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IHS Markit

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A meta-analysis of online ad spend in Europe

GROSS

Spend Billed

NET

Revenue Billed
No Agency commissions

RATECARD

Campaigns x
Ratecard

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Data for 27 countries in Europe

- Austria
- Belgium
- Belarus
- Bulgaria
- Czech Republic
- Croatia
- Denmark
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Netherlands
- Norway
- Poland
- Russia
- Romania
- Serbia
- Slovakia
- Slovenia
- Spain
- Sweden
- Switzerland
- Turkey
- UK

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About the data

This market sizing is based on the following methods:

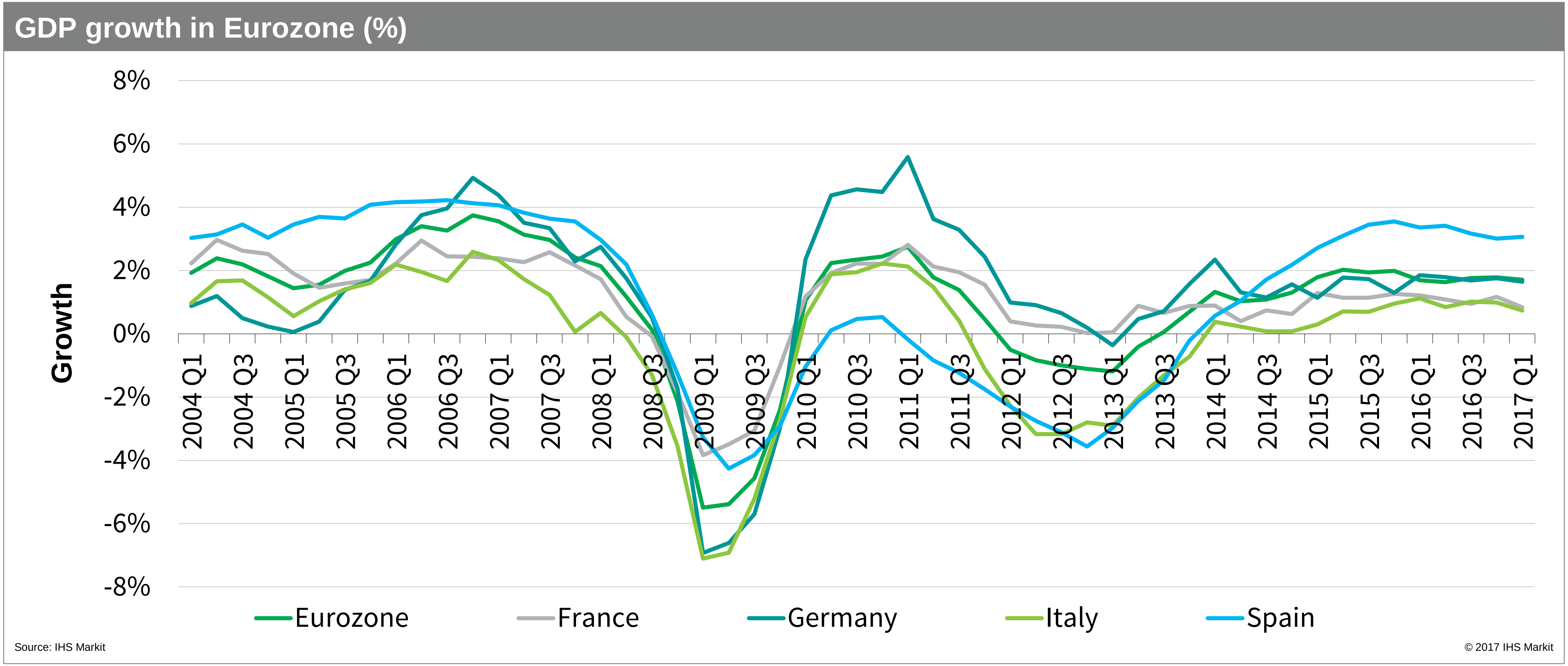
- Reported data from local IABs
- Estimates by local IABs based on local insight
- Estimates by local IABs in collaboration with IHS Markit
- Estimates & actuals by IHS Markit based on the *IHS Advertising Intelligence Service* & macro-economic research group

Big Picture

Europe: the value of online advertising in 2016

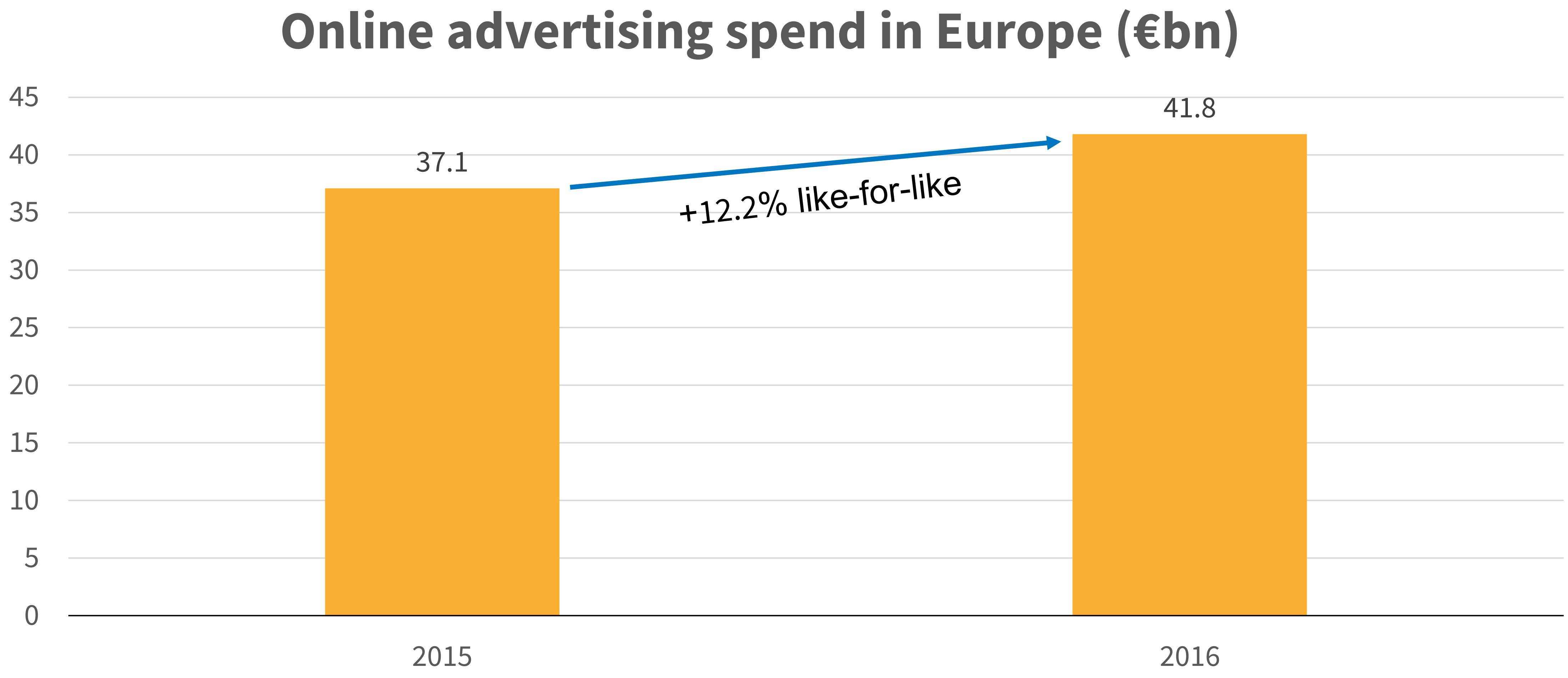
€41.8bn

Eurozone macroeconomic environment has stabilised after two recessions and holds firm despite political uncertainty

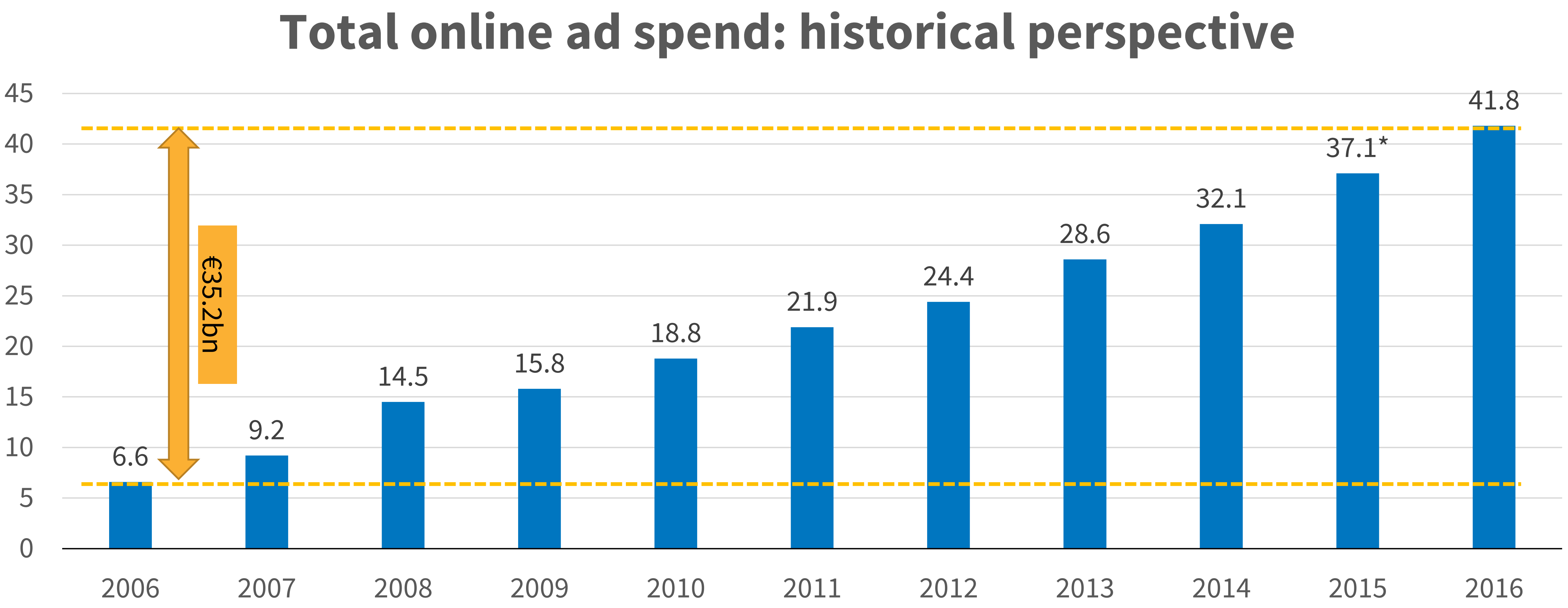


Source: IHS Markit

Online advertising grew by 12.2% in 2016

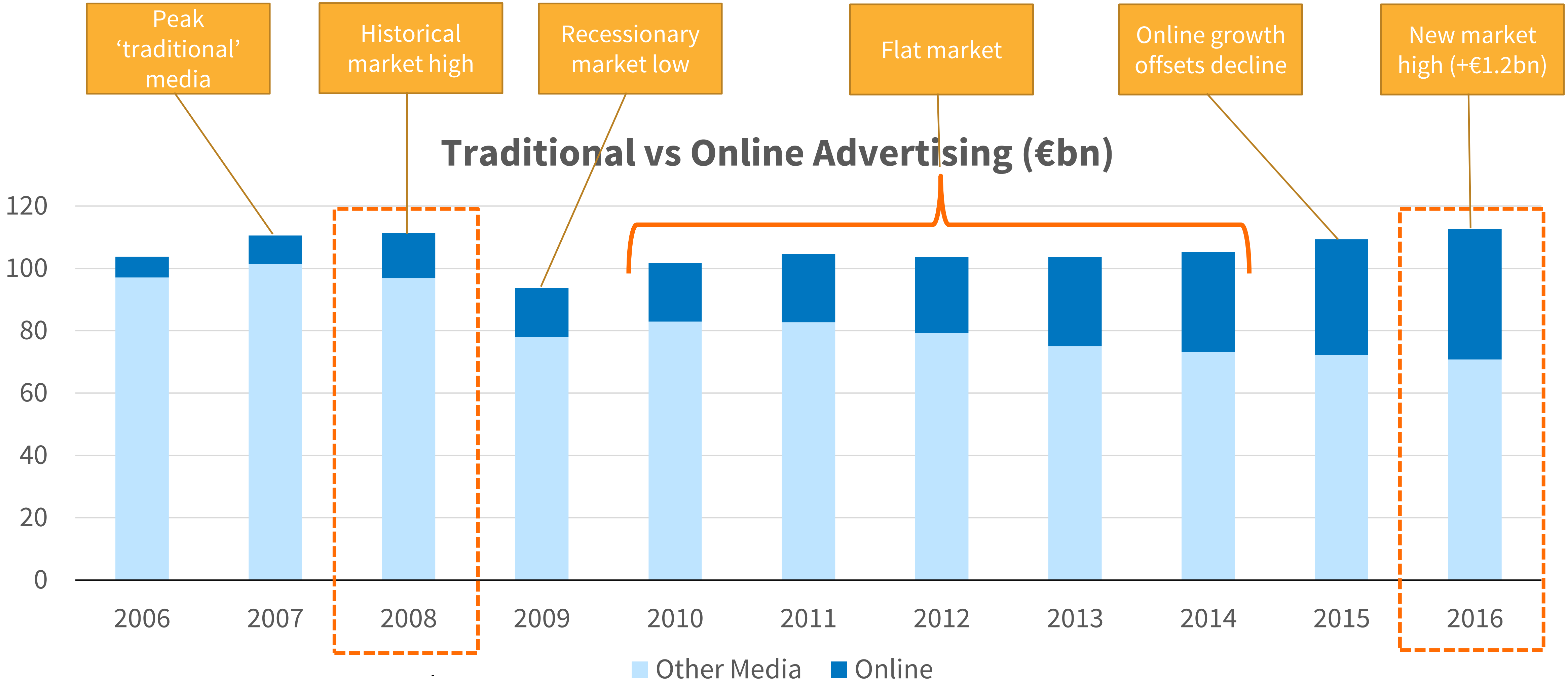


€35.2bn net addition in 11 years of this study….

