



## Online Advertising Expenditure Report Q3, 2012

A quarterly industry survey conducted by PwC on behalf of the Interactive Advertising Bureau New Zealand (IABNZ)

**IAB INSIGHT**



# Table of Contents

<b>Introduction</b> .....	<b>3</b>
<b>Notes on this report</b> .....	<b>3</b>
<b>Executive Summary</b> .....	<b>4</b>
<b>Adjustments and corrections</b> .....	<b>5</b>
<b>Detailed findings</b> .....	<b>6</b>
<b>Total market</b> .....	<b>6</b>
<b>Display advertising</b> .....	<b>10</b>
<b>Search &amp; Directories advertising</b> .....	<b>17</b>
<b>Classified advertising</b> .....	<b>19</b>
<b>Mobile advertising</b> .....	<b>21</b>
<b>Appendix 1 – Report scope, methodology and format</b> .....	<b>23</b>
<b>Appendix 2 – Disclaimer</b> .....	<b>27</b>
<b>Appendix 3 – The report team</b> .....	<b>28</b>
<b>Appendix 4 – Contributors</b> .....	<b>29</b>
<b>Appendix 5 – Definitions and terminology</b> .....	<b>32</b>
<b>Appendix 6 – Contacts</b> .....	<b>35</b>
<b>About IAB New Zealand</b> .....	<b>35</b>
<b>About PwC</b> .....	<b>36</b>
<b>Copyright Notice</b> .....	<b>36</b>

## Introduction

Welcome to IAB New Zealand's *Insight* report covering the calendar quarter, Q3, ended 30 September 2012 (Q3, 2012).

*IAB Insight* is an online advertising expenditure report produced by PwC on behalf of the Interactive Advertising Bureau New Zealand (IABNZ).

### Notes on this report:

- 1) Contributors are media companies that provided information and data to PwC, refer to Appendix 4 – Contributors.
- 2) All growth percentages listed in this report are “normalised” to exclude the effect of new contributors to percentage measures of industry growth and also to remove the effect of any previous contributors that have not provided figures for the current quarter. For this reason, calculating percentages based on the dollar totals listed in this report may not result in the same growth percentage figures we have listed. This is due to totals including all reported revenues, while “normalised” percentages exclude contributions from new contributors made during the comparison period and/or previous contributions made by contributors not contributing in this quarter. This approach is to ensure we provide both a true picture of industry growth and an accurate measure of total industry spend.
- 3) PwC's analysis of the data provided by contributors and preparation of this report do not constitute an audit performed in accordance with New Zealand Auditing Standards. Accordingly, PwC does not express an audit opinion or other form of assurance with respect to the information reported.
- 4) PwC conducts variance checks of information submitted by all contributors, based on an analysis of their quarter-on-quarter contribution. If a significant variance is identified, further analysis will be performed to determine the nature of the variance. A walkthrough of the data submission process will be performed with new contributors in their first quarter.
- 5) For details on the methodology used in the collection of data for this report and for more information, refer to Appendix 1 – Report scope, methodology and format.

## Executive Summary Q3, 2012 1 July – 30 September 2012

Total online advertising spend in **Q3, 2012** was **\$94.02m**, an increase from last quarter of **3%** and an increase year-on-year of **5%**.

In this quarter, Search & Directories achieved the strongest growth (9%) while year-on-year Classifieds grew the largest by 21%.

Year-on-year online video advertising spend increased 23% bringing total spend to date in 2012 to \$9.3m.

Mobile advertising spend in Q3, 2012 was \$0.69m, which is up 157% year-on-year.

The Automotive category slipped into the top three industry sectors for Display advertising this quarter, with Investment, Finance and Banking moving into fourth place:

1. Travel and Accommodation (12%)
2. Government departments, Services and Communities (11%)
3. Automotive (10%)
4. Investment, Finance and Banking (10%).

This group represented 43% of all Display spend.

The advertising expenditure split for all channels in Q3, 2012 was:

- Display advertising 29%
- Classifieds 31%
- Search & Directories 40%.

