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Digital Adspend in Europe: data, issues and questions

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AGENDA

- AdEx H1 ’16
- Issues of metrics
- Emerging questions in Digital

A meta analysis of online ad spend in Europe

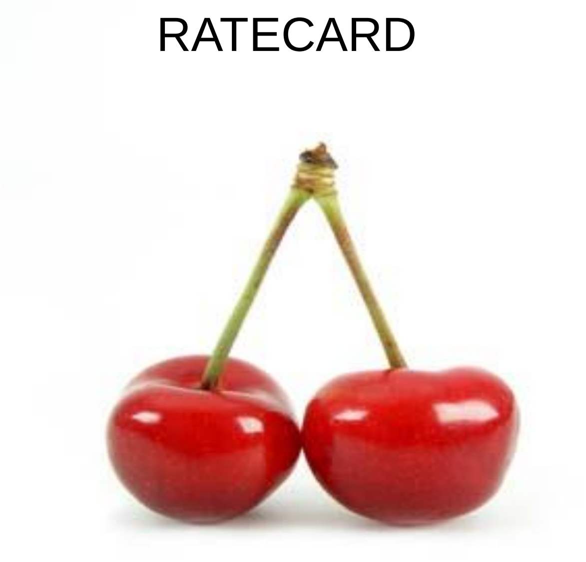
GROSS

Revenue Billed

NET

Revenue Billed
No Agency commissions

RATECARD



Campaigns x
Ratecard

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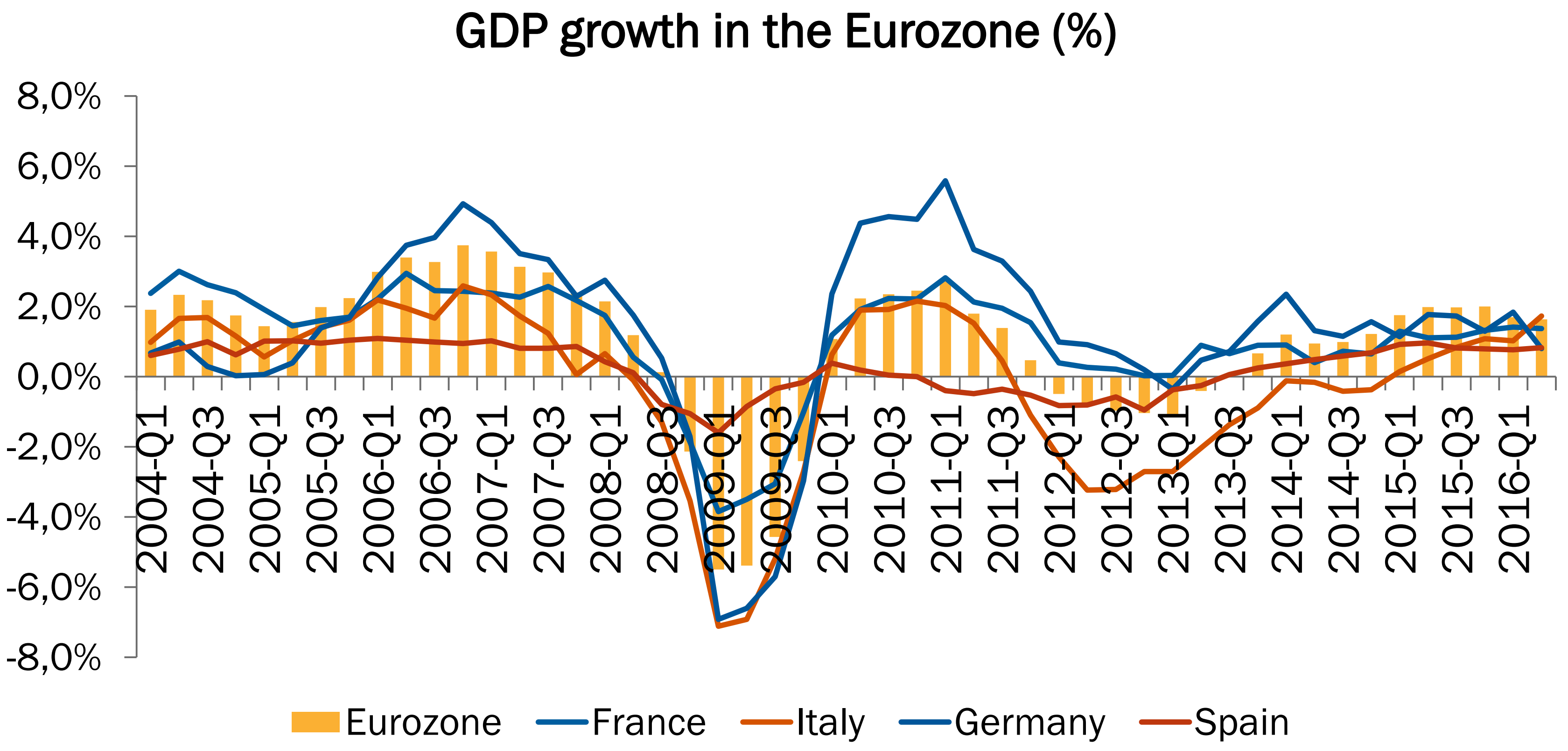
Data for 27 countries in Europe