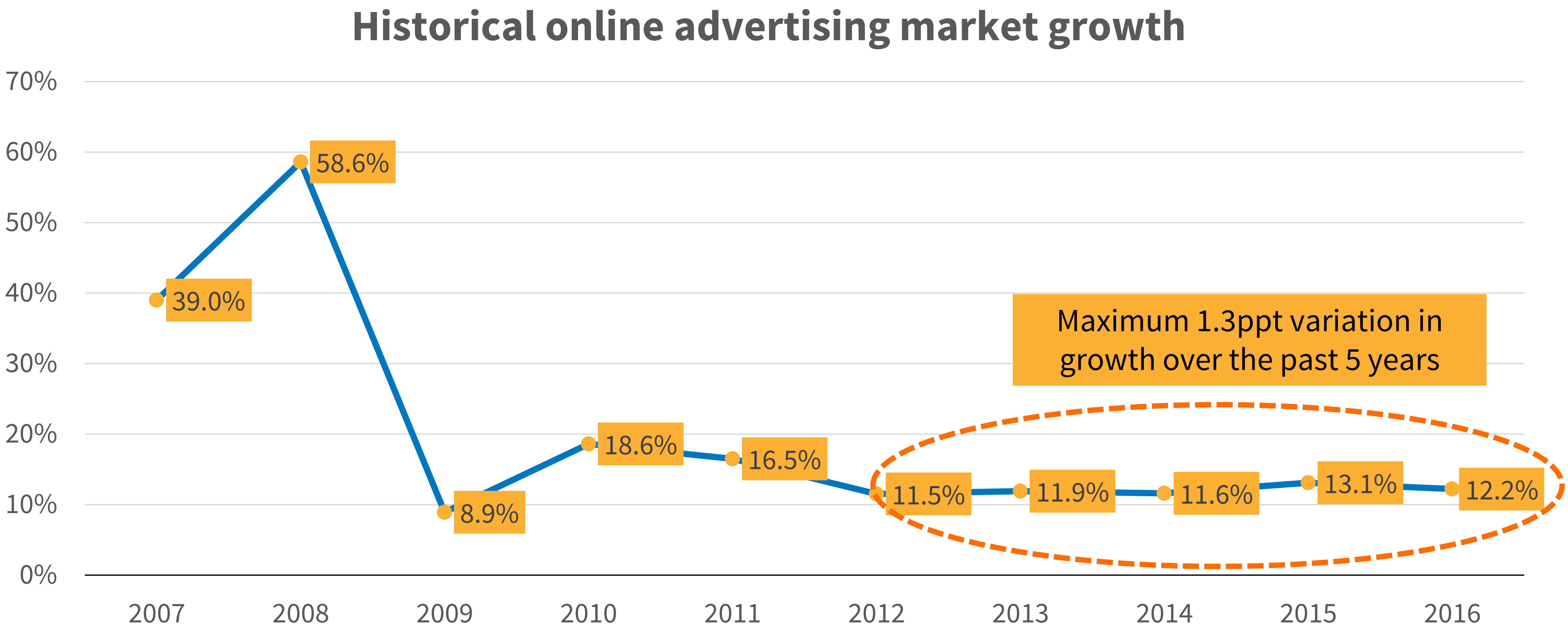


*restated from €36bn as measured in 2015 due to methodology change at local IABs

…as online offsets losses of traditional media, establishing a new advertising market high for the first time since the 2009 recession



"Plus ça change, plus c'est la même chose": consistency in growth rates over past five years despite fundamental market restructure



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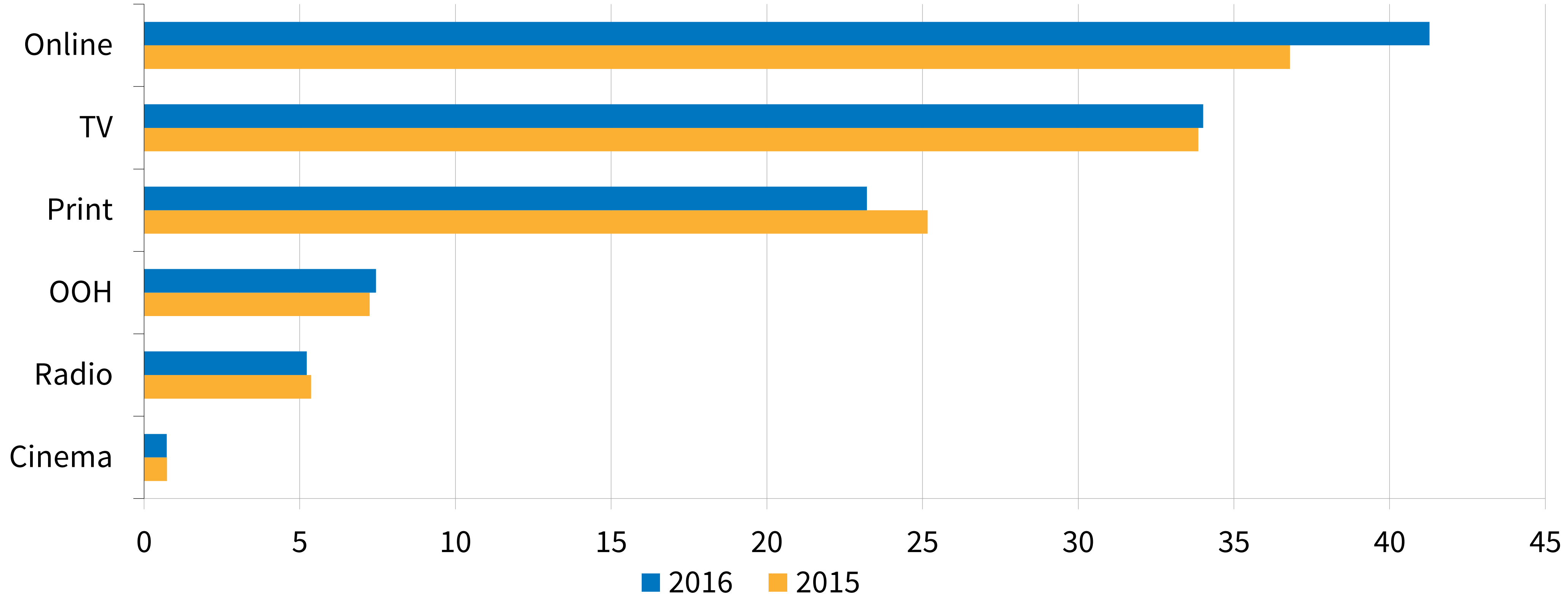
Online expands its lead over other media categories*

Ad spend by category in Europe in 2015 and 2016 (€bn)

