IAB/PwC New Zealand: Interactive Advertising Spend Q1 2013

introduction

- Census of 40+ major NZ media owners and agencies
- In conjunction with PricewaterhouseCoopers (PwC), the IAB has produced quarterly interactive advertising spend figures in NZ since 2007
- As used by the Advertising Standards Authority (ASA), these figures are the most authoritative means of assessing the size of the online advertising market in NZ
- Data shown by:
  - General Display split out by Email, Video and Ad Exchange
    - Banner display by verticals ie Finance, Travel and Accommodation, Telecommunication
  - Search & Directories: paid search is a mixture of actual (agency spend) and estimated data (direct) and includes revenue from online directories
  - Classifieds: revenue from ads placed to buy or sell an item or service (does not include consumer Trade Me auctions)
  - Mobile: from general display or search engine listings viewed on mobile devices such as a smartphone or tablet
  - Social Media: includes revenue placed via agencies, no estimate is included for direct. It also includes some Display revenue

Changes in Q1 2013 & Notes

- A number of changes have been made in Q1 2013 including **changes to the Paid Search Methodology** and **reporting by new channels** including Ad Exchange, Social Media and Mobile
- **Total Online Expenditure –** Q1, 2013 figure now includes contributor's mobile spend and all social media spend. Previously, mobile spend was not included in the total online expenditure figure and Facebook spend was the only social media spend included under Display. In addition, there has been changes in the methodology for calculating Total Display and Search figures as noted below
- **Total Display** includes revenue from banner advertisements of many different sizes and formats, Google Display Network (agency spend only), email advertising, online video and ad exchanges. From Q1 2013, it no longer includes Social Media (previously reported within Display) as it is now reported as a separate channel
- **Programmatic Buying** is a sub category of Display. The figure is made up of agency open exchange data as well as Google Display Network (GDN) figures
- **Paid Search** is a mixture of actual (agency spend) and estimated data (to capture direct) as Google do not provide their revenue numbers. The methodology used was revised in Q1 2013 to capture Paid Search marketing spend targeting NZ eyeballs. It was developed in consultation with Hitwise and leading New Zealand-based Search Engine Marketing companies using data submitted to PwC by those companies. Therefore comparisons to historic numbers will not be exact
- **Social media** only includes ad agency revenue
- **Mobile** is now reported by Smartphone and Tablets

methodology

reported and estimated revenue

Reported Revenue

- Actual revenue data is obtained directly from companies deriving revenue from the sale of interactive advertising
- Survey includes revenues submitted by 40+ companies
- Aggregate amounts reported are rounded to the nearest $10,000
- Based on information provided by contributors, approximately 86% of the data in this document is derived from participants whose underlying financial records have been, or will be, audited by an independent auditor
- Data submitted by participants is kept completely confidential and figures are only ever reported in an aggregated form
- Variance checks are performed on data submitted by participants for reasonableness in light of past submissions and general industry trends
- Variance checks revealed no issue this quarter, so there are no corrections published in this document
- Expenditure is based on gross amounts charged to advertisers and inclusive of any applicable agency commissions

71% of Q1 2013 total ad spend

Estimated Revenue

- The methodology used to estimate the Paid Search market was developed in consultation with leading New Zealand-based Search Engine Marketing agencies, Hitwise New Zealand and data submitted to PwC by those companies

29% of Q1 2013 total ad spend

adjustments and like-for-like growth reporting

- All growth percentages are “normalised” to exclude the effect of new contributors to percentage measures of industry growth and also to remove the effect of any previous contributors that have not provided figures for the current quarter
- For this reason, calculating percentages based on the dollar totals may not result in the same growth percentage figures
- This is due to totals including all reported revenues, while “normalised” percentages exclude contributions from new contributors made during the comparison period and/or previous contributions made by contributors not contributing in this quarter
- This approach is to ensure we provide both a true picture of industry growth and an accurate measure of total industry spend

Q1 2013 Contributors

1. Ad2OneGroup
2. Adhub Ltd
3. APN (nzherald.co.nz)
4. Bauer Media Group
5. Fairfax Media
6. First Digital (3DI, Great Sites, First Rate, TPN)
7. GrownUps Ltd
8. GSL Network
9. iStart
10. Jasons Travel Media Limited
11. JDJL Limited (Interest.co.nz)
12. Komli NZ
13. Localist
14. Mediacom
15. Mediaworks Interactive
16. Metservice
17. Mi9 (MSN, Microsoft Media Network, Bing)
18. New Zealand Rugby Union
19. NZGirl
20. NZS.com Limited
21. Ogilvy New Zealand
23. OMD Digital
24. PHDiQ
25. Realestate.co.nz
26. Republik
27. SEEK NZ
28. SkyTV Network
29. Searchmasters
30. Starcom
31. SureFire Search
32. The Radio Network Ltd
33. Trade Me Ltd
34. TVNZ
35. Valued Interactive Media (VIM)
36. View New Zealand Ltd
37. Vivaki
38. Vodafone NZ
39. Y&R
40. Yahoo Search and Marketing NZ
41. Yahoo! New Zealand Ltd
42. Yellow Pages
43. ZenithOptimedia

