

2005: Online adspend passes the £1bn landmark

With the publication of the industry's tracking study by the IAB and PricewaterhouseCoopers, online advertising again shows strong growth. In 2005, the market was worth £1,366.4m, up 65.6% on the previous year. Taking a 7.8% share of all UK adspend, online advertising continues to be the fastest growing advertising medium in history.

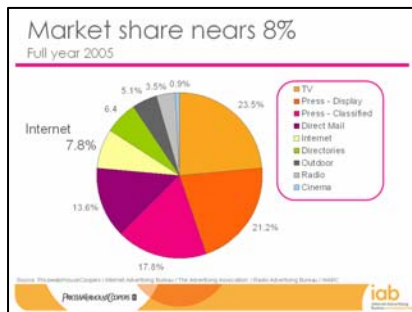
Introduction

These are the IAB's advertising spend figures showing details for the full year 2005. The topline figures were fantastic news; they show the industry is building on the strong growth of 2004.

This tracking study, dating back to 1997, represents the official industry figures and acts as the barometer for the health of the market.

Total market size 2005

- **Record spend:** Online adspend during 2005 reached £1,366.4m - £735.9m was spent in the 2nd half of the year, up by 16.7% from the £630.5m spent in the first six months.
- **Growth:** Spending on internet advertising grew by 65.6% year on year. This was at a time when the advertising industry as a whole only managed growth of 2.5%.
- **Market share:** Online's share has grown to 7.8% for the full year, in fact in the second half of the year it accounted for 8.4% of the market.



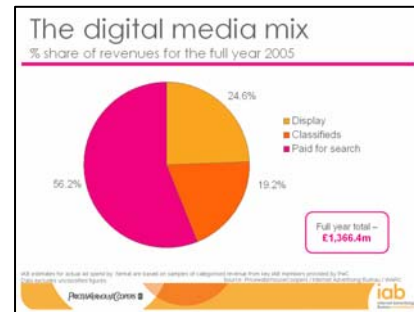
Growth in context

- Internet advertising has grown faster than any other mainstream advertising medium.
- The whole of the UK advertising market grew by just 2.5% year on year in 2005 – a jump of £429.2m.
- Online grew by £541.3m, meaning that the rest of the advertising market actually declined.
- Following online's growth of 65.6%, outdoor & transport was the next fastest growing medium at a comparatively modest 5.8%.

Advertising formats

The online industry has experienced strong growth across all advertising formats.

- **Display:** Display advertising accounted for 24.6% of online advertising during 2005. With £335.9m spent across all display formats over the year.
- **Search:** Paid for listings maintained its position as the largest single format with a 56.2% share of the market. £768.3m was spent on search across the year.
- **Classifieds:** Accounting for 19.2% of the market, classifieds continue their strong growth to £262.2m.



Analysis

The IAB is tracking dozens of drivers that are accelerating the market growth. Among them, the key catalysts include:

- **Broadband:** With over 70% of home internet users now accessing through a high speed connection, advertisers are following their consumers online.
- **Engaging creative:** More advertisers using video streaming, animation, personalisation and interactive formats, gaining consumers' interest through engagement rather than intrusion.
- **Online retail boom:** UK consumers spent £19.2bn online in 2005, 32% more than in 2004. Today's consumer has very little time to visit the high street and so is going online. Advertisers are realising the importance of targeting consumers at the very time they are most focused on making a purchase.
- **Rising profile of the online medium:** The proliferation of user-generated content such as community websites and podcasts has served to enhance the internet's profile. At the start of 2005 the IAB repositioned itself as a service for advertisers, and since then has focused its efforts on educating brand owners to the full potential of the medium. The astounding growth of internet adspend reflects the confidence that advertisers now have in online.
- **The growth of search and the online audience:** There are now 29.8m people online, using search to research items of interest as well as products and services. As the online audience grows so does the volume of searches and advertisers are increasingly tapping into this revenue stream.

Further information

A full presentation of the results, including industry breakdowns, is available for free to IAB members and study participants. This can be accessed on the Knowledge Bank section of the IAB website or by emailing us at info@iabuk.net.

Non-members can obtain a pdf copy of the full results for a charge of £200+vat. Email info@iabuk.net, or call 020 7886 8282 to get your copy.