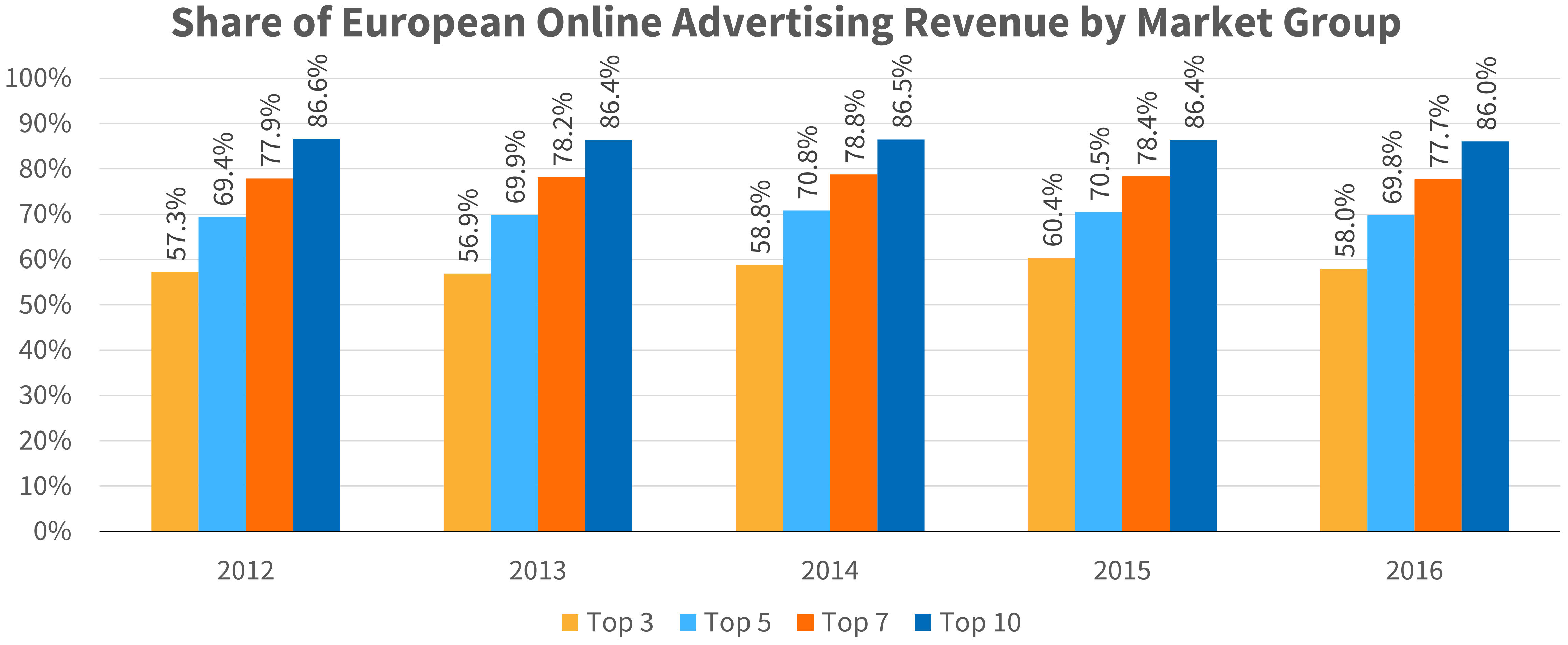


Source: IHS Markit

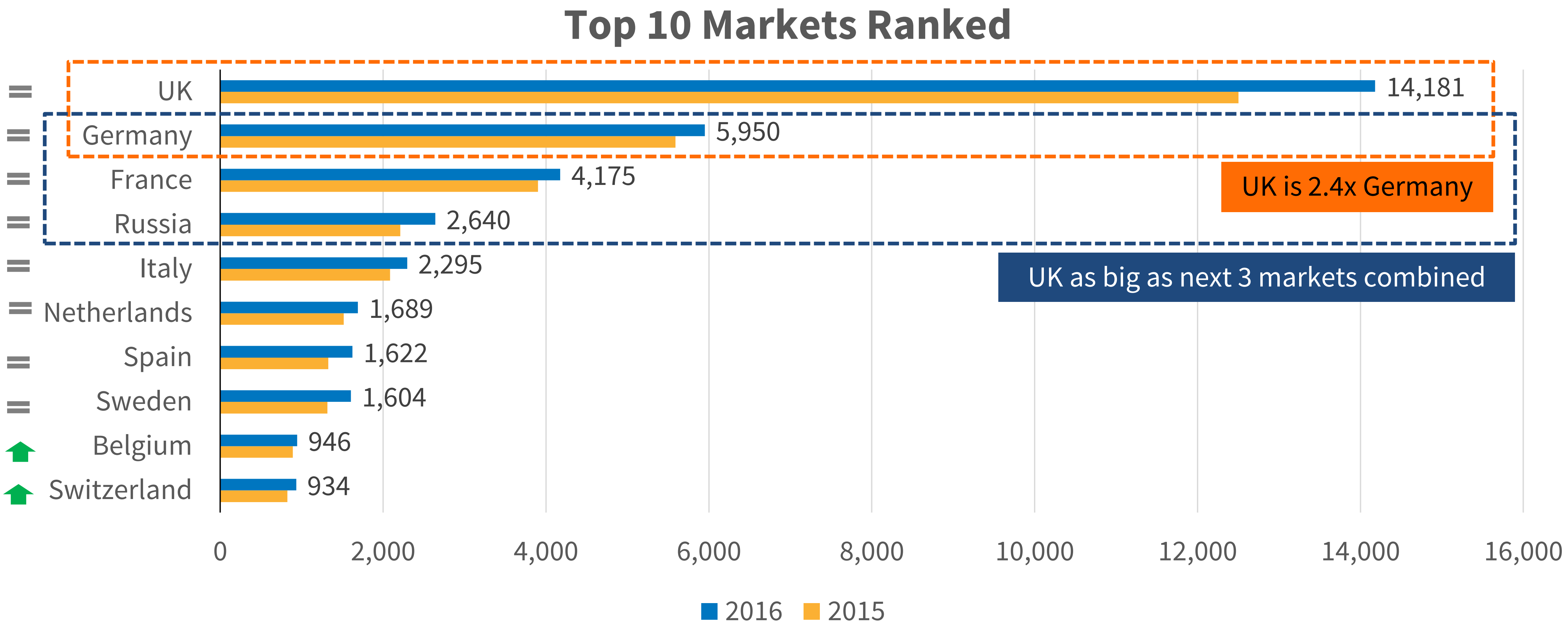
**broadcaster online video accounted for in the 'online' category. TV is linear TV advertising only.*

Markets

After four year period of growing concentration on top markets, the long-tail of smaller markets increases its overall share for the first time



Top 8 in stable ranking, Belgium & Switzerland move up, UK maintains lead over other markets



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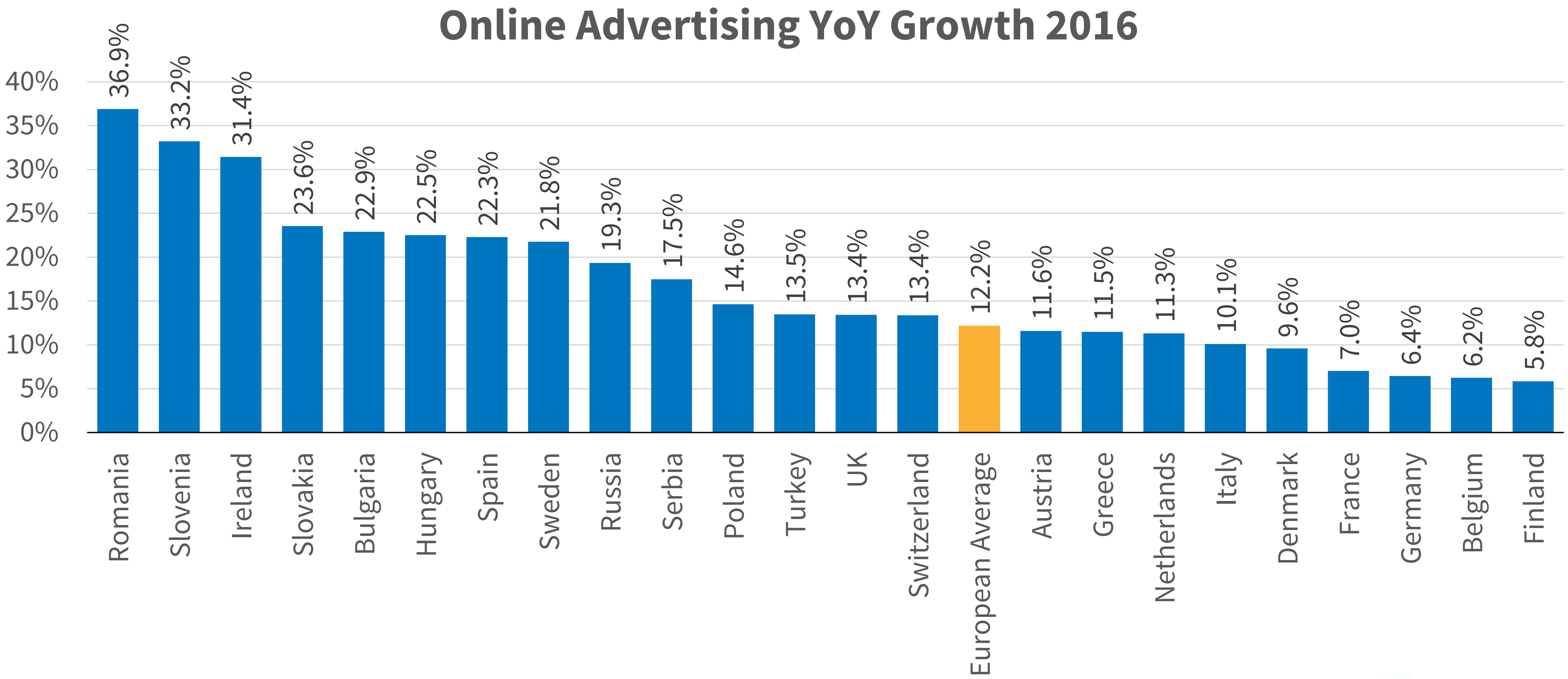
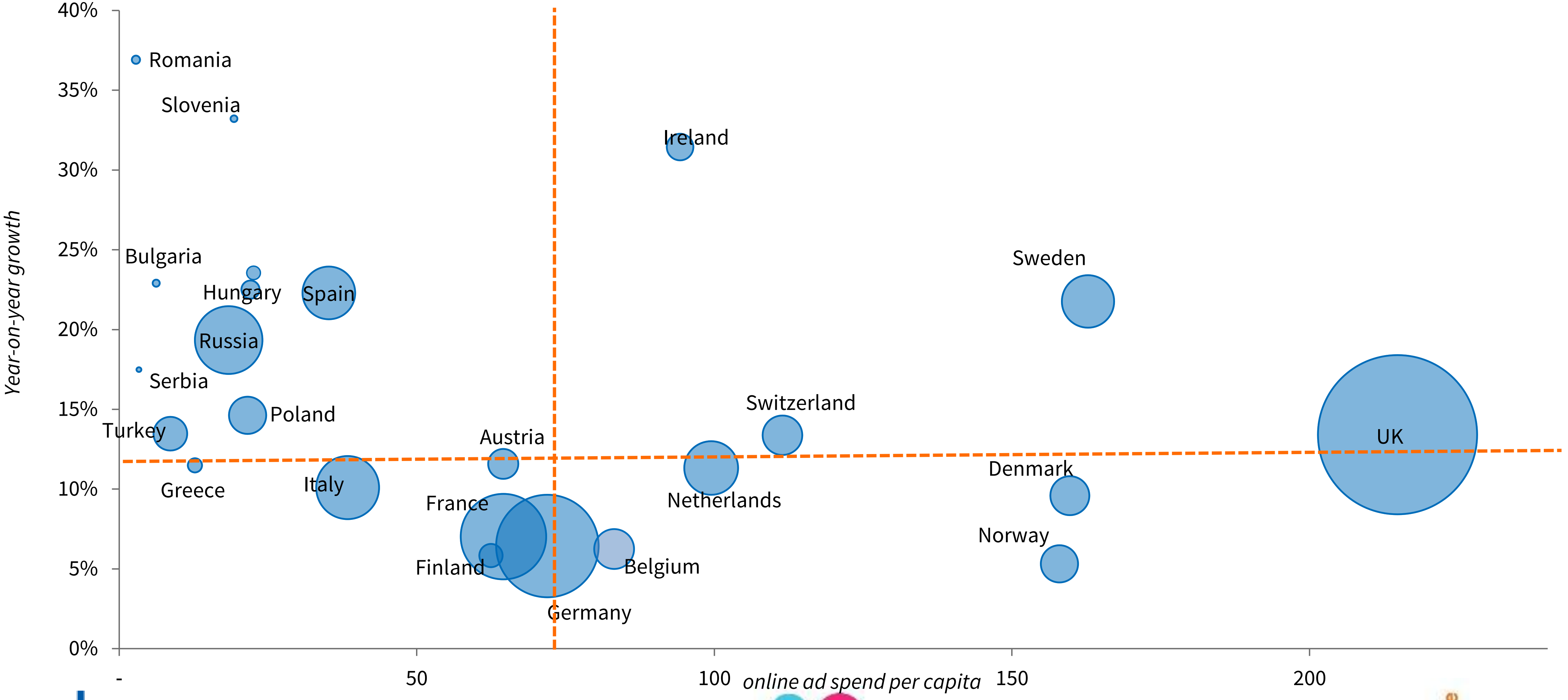
Growth is mostly lead by smaller CEE markets



Most advanced and least mature markets grow faster, tight grouping among Western European markets



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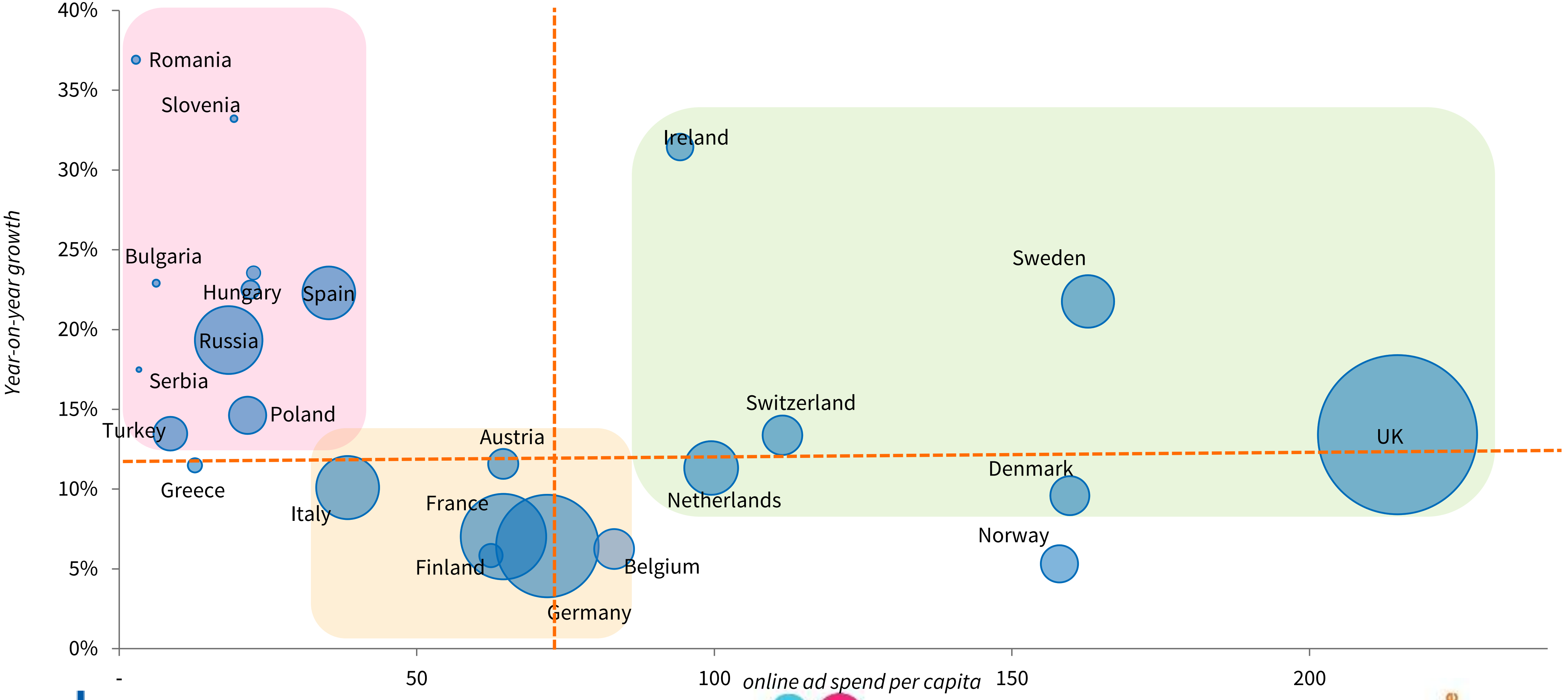
Three distinct patterns emerge



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What enables & hinders growth according to local IABs?