NZ online ad spend top line results…

$99.21m

in Q1 2013

an increase of 27%

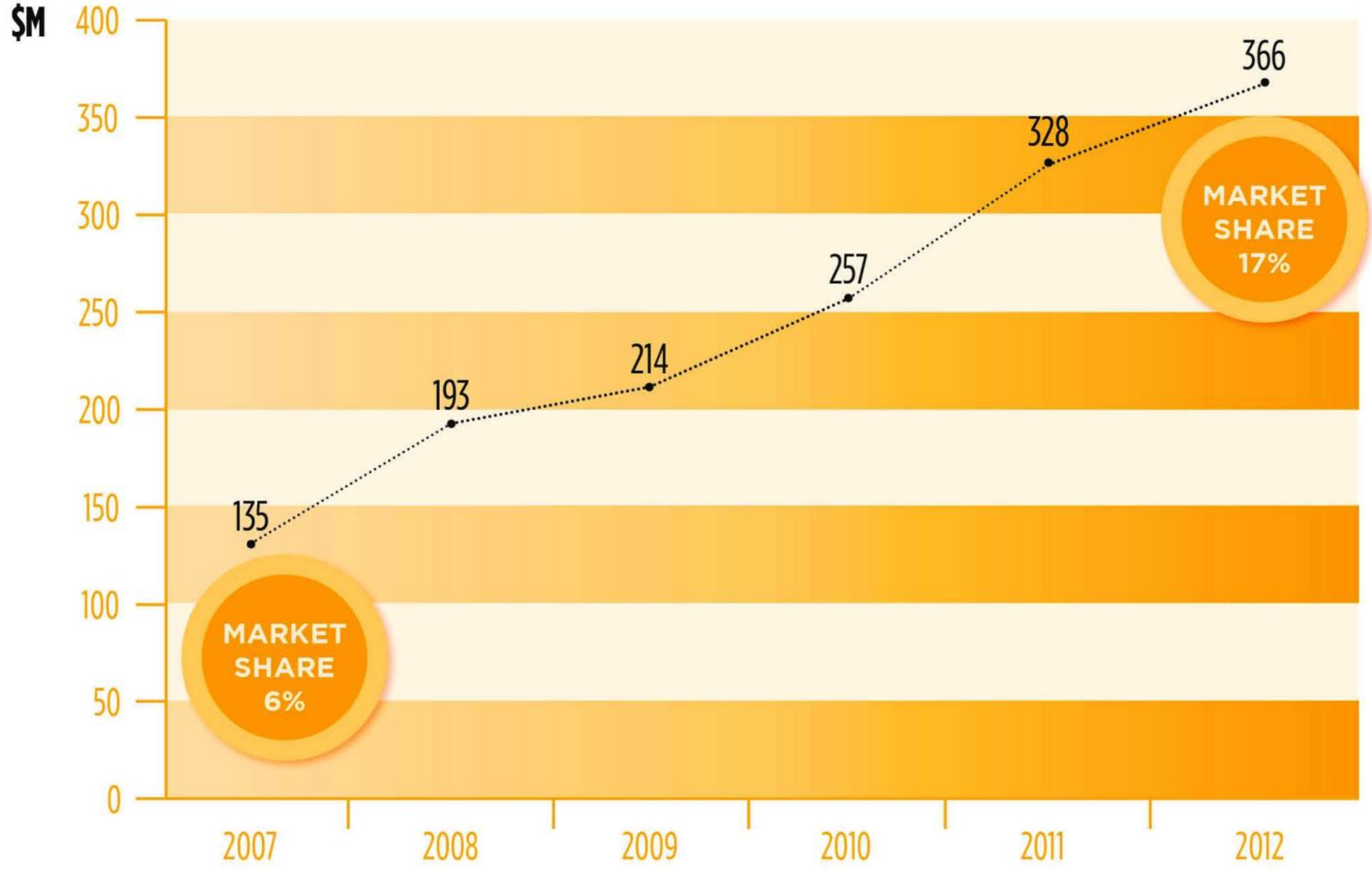
year-on-year

year-on-year growth

- **Total interactive ad spend** in Q1 2013: $99.21m

- **Year-on-year:**
  - Total up 26%
  - Display up 12%
  - Classified up 18%
  - Search & Directories up 38%
  - Video up 33%
  - Mobile up 196%

total interactive advertising spend has almost tripled in the last 6 years



Note: 2012 figure includes mobile

interactive advertising spend by quarter Q1 2007- Q1 2013

YEAR	QUARTER	TOTAL DISPLAY	TOTAL CLASSIFIED	TOTAL SEARCH & DIRECTORIES	TOTAL SOCIAL MEDIA	TOTAL MOBILE	TOTAL OF QUARTERLY	QTR/QTR CHANGE		YEAR/YEAR CHANGE
		$M	$M	$M	$M	$M	$M	$M	%	
2007	1	6.59	12.42	6.82			25.83			
	2	9.65	13.95	8.22			31.82	5.99	21.38	
	3	12.84	16.71	10.12			39.67	7.85	22.08	
	4	12.98	15.88	8.99			37.85	-1.82	-4.59	
	TOTAL 2007	**42.06**	**58.96**	**34.15**			**135.17**			
2008	1	11.54	19.19	15.13			45.86	8.01	17.86	67.23
	2	14.98	19.15	15.11			49.24	3.38	8.28	54.08
	3	15.84	19.08	14.90			49.82	0.58	1.05	22.32
	4	15.76	17.90	14.57			48.23	-1.59	-3.19	22.64
	TOTAL 2008	**58.12**	**75.32**	**59.71**			**193.15**			
2009	1	12.94	17.55	18.77			49.26	1.03	2.14	7.99
	2	16.37	17.06	19.06			52.49	3.23	6.56	5.53
	3	17.22	18.11	22.36			57.69	5.20	9.91	15.80
	4	17.77	18.71	17.97			54.45	-3.24	-5.62	12.90
	TOTAL 2009	**64.30**	**71.43**	**78.16**			**213.89**			
2010	1	14.92	20.49	19.92			55.32	0.87	1.60	12.31
	2	20.60	20.85	21.65			63.10	7.77	14.05	20.21
	3	21.44	21.30	25.20			67.93	4.83	7.57	17.66
	4	23.70	21.13	26.29			71.11	3.18	2.78	26.37
	TOTAL 2010	**80.65**	**83.76**	**93.06**			**257.46**			
2011	1	19.76	22.56	25.81			68.12	-2.99	-4.76	20.48
	2	26.01	23.46	34.68			84.15	16.03	22.94	19.46
	3	25.76	24.40	38.58			88.74	4.59	5.34	26.55
	4	27.03	23.81	36.26			87.11	-1.63	-1.96	20.52
	TOTAL 2011	**98.56**	**94.23**	**135.33**			**328.12**			
2012	1	23.15	26.30	29.77			79.21	-7.90	-10.25	13.70
	2	29.43	27.82	34.17			91.42	12.21	16.15	7.11
	3	27.63	29.21	37.17			94.02	2.60	2.85	4.76
	4	30.83	28.76	39.02			98.62	4.60	5.11	12.47
	TOTAL 2012	**111.05**	**112.09**	**140.13**			**363.27**			
2013	1	25.03	30.68	40.93	1.72	0.85	99.21	0.59	-0.10	26.51

in NZ…

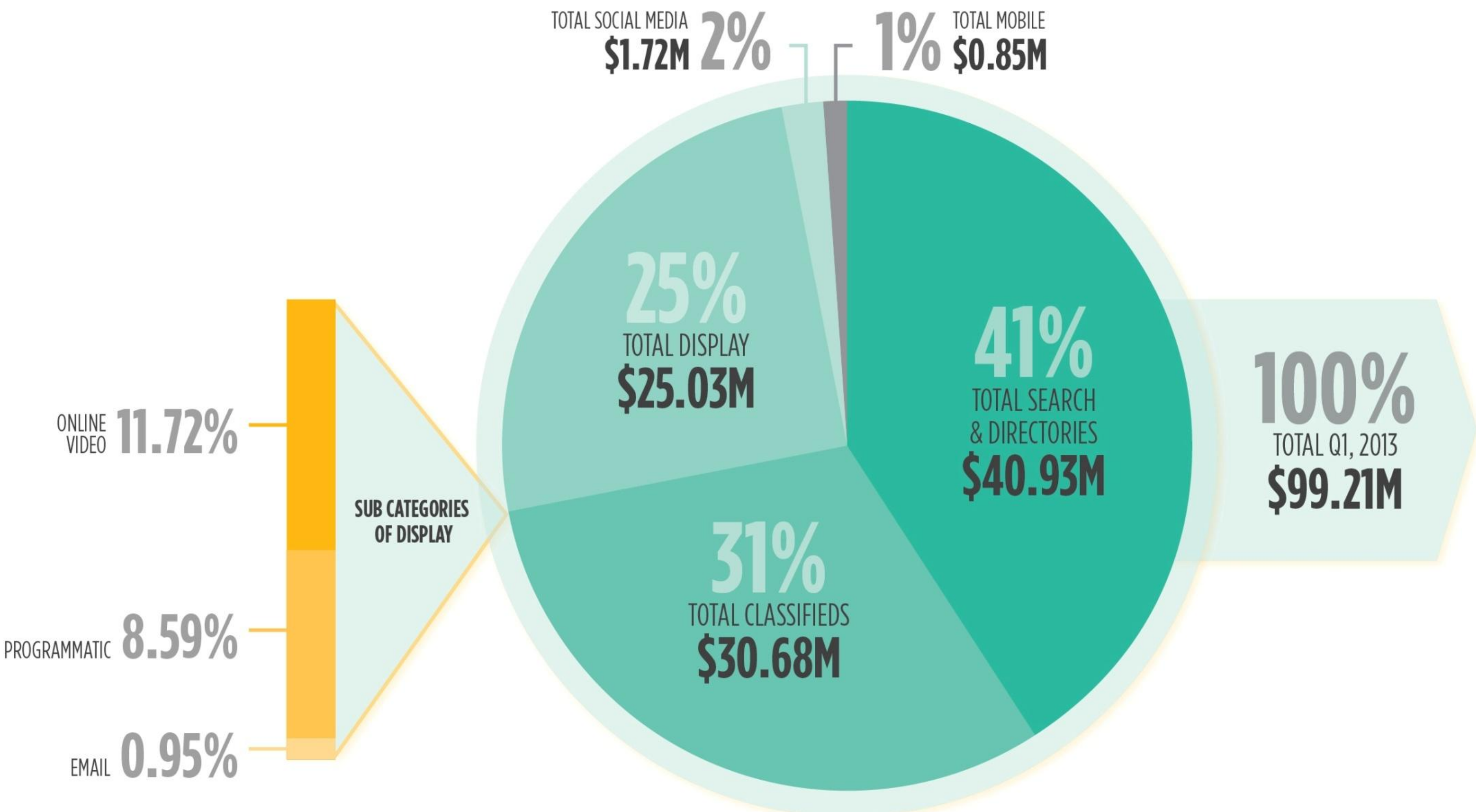
- 40% of households are using more than one device to access the Internet – doubled since 2009
- Laptops are the most popular means of accessing the Internet in more than two-thirds of households

