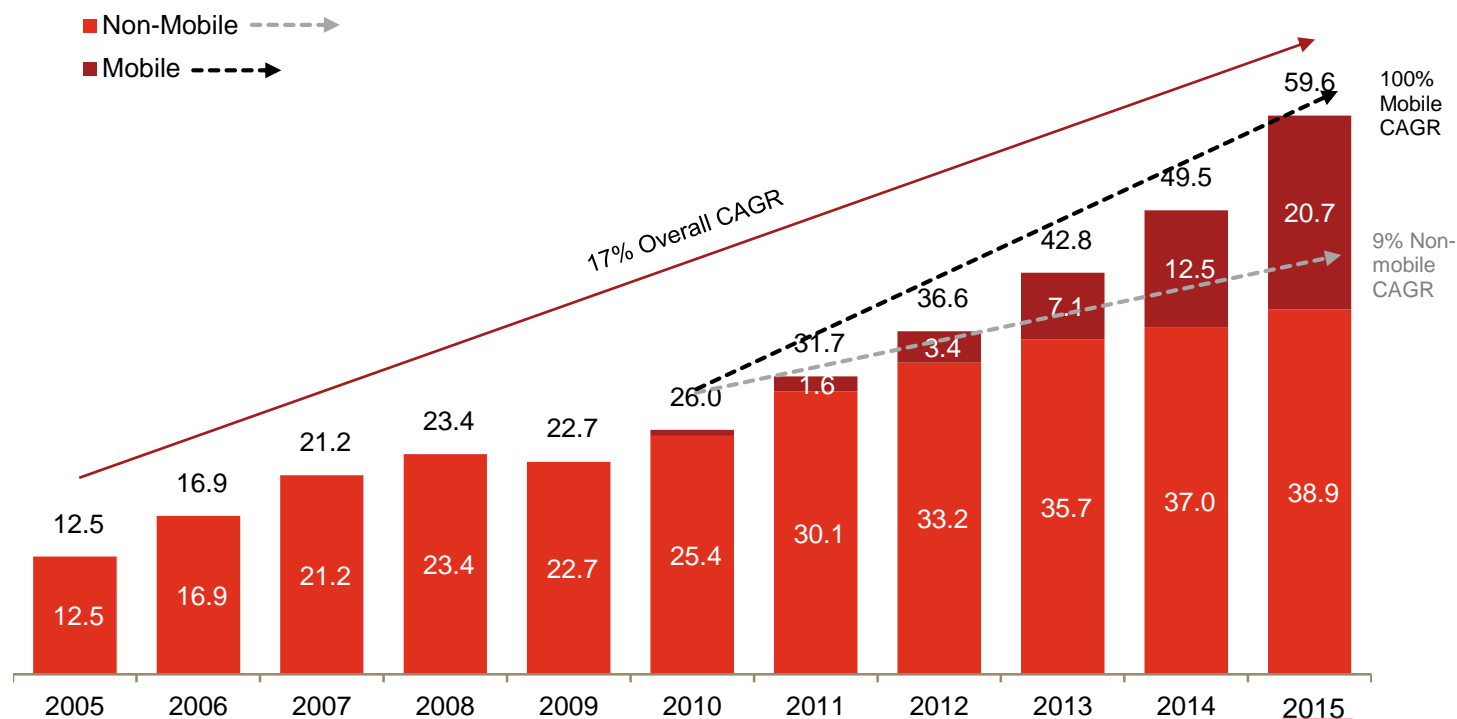
# Historical annual revenue trends

## Strong revenue growth continued in 2015

2015 annual revenues increased on a year-over-year percentage and dollar basis. The compound annual growth rate (CAGR) over the past ten years for internet advertising of 17% has outpaced U.S. current dollar GDP growth of 3%\* over that period.

Since 2010, internet advertising growth was fueled by a 100% CAGR in Mobile (compared to 9% growth in non-Mobile revenue over the same period).

### Annual Revenue 2005-2015 (\$ billions)



Source: IAB/PwC Internet Ad Revenue Report, FY 2015

\* Source for GDP growth: U.S. Bureau of Economic Analysis, "[Table 1.1.5. Gross Domestic Product](#)," (accessed April 7, 2016)

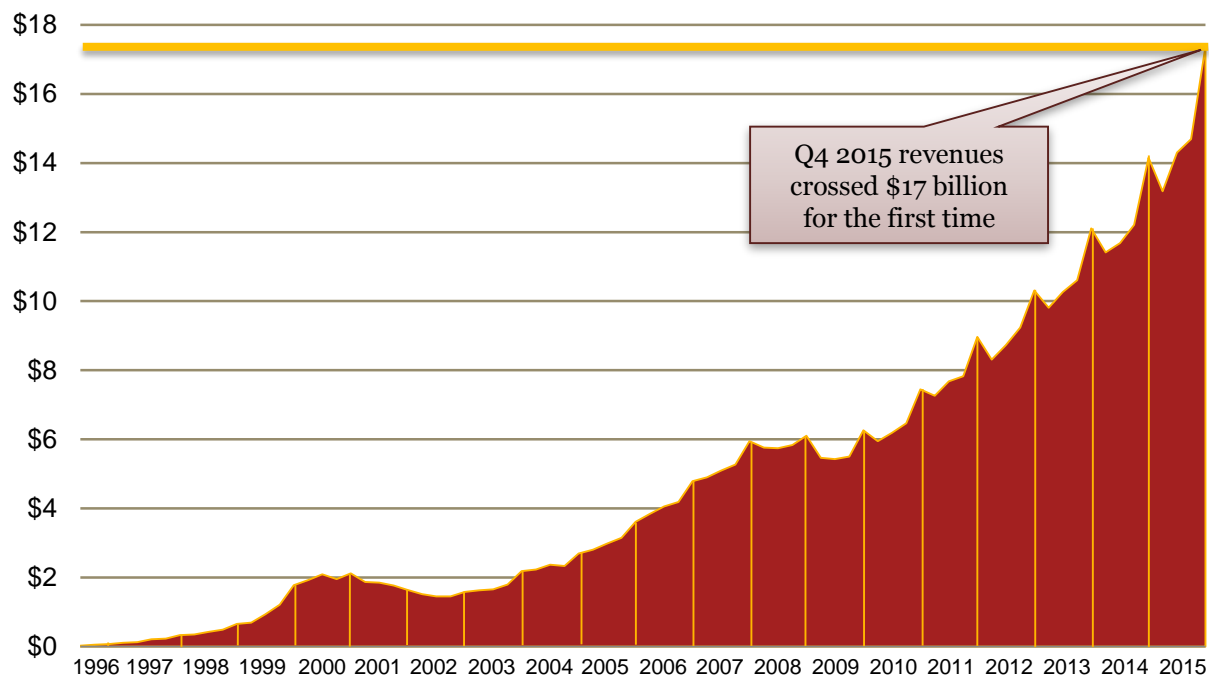
# Historical quarterly revenue trends

## Quarterly growth continued upward trend

Internet advertising continued to build on the momentum from 2014.

Over the past decade we have seen a clear seasonal trend of strong fourth quarter revenue followed by a first quarter dip. Despite the seasonal dip, first quarter revenues have outpaced the prior year's third quarter since 2010.

### Quarterly revenue growth trends 1996-2015 (\$ billions)



Source: IAB/PwC Internet Ad Revenue Report, FY 2015.