Drivers

- Programmatic & automation
- e- and m-commerce
- Rise of online video consumption
- Premium video inventory
- Improvement in ad quality
- Mobile-first advertiser mentality
- Social platforms
- Native
- E-Sports
- Consolidation

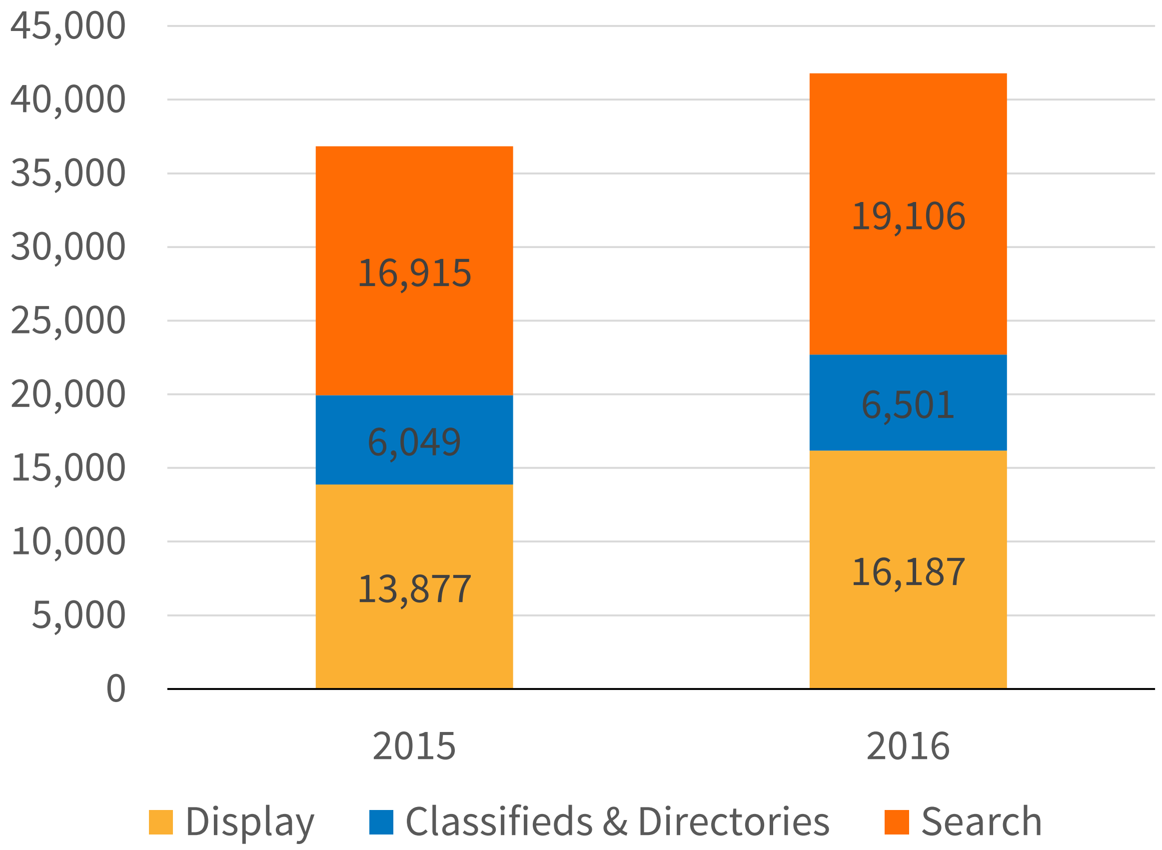
Hurdles

- Ad blocking
- Fraud
- Complexity of value chain
- Brand safety
- Privacy & regulation
- Measurement (esp. omniscreen video)
- Cross-funnel and cross-media attribution
- Turning data into insight
- Adapting desktop ads to mobile
  - High production costs
  - Structural barriers
- Platform distribution & monetization
- Macroeconomic environment and adverse political conditions

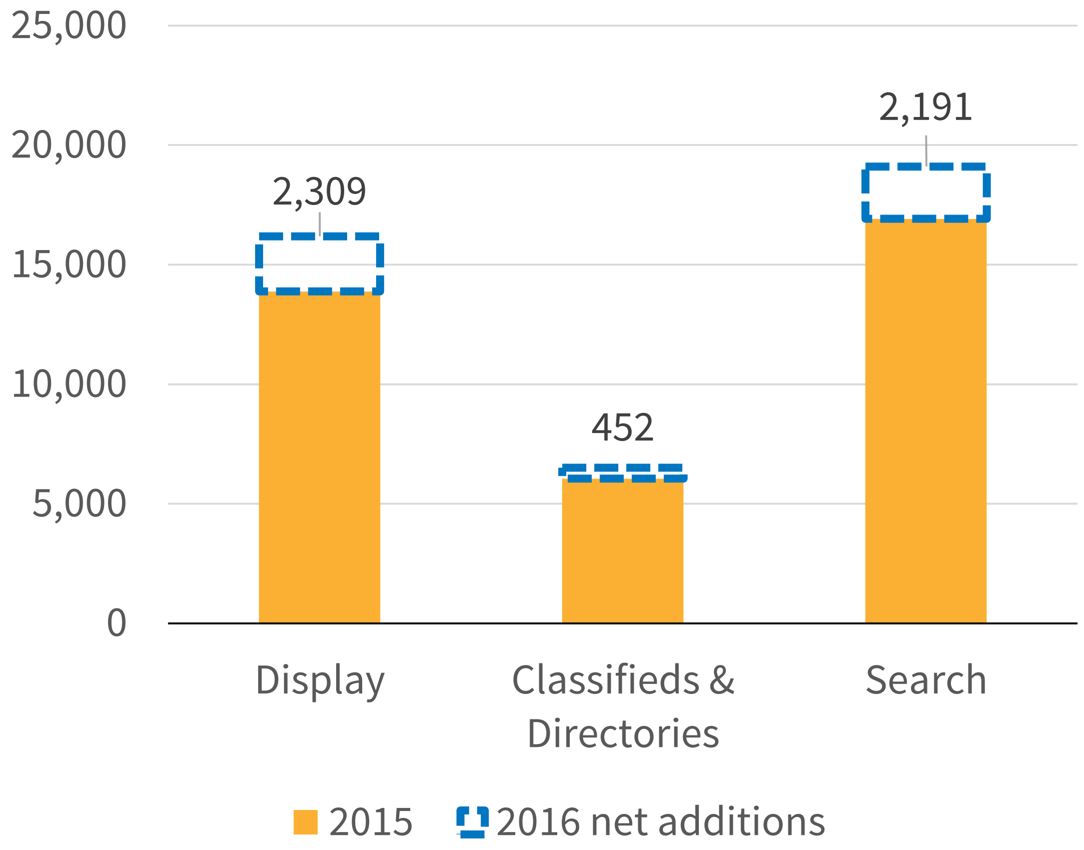
Formats

€5bn added in total, over half of that coming from display

Online Advertising Spend by Format (€m)*

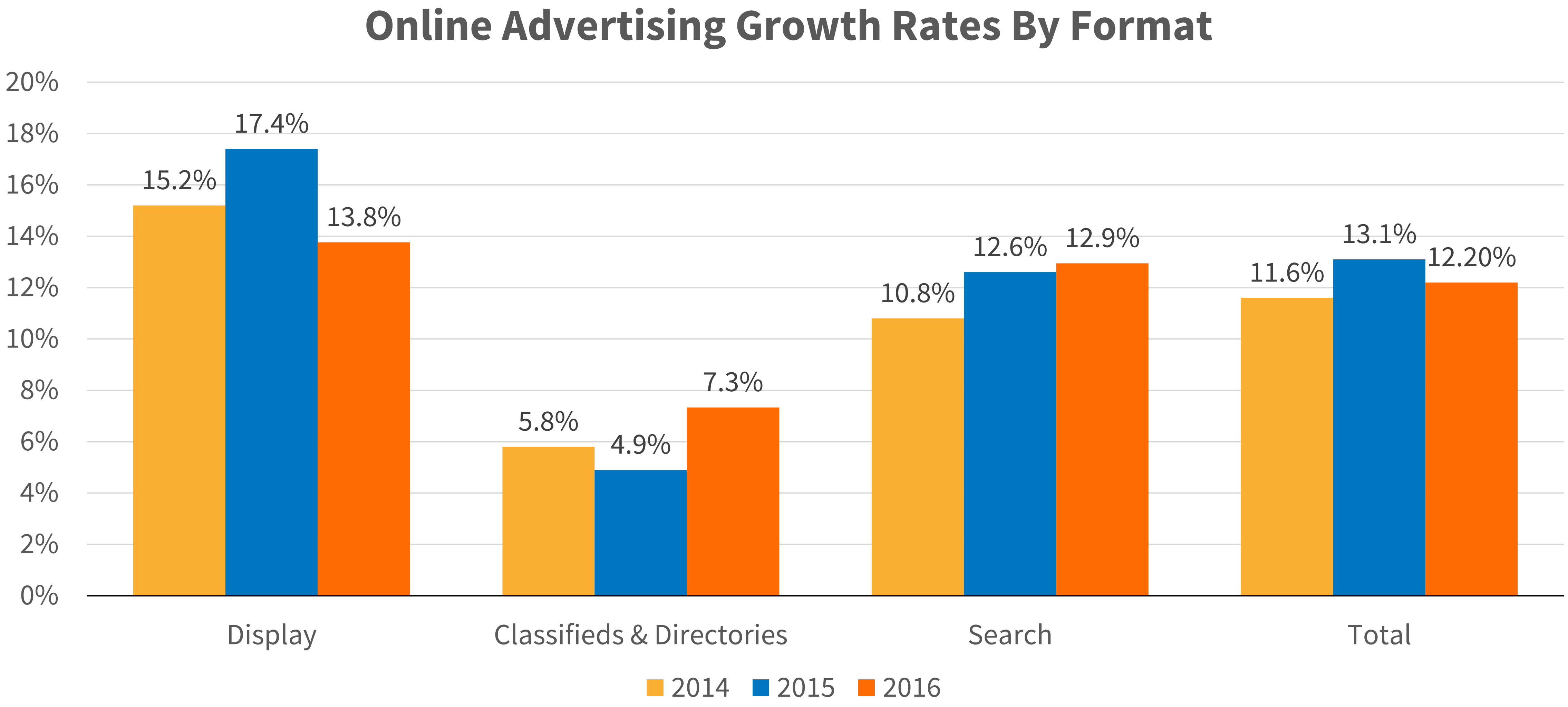


Net additions 2016 (€m)*



*Not like-for-like 2015 vs 2016 due to methodology changes in Croatia & Czech Republic. Growth rate cannot be calculated. Please use 12.2% like-for-like growth rate. Excludes small number of 'other' that was reported without format designation.