- One-third of households accessed the Internet via a mobile phone, up 26% since 2009
- Half of all Kiwis made an online purchase in the last 12 months
- 19% are using their Smartphone to buy products & services

source: IABNZ/Nielsen/Statistics NZ April 2013

the digital media mix…

Q1 2013 DIGITAL MEDIA MIX % SHARE



source: IAB/PwC Q1 2013

search & directories…

search & directories was $40.93m making it the largest channel in Q1

YEAR	QUARTER	TOTAL SEARCH & DIRECTORIES ($M)	QTR/QTR CHANGE		YEAR/YEAR CHANGE	TOTALS PER YEAR
			$M	%		
2007	1	6.82				34.15
	2	8.22	1.40	17.30		
	3	10.12	1.90	18.94		
	4	8.99	-1.13	-11.17		
2008	1	15.13	6.14	54.39	92.96	59.71
	2	15.11	-0.02	2.22	89.34	
	3	14.90	-0.21	-1.39	34.38	
	4	14.57	-0.33	-2.21	44.05	
2009	1	18.77	4.20	28.83	27.00	78.16
	2	19.06	0.29	1.55	26.14	
	3	22.36	3.30	17.31	50.07	
	4	17.97	-4.39	-19.63	23.34	
2010	1	19.92	1.95	10.85	6.13	93.06
	2	21.65	1.73	8.69	13.59	
	3	25.20	3.55	12.68	16.38	
	4	26.29	1.09	4.34	46.29	

YEAR	QUARTER	TOTAL SEARCH & DIRECTORIES ($M)	QTR/QTR CHANGE		YEAR/YEAR CHANGE	TOTALS PER YEAR
			$M	%		
2011	1	25.81	-0.48	-1.67	29.81	135.33
	2	34.68	8.87	34.39	34.58	
	3	38.58	3.89	11.23	53.39	
	4	36.26	-2.31	-6.18	37.89	
2012	1	29.77	-6.50	-17.92	14.73	140.13
	2	34.17	4.40	14.80	-2.34	
	3	37.17	3.00	8.79	-4.93	
	4	39.02	1.85	4.97	7.61	
2013	1	40.93	1.91	4.90	37.52	

Note: from Q1 2013 a new model is being used to measure Paid Search for direct spend so a direct comparison cannot be made with previous quarters – refer to slide 3