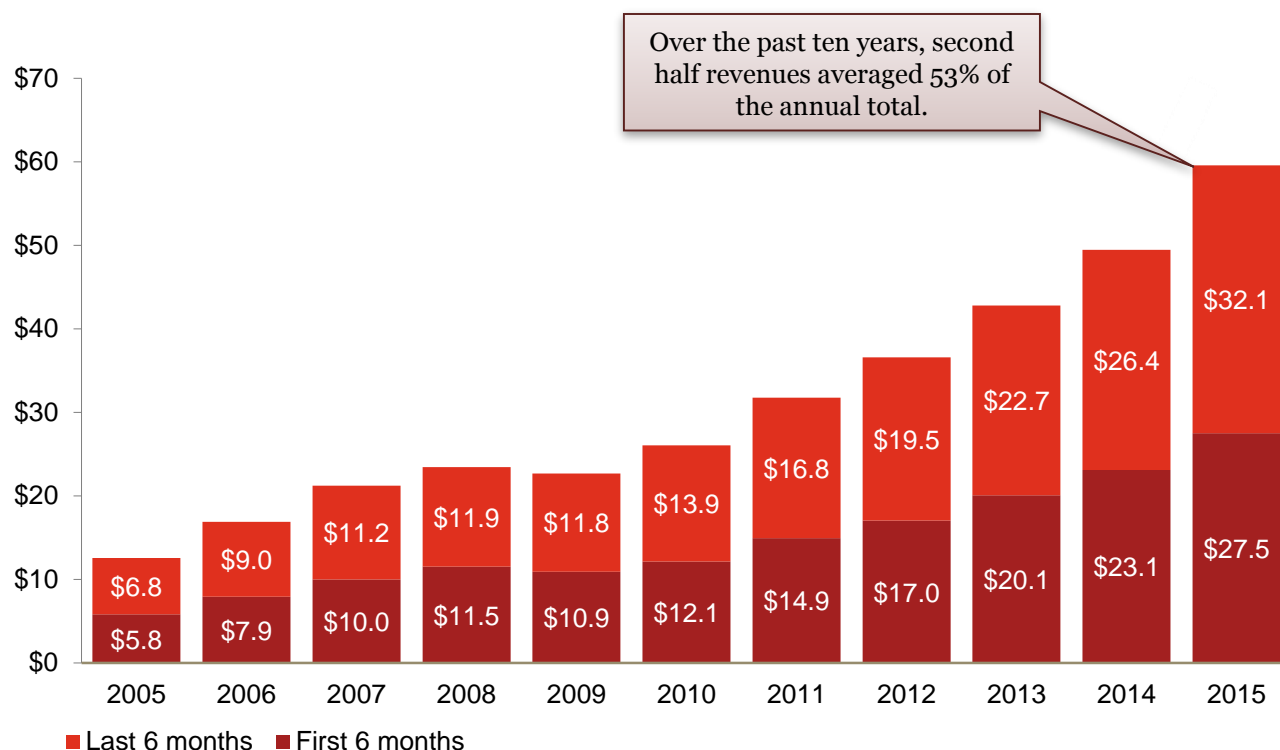


# Historical revenue mix – first half vs. second half

## Second-half revenues reached \$32.1 billion

Second-half revenues totaled \$32.1 billion in 2015, an increase of \$5.7 billion from second-half revenues of 2014, which totaled \$26.4 billion. Second-half revenues in 2015 represented 54% of total revenues in 2015, up from the 53% reported in 2014 and consistent with the broader trend of higher revenues in the second-half of each year. The historically higher proportion of revenues in the second half of the year results from both the continued growth in the industry and from the seasonality of higher ad spend in the fourth quarter.

Historical revenue mix, first half vs. second half (\$ billions)



Source: IAB/PwC Internet Ad Revenue Report, FY 2015

# Historical data findings

## Annual and quarterly revenue growth

	Revenue (in mil)	Q/Q Growth	Y/Y Growth		Revenue (in mil)	Q/Q Growth	Y/Y Growth
Q1 2003	\$1,632	3%	7%	Q1 2010	\$5,942	-5%	9%
Q2 2003	\$1,660	2%	14%	Q2 2010	\$6,185	4%	14%
Q3 2003	\$1,793	8%	24%	Q3 2010	\$6,465	5%	18%
Q4 2003	\$2,182	22%	38%	Q4 2010	\$7,449	15%	19%
<b>Total 2003</b>	<b>\$7,267</b>		<b>21%</b>	<b>Total 2010</b>	<b>\$26,041</b>		<b>15%</b>
Q1 2004	\$2,230	2%	37%	Q1 2011	\$7,264	-2%	22%
Q2 2004	\$2,369	6%	43%	Q2 2011	\$7,678	6%	24%
Q3 2004	\$2,333	-2%	30%	Q3 2011	\$7,824	2%	21%
Q4 2004	\$2,694	15%	24%	Q4 2011	\$8,970	15%	20%
<b>Total 2004</b>	<b>\$9,626</b>		<b>33%</b>	<b>Total 2011</b>	<b>\$31,735</b>		<b>22%</b>
Q1 2005	\$2,802	4%	25%	Q1 2012	\$8,307	-7%	14%
Q2 2005	\$2,985	7%	26%	Q2 2012	\$8,722	5%	14%
Q3 2005	\$3,147	5%	35%	Q3 2012	\$9,236	6%	18%
Q4 2005	\$3,608	15%	34%	Q4 2012	\$10,307	12%	15%
<b>Total 2005</b>	<b>\$12,542</b>		<b>30%</b>	<b>Total 2012</b>	<b>\$36,570</b>		<b>15%</b>
Q1 2006	\$3,848	7%	37%	Q1 2013	\$9,806	-5%	18%
Q2 2006	\$4,061	6%	36%	Q2 2013	\$10,260	5%	18%
Q3 2006	\$4,186	3%	33%	Q3 2013	\$10,609	3%	15%
Q4 2006	\$4,784	14%	33%	Q4 2013	\$12,106	14%	17%
<b>Total 2006</b>	<b>\$16,879</b>		<b>35%</b>	<b>Total 2013</b>	<b>\$42,781</b>		<b>17%</b>
Q1 2007	\$4,899	2%	27%	Q1 2014	\$11,414	-6%	16%
Q2 2007	\$5,094	4%	25%	Q2 2014	\$11,678	2%	14%
Q3 2007	\$5,267	3%	26%	Q3 2014	\$12,207	5%	15%
Q4 2007	\$5,946	13%	24%	Q4 2014	\$14,152	16%	17%
<b>Total 2007</b>	<b>\$21,206</b>		<b>26%</b>	<b>Total 2014</b>	<b>\$49,451</b>		<b>16%</b>
Q1 2008	\$5,765	-3%	18%	Q1 2015	\$13,179	-7%	16%
Q2 2008	\$5,745	0%	13%	Q2 2015	14,302	9%	23%
Q3 2008	\$5,838	2%	11%	Q3 2015	14,688	3%	20%
Q4 2008	\$6,100	4%	2%	Q4 2015	17,382	18%	23%
<b>Total 2008</b>	<b>\$23,448</b>		<b>11%</b>	<b>Total 2015</b>	<b>\$59,550</b>		<b>20%</b>
Q1 2009	\$5,468	-10%	-5%				
Q2 2009	\$5,432	-1%	-5%				
Q3 2009	\$5,500	1%	-6%				
Q4 2009	\$6,261	14%	3%				
<b>Total 2009</b>	<b>\$22,661</b>		<b>-3%</b>				

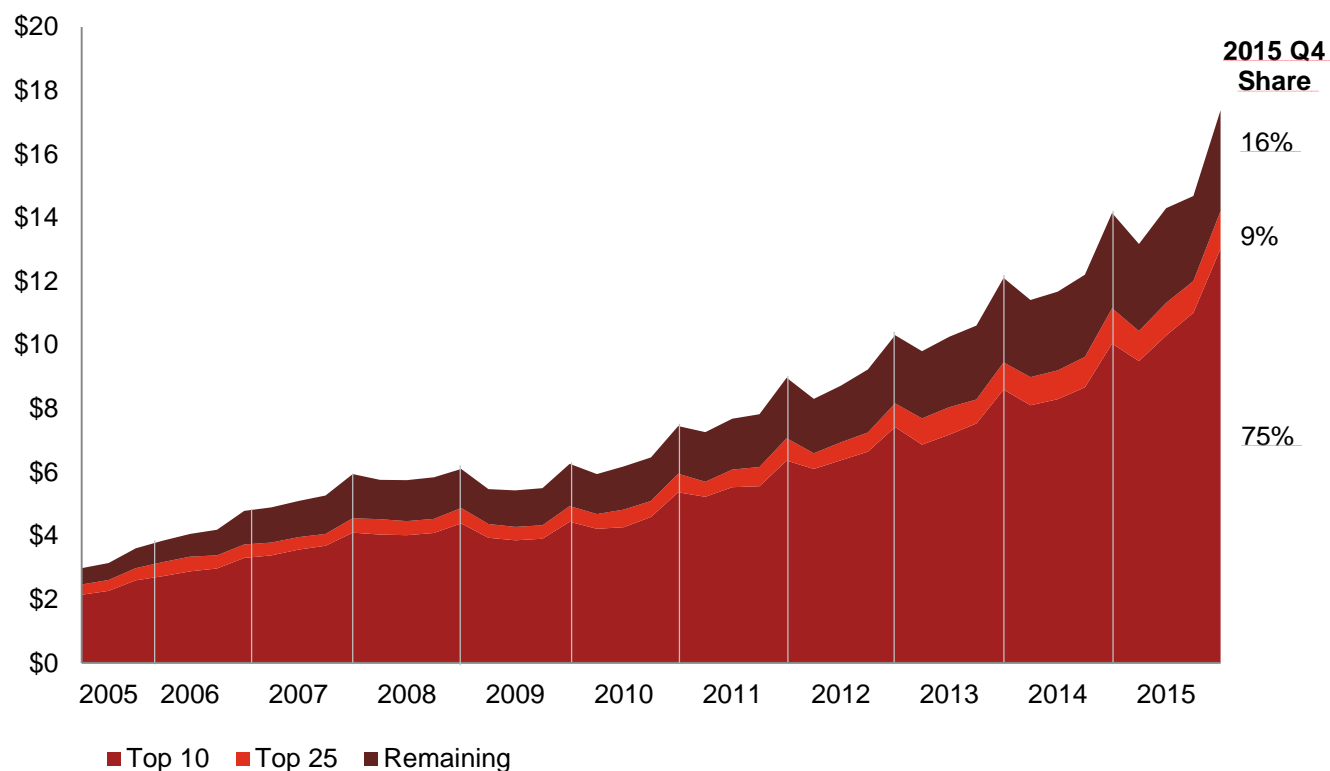
# Revenue concentration

## Top 10 companies commanded 75% of revenues in Q4 2015

Online advertising continues to remain concentrated with the 10 leading ad-selling companies, which accounted for 75% of total revenues in Q4 2015, slightly higher than the 71% reported in Q4 2014. Companies ranked 11th to 25th accounted for 9% of revenues in Q4 2015, a slight decrease from the 11% reported in Q4 2014.