Display has been the fastest growing format for the past three years, but classifieds & directories and search experience growing vibrancy



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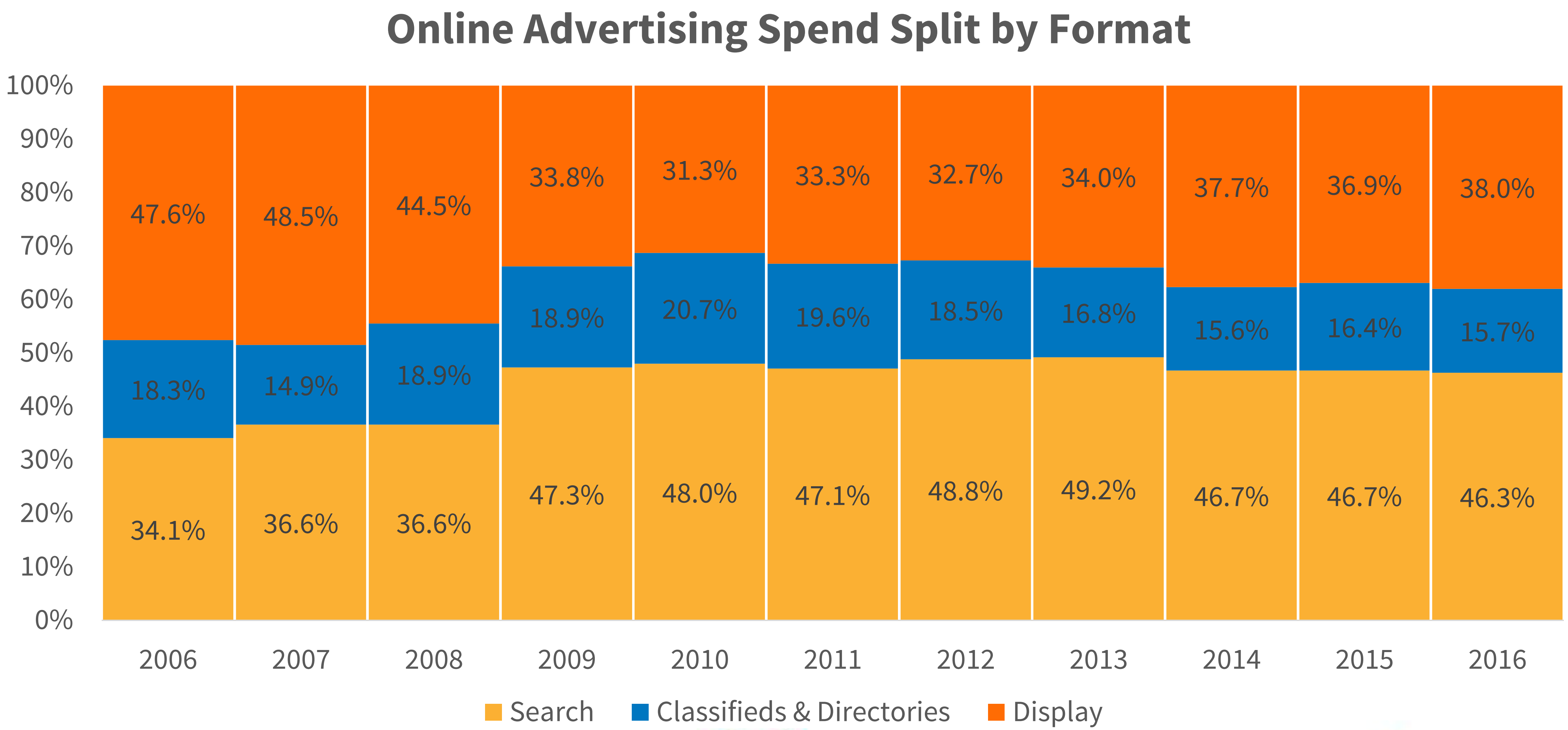
Search maintains lead, but display increases share



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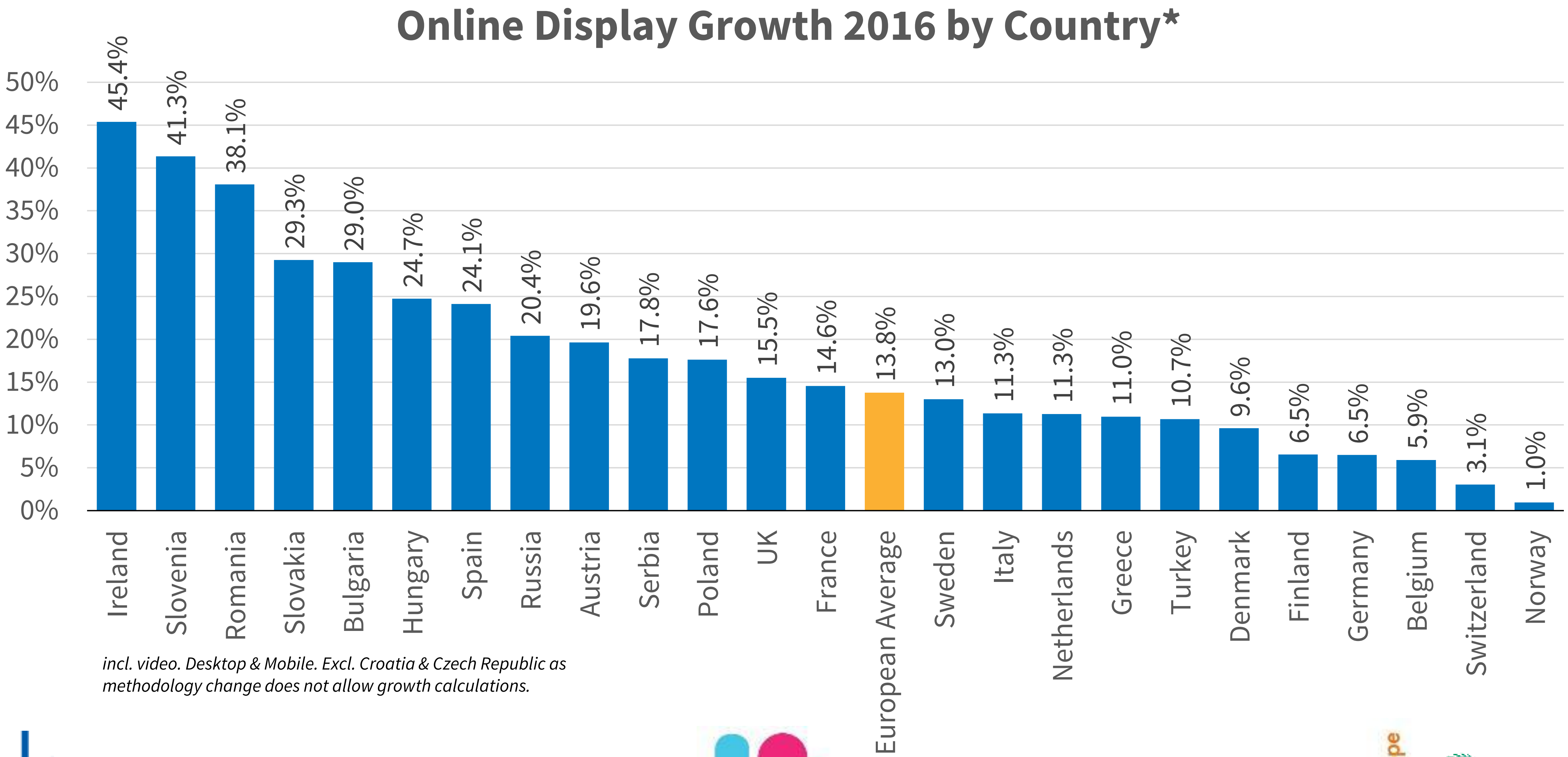
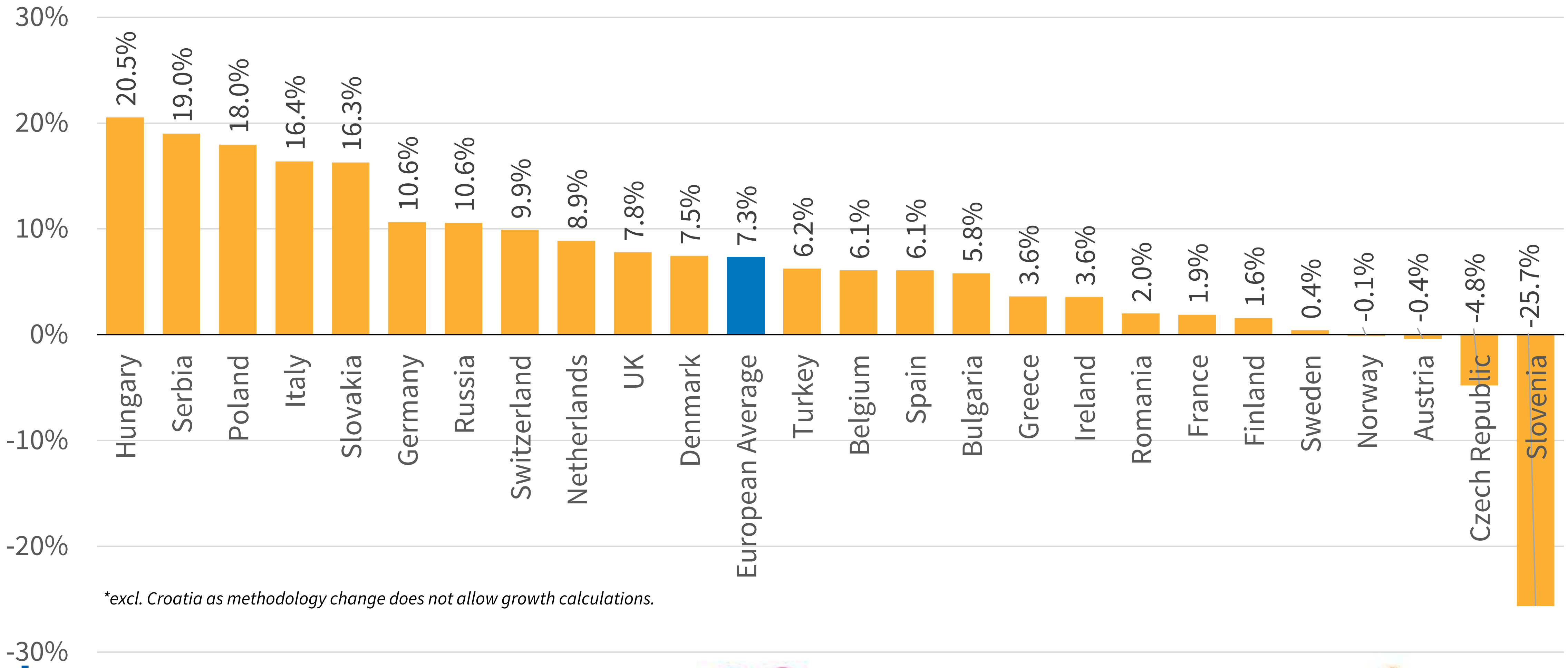
13 markets grow above European average, incl. 4 out of the top 10 markets by size, but spectrum of growth between markets is vast



incl. video. Desktop & Mobile. Excl. Croatia & Czech Republic as methodology change does not allow growth calculations.

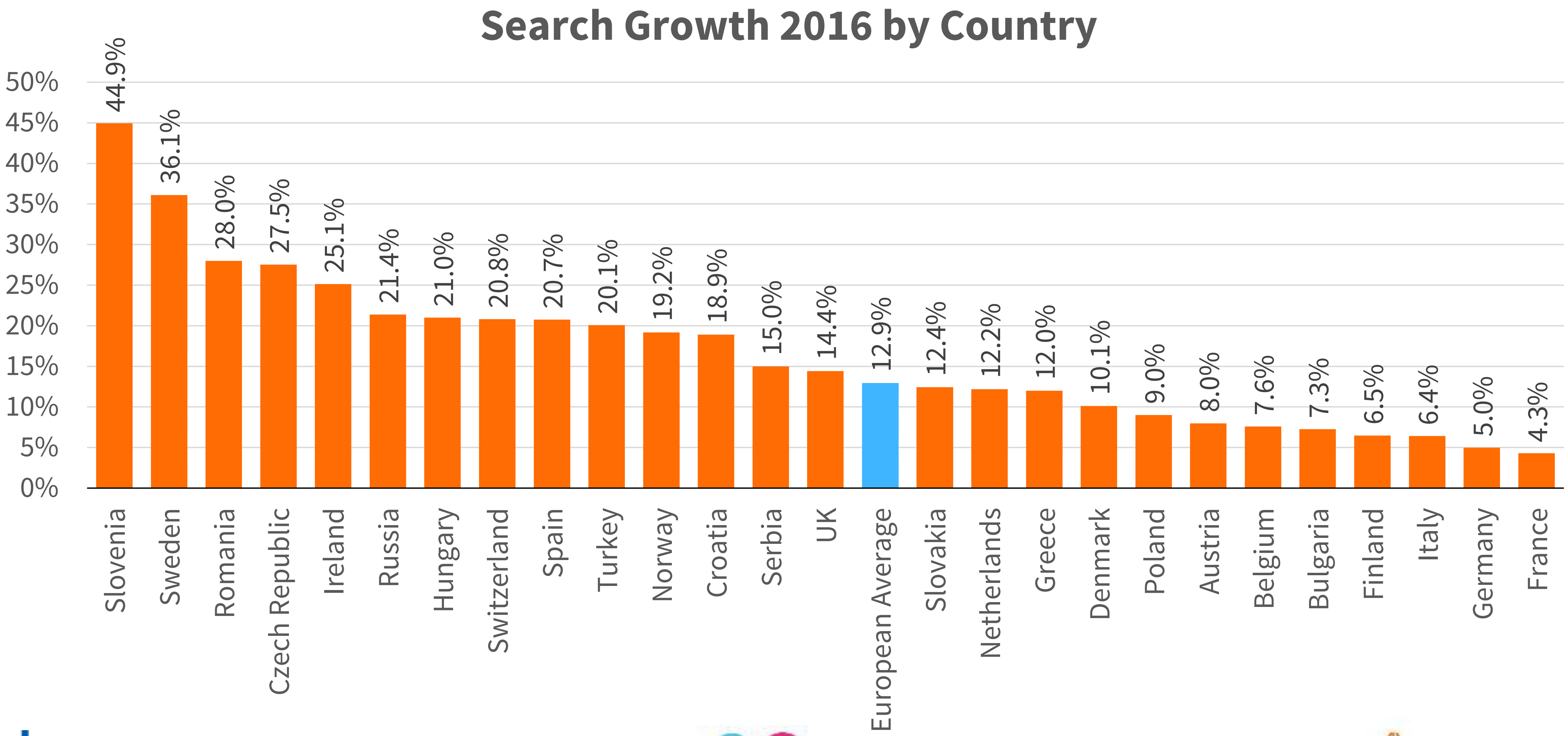
Uneven picture across Europe as classifieds & directories benefit from consolidation, but shift to display-based ad model

Online Classifieds & Directories Growth 2016 by Country*



*excl. Croatia as methodology change does not allow growth calculations.