- Austria
- Belarus
- Belgium
- 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

The value of online advertising in H1 2016

€18.6bn

GDP growth across Europe underpins a strong online advertising market in 2016



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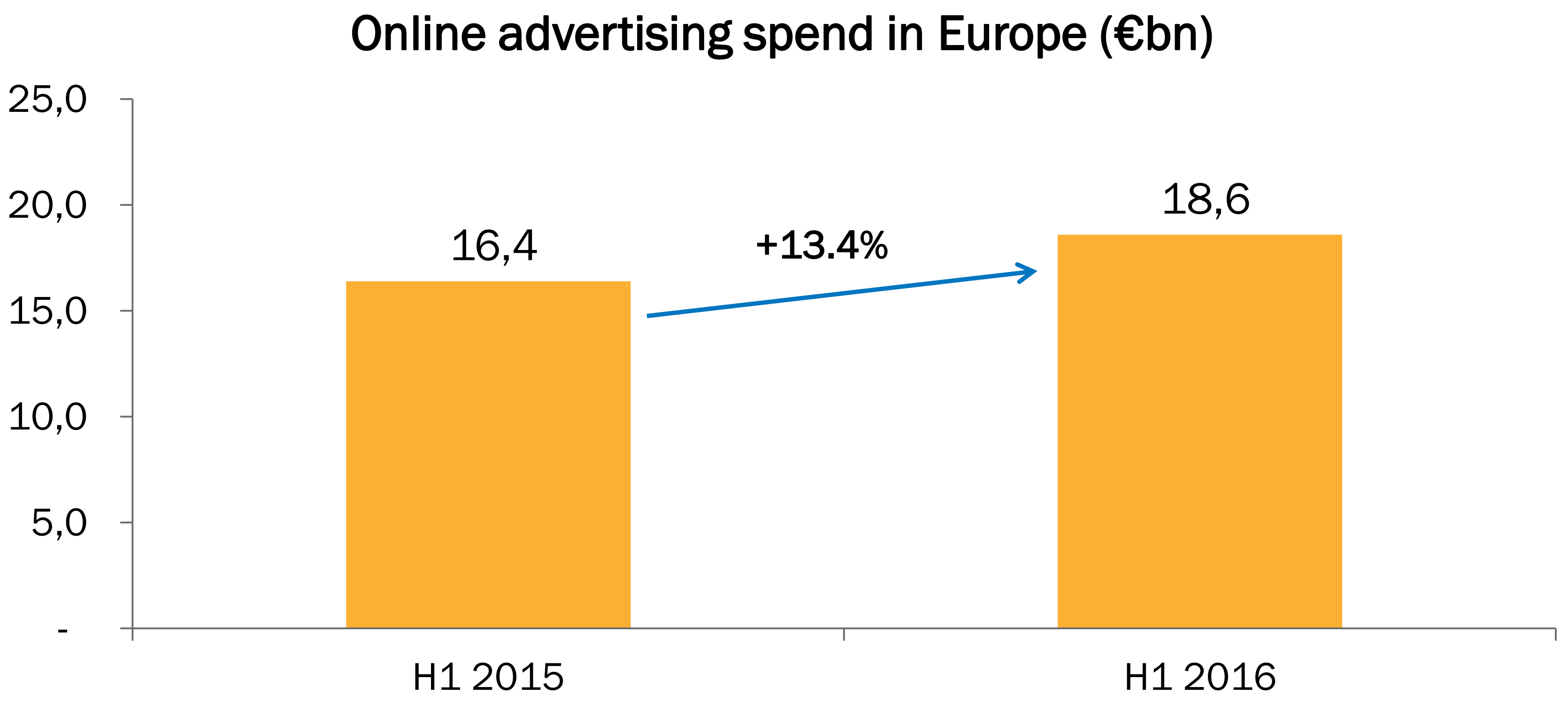
Online advertising up 13.4% year-on-year in H1 2016