Despite the emergence of a few heavyweights in internet advertising publishing, the concentration of top-10 revenue has remained relatively unchanged over the past ten years, fluctuating between 69% and 75%.

### % share of total revenues



Source: IAB/PwC Internet Ad Revenue Report, FY 2015

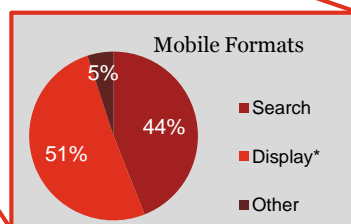
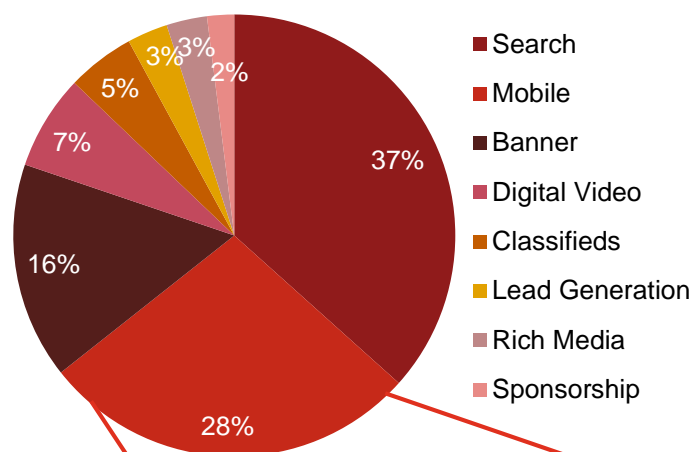
# Ad format – fourth quarter 2015 results

## Mobile accounted for 40% of Q4 2015 revenues

- Non mobile Search accounted for 32% of Q4 2015 revenues, down from 37% in Q4 2014 as mobile devices have shifted Search-related revenues away from the desktop computer. Search revenues totaled \$5.6 billion in Q4 2015, up 6% from Q4 2014, when Search totaled \$5.3 billion.
- Non mobile Display-related advertising accounted for \$3.9 billion or 22% of total revenues during Q4 2015, up 3% from the \$3.8 billion (27% of total) reported in Q4 2014. Q4 2015 Display-related advertising includes Banner Ads (12% of revenues, or \$2.2 billion), Digital Video (7% or \$1.2 billion), Rich Media (2% or \$296 million), and Sponsorship (1% or \$164 million).
- Mobile revenues totaled 40% of Q4 2015 revenues, or \$6.9 billion, up 77% from the \$3.9 billion (28% of total) reported in Q4 2014.
- Non mobile Classifieds revenues totaled \$636 million or 4% of Q4 2015 revenues, down 11% from the \$715 million (5% of total) reported in Q4 2014.
- Non mobile Lead Generation revenues accounted for 2% of Q4 2015 revenues, or \$409 million, down 15% from the \$483 million (3% of total) reported in Q4 2014.

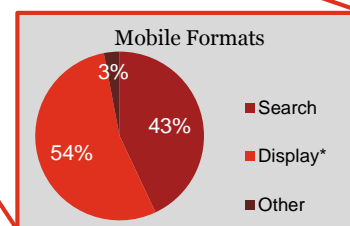
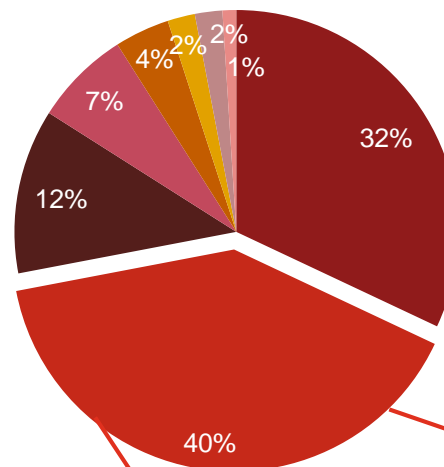
### Ad formats – Q4 2014

Total - \$14.1 billion\*\*



### Ad formats – Q4 2015

Total - \$17.4 billion\*\*



Source: IAB/PwC Internet Ad Revenue Report, FY 2015

\* Mobile Display includes: banner ads, digital video, digital audio, sponsorships, and rich media advertising served to mobile devices.

\*\* Amounts may not equal 100% due to rounding and omission of minor categories.

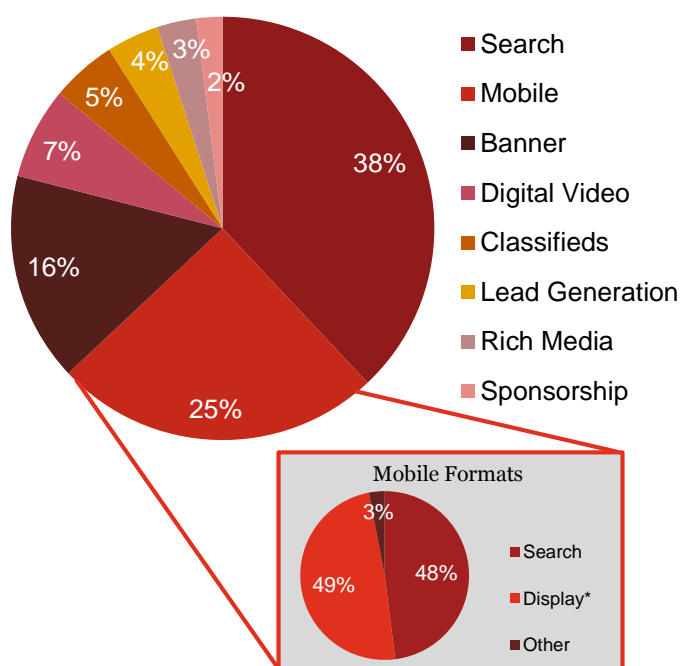
# Ad format – full year 2015 results

## Mobile accounted for 35% of FY 2015 revenues

- Non mobile Search revenues accounted for 34% of FY 2015 revenues, down from 38% in FY 2014. Search revenues totaled \$20.5 billion in FY 2015, up 8% from FY 2014, when Search totaled \$19.0 billion.
- Non mobile Display-related advertising accounted for \$13.9 billion or 23% of total revenues during FY 2015, up 3% from the \$13.5 billion (27% of total) reported in FY 2014. FY 2015 Display-related advertising includes Banner Ads (13% of FY 2015 revenues, or \$7.7 billion), Digital Video (7% or \$4.2 billion), Rich Media (2% or \$1.3 billion), and Sponsorship (1% or \$649 million).
- Mobile revenues totaled 35% of FY 2015 revenues, or \$20.7 billion, up 66% from the \$12.5 billion (25% of total) reported in FY 2014.
- Non mobile Classifieds revenues totaled \$2.8 billion or 5% of FY 2015 revenues, up 2% from the \$2.7 billion (5% of total) reported in FY 2014.
- Non mobile Lead Generation revenues accounted for 3% of FY 2015 revenues, or \$1.8 billion, down 6% from the \$1.9 billion (4% of total) reported in FY 2014.

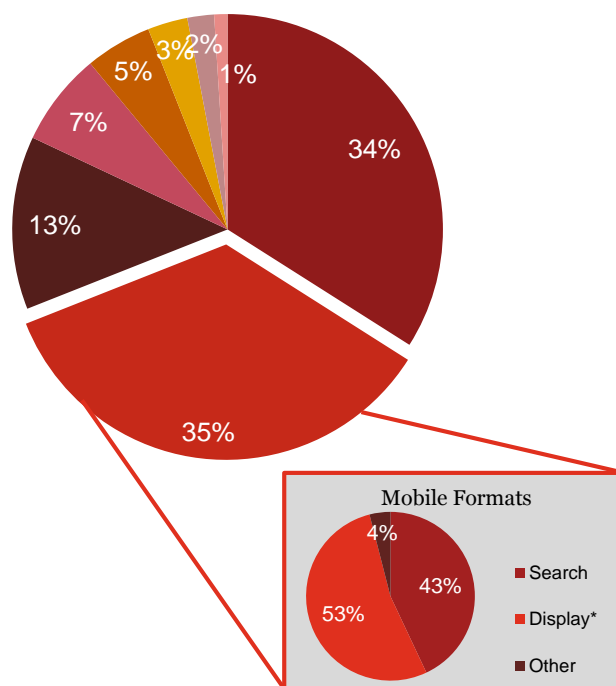
### Ad formats – full year 2014

Total - \$49.5 billion\*\*



### Ad formats – full year 2015

Total - \$59.6 billion\*\*



Source: IAB/PwC Internet Ad Revenue Report, FY 2015

\* Mobile Display includes: banner ads, digital video, digital audio, sponsorships, and rich media advertising served to mobile devices.