19 markets saw double-digit growth in paid-for-search



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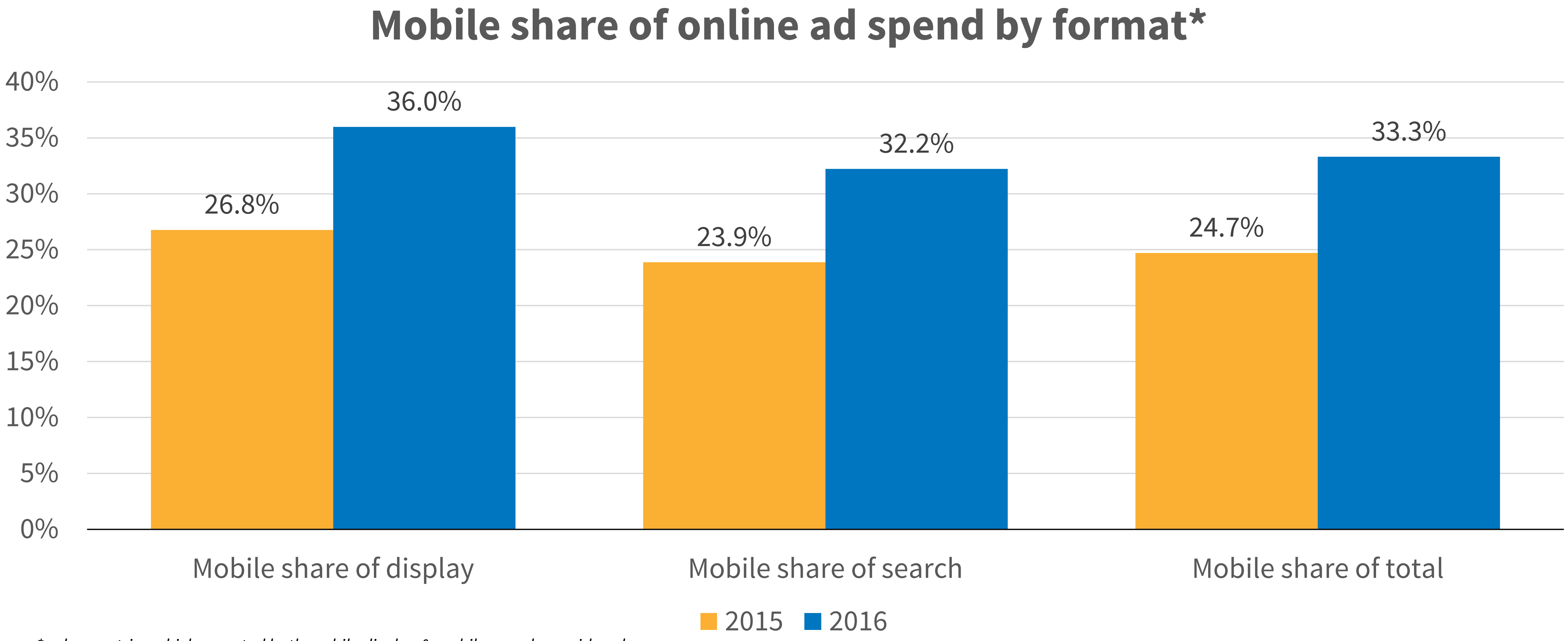
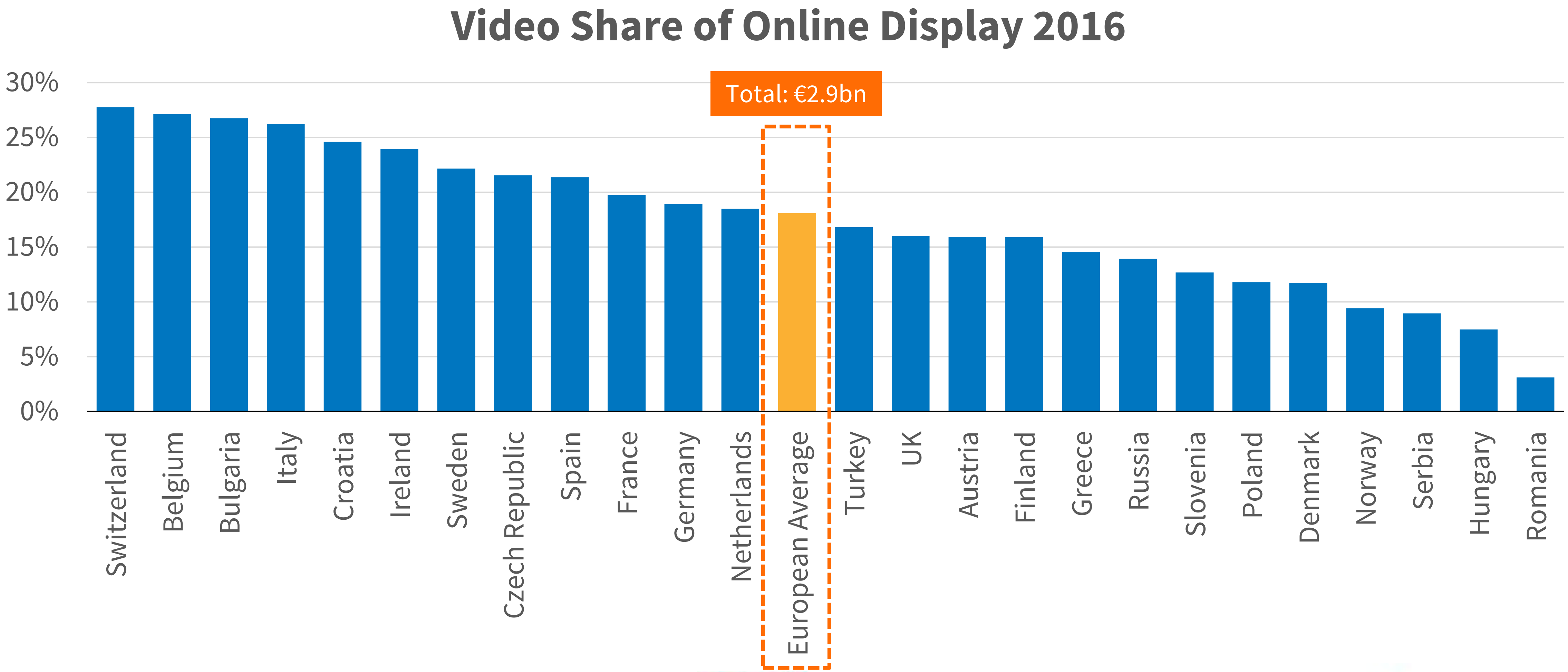
Mobile shares of format leap by nearly10 percentage points year-on-year