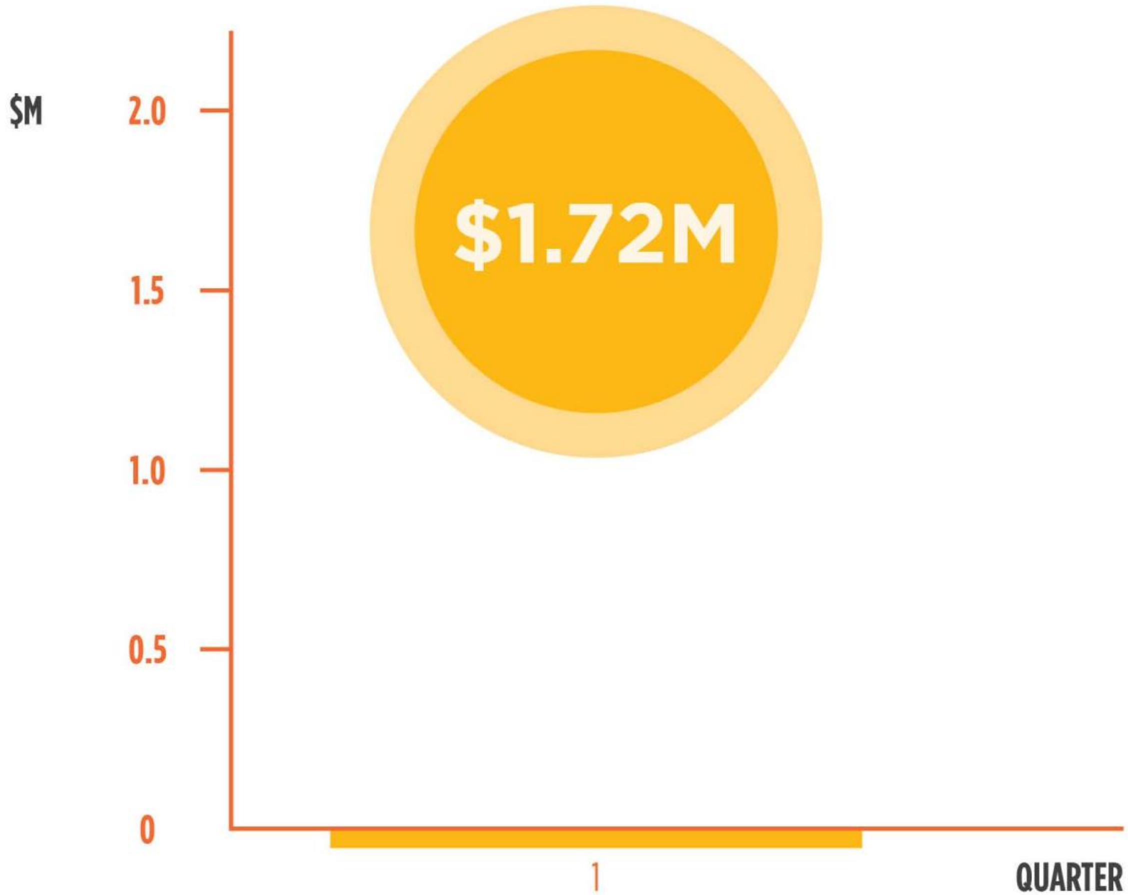
classifieds…

classifieds up 18% year-on-year and 7% from last quarter

YEAR	QUARTER	TOTAL CLASSIFIED	QTR/QTR CHANGE		YEAR/YEAR CHANGE	TOTALS PER YEAR
		$M	$M	%		
2007	1	12.42				58.96
	2	13.95	1.53	11.27		
	3	16.71	2.76	19.60		
	4	15.88	-0.83	-4.97		
2008	1	19.19	3.31	20.84	52.42	75.32
	2	19.15	-0.04	-0.21	37.27	
	3	19.08	-0.07	-0.47	13.99	
	4	17.90	-1.18	-6.16	12.68	
2009	1	17.55	-0.35	-1.96	-8.55	71.43
	2	17.06	-0.49	-2.79	-10.91	
	3	18.11	1.05	6.15	-5.06	
	4	18.71	0.60	3.31	4.53	
2010	1	20.49	1.78	9.50	16.74	83.76
	2	20.85	0.36	1.76	22.20	
	3	21.30	0.45	2.22	17.70	
	4	21.13	-0.17	-0.79	12.92	
2011	1	22.56	1.43	6.82	10.15	94.23
	2	23.46	0.90	3.98	4.06	
	3	24.40	0.94	4.04	14.60	
	4	23.81	-0.59	-2.43	12.76	
2012	1	26.30	2.49	10.44	16.57	112.09
	2	27.82	1.53	6.87	19.79	
	3	29.21	1.39	4.99	20.86	
	4	28.76	-0.45	-1.54	21.99	
2013	1	30.68	1.92	6.77	17.94	

social media…

social media is 2% of total interactive spend for Q1



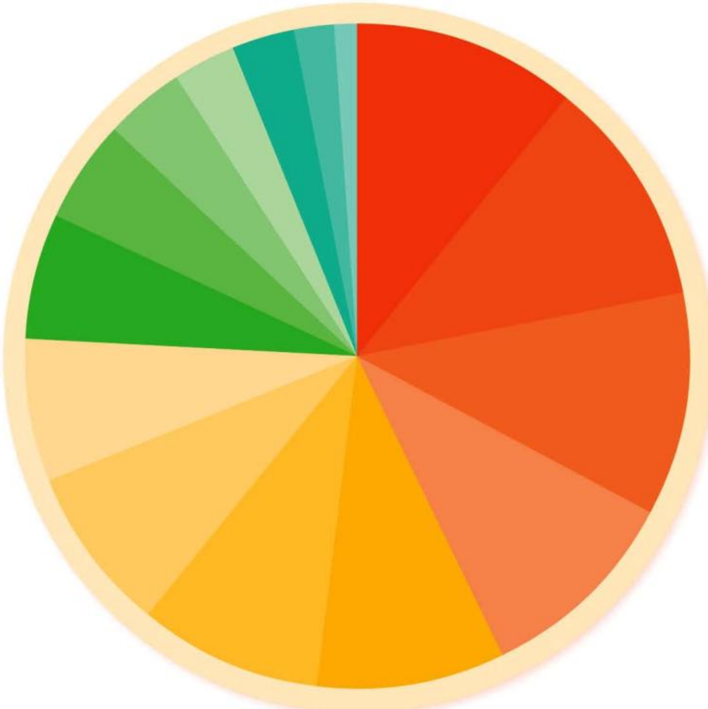
source: IAB/PwC Q1 2013

display: industry sectors

Travel and Accommodation experienced the biggest growth in market share from Q4 2012

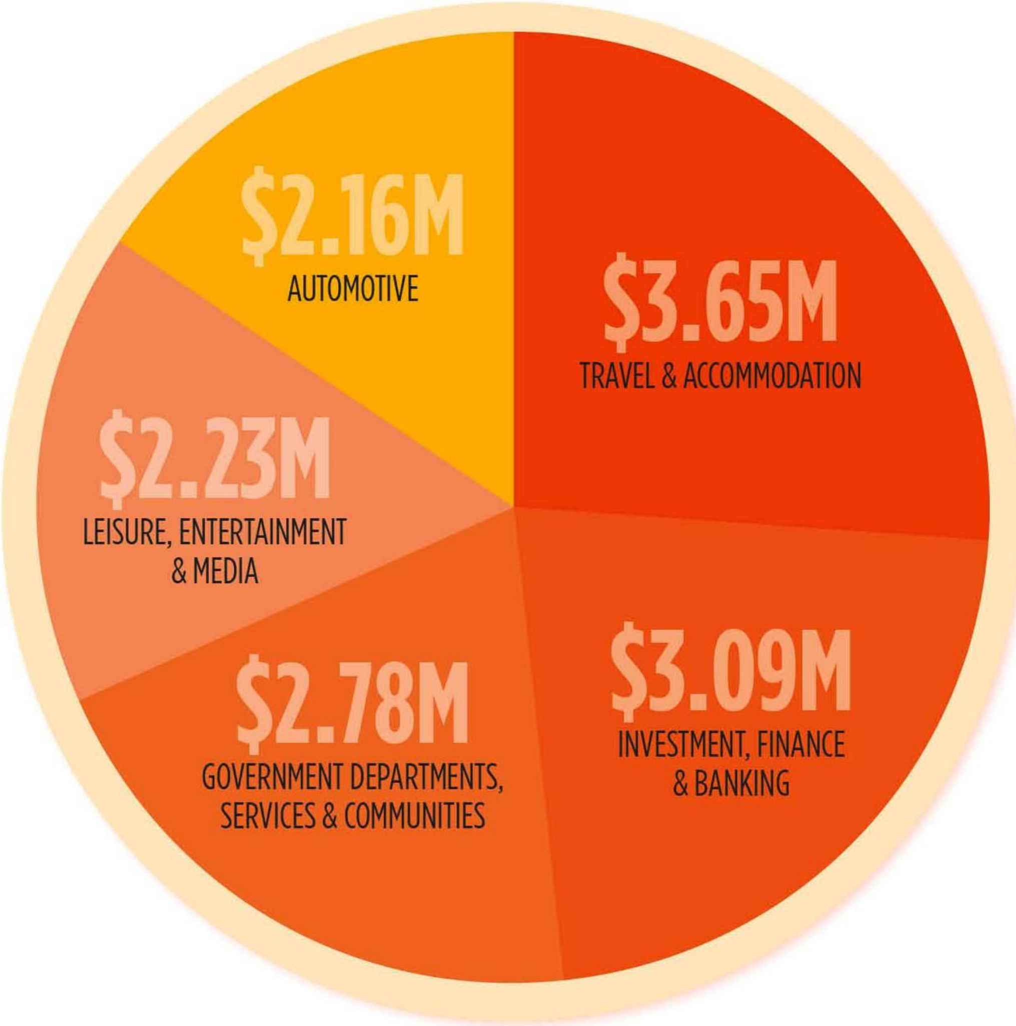
followed by Leisure, Entertainment and Media

