

2006: Internet Advertising worth over £2 billion.

The IAB Online Adspend Study, conducted in partnership with PricewaterhouseCoopers, again confirms the confidence that advertisers hold in the internet's ability to deliver on their marketing objectives. In 2006, the market was worth £2,015.8bn, up 41.6% on the previous year. With its market share reaching 11.4%, online maintained its strong growth in what is an otherwise depressed advertising market.

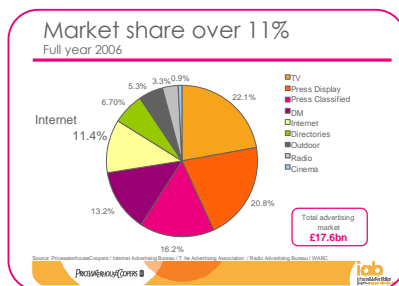
Introduction

These are the topline findings from the IAB Online Adspend Study showing details for the full year 2006. The topline figures were fantastic news, confirming that more and more advertisers are continuing to realise the importance of online advertising to their marketing communications.

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

Total market size – Jan-Dec 2006

- **Record spend:** Online adspend in 2006 hit over the £2 billion mark at £2,015.8bn.
- **Growth:** Spending on internet advertising grew by 41.6% year-on-year on a like-for-like basis. This was at a time when the advertising industry as a whole only managed growth of 1.1%.
- **Market share:** Online's share has grown to 11.4% for the whole of 2006, up from 7.8% for 2005.



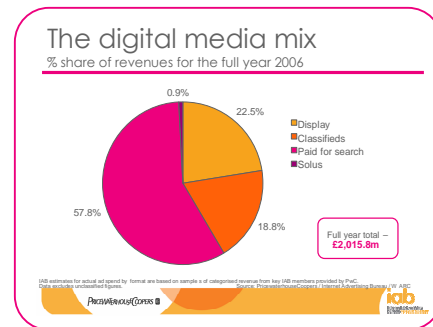
Growth in context

- Internet advertising has grown faster than any other mainstream advertising medium.
- The UK advertising market as a whole grew by just 1.1% year-on-year – a jump of only £183.3m
- Online grew by £649.4m, meaning that the rest of the advertising market actually declined. Press, TV, Radio, Cinema and Direct Mail all experienced falling revenues.
- Following online's growth of 41.6%, Outdoor was the next fastest growing medium at 4%.

Advertising formats

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

- **Display:** Display advertising accounted for 22.5% of online advertising during 2006 with £453.7m spent across all display formats throughout 2006.
- **Search:** Paid for listings maintained its position as the largest single format with a 57.8% share of the market. £1,165.6m was spent on search in 2006.
- **Classifieds:** Accounting for 18.8% of the market, classifieds continue their strong growth to £379m.
- **Solus Email:** Still a fairly new category to the IAB Online Adspend Study, with £17.5m being spent by advertisers, accounting for 0.9% of the market.



Analysis

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

- **Broadband:** 10.2 million British households are now using broadband. With more than 89% of home internet users now accessing through a high-speed connection, advertisers are able to deliver far more creative and engaging communications.
- **Media consumed:** On average 25% of internet users' media day is spent online largely thanks to the booming proliferation of broadband, and this means that the internet has overtaken radio as the second most consumed medium after TV.
- **Online retail surge:** According to the Interactive Media in Retail Group (IMRG), online retail spend increased by 57.3% year-on-year to £30.2 billion in 2006. 3 in 4 internet users shop online and online shoppers buy an average of 5.8 items. Furthermore, on average internet shoppers spend £200 per month (NOP IUPS June 2006)
- **The power of online video:** Faster, cheaper broadband means marketers are increasingly experimenting with video and more engaging, creative advertising or rich media (graphics, audio, video or animation) adverts. These advertisers recognise that video is a catalyst for staying online for longer and that advertising awareness more than doubles when video ads are employed (source: Dynamic Logic)
- **New online ad formats:** During the past 18 months, user-generated content and social networking websites have opened up the internet to a new generation. As advertisers realise that mass audiences are uploading their own pictures, videos and blogs instead of consuming traditional media, they are discovering new ways to engage consumers through in-game advertising and media or entertainment sites.

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 PowerPoint copy of the full results for a charge of £249+vat. Email info@iabuk.net, or call 020 7886 8282 to get your copy