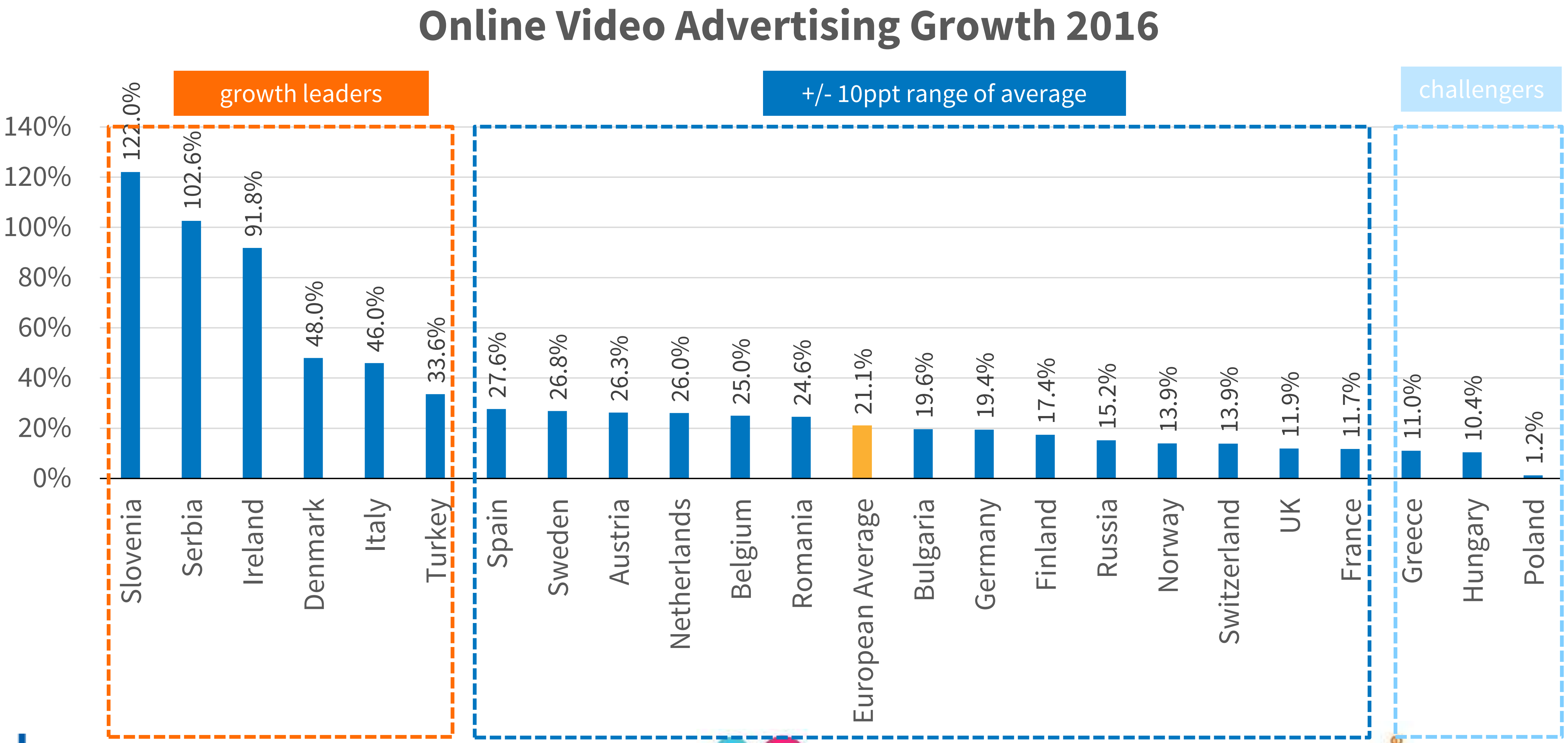


**only countries which reported both mobile display & mobile search considered*

A €3bn market, video now is a vital component of online display…



…and growth is near universally double-digit within 3 clusters



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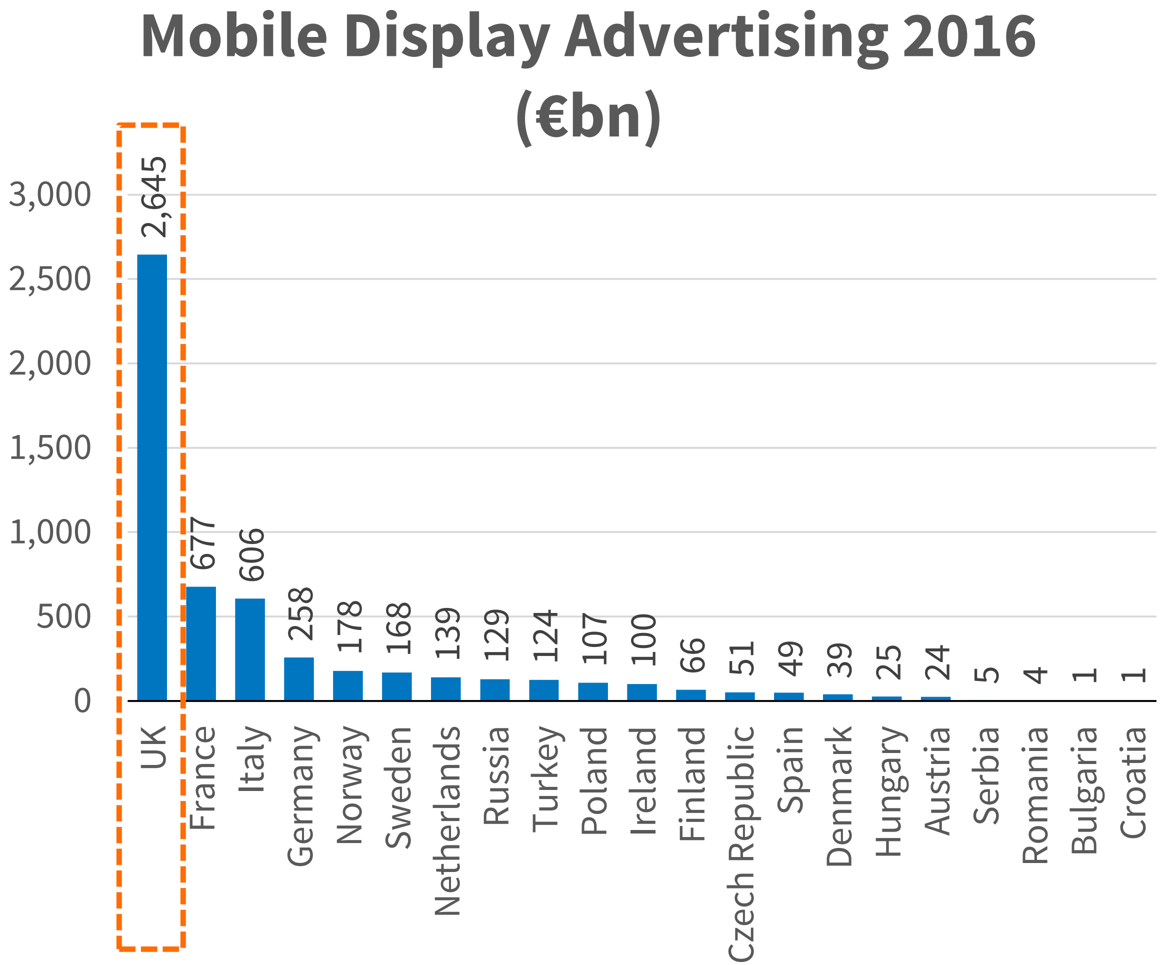
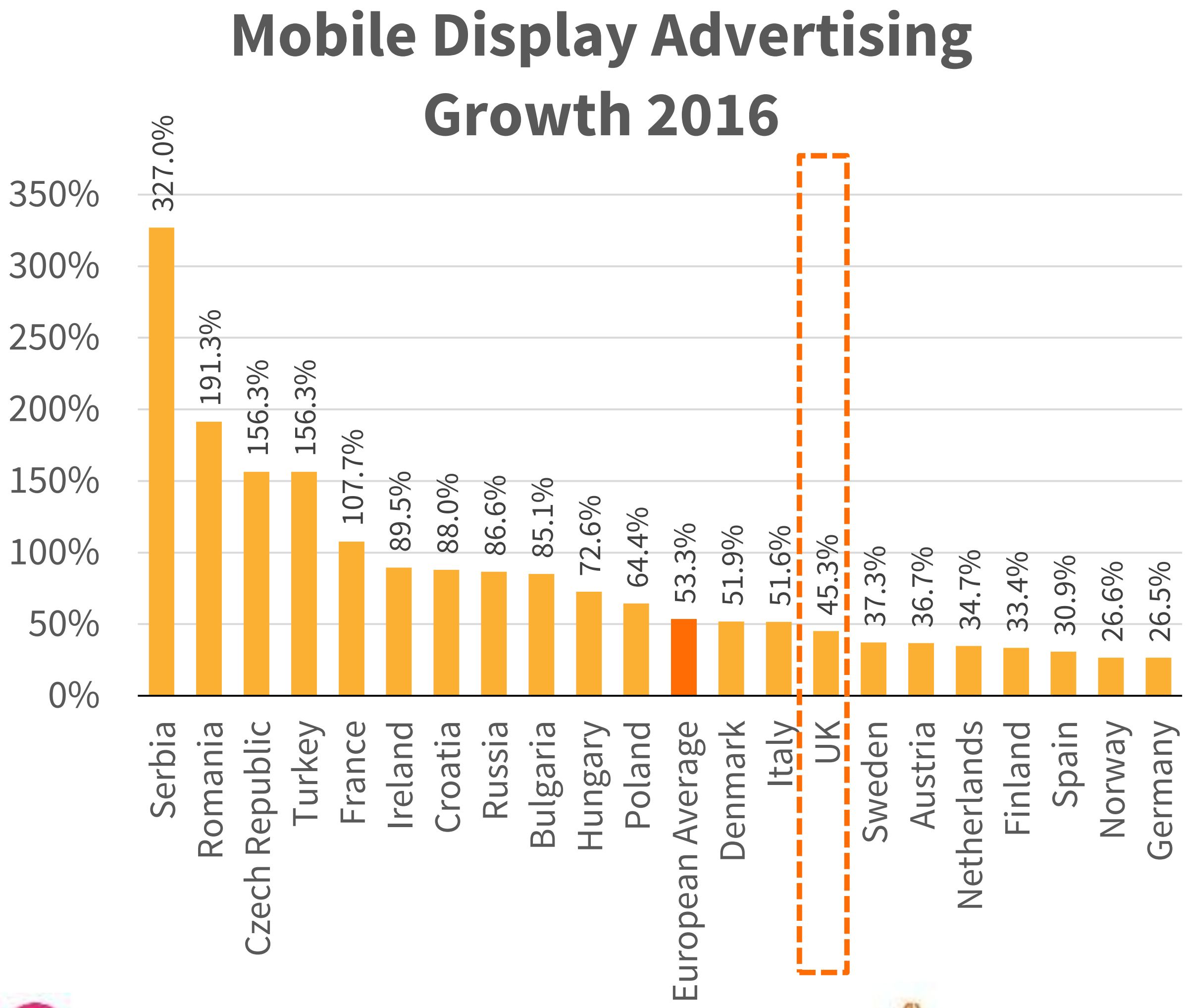
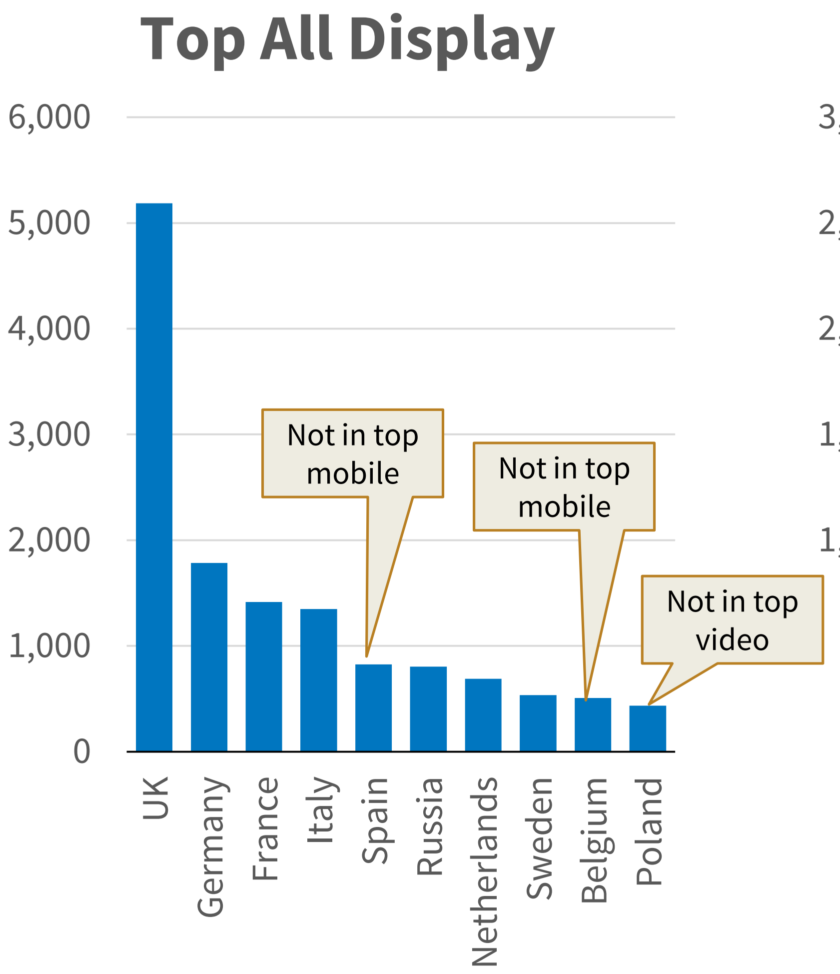
Mobile display is highly concentrated, but 13 out of 22 countries measured grew faster than the market leader*