DISPLAY ADVERTISING TOTAL SPEND BY SECTOR Q1, 2013



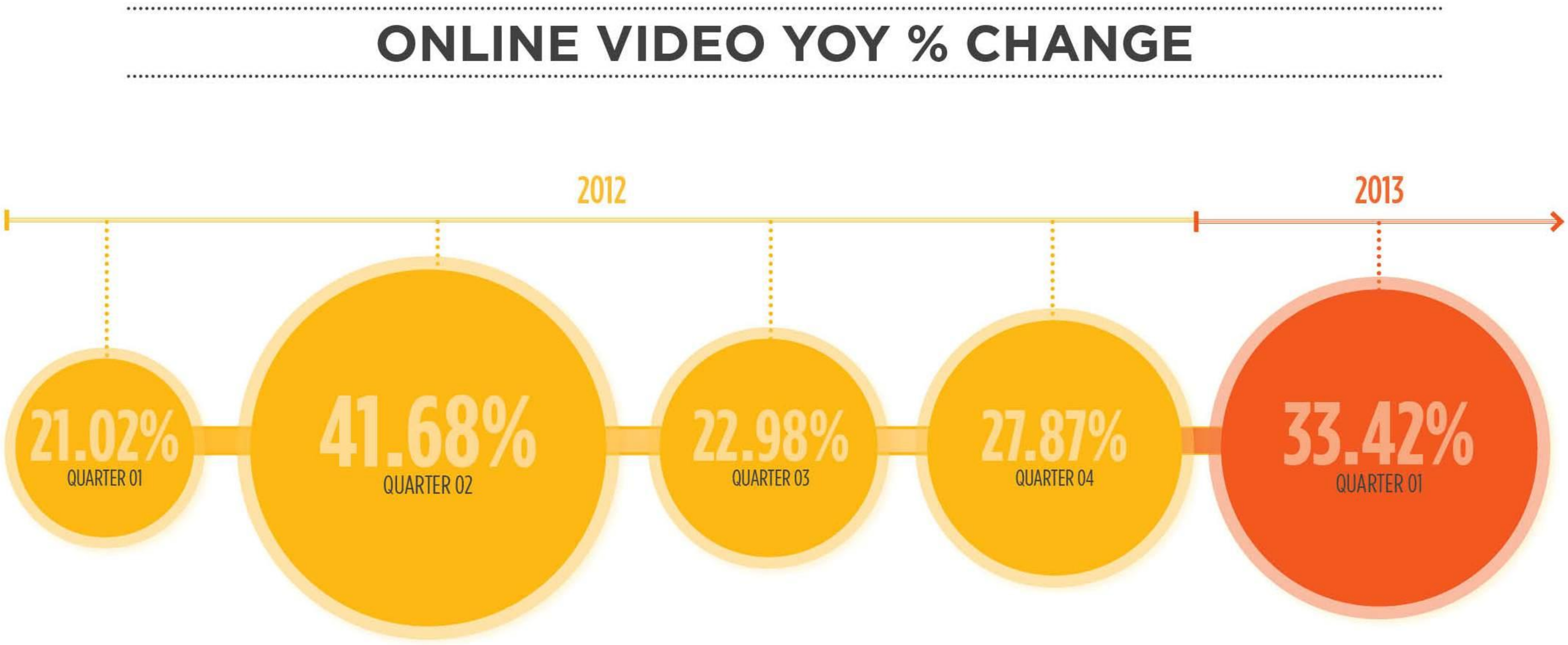
CATEGORIES	%
Travel & Accommodation	14.60
Investment, Finance & Banking	12.33
Government Departments, Services & Communities	11.13
Leisure, Entertainment & Media	8.90
Automotive	8.65
Telecommunication	8.04
Food & Beverages	7.30
Retail	6.34
Other	5.54
Health, Beauty & Pharmaceuticals	4.29
Business Services & Office Products	3.74
Home & Garden	3.16
Insurance	2.76
Computers	1.94
Real Estate	1.28

FIVE LARGEST SECTORS IN Q1, 2013



video…

online video was $2.93m in Q1



mobile…

mobile advertising

$0.85m

in Q1 2013

an increase of 196%

year-on-year

mobile advertising Q1 2011 – Q1 2013

TOTAL MOBILE

YEAR	QUARTER	TOTAL MOBILE	QTR/QTR CHANGE		YEAR/YEAR CHANGE	MOBILE TOTAL AD SPEND	TOTALS PER YEAR
		$M	$M	%		%	
2011	1	0.06					0.63
	2	0.17	0.11	173.11		0.24	
	3	0.17	0.01	-9.94		0.25	
	4	0.23	0.06	39.56		0.33	
2012	1	0.28	0.05	-9.36	208.35	0.40	2.83
	2	0.65	0.37	131.21	156.41	0.92	
	3	0.69	0.05	4.50	156.60	0.98	
	4	1.21	0.52	74.72	155.29	1.72	
2013	1	0.85	-0.36	-24.60	196.26	1.21	

In Australia, mobile ad revenue reached $AU36.6m in Q1 2013 an increase of 182% YoY

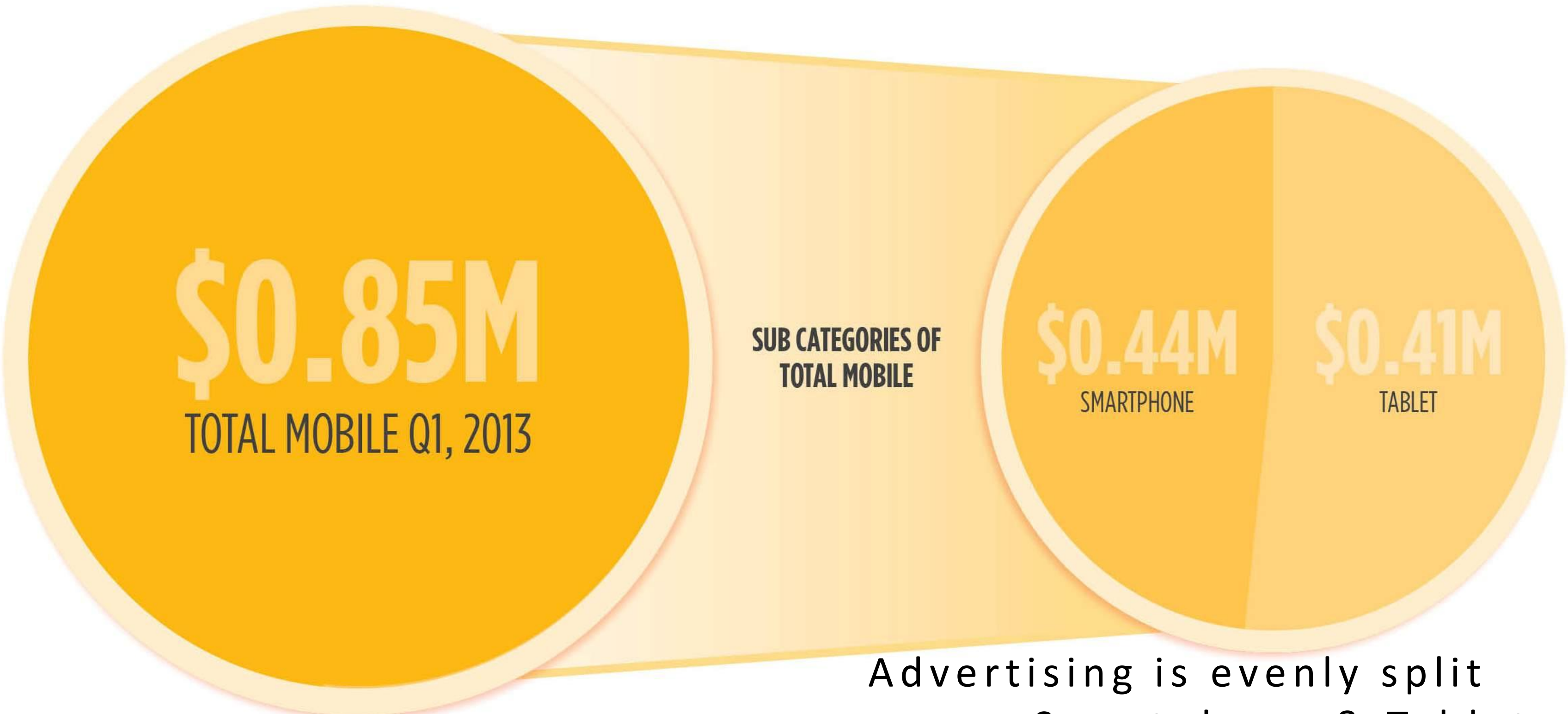
Source: IAB AU

Mobile facts:

- 50% smartphone penetration in NZ
- 59% of smartphone users access the Internet from their mobiles everyday
- Over the past three years, the number of households using more than one device to connect has doubled, from 21% to 40%
- In 2009, the most popular combination was overwhelmingly a desktop and a laptop
  - In 2012, this has shifted to a laptop and a mobile phone

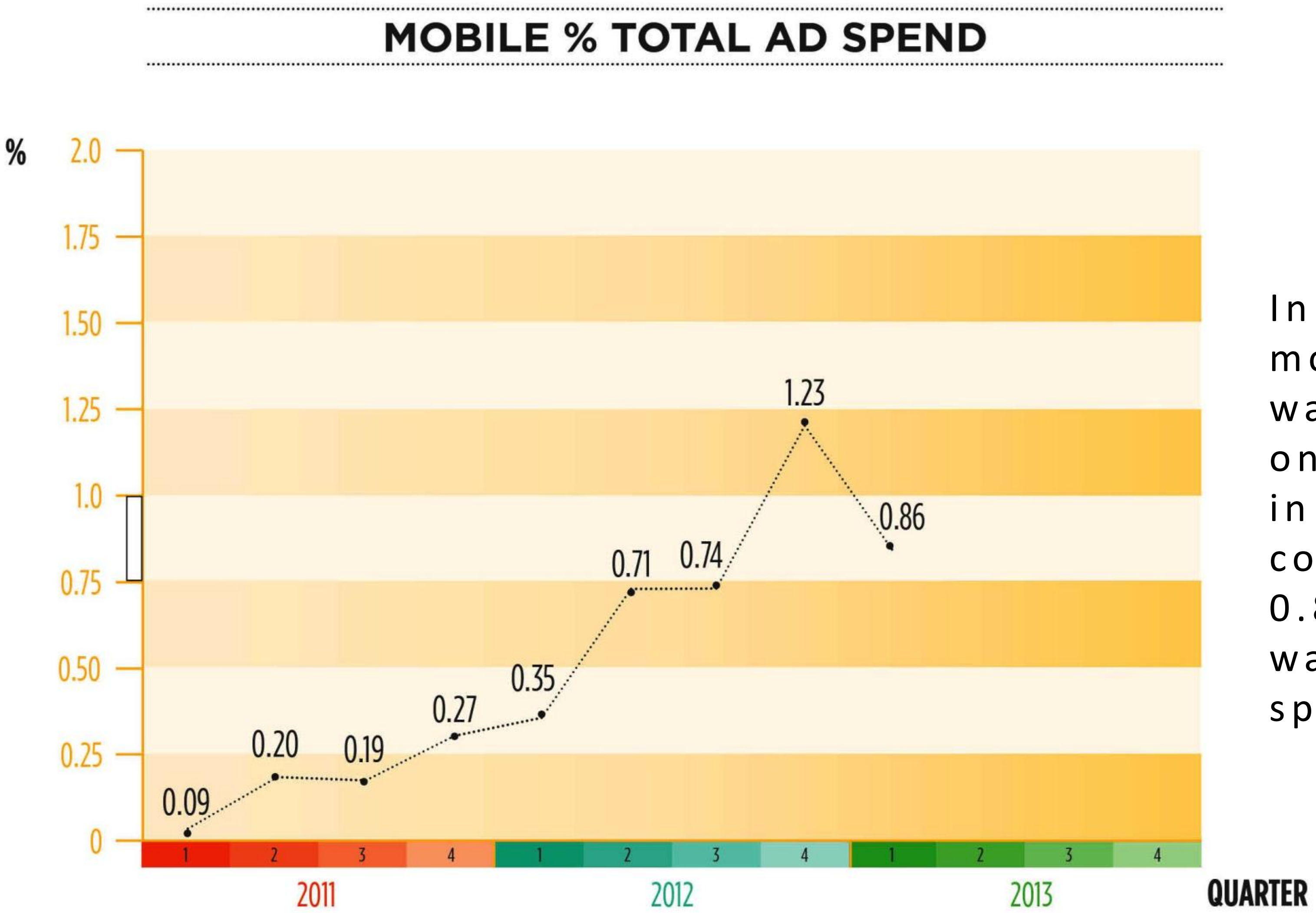
source: IAB/Nielsen/Statistics New Zealand

smartphone vs. tablet



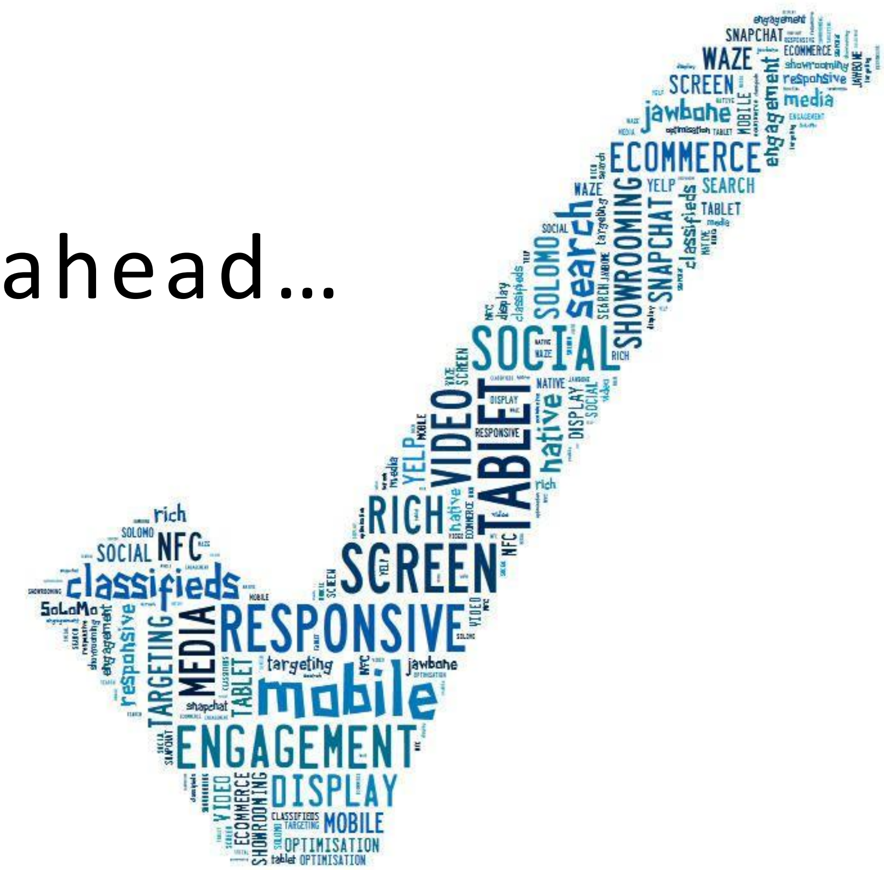
Advertising is evenly split across Smartphone & Tablets however we need to take into consideration that CPM/CPC rates are less expensive across mobile campaigns

source: IAB/PwC Q1 2013



In Australia, mobile ad spend was 4% of total online ad spend in Q1 2013 compared to 0.86% in NZ – watch this space!