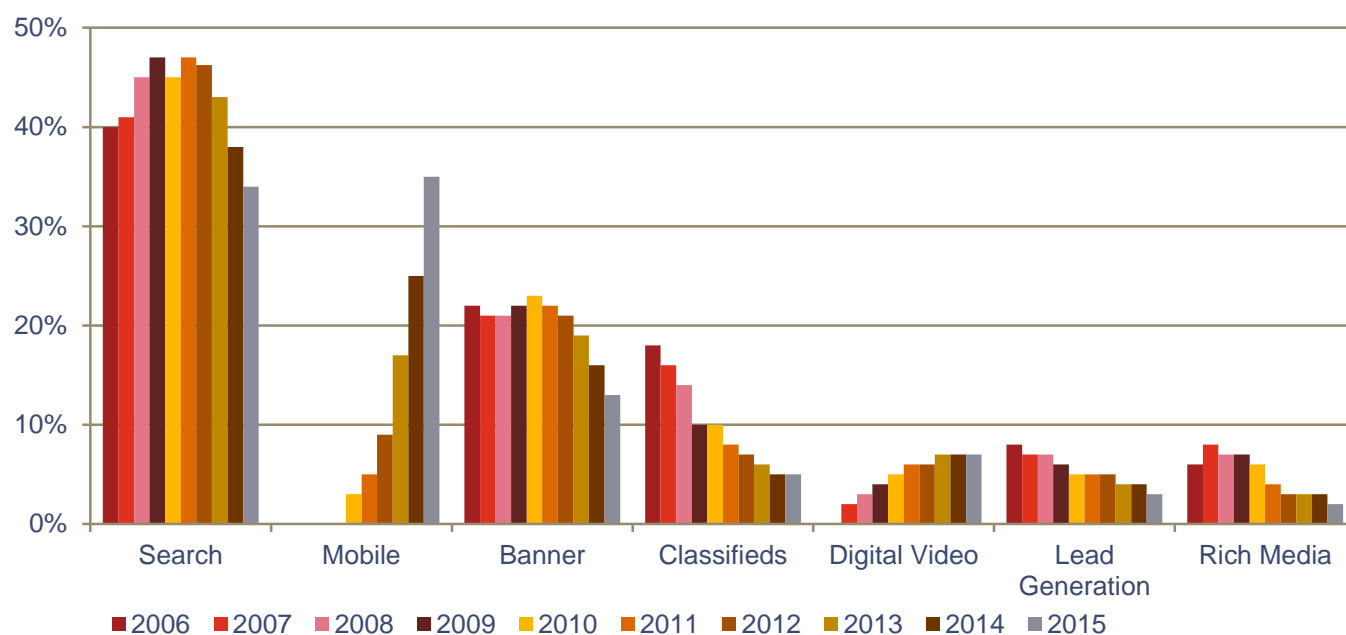
\*\* Amounts may not equal 100% due to rounding and omission of minor categories.

# Historical format trends

## Mobile revenues continued to climb, 66% over FY 2014

- Mobile revenue now represents the largest share, representing 35% of total revenues in FY 2015, as compared with 25% reported in FY 2014 and 17% in FY 2013. While Mobile has eroded share of other formats, the Mobile format itself is comprised of multiple formats.
- Non mobile Search is now the second largest format at 34% of FY 2015 revenues. Decline in its overall share is attributed to growth in Mobile and Mobile Search, which is included in the Mobile category.
- Non mobile Search, Banner, Lead Generation, Sponsorships, and Rich Media are all down slightly as a percentage of total revenue due to the substantial growth of Mobile. Classifieds and Video remained consistent as a percentage of total revenue in comparison to FY 2014 results.

### Advertising format share, 2006 - 2015\* (% of total revenue)



Source: IAB/PwC Internet Ad Revenue Report, FY 2015

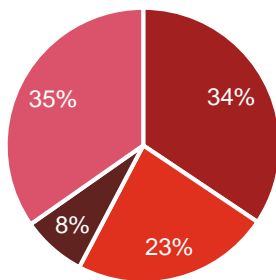
\* Format definitions may have changed over the time period depicted, both within the survey process and as interpreted by survey respondents.

# As eyeballs shift to mobile – Display and search follow

*We have noted a significant shift of display and search activities to mobile devices.*

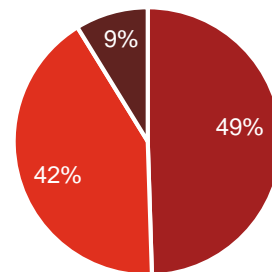
- Mobile now represents 35% of search and display revenue, up from 25% in 2014.
- When we reallocate mobile activities to traditional formats we note that search makes up nearly half.
- Display related formats increased from 40% in 2014 to 42% in 2015 when mobile revenues are included.

Formats - 2015  
Mobile Separated



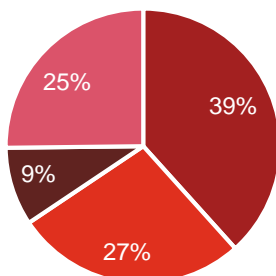
■ Search ■ Display ■ Other ■ Mobile

Formats - 2015  
Mobile Included



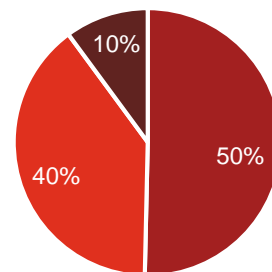
■ Search ■ Display ■ Other

Formats - 2014  
Mobile Separated



■ Search ■ Display ■ Other ■ Mobile

Formats - 2014  
Mobile Included



■ Search ■ Display ■ Other

Source: IAB/PwC Internet Ad Revenue Report, FY 2015

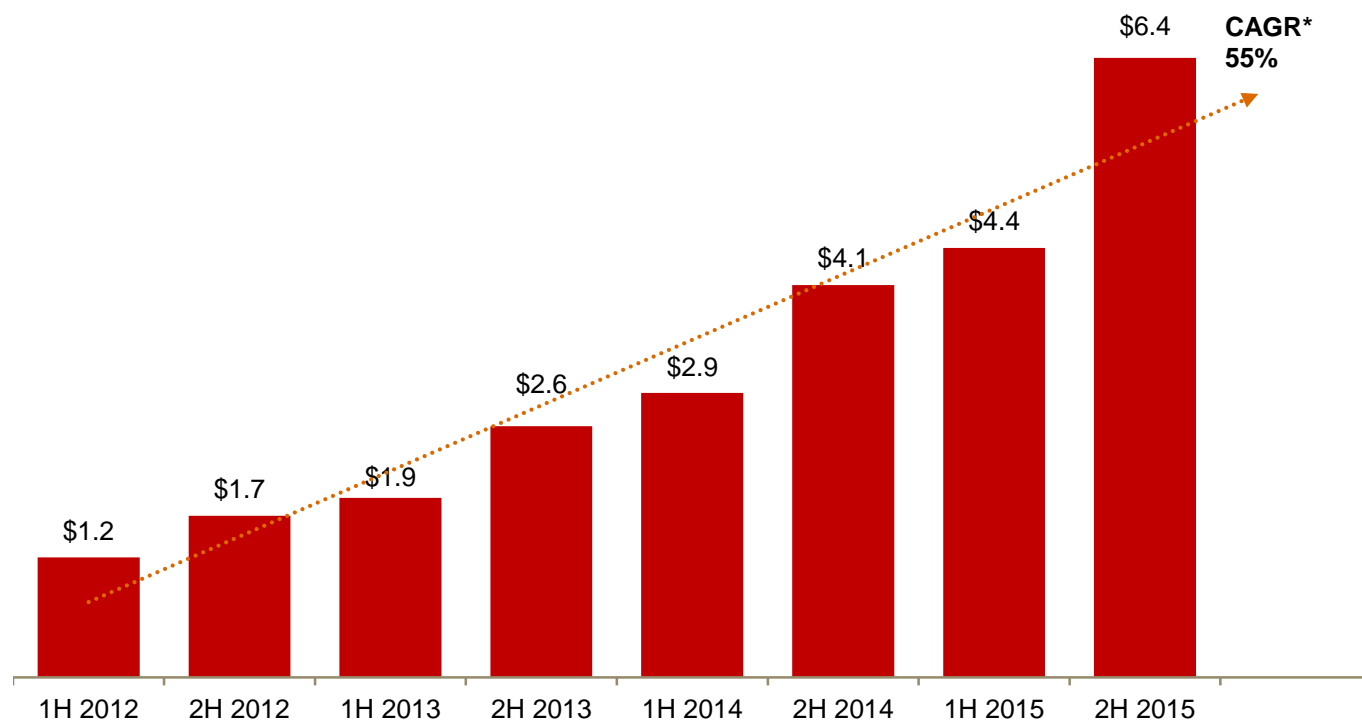
# Social media advertising revenue

**Social Media advertising revenue totaled \$10.9 billion for 2015 compared to \$7.0 billion in 2014**

For the second half of 2015, social media revenue was \$6.4 billion. Social has experienced growth each half-year since we first measured it in 2012. These steady increases are reflected in the 55% compound annual growth rate of social from 2012 to 2015. In 2015, approximately 18% of internet advertising was related to Social Media, which is up from 14% in 2014.