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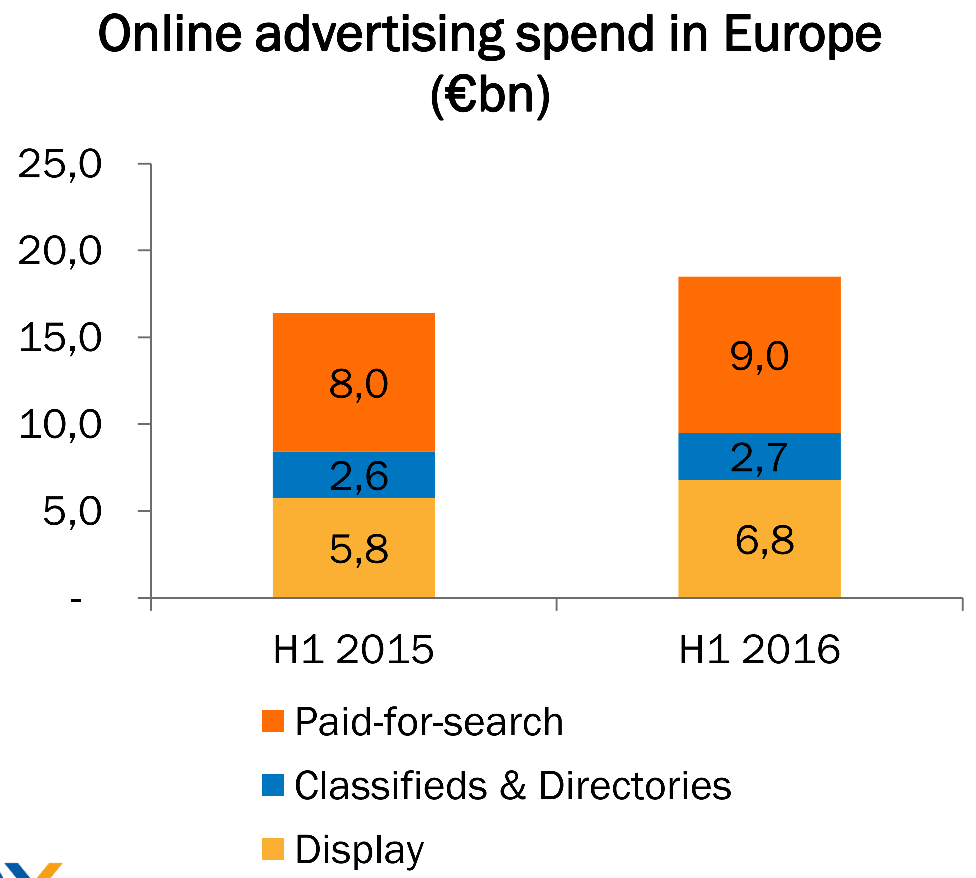
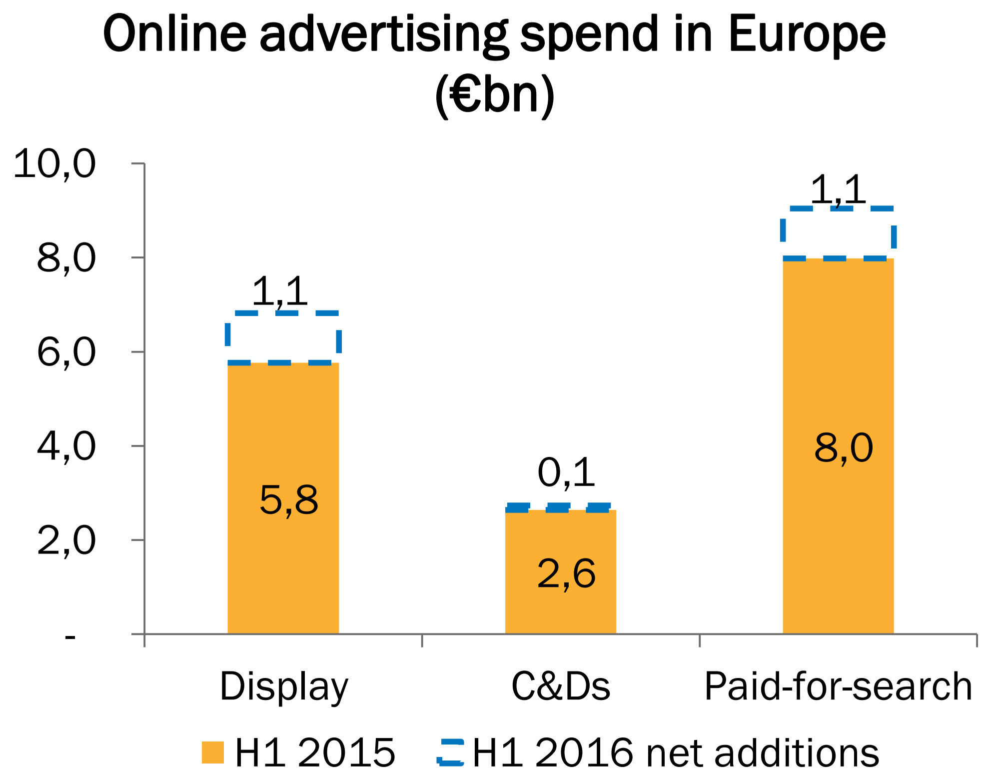
All formats noted increases in H1 2016 again