looking ahead…



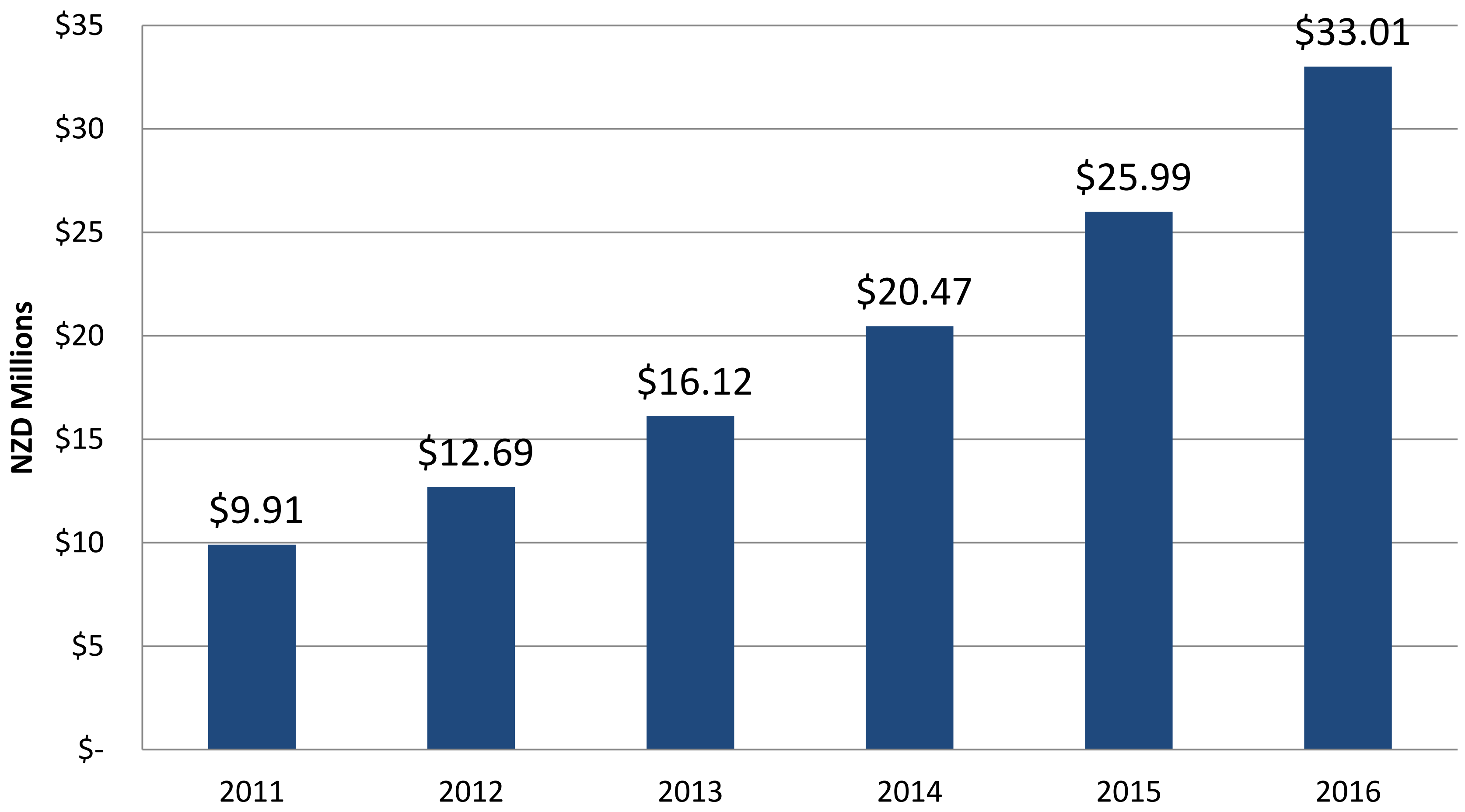
2013 - 2015 Forecasts
NZ vs. Australia vs. Global

TOTAL INTERACTIVE ADVERTISING DOLLARS

	2010	2011	2012	2013	2014	2015
NZD$ million	$257	$328	$366	$406	$455	$510
% change (like-for-like)	*20%*	*24%*	*9%*	*11%*	*12%*	*12%*
Share of total market	*12%*	*15%*	*17%*	*19%*	*22%*	*25%*
$AU million	$2,331	$2,827	$3,343	$3,978	$4,734	$5,657
% change (like-for-like)	*21%*	*17%*	*18%*	*19%*	*20%*	*19%*
Share of total market	*19%*	*19%*	*25%*	*28%*	*27%*	*30%*
Global						
Online Growth %				*14.4%*		
Traditional media				*1.6%*		

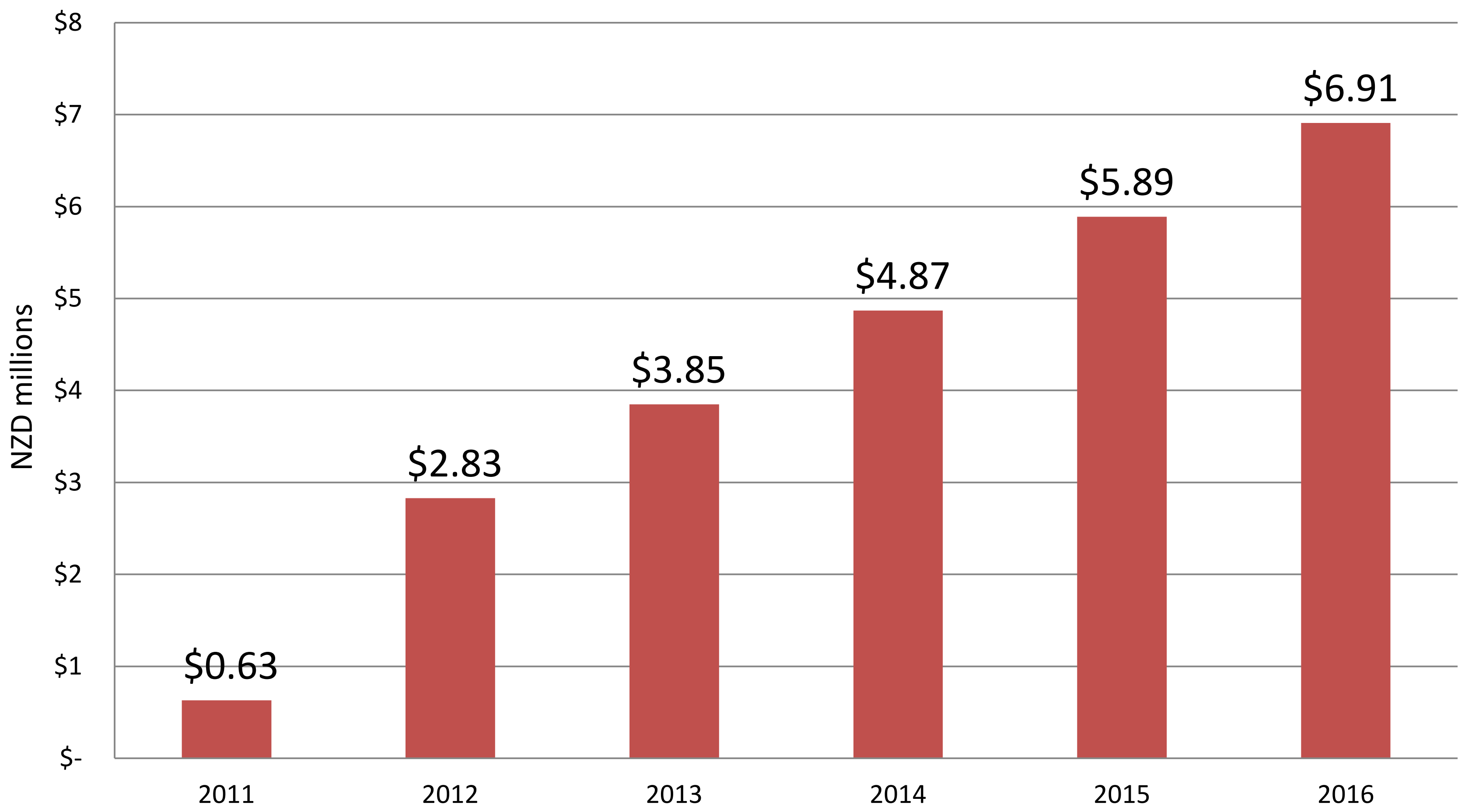
Note: 2012 figure for NZ includes mobile.