*Note: We define social media as advertising delivered on social platforms, including social networking and social gaming websites and apps, across all device types, including desktop, laptop, smartphone and tablet.*

## Social media advertising revenue 2012-2015 (\$ billions)



Source: IAB/PwC Internet Ad Revenue Report, FY 2015

\* CAGR: Compound Annual Growth Rate



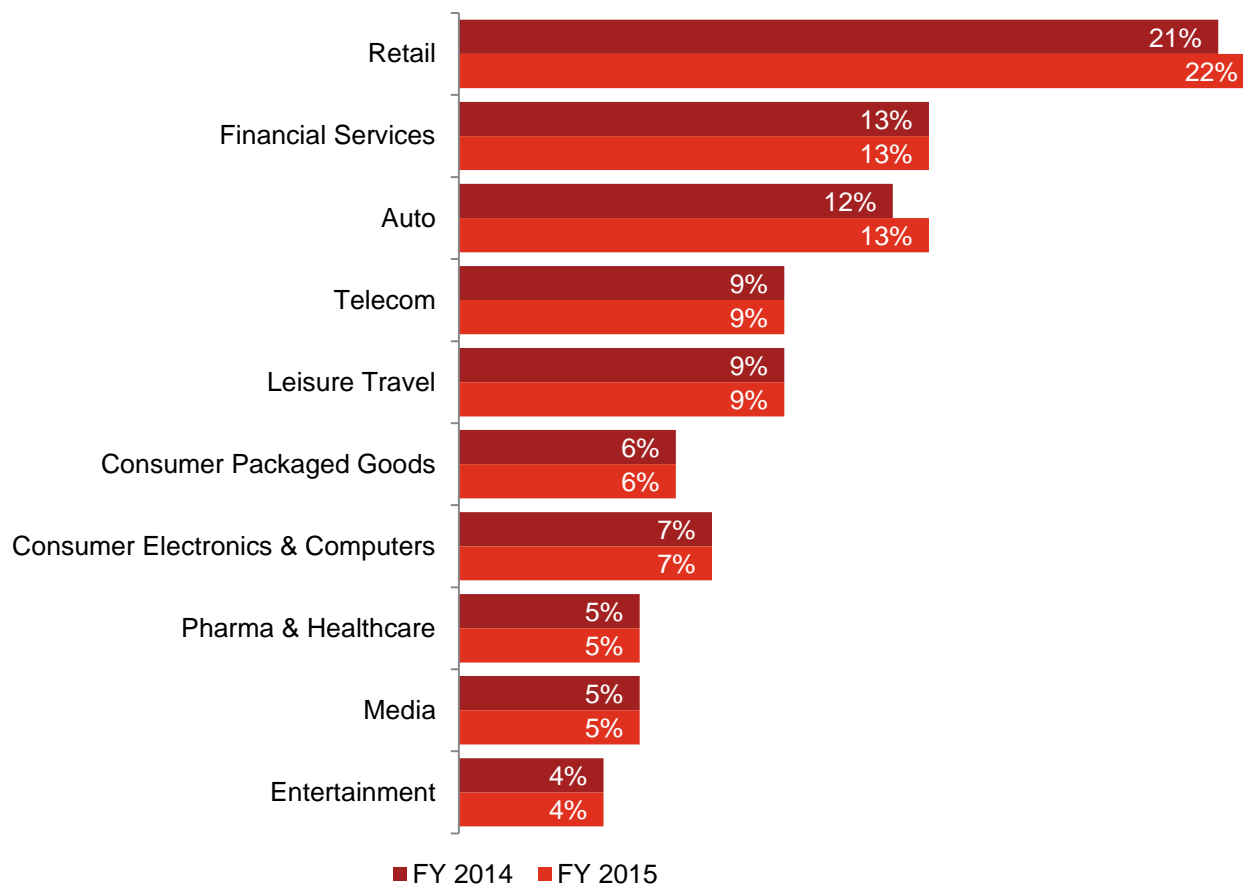
# *Ad revenues by industry category*

## *Retail drove advertising, as dollars shifted to digital*

- Retail advertisers continue to represent the largest category of internet ad spending, accounting for 22% of total revenues in FY 2015, up from the 21% reported in FY 2014.
- Financial Services advertisers accounted for 13% of revenues in FY 2015, consistent with the 13% reported in FY 2014.
- Automotive advertisers accounted for 13% of revenues in FY 2015, up from the 12% of total reported in FY 2014.
- Telecom companies accounted for 9% of revenues in FY 2015, consistent with the 9% reported in FY 2014.
- Leisure Travel (airfare, hotels, and resorts) accounted for 9% of revenues in FY 2015, consistent with the 9% of revenues reported in FY 2014.
- Consumer Packaged Goods represented 6% in FY 2015, consistent with the 6% reported in FY 2014.
- Consumer Electronics and Computers advertisers represented 7% of revenues in FY 2015, consistent with the 7% reported in FY 2014.
- Pharmaceutical/Healthcare accounted for 5% in FY 2015, consistent with the 5% of revenues reported in FY 2014.
- Media accounted for 5% in FY 2015, consistent with the 5% reported in FY 2014.
- Entertainment accounted for 4% of FY 2015 revenues, consistent with the 4% reported in FY 2014.

# Industry advertising – year-over-year comparison

Internet ad revenues by major industry category\*, year to date: 2014 vs. 2015



Source: IAB/PwC Internet Ad Revenue Report, FY 2015

\* Industry category definitions may have changed over the time period depicted, both within the survey process and as interpreted by survey respondents. Amounts do not total to 100% as minor categories are not displayed.

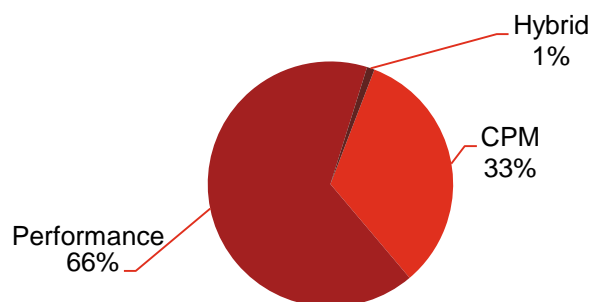
# Revenues by pricing model

## Performance-based pricing showed slight uptick

- Approximately 65% of 2015 revenues were priced on a performance basis, down slightly from the 66% reported in 2014.
- Approximately 33% of 2015 revenues were priced on a cost per medium/thousand (CPM) or impression basis, consistent with the 33% reported in 2014.
- Approximately 2% of 2015 revenues were priced on a hybrid basis, up from the 1% reported in 2014.

