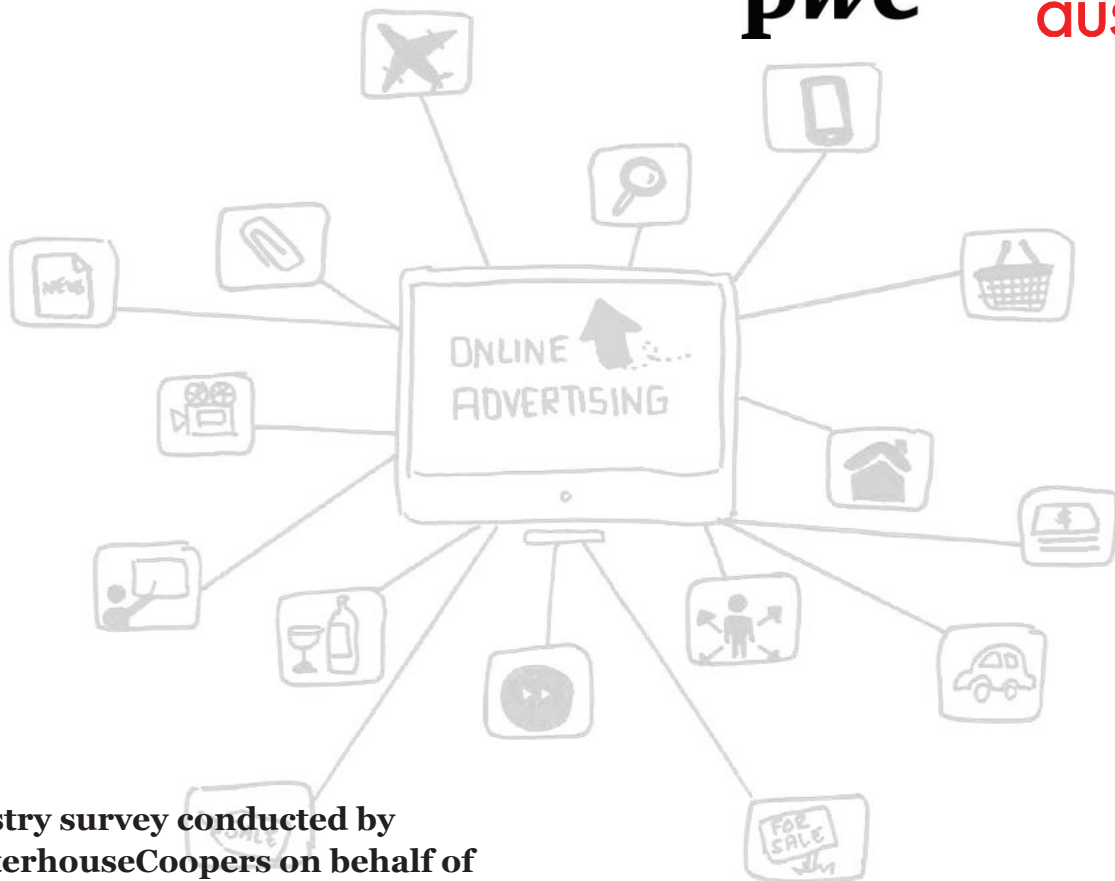


PricewaterhouseCoopers *IAB Online Advertising Expenditure Report*

Quarter ended 30 September 2013
Report released: 18 November 2013



An industry survey conducted by
PricewaterhouseCoopers on behalf of
the Interactive Advertising Bureau
Australia

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Background

Welcome to the IAB Online Advertising Expenditure Report (OAER or Report). This September Qtr 2013 report of online advertising expenditure in the Australian marketplace has been prepared by PricewaterhouseCoopers (PwC) on behalf of the Interactive Advertising Bureau Australia (IAB).

This Report has been prepared under the “New Approach” introduced in the June Qtr 2012 OAER. In summary, the data collected from industry participants has been supplemented by:

- Estimates for Google display, video, and mobile advertising as well as estimates for Facebook display and mobile advertising
- Refinement of prior methodology used for estimating Google search; and
- Historical mobile advertising data collected from industry participants from March Qtr 2011 and combined with estimated Google mobile advertising, to provide a picture of the aggregated mobile advertising market and the growth trends.

Comparative data for the period from September Qtr 2010 has been restated to be consistent with the above methodology changes.

From time to time, estimated expenditures are updated as new information and data sources become available. This may cause a series break in the data and should be taken into account when considering historical trends.