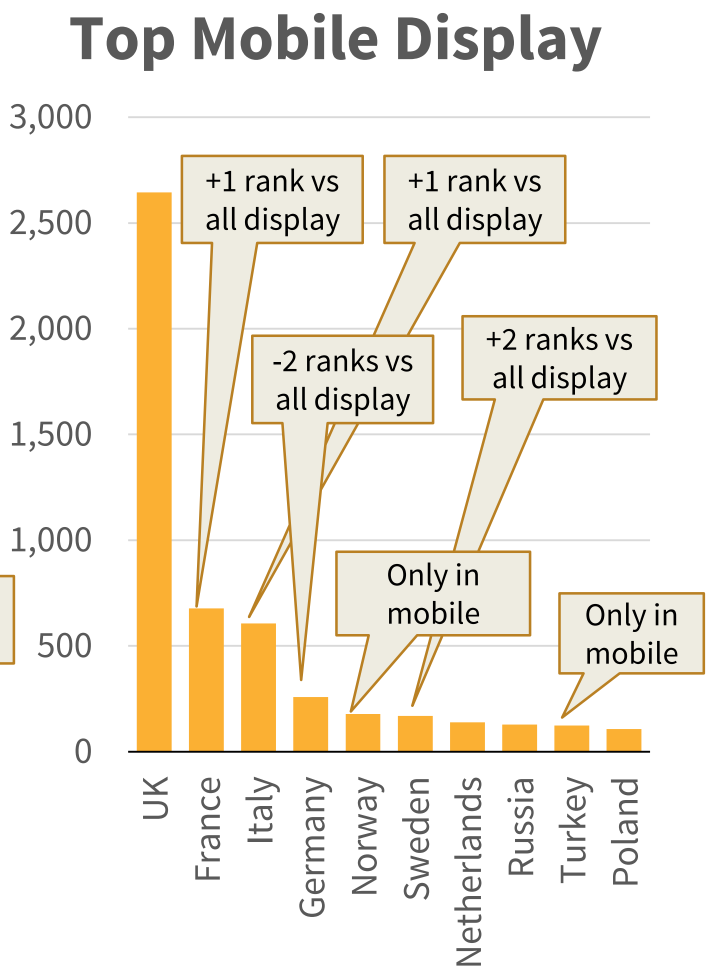


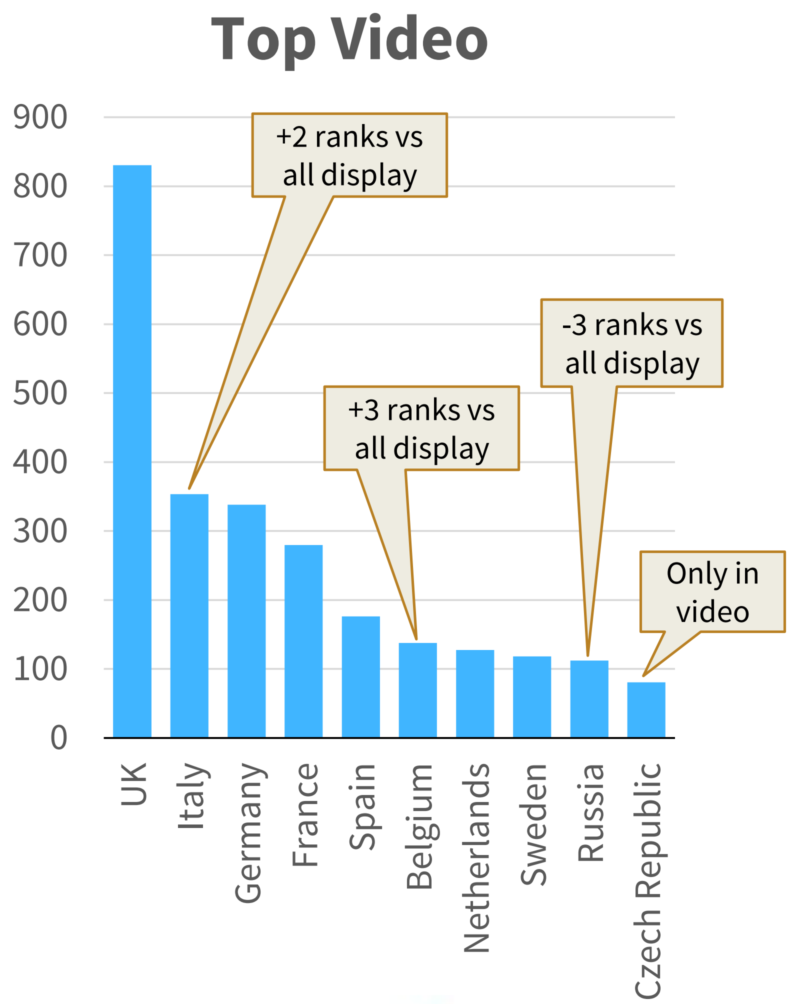


*4 countries did not report mobile display

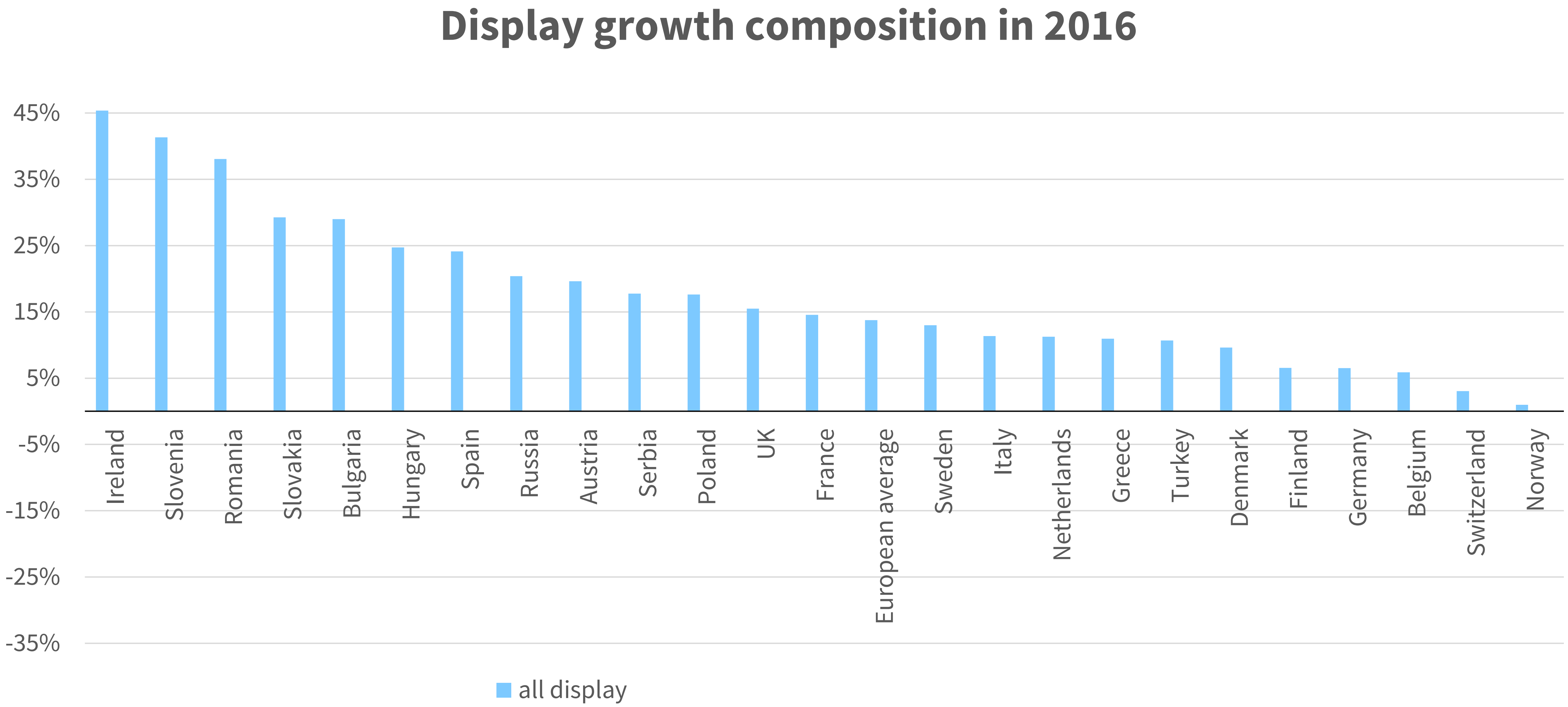
Market leaders are not created equal: the top 10 ranking by display market size looks different in mobile and video







Desktop banner is decline as video and mobile power growth



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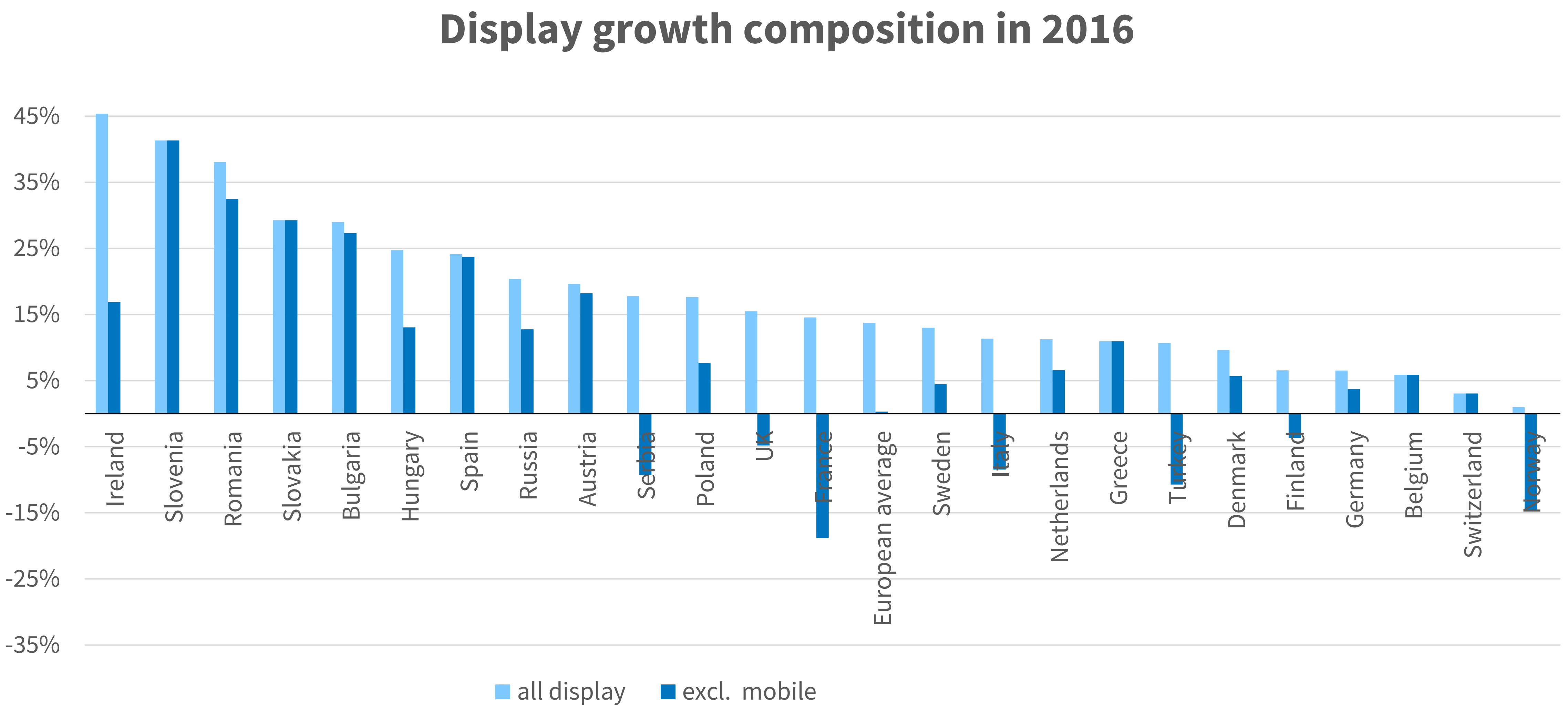

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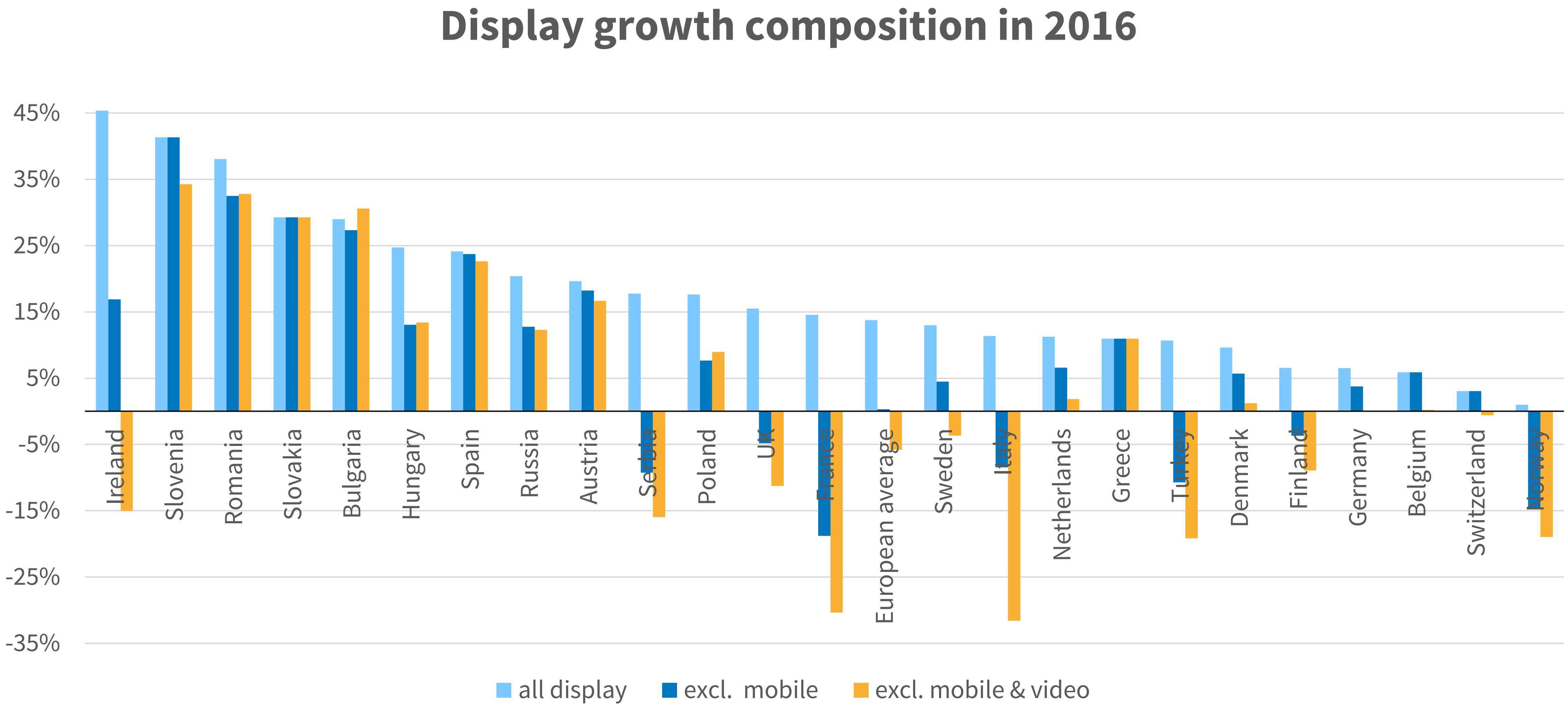

Outlook for 2017

- We expect approximately +10% growth over 2016
- Concentration of growth among fewer players will accelerate
- Video will become the primary battleground for consumer attention
- Live video set to focus on sports and UGC
- E-Sports advertising is gaining traction
- Audio is increasingly attractive to marketers
- Mobile-first becomes AI-first (but promise & practice are far apart)
- Regulation will have a material impact on the future health of the market

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