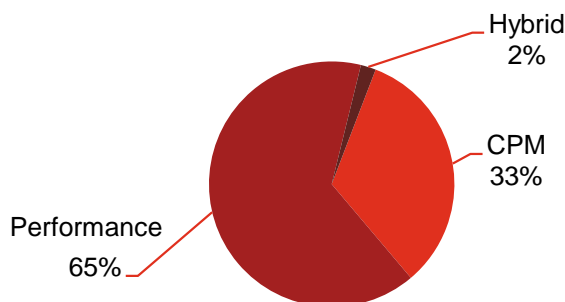
### Pricing models – FY 2014

Total - \$49.5 billion



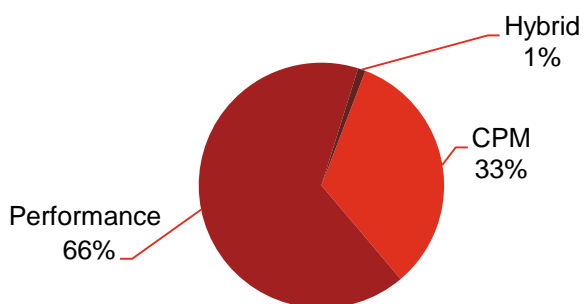
### Pricing models – FY 2015

Total - \$59.6 billion



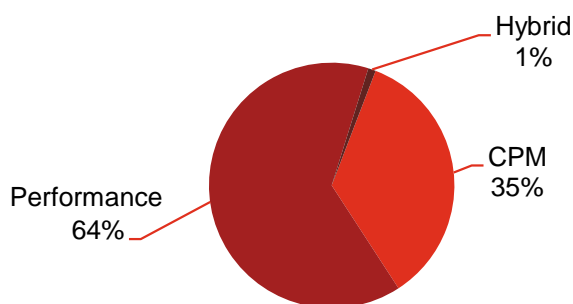
### Pricing models – Q4 2014

Total - \$14.2 billion



### Pricing models – Q4 2015

Total - \$17.4 billion



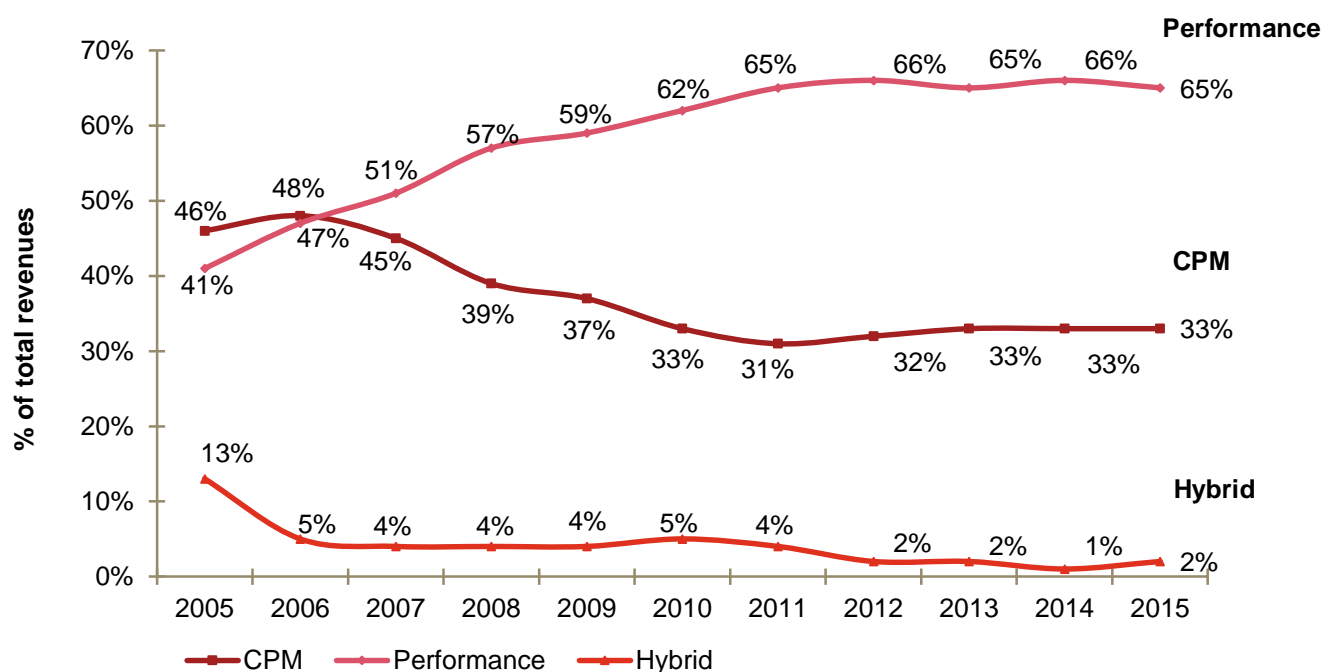
Source: IAB/PwC Internet Ad Revenue Report, FY 2015

# Historical pricing model trends

## Performance-based pricing remained the preferred model

- Performance-based pricing, the leading pricing model since 2006, decreased slightly to 65% of total revenue in 2015 from 66% in 2014.
- CPM/impression-based pricing remained at 33% of revenues, consistent with 33% in 2014.
- Hybrid pricing decreased slightly to 2% of total revenues in 2015, up from the 1% reported in 2014.

### Internet ad revenues by pricing model\*



Source: IAB/PwC Internet Ad Revenue Report, FY 2015

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

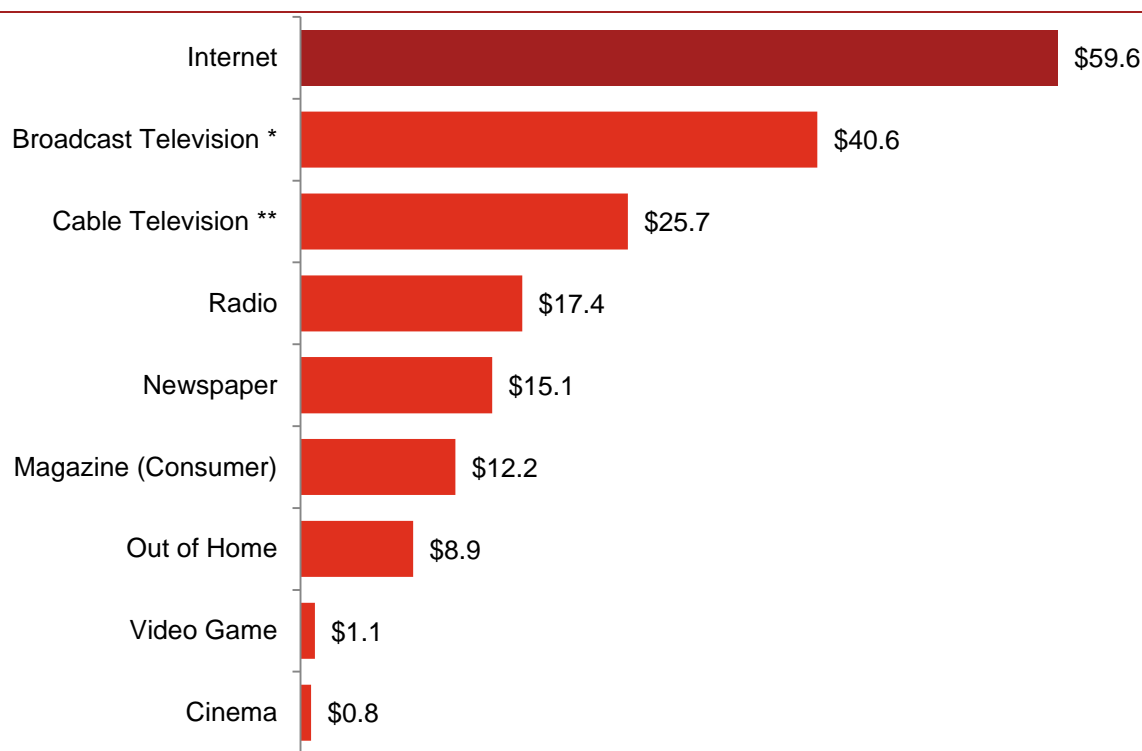
# Advertising market share by media

## Internet advertising continued to be the leading source of advertising revenue in 2015

Internet has continued to grow in share and significance when compared to other U.S. ad-supported media.† Internet advertising revenue now represents 90% of all Television (Broadcast and Cable) advertising.

- In 2013, Internet advertising exceeded Broadcast Television.\*
- In 2011, Internet advertising surpassed Cable Television.\*\*

### Advertising revenue market share by media - 2015 (\$ billions)



Sources: IAB/PwC Internet Ad Revenue Report, FY 2015; PwC

† The total U.S. advertising market includes other segments not charted here.

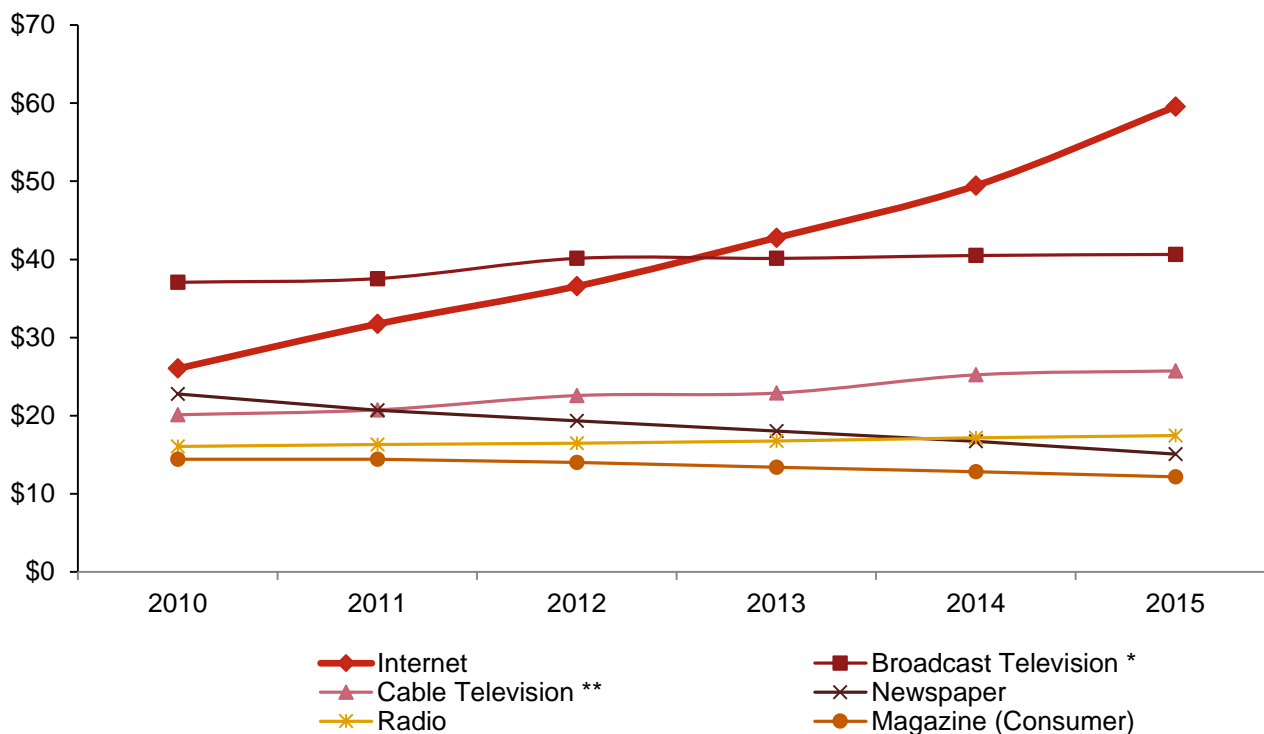
\* Broadcast Television includes Network and Syndicated and Spot television advertising revenue.