### Q3, 2012 Figures at a glance

#### Total Market: \$94.02m

Up 2.85% from Q2, 2012 (\$91.42m)

Up 4.76% from Q3, 2011 (\$88.74m)

#### Search & Directories: \$37.17m

Up 8.79% from Q2, 2012 (\$34.17m)

Down 4.93% from Q3, 2011 (\$38.58m)

#### Display: \$27.63m

Down 6.09% from Q2, 2012 (\$29.43m)

Up 4.17% from Q3, 2011 (\$25.76m)

#### Classifieds: \$29.21m

Up 4.99% from Q2, 2012 (\$27.82m)

Up 20.86% from Q3, 2011 (\$24.40m)

#### Mobile: \$0.69m

Up 4.50% from Q2, 2012 (\$0.65m)

Up 156.60% from Q3, 2011 (\$0.17m)

*Notes: some % have been normalised due to changes in contributors, however dollar amounts are actual.*

*Mobile advertising expenditure is excluded from the total online spend for Q3, 2012 in order to provide a consistent total market analysis by quarter.*

## Adjustments and corrections

As a result of ongoing variance checks performed by PwC during the collection of data for the *IAB Insight* quarterly reports, any corrections are summarised and included in these reports.

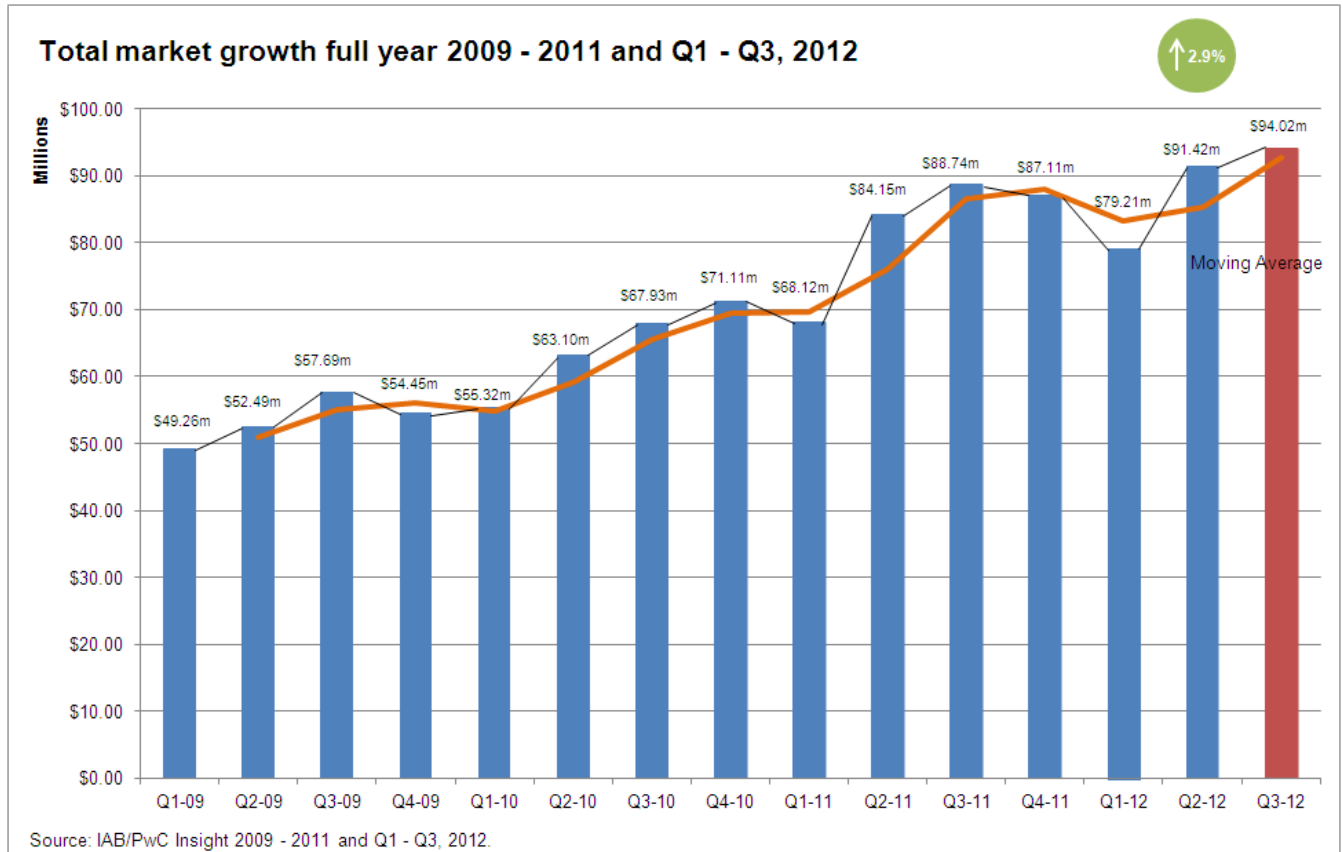
Unless any major variances are uncovered by the process, we publish any minor variances as corrections in the following quarterly report.