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Mobile was the key driver of growth across formats in H1 2016

18.2%
Display

3.5%
Classifieds & Directories

13.3%
Paid-for-search

46.0%
Video

61.3%
Mobile display

57.3%
Mobile search

11.7%
Non-video display

6.2%
Desktop display

2.1%
Desktop search

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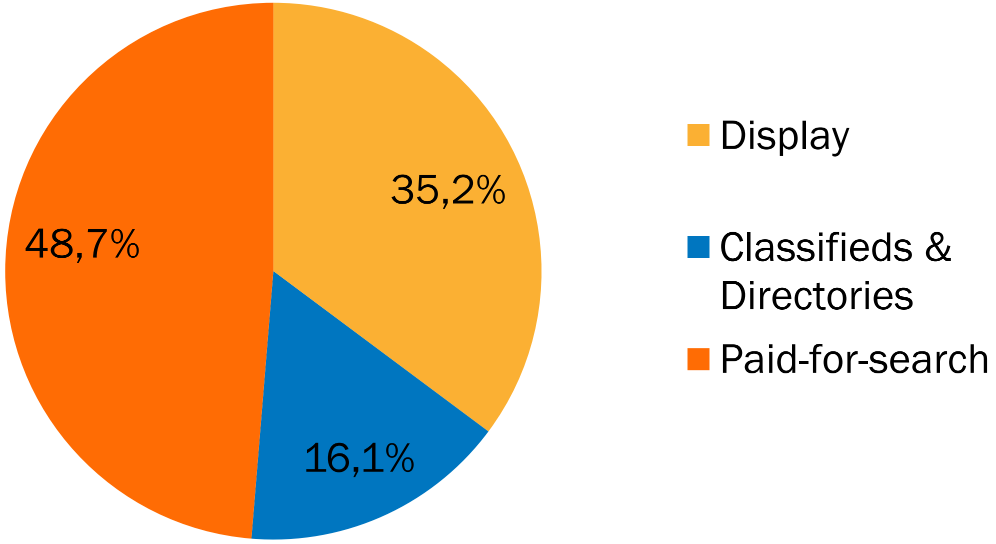
Europe: H1 2016 snapshot