online video ad revenue projected to double in next 4 years



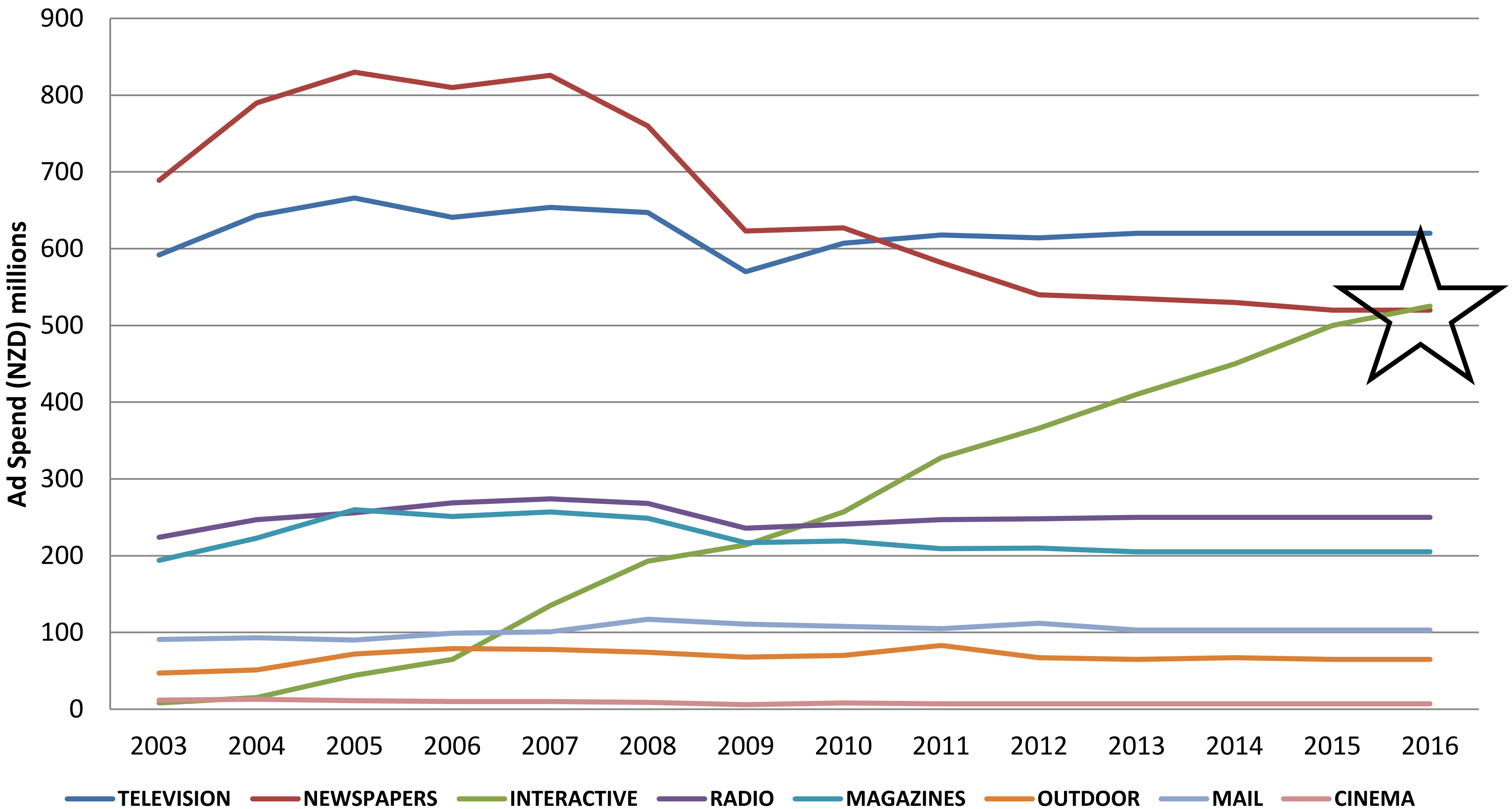
source: IAB Q1 2013

mobile advertising will triple in the next few years...



source: IAB Q1 2013

online advertising will overtake Newspapers in 2016



source: ZenithOptimedia/ASA/IABNZ

contacts

Project Manager
Alisa Higgins, General Manager
Mobile: +64-21-296-9646
Email: alisa.higgins@iab.org.nz

Project Sponsor
Chris Perree, Partner
Mobile: +64-21-358 004
Email: chris.perree@nz.pwc.com

Project Manager
Wilson Kuah, Senior Associate
Mobile: +64-21-041 4935
Email: wilson.s.kuah@nz.pwc.com

Project Analysts
Nerissa Duncan, Senior Associate
Email: nerissa.u.duncan@nz.pwc.com

Alice Sung, Associate
Email: alice.e.sung@nz.pwc.com

iab.nz
interactive advertising bureau

ABOUT WWW.IAB.ORG.NZ

VISION

Interactive advertising to become **NZ's largest & most effective** advertising medium

MISSION

Increase share of total ad spend to **25%** by 2015

STRATEGY STATEMENT

Grow our industry by providing sound GOVERNANCE, supporting the continuous improvement of digital MEASUREMENT and actively MARKETING the value of digital advertising across all SCREENS

OBJECTIVE 01
MARKETING
GROW
share of online ad spend to **25%** by the end of 2015

OBJECTIVE 02
GOVERNANCE
CREATE
IAB Code of Practise and Online Behavioural Advertising (OBA) Guidelines

OBJECTIVE 03
SCREENS
DRIVE
the growth of advertising across all mobile devices

OBJECTIVE 04
MEASUREMENT
CREATE
guidelines to allow the development of brand-building digital metrics and cross-platform measurement solutions

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