

H1 2008: Internet Advertising worth almost £1.7 billion.

The IAB Online Adspend Study, conducted in partnership with PricewaterhouseCoopers, continues to confirm the confidence that advertisers hold in the internet's ability to deliver on their marketing objectives – this being in a difficult climate across the first six months of 2008. In H1 2008, the market was worth £1,669.6m, up 21%, on a like for like basis, on the previous year. With its market share reaching 18.7%, online maintained its strong growth compared to the rest of the advertising market.

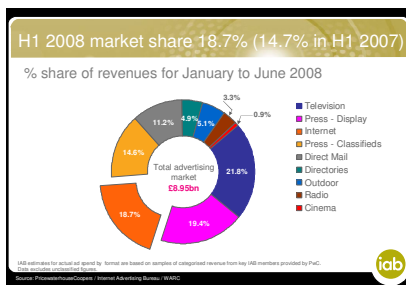
Introduction

These are the topline findings from the IAB Online Adspend Study showing details for the first 6 months of 2008. The topline figures were reassuring news, confirming that advertisers are continuing to realise the importance of online advertising to their marketing communications in what has been a difficult marketplace.

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-June 2008

- **Record spend:** Online adspend in H1 2008 came in at almost the £1.7 billion mark at £1,669.6m.
- **Growth:** Spending on internet advertising grew by 21% year-on-year on a like-for-like basis. The advertising industry as a whole was flat at 0.3%.
- **Market share:** Online's share has grown to 18.7% for H1 2008, up from 14.7% for H1 2007.



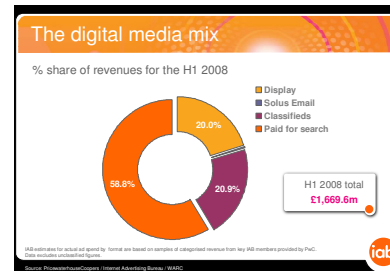
Growth in context

- Internet advertising has grown faster than any other mainstream advertising medium.
- The UK advertising market as a whole was flat at 0.3% year-on-year. Online on its own grew by £335.3m.
- All advertising markets experienced decline except for cinema and online.
- Following online's growth of 21%, Cinema was the next fastest growing medium at 12%.

Advertising formats

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

- **Display:** Display advertising accounted for 20% of online advertising during H1 2008 with £333.9m spent across all display formats throughout Jan-June 2008.
- **Search:** Paid-for listings maintained its position as the largest single format with a 58.8% share of the market. £981.4m was spent on search in H1 2008.
- **Classifieds:** Accounting for 20.9% of the market, classifieds continue their strong growth to £348.2m.
- **Solus Email:** Still a relatively new category to the IAB Online Adspend Study, with £6.1m being spent by advertisers, accounting for 0.4% of the market.



Analysis

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

Online audience: There are 31.6 million people now online in the UK (Source: BMRB Internet Monitor May 2008). The online population now reflects the demographic make-up of the UK as a whole, with a 52%/48% male/female split. 21% of internet users are 25 to 34 years and at the other end of the spectrum, the over 50s now represent 30% of total time spend online. The internet remains ahead of radio as the second most consumed medium after TV.

Digital technology: 3G 'dongles', wireless and laptops are no longer a luxury item or confined to business. Mobile network '3' sells more 3G dongles than mobile phones, T-Mobile offers a £10 per month 3G dongle, which coupled with a powerful cheap laptop, perhaps given away free by AOL or Carphone Warehouse, substitutes for a traditional broadband contract on a fixed-based PC. The number of 3G connections (including mobile broadband connections) in the UK increased by 60% during 2007 to reach 12.5 million by the end of the year, amounting to 17% of all mobile connections (source: Ofcom). More machines mean more people, more eyeballs, more impressions, and so more advertising.

Catch up TV: Launch of services such as BBC iPlayer and Channel 4's 4oD are breaking the barrier between video entertainment and the internet as a communications or shopping tool. More online familiarity means more time online, again attracting more advertisers.

Broadband: Broadband penetration is now 92% of the online population. It is therefore no longer about whether a consumer is on broadband, but rather how fast their connection speed is. 70% of UK broadband users have a greater than 2mb connection speed. This compares to 47% the same time last year (May 08 vs May 07). Furthermore, almost half of broadband users have used a wireless connection in the last month.

Social networking websites: While not a major driver of online advertising expenditure, social networking sites generate higher consumer demand for fast broadband, increasing time spent online and boosting overall consumer confidence in the online experience. This is likely to increase advertiser interest in the medium and lead to a continued growth in advertising expenditure for years to come.

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 in the Research 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 £300+vat. Email info@iabuk.net, or call 020 050 6969 to get your copy

Internet Advertising Bureau

Fact Sheet: Online adspend – H1 2008

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