	H1 2015 (€bn)	H1 2016 (€bn)	Growth (yoy %)	Share (%)
Display	5.8bn	6.8bn	18.2%	36.7%
of which video	1.1bn	1.6bn	46.0%	8.5%*
of which mobile	1.2bn	1.9bn	61.3%	10.9%*
Classifieds & Directories	2.6bn	2.7bn	3.5%	14.7%
Paid-for-search	8.0bn	9.0bn	13.3%	48.6%
of which mobile	1.2bn	1.9bn	57.3%	12.2%*
Total	**16.6bn**	**18.6bn**	**13.4%**	**100%**

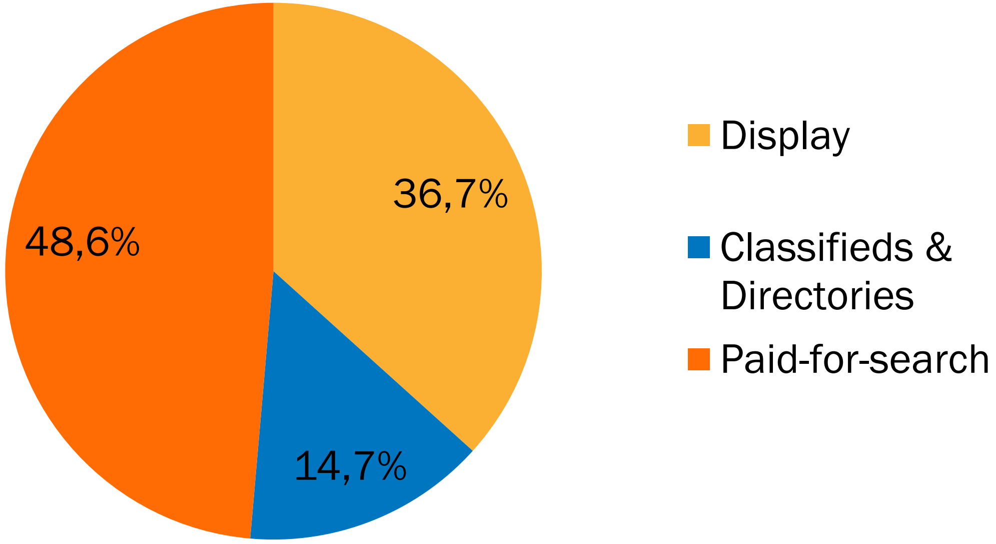
**The share is calculated excluding countries who didn't report video or mobile*

Display increased its share in H1 2016 at the expense of Paid-for-search and Classifieds & Directories

Online advertising spend in Europe (H1 2015)



Online advertising spend in Europe (H1 2016)