About the IAB Online Advertising Expenditure Report

The OAER provides an opportunity for stakeholders interested in the size of the online advertising market to access independently collated data about the state of online advertising expenditure in Australia. The online advertising markets reported in the OAER comprise expenditure on General Display advertising, Classifieds advertising, Search and Directories advertising and Mobile advertising.

Data and information reported directly to PwC by online advertisement selling companies representing over 1,000 web sites has been aggregated in this Report and is the only online industry sponsored and supported measurement of online advertising expenditure in Australia.

The survey is conducted and this report is prepared independently by PwC on behalf of the IAB; only aggregate results are published. PwC does not audit the information and provides no opinion or other form of assurance with respect to the information. Certain checks of submitted data are made – refer to the Report Scope, Methodology and Format section of Appendix B for more information. Individual company information is held in strict confidence with PricewaterhouseCoopers. Further details regarding scope and methodology are provided in the Report Scope, Methodology and Format section of Appendix B to this Report.

The list of contributors is disclosed in the Appendix.



David Wiadrowski
Partner
PricewaterhouseCoopers
18 November 2013

The Quarter at a Glance

Quarterly online advertising expenditure exceeded \$1 billion for the first time in the September Qtr 2013

Figure 1: Online advertising expenditure compared to prior comparative quarter (September Qtr 2012)

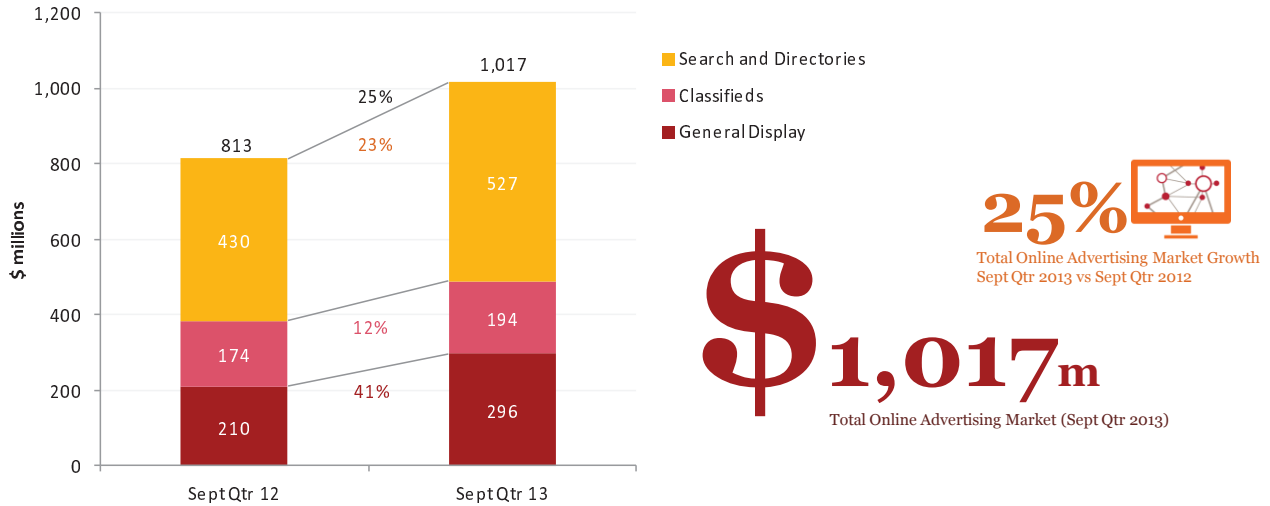
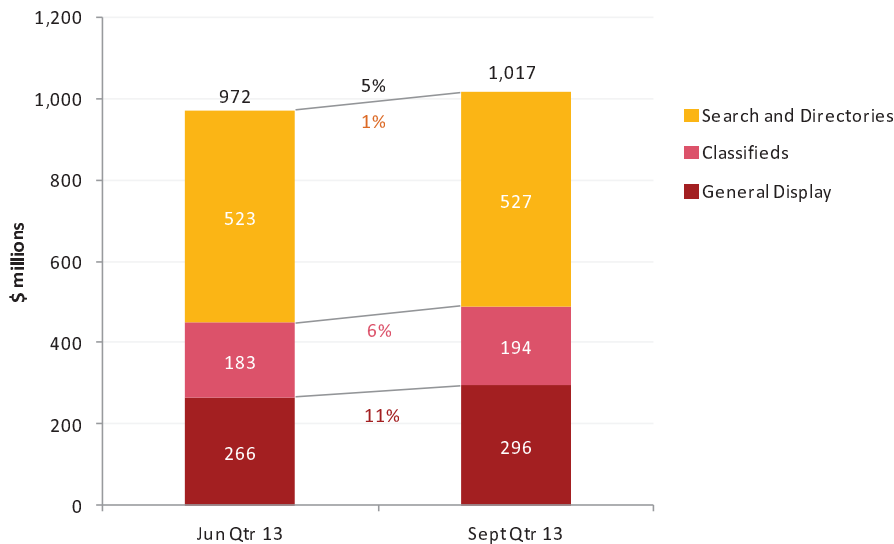