Variance checks revealed no issue this quarter, so there are no corrections published in this report.

## Detailed findings

### Total market

**Q3, 2012** was the largest quarter of online advertising expenditure to date with **\$94.02m** - up 2.85% on Q2, 2012 and up 4.76% year-on-year.



### Global advertising online expenditure forecast

ZenithOptimedia have released their advertising expenditure forecasts for September 2012 and online advertising remains the fastest growing medium, forecasting average growth of 15% a year between 2011 and 2014.

Display is the fastest-growing sub-category, with 20% annual growth, thanks to the rapid rise of social media and online video advertising. Display advertising is now growing substantially faster than paid search (which is forecast to grow by 14% a year to 2014) and classified (6% a year). Display advertising accounted for 36% of internet advertising in 2011; by 2014 display is expected to increase to 40%.<sup>1</sup>

<sup>1</sup> Source: <http://bit.ly/QhIMZA>

## Total market growth 2007 – Q3, 2012

Total market quarterly comparison Q3, 2012 - Detailed table

Year	Quarter	Total Display (\$m)	Total Classified (\$m)	Total Search & Directories (\$m)	Total of quarterly (\$m)	Qtr/qtr change		Year/year change
						\$m	%	
2007	1	\$6.59	\$12.42	\$6.82	\$25.83			
2007	2	\$9.65	\$13.95	\$8.22	\$31.82	\$5.99	21.38%	
2007	3	\$12.84	\$16.71	\$10.12	\$39.67	\$7.85	22.08%	
2007	4	\$12.98	\$15.88	\$8.99	\$37.85	-\$1.82	-4.59%	
2008	1	\$11.54	\$19.19	\$15.13	\$45.86	\$8.01	17.86%	67.23%
2008	2	\$14.98	\$19.15	\$15.11	\$49.24	\$3.38	8.28%	54.08%
2008	3	\$15.84	\$19.08	\$14.90	\$49.82	\$0.58	1.05%	22.32%
2008	4	\$15.76	\$17.90	\$14.57	\$48.23	-\$1.59	-3.19%	22.64%
2009	1	\$12.94	\$17.55	\$18.77	\$49.26	\$1.03	2.14%	7.99%
2009	2	\$16.37	\$17.06	\$19.06	\$52.49	\$3.23	6.56%	5.53%
2009	3	\$17.22	\$18.11	\$22.36	\$57.69	\$5.20	9.91%	15.80%
2009	4	\$17.77	\$18.71	\$17.97	\$54.45	-\$3.24	-5.62%	12.90%
2010	1	\$14.92	\$20.49	\$19.92	\$55.32	\$0.87	1.60%	12.31%
2010	2	\$20.60	\$20.85	\$21.65	\$63.10	\$7.77	14.05%	20.21%
2010	3	\$21.44	\$21.30	\$25.20	\$67.93	\$4.83	7.57%	17.66%
2010	4	\$23.70	\$21.13	\$26.29	\$71.11	\$3.18	2.78%	26.37%
2011	1	\$19.76	\$22.56	\$25.81	\$68.12	-\$2.99	-4.76%	20.48%
2011	2	\$26.01	\$23.46	\$34.68	\$84.15	\$16.03	22.94%	19.46%
2011	3	\$25.76	\$24.40	\$38.58	\$88.74	\$4.59	5.34%	26.55%
2011	4	\$27.03	\$23.81	\$36.26	\$87.11	-\$1.63	-1.96%	20.52%
2012	1	\$23.15	\$26.30	\$29.77	\$79.21	-\$7.89	-10.25%	13.70%
2012	2	\$29.43	\$27.82	\$34.17	\$91.42	\$12.21	16.15%	7.11%
2012	3	\$27.63	\$29.21	\$37.17	\$94.02	\$2.59	2.85%	4.76%
<b>Total 2007</b>		<b>\$42.06</b>	<b>\$58.96</b>	<b>\$34.15</b>	<b>\$135.17</b>			
<b>Total 2008</b>		<b>\$58.12</b>	<b>\$75.32</b>	<b>\$59.71</b>	<b>\$193.15</b>			
<b>Total 2009</b>		<b>\$64.30</b>	<b>\$71.43</b>	<b>\$78.16</b>	<b>\$213.89</b>			
<b>Total 2010</b>		<b>\$80.65</b>	<b>\$83.76</b>	<b>\$93.06</b>	<b>\$257.46</b>			
<b>Total 2011</b>		<b>\$98.56</b>	<b>\$94.23</b>	<b>\$135.33</b>	<b>\$328.11</b>			

