

HY 2017

IAB Internet Advertising Revenue Report

The Local/SMB Ad Spend Hypothesis

Growth is a Challenge at the National Advertiser Level

➤ Top National Advertisers Are Not Growing:

- 259 of the Fortune 500 had revenue declines in 2016.
- The average decline was 9%.

- Marc Pritchard, ANA/4As/IAB Joint Board Meeting, 2017

➤ Spending Growth Anemic, Particularly Among Largest Companies:

- Across all companies, ad spend growth rate of 2.8% per company in 2013 .
- Largest companies (business receipts >\$250MM), ad spend growth rate of 1.2% in 2013.

- Brian Wieser, citing IRS data

Local and Small/Medium Business Are Numerous and Engaged

Borrell estimates that

- ❖ There are ~9MM SMB's in the U.S. (defined as businesses that generate \$50MM or less in revenue annually);
- ❖ ~75% or more buy digital advertising; this puts the market at roughly 6.8MM.
- ❖ Among SMBs who buy digital advertising:

80%

Say they buy advertising via self-service platforms (e.g. Facebook, Twitter, etc.)

15%

Say they are buying programmatically

45%

Say they are buying SEM

63%

Say they expect to increase their digital spend in coming 12 months

Gaining A Better Understanding

- › **We've seen consistent growth in digital advertising revenue year over year**
- › **There appears to be insufficient growth among large national advertisers (in either their businesses or their ad budgets) to fully account for it**
- › **There is a large (and growing) cohort of small and medium sized business who are engaged in digital advertising**
- › **Their budgets are, of necessity, smaller – but their numbers are significant (and growing) such that there is reason to believe they are, en masse, injecting significant dollar volume into the digital advertising ecosystem**
- › **Better understanding this cohort will allow for all participants in the digital advertising ecosystem to tap into the opportunity they represent, as well as increase the value of digital advertising for this important constituency**