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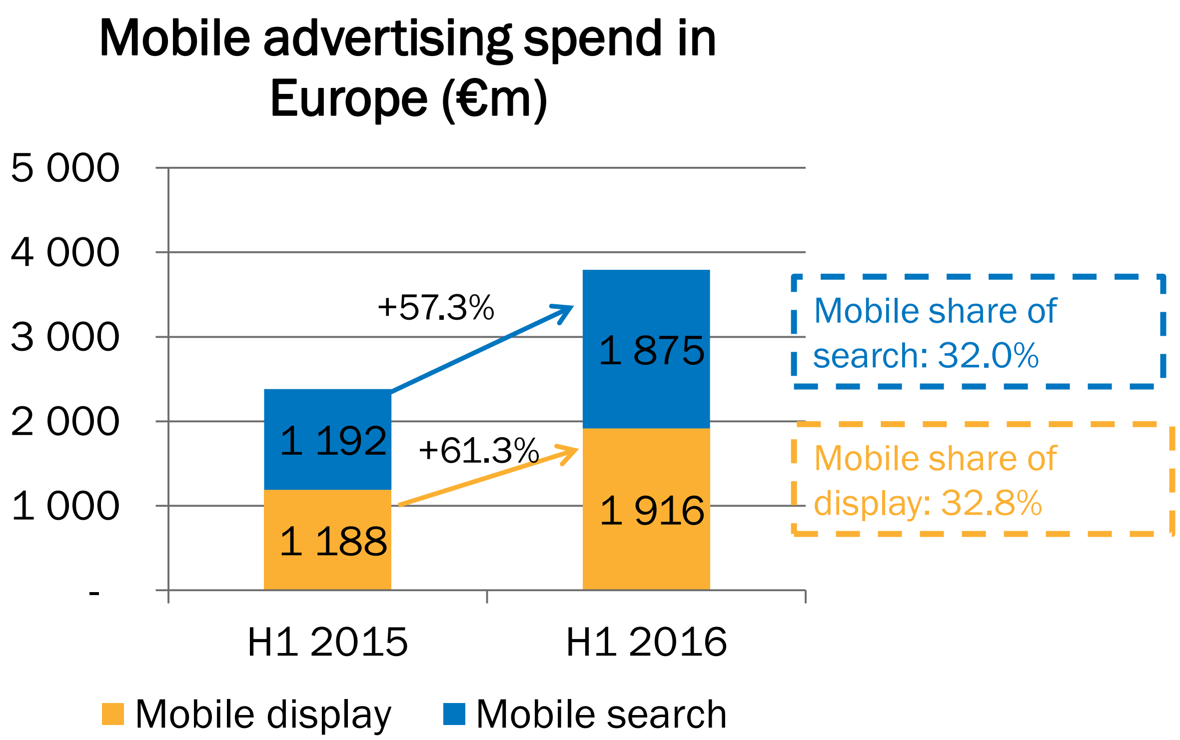
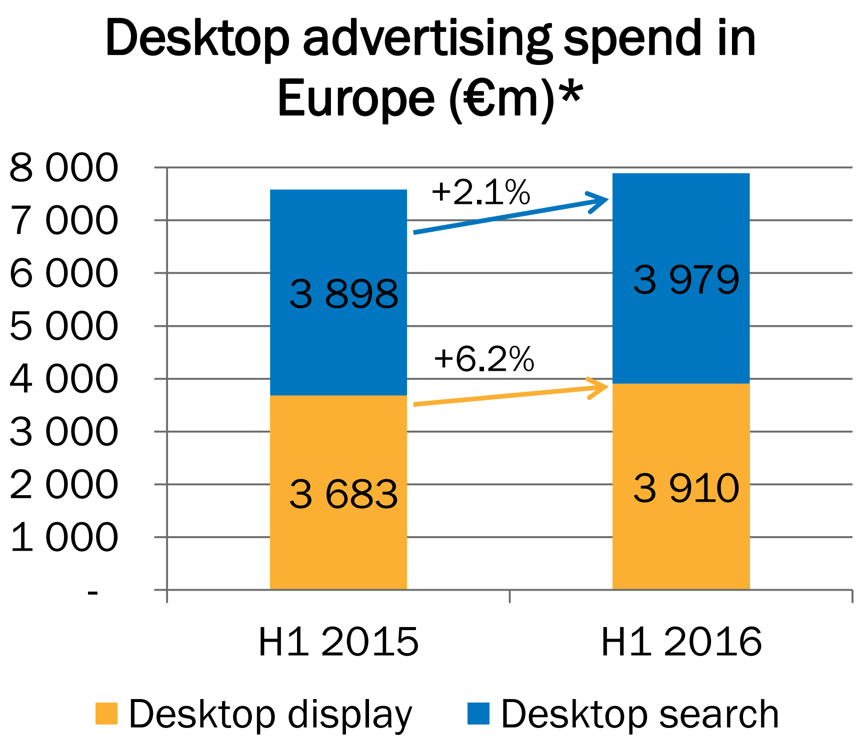
Mobile advertising amounted to €3.8bn in H1 2016, split evenly between search and display