Figure 2: Online advertising expenditure compared to immediate prior quarter (June Qtr 2013)



Executive Summary

Key trends in the September Qtr 2013

Quarterly online advertising expenditure exceeded \$1 billion for the first time in the September Qtr 2013

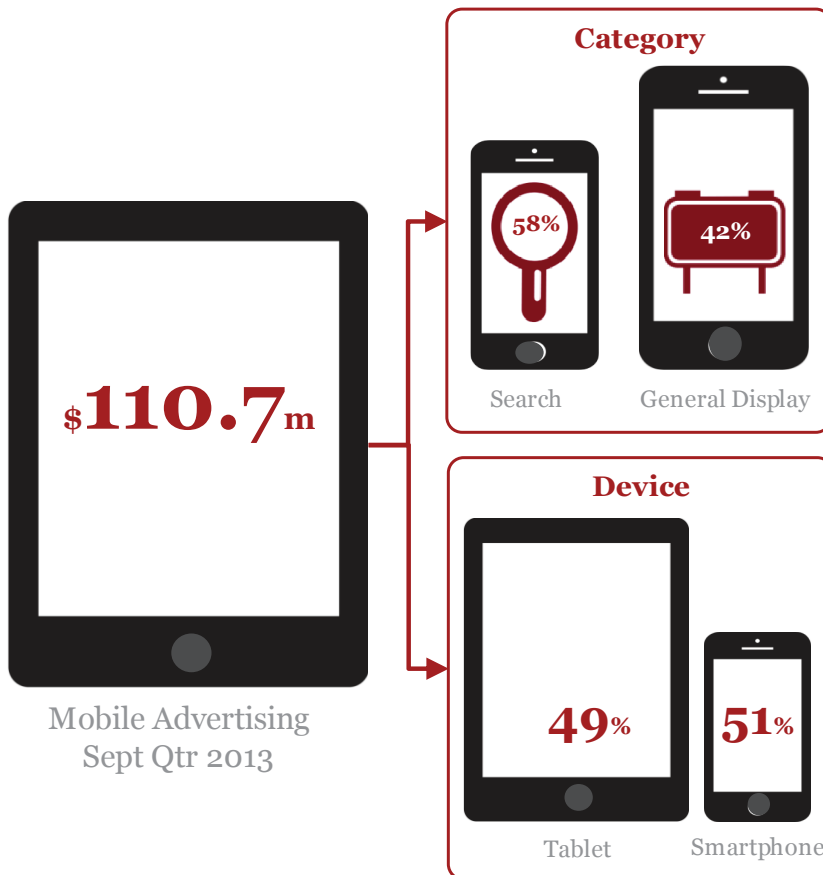
Online advertising expenditure reached a record high of \$1,016.7m in the September Qtr 2013. This represented growth of 4.6% compared to the prior quarter and 25.0% compared to the same quarter in 2012. Year on year growth in the September Qtr 2013 was relatively higher than previous years due to the weak September quarter experienced in 2012.

Mobile advertising expenditure represented 11% of total online advertising expenditure

In the September Qtr 2013, Mobile Advertising expenditure was \$110.7m of which 58.4% was Search and 41.6% was General Display. Device category shares were relatively equal with smartphones at 51.4% and tablets at 48.6%.

From time to time, estimated revenues are updated as new information and data sources become available. Quarter on quarter and year on year changes are not applicable for this period due to a break in the data series resulting from the availability of new sources of data used in the estimation of Facebook and Google mobile revenues. However, this does not affect data reported at the aggregate General Display, Search and Directories, and Classifieds level (i.e the overall market).

Figure 3: Mobile category and device shares, September Qtr 2013



Consumer usage of mobile devices is enjoying healthy growth globally and Australia is no exception. However, online advertising revenue still lags consumer usage considerably. Around 39% of Average Daily Unique Browsers came from a smartphone or tablet device in the September Qtr 2013, and the longer term trend has been increasing mobile traffic.¹ Around 11% of online advertising expenditure was attributed to mobile devices in the same period.