\*\* Cable Television includes National Cable Networks and Local Cable television advertising revenue. Methodology for Cable TV estimate changed in 2014, impacting results shown in the table above from prior years' Reports.

# Historical advertising market share

## Internet advertising revenue growth outpaced other media outlets over the past five years

In every year since 2010, the annual growth rates of Internet advertising have exceeded those of other advertising media. Internet advertising has experienced double-digit annual growth in every year except 2009; no other media has experienced double-digit growth in any year.



Sources: IAB/PwC Internet Ad Revenue Report, FY 2015; PwC

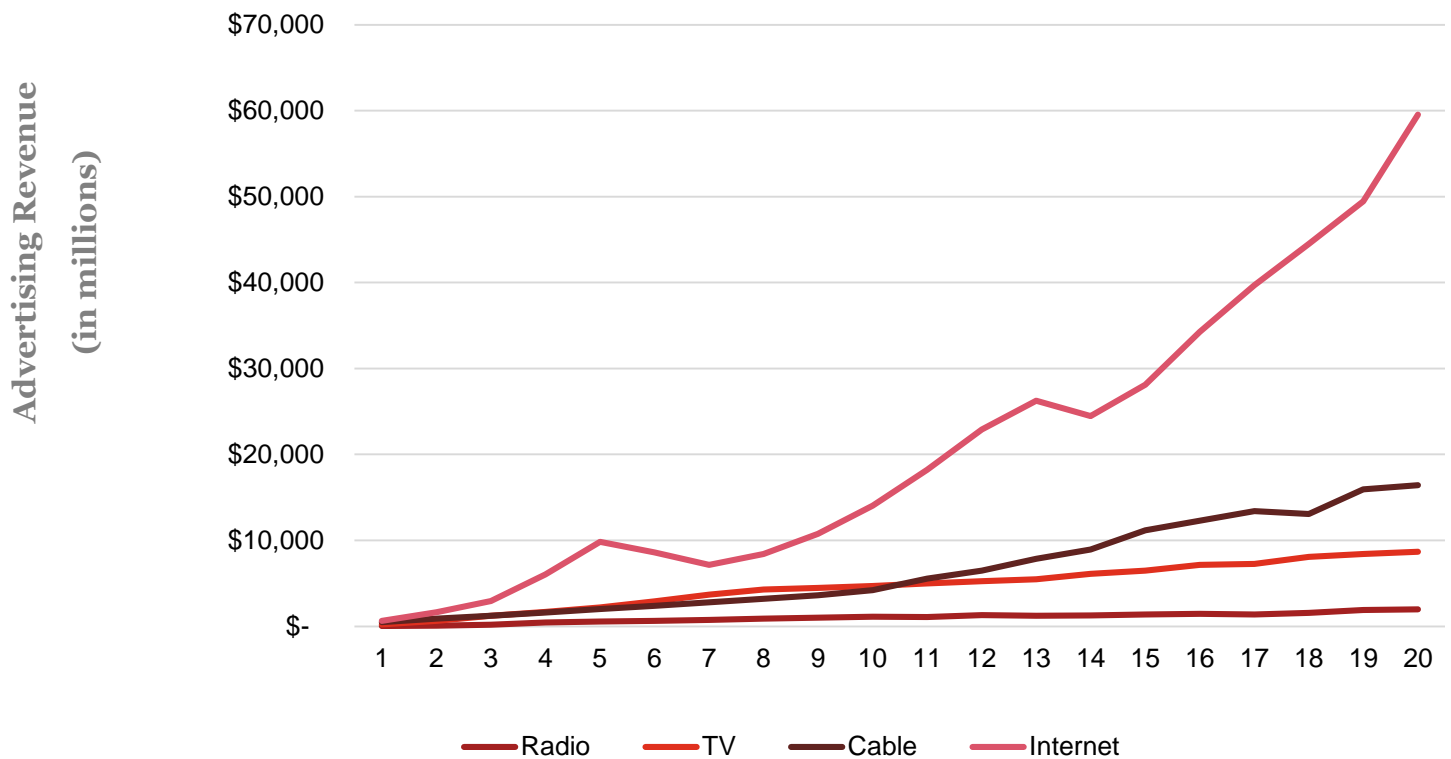
\* Broadcast Television includes Network, Syndicated and Spot television advertising revenue.

\*\* Cable Television includes National Cable Networks and Local Cable television advertising revenue. Methodology for Cable TV estimate changed in 2014, impacting results shown in the table above from prior years' Reports.

# Historical 20 year advertising revenue growth, by major broadcast media type

**Compared to other major broadcast media types, the internet has experienced the most significant growth over the last 20 years**

2015 marks the twentieth year that advertising has been sold on the internet. When the twenty year advertising revenue growth of the internet is compared against three other major broadcast media types, its growth curve is the most dramatic.



*\$ have been adjusted for inflation*

Sources: Douglas Galbi (purple notes) and IAB Internet Advertising Revenue Report, FY 2015

# Appendix

## *Definitions of leading industry categories*

The industry categories used in the "IAB Internet Advertising Revenue Report" were sourced from the North American Standard Industrial Classification (SIC) Manual.<sup>†</sup>

<b>Retail</b>	Includes mail order/catalog, apparel, restaurants/fast food, home furnishings/textiles, toys, pet food/supplies, appliances, jewelry, drugstores, retail stores, and cosmetics stores.
<b>Automotive</b>	Includes all automotive-related categories including sale/purchase of vehicles and parts and maintenance.
<b>Entertainment</b>	Includes film, music, TV, box office, video games, and amusement & recreation.
<b>Consumer packaged goods</b>	Includes packaged goods, food products, household products, and tobacco.
<b>Leisure travel</b>	Includes travel, hotel, airlines, and resorts.
<b>Consumer Electronics and Computers</b>	Includes hardware (computers, computer storage devices, and computer peripheral equipment), consumer electronics, prepackaged software (operating, utility, and applications programs), local area network systems and network systems integration, computer processing, and data preparation and data processing services.
<b>Financial Services</b>	Includes commercial banks, credit agencies, personal credit institutions, consumer finance companies, loan companies, business credit institutions, and credit card agencies. Also includes companies engaged in the underwriting, purchase, sale, or brokerage of securities and other financial contracts.
<b>Telecommunications</b>	Includes point-to-point communications services, including cellular phone services, paging services, wireless internet access, and wireless video services. Includes multichannel video providers on a subscription fee basis (e.g., cable television, wireless cable television, and direct broadcast satellite services).
<b>Pharmaceutical &amp; Healthcare</b>	Includes pharmaceutical products, facilities, services, researchers, and biological products. Also comprises establishments providing healthcare and social assistance for individuals as well as personal care, toiletries, and cosmetic products.
<b>Media</b>	Includes establishments primarily engaged in radio and television broadcasting (network and station) including commercial, religious, educational, and other radio or television stations. Also includes establishments primarily engaged in publishing newspapers, periodicals, and books.

<sup>†</sup>Survey participants reported results based on the 20 industry categories listed on page 25, which were used specifically for the "IAB Internet Advertising Revenue Report." This is consistent with other relevant industry categorization sources that measure advertising spending by industry. For purposes of this report, PwC classified a number of individual categories under "Retail."