*The value is calculated excluding countries who didn't report mobile

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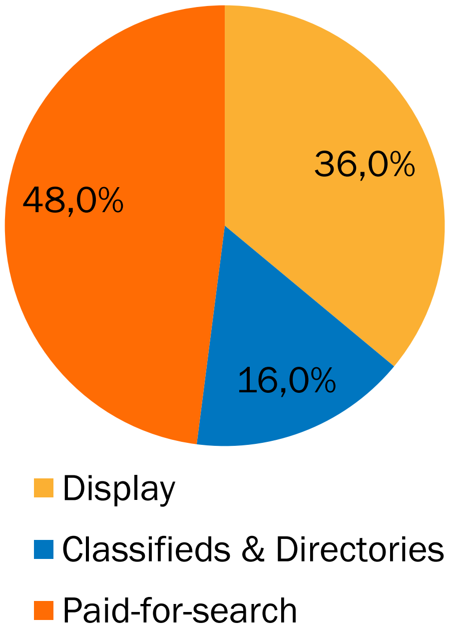
Western Europe: H1 2016 snapshot

WE: Online advertising spend in H1 2016



	H1 2015 (€bn)	H1 2016 (€bn)	Growth (yoy %)	Share (%)
Display	5.0bn	5.9bn	17.0%	36.0%
of which video	1.0bn	1.4bn	48.2%	8.8%*
of which mobile	1.1bn	1.8bn	58.3%	11.3%*
Classifieds & Directories	2.5bn	2.6bn	3.3%	16.0%
Paid-for-search	6.9bn	7.9bn	13.8%	48.0%
of which mobile	1.0bn	1.6bn	58.6%	11.8%*
Total	**14.5bn**	**16.4bn**	**13.1%**	**100%**

**The share is calculated excluding countries who didn't report video or mobile*

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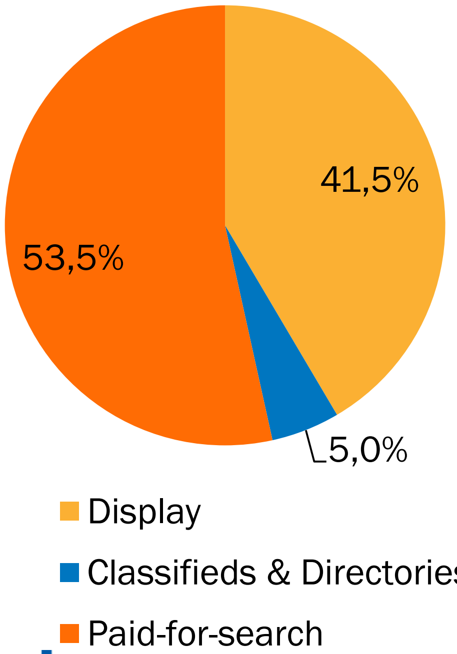
Central and Eastern Europe: H1 2016 snapshot

CEE: Online advertising spend in H1 2016



	H1 2015 (€bn)	H1 2016 (€bn)	Growth (yoy %)	Share (%)
Display	0.7bn	0.9bn	27.1%	41.5%
of which video	0.1bn	0.1bn	26.0%	6.5%*
of which mobile	0.07bn	0.2bn	103.9%	8.0%*
Classifieds & Directories	0.1bn	0.1bn	8.4%	5.0%
Paid-for-search	1.1bn	1.2bn	9.6%	53.5%
of which mobile	0.2bn	0.3bn	50.5%	14.6%*
Total	**1.9bn**	**2.2bn**	**16.2%**	**100%**