Video advertising more than doubled year on year while email advertising fell to a record low

Video display advertising for the September Qtr 2013 was \$43.1m or 14.6% of total General Display advertising expenditure. This was an increase of \$7.4m (or 20.7%) on the June Qtr 2013 and double video advertising expenditure in the September Qtr 2012.

Email display advertising continued to trend downwards in the September Qtr 2013 with email advertising expenditure falling to a record quarterly low of \$2.1m. Expenditure fell 52.8% compared to the June Qtr 2013 and fell 63.0% compared to the September Qtr 2012.



Real Estate advertising gains momentum as the property market rebounds

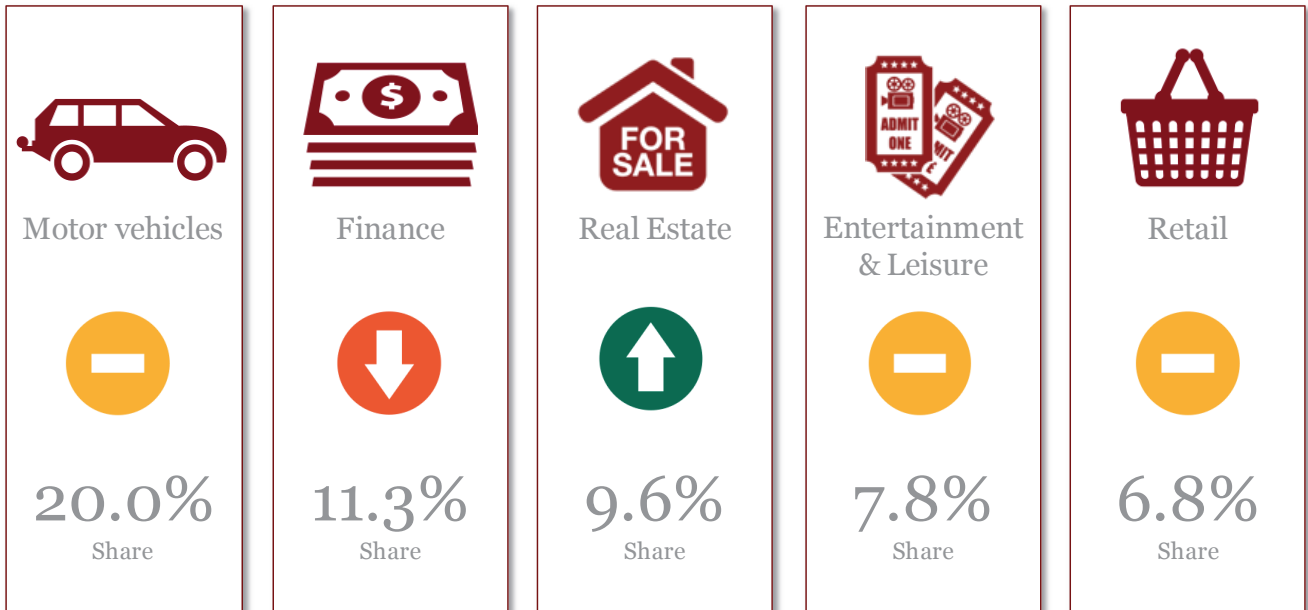
The Real Estate category share increased to 9.6% in the September Qtr 2013, an increase from 7.7% in the prior quarter and 8.8% in the September Qtr 2012. The Australian Bureau of Statistics' latest House Price Indexes release points to a relatively healthy property market, with the eight capital city weighted average house price growth totalling 7.6% over the last year.²

¹ Nielsen, *The Australian Online Landscape Review*, July 2013, August 2013 and September 2013

² Australian Bureau of Statistics, *Cat. No. 6416.0 – House Price Indexes: Eight Capital Cities, Sep 2013*, Media Release, 4 November 2013

Finance industry category share fell year on year while the category share of the other three major industry categories was relatively stable (**Figure 4**).

Figure 4: Top five industry categories by expenditure share, September Qtr 2013



Note: Arrows indicate the direction of the change in share from the prior September Qtr 2012

Government/Political category revenues double during the election period

The industry category which showed the greatest movement year on year was Government/Political online advertising which increased from 2.9% category share in the September Qtr 2012 to 5.1% in the June Qtr 2013 and 5.9% in the September Qtr 2013. This may be attributed to the increased activity in the lead up to the Australian federal election on 7 September 2013.