## Definitions of advertising formats and pricing models

<b>Banner Advertising</b>	Advertiser pays an online company for space on one or more of the online company's pages to display a static or linked banner or logo.
<b>Sponsorship</b>	Advertiser pays for custom content and/or experiences, which may or may not include ad elements such as display advertising, brand logos, advertorial, or pre-roll video. Sponsorships fall into several categories: <ul style="list-style-type: none"> <li>• Spotlights are custom-built pages incorporating an advertiser's brand and housing a collection of content usually around a theme</li> <li>• Advergaming can range from an advertiser buying all the ad units around a game or a "sponsored by" link to creating a custom branded game experience</li> <li>• Content &amp; Section Sponsorship is when an advertiser exclusively sponsors a particular section of the site or email (usually existing content) re-skinned with the advertiser's branding</li> <li>• Sweepstakes &amp; Contests can range from branded sweepstakes on the site to a full-fledged branded contest with submissions and judging</li> </ul>
<b>Email</b>	Banner ads, links or advertiser sponsorships that appear in email newsletters, email marketing campaigns and other commercial email communications. This includes both ads within an email or the entire email.
<b>Search</b>	Fees advertisers pay online companies to list and/or link their company site domain name to a specific search word or phrase (includes paid search revenues). Search categories include: <ul style="list-style-type: none"> <li>• Paid listings – payments made for clicks on text links that appear at the top or side of search results for specific keywords. The more a marketer pays, the higher the position it gets. Marketers only pay when a user clicks on the text link.</li> <li>• Contextual search – payments made for clicks on text links that appear in an article based on the context of the content, instead of a user-submitted keyword. Payment only occurs when the link is clicked.</li> <li>• Paid inclusion – payments made to guarantee that a marketer's URL is indexed by a search engine (i.e. advertiser isn't paid only for clicks, as in paid listings).</li> <li>• Site optimization – payments made to optimize a site in order to improve the site's ranking in search engine results pages (SERPs). (For example, site owner pays a company to tweak the site architecture and code, so that search engine algorithms will better index each page of the site).</li> </ul>
<b>Lead Generation</b>	Fees paid by advertisers to online companies that refer qualified potential customers (e.g., auto dealers which pay a fee in exchange for receiving a qualified purchase inquiry online) or provide consumer information (demographic, contact, behavioral) where the consumer opts in to being contacted by a marketer (email, postal, telephone, fax). These processes are priced on a performance basis (e.g., cost-per-action, -lead or -inquiry), and can include user applications (e.g., for a credit card), surveys, contests (e.g., sweepstakes) or registrations.
<b>Classifieds and Auctions</b>	Fees paid to advertisers by online companies to list specific products or services (e.g., online job boards and employment listings, real estate listings, automotive listings, auction-based listings, yellow pages).
<b>Rich Media</b>	Display-related ads that integrate some component of streaming interactivity. Rich media ads often include flash or java script, but not content, and can allow users to view and interact with products or services (e.g., scrolling or clicking within the ad opens a multimedia product description, expansion, animation, video or a "virtual test-drive" within the ad). All IAB Rising Stars ad formats are considered Rich Media. Video commercials that appear in video players are considered Digital Video Ads, not Rich Media. "Interstitials" have been consolidated within the rich media category and represent full- or partial-page text and image server-push advertisements which appear in the transition between two pages of content. Forms of interstitials can include a variation of the following terms: <ul style="list-style-type: none"> <li>• Splash screens – a preliminary page that precedes the regular home page of a website that usually promotes a particular site feature or provides advertising. A splash page is timed to move onto the home page after a short period of time.</li> <li>• Pop-up ads and pop-under ads – an advertisement that appear in a separate window which automatically loads over an existing content window, without an associated banner.</li> <li>• Daughter windows – an advertisement that runs in a separate window associated with a concurrently displayed banner. The content and banner are typically displayed first, followed by the daughter window.</li> <li>• Superstitials – ads that are distinct from interstitials because of the much higher ad quality, and that they play instantly (ads are fully downloaded before they are displayed).</li> </ul>

## Definitions of advertising formats and pricing models (cont.)

<b>Digital Video Advertising</b>	<p>Advertising that appears before, during or after digital video content in a video player (i.e. pre-roll, mid-roll, post-roll video ads). Digital Video Ads include TV commercials online and can appear in streaming content or in downloadable video. Display-related ads on a page (that are not in a player) that contain video are categorized as rich media ads.</p> <p>Video Overlays are also categorized as Digital Video Advertising. Video overlays include small ads that appear on top of digital video content. They can appear to be display, video, rich media, text or another ad format but are contained within the video player.</p>
<b>Mobile Advertising</b>	<p>Advertising tailored to and delivered through wireless mobile devices such as smartphones, feature phones (e.g. lower-end mobile phones capable of accessing mobile content), and media tablets. Typically taking the form of static or rich media display ads, text messaging ads, search ads, or audio/video spots, such advertising generally appears within mobile websites (e.g. websites optimized for viewing on mobile devices), mobile apps (e.g. applications for Smartphones running iOS, Android, Windows Mobile or other operating systems), text messaging services (i.e. SMS, MMS) or within mobile search results (i.e., 411 listings, directories, mobile-optimized search engines).</p> <p>Mobile advertising formats include: Search, Display (banner ads, digital video, digital audio, sponsorships, and rich media), and Other advertising served to mobile devices.</p>
<b>Social Media Advertising</b>	<p>Advertising delivered on social platforms, including social networking and social gaming websites and apps, across all device types, including desktop, laptop, smartphone and tablet.</p>
<b>Impression-based</b>	<p>Cost-per-thousand (CPM) pricing model</p>
<b>Performance-Based</b>	<p>Cost-per-click, sale, lead, acquisition, or application (e.g., credit card application) or straight revenue share (e.g., % commission paid upon sale)</p>
<b>Hybrid</b>	<p>Any mix of impression-based pricing plus performance-based compensation within one ad campaign</p>

## ***Survey scope and methodology***

### ***Survey scope***

The Interactive Advertising Bureau (IAB) retained PwC to establish a comprehensive standard for measuring the growth of internet/online/mobile advertising revenues. 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/mobile advertising, including websites, consumer online services, ad networks, mobile devices, and email providers; and
- Ensuring and maintaining a confidential process, releasing only aggregate data.

### ***Methodology***

PwC performs the following:

- 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, email 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

### ***Survey industry categories***

Automotive	Financial Services (Banks,	Restaurants/Fast Food
Beer/Wine/Liquor	Insurance, Securities, Mortgages)	Retail, Mail Order, Catalogs and
Business Products/Services	Personal Care, Toiletries, and	Apparel
Computers (Hardware/Software)	Cosmetics	Telecommunications: Telephony,
and Consumer Electronics	Drugs and Remedies	Cable/Satellite TV Services, ISPs
Consumer Packaged Goods, Food,	Manufacturing	Toys/Games
Non-Alcoholic Beverages and Candy	Media	Leisure Travel (Airfare, Hotels,
Educational Services	Professional Sports and Sporting &	Resorts)
Entertainment (Film, Music, TV, Box	Athletic Goods	Business Travel (Airfare, Hotels,
Office, Video Games,	Real Estate	Resorts)
Amusement/Recreational)		

## About the Interactive Advertising Bureau

The Interactive Advertising Bureau (IAB) empowers the media and marketing industries to thrive in the digital economy. It is comprised of more than 650 leading media and technology companies that are responsible for selling, distributing and optimizing digital advertising and marketing. Together, they account for 86 percent of online advertising in the United States. Working with its member companies, the IAB evaluates and recommends standards and practices and fields critical research on interactive advertising. The organization is committed to professional development, elevating the knowledge, skills, and expertise of individuals across the digital marketing industry. The IAB also educates marketers, agencies, media companies and the wider business community about the value of interactive advertising. Founded in 1996, the IAB is headquartered in New York City.

## Overall report guidance provided by IAB leadership

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As business, accounting, and tax advisors to many of the world's leading Entertainment, Media, and Communications (EMC) and Technology (Tech) companies, PwC ([www.pwc.com](http://www.pwc.com)) has an insider's view of trends and developments driving the industry. With approximately 1,200 practitioners serving EMC and Tech clients in the United States, PwC is deeply committed to providing clients with industry experience and resources. In recent years, our pioneering work in EMC and Tech has included developing strategies to leverage digital technology, identifying new sources of financing, and marketplace positioning in industries characterized by consolidation and transformation. Our experience reaches across all geographies and segments of the EMC and Tech sectors, including broadband, wireless, the internet, music, film, television, publishing, advertising, gaming, theme parks, computers and networking, and software. With thousands of practitioners around the world, we're always close at hand to provide deep industry knowledge and resources.

### **Our services include:**

- Business assurance services
- Web audience measurement and advertising delivery auditing and advisory
- IAB Measurement Certification Compliance auditing
- Privacy policy structuring, attestation, and compliance advisory
- Mergers & acquisitions assistance
- Tax planning and compliance
- Capital sourcing and IPO assistance
- Marketing & Media operations enablement

For more information, contact one of the following PwC professionals:

New York

**David Silverman**

Partner, Assurance Services

646.471.5421

***david.silverman@us.pwc.com***

New York

**Russ Sapienza**

Partner, Advisory Services

646.471.1517

***russell.j.sapienza@us.pwc.com***

New York

**Brian Gaffney**

Manager, Advisory Services

646.471.4722

***brian.gaffney@us.pwc.com***

Boston

**Vic Petri**

Partner, Assurance Services

617.478.1698

***victor.petri@us.pwc.com***

San Jose

**Mike Pearl**

Partner, Assurance Services

408.817.3801

***michael.pearl@us.pwc.com***

Seattle

**Matt Hobbs**

Partner, Advisory Services

206.398.3326

***matthew.d.hobbs@us.pwc.com***

*[www.pwc.com/e&m](http://www.pwc.com/e&m)*

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