**The share is calculated excluding countries who didn't report video or mobile*

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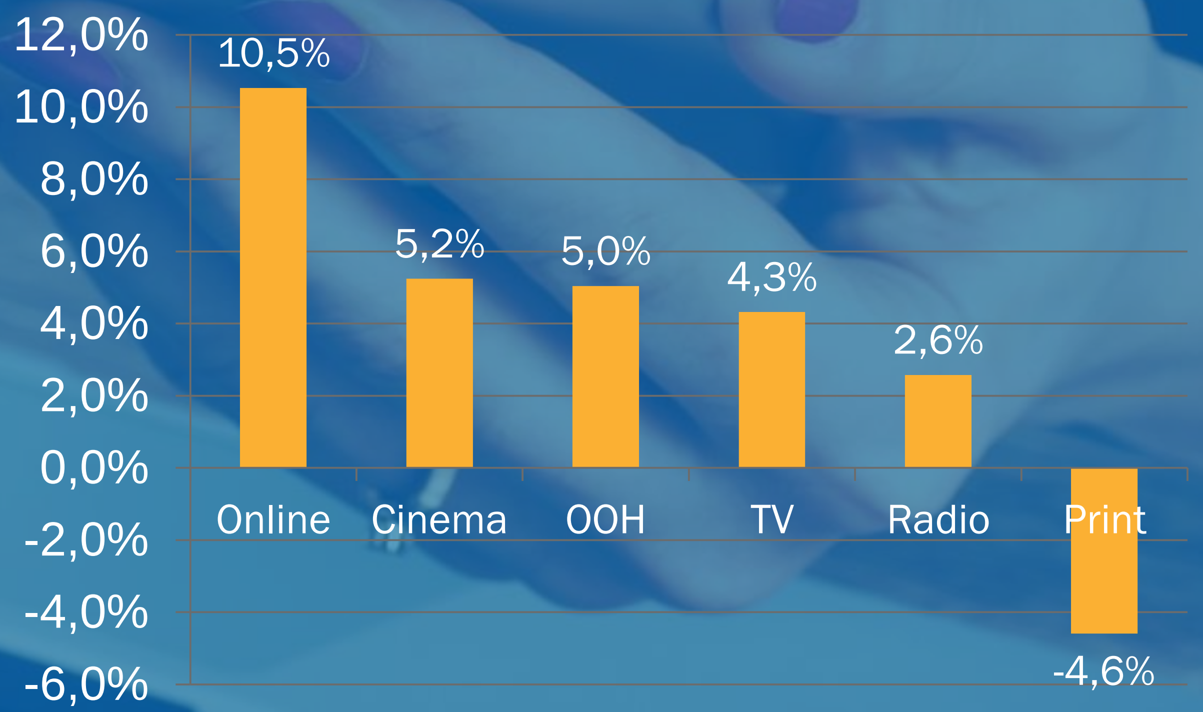
Outlook for 2016

Drivers
- Favourable economic forecasts
- Large-scale sporting events:
  - Euro 2016
  - Rio Olympics
- Growth of video, facilitating the move of TV brand budgets online
- New native ad formats

Hurdles
- Tough comparatives (especially in H2 2016)
- Complexity of devices, platforms, behaviours
- No universal digital currency
- Duplication & fragmentation of ad tech infrastructure

Media ad spend growth in 2016 (%)



Source: IHS Markit

The extrapolation trap :

“ Thus, in the future, all advertising will be in video form, displayed in ‘native’ manner, purchased programmatically, distributed to social media platforms and viewed on a mobile device.”

KPIs & Metrics: From quantity to quality

- **Viewability** : the fight for standards and the 70% compromise. The same rules may not apply to Video/banner and desktop/mobile.

- **Ad Fraud** : filtering out non-human traffic. Will detection technology ever reach 100%?

- **Clutter** : defending share of voice by identifying number of ad placements per screen / page. Increasingly critical parameter as viewability demands increase risk.

- **Brand safety** : ensuring appropriate or ideal context for ads to be served. Issue is a byproduct of Programmatic, particularly in open marketplaces. Do scale and safety match?

- **Ad Blocking** : developing standards for 'user friendly' (light, non-intrusive etc) advertising to halt and ultimately reverse a growing trend.

The big Questions : the next 18 months

- **Cross platform unique ID** : the major advantage of Platforms, i.e. registered, profiled users at superior scale. How is this shaping the market and how can publishers respond?

- **The Holy Grail of the eGRP** : possibly in the next 12-18 months, leading in an accelerated migration of video advertising from TV to Digital.

- **The mobile evolution** : the influence of Platforms leads to an app-led, closed ecosystem – especially when in-app advertising matures.

- **(Re)defining native advertising** – and its metrics : premium native doesn't (really) scale, performance native is commoditized. Aims and metrics diverge: branding vs response, engagement vs CTR.

- **Publishers' business model** : the necessity for (a) paid content (b) upmarket advertising positioning and (c) new revenue streams (e-commerce, agency services etc).

Thank you for your attention!

Q&A

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