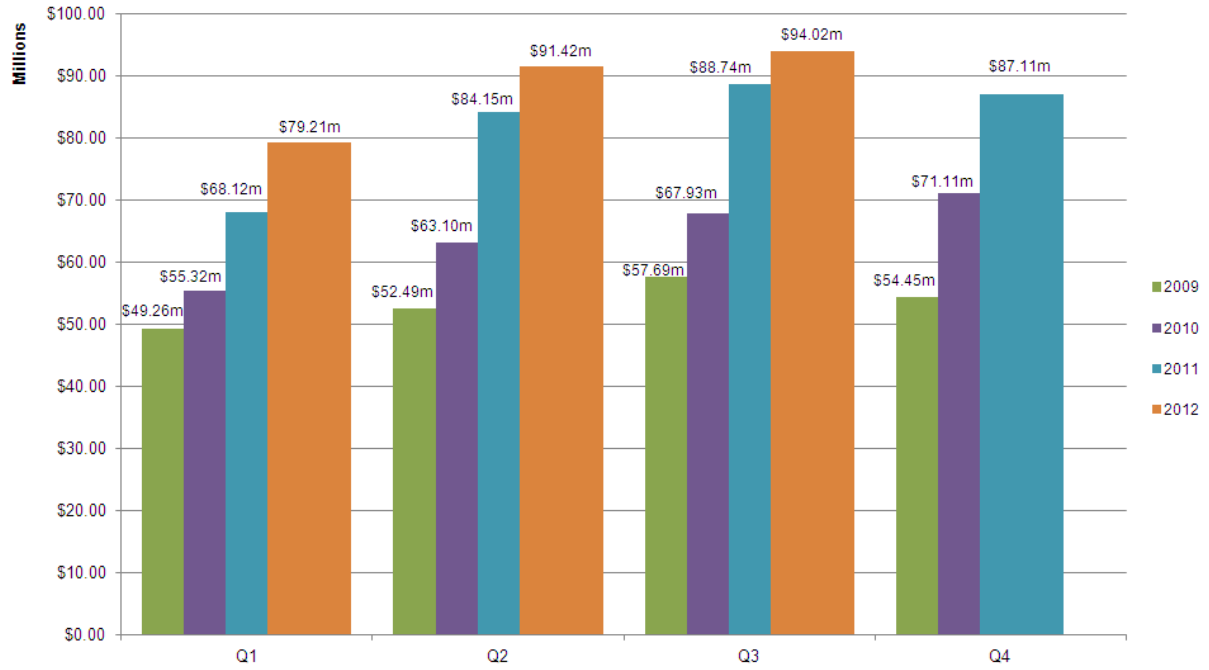
Source: IAB/PwC Insight 2007 - 2011 and Q1 - Q3, 2012.

“The third quarter advertising spend result proves online is continuing to grow despite adverse market conditions. Advertising spend across online channels in Q3 was our largest ever, at \$94 million across display, classifieds, search and directories. There was a marked hesitation to predict growth on the back of Q3 2011, with the Rugby World Cup having such a positive and unique impact. But we’ve delivered a solid 4.76% growth year-on-year, which is good news for publishers.”

“It shows advertisers have the confidence in online, that they know they can reach their audiences and at scale. With sophisticated consumers and a purchase cycle that is no longer linear, marketers who understand the strengths and capabilities of the different online channels alone and in combination, will deliver results that knock it out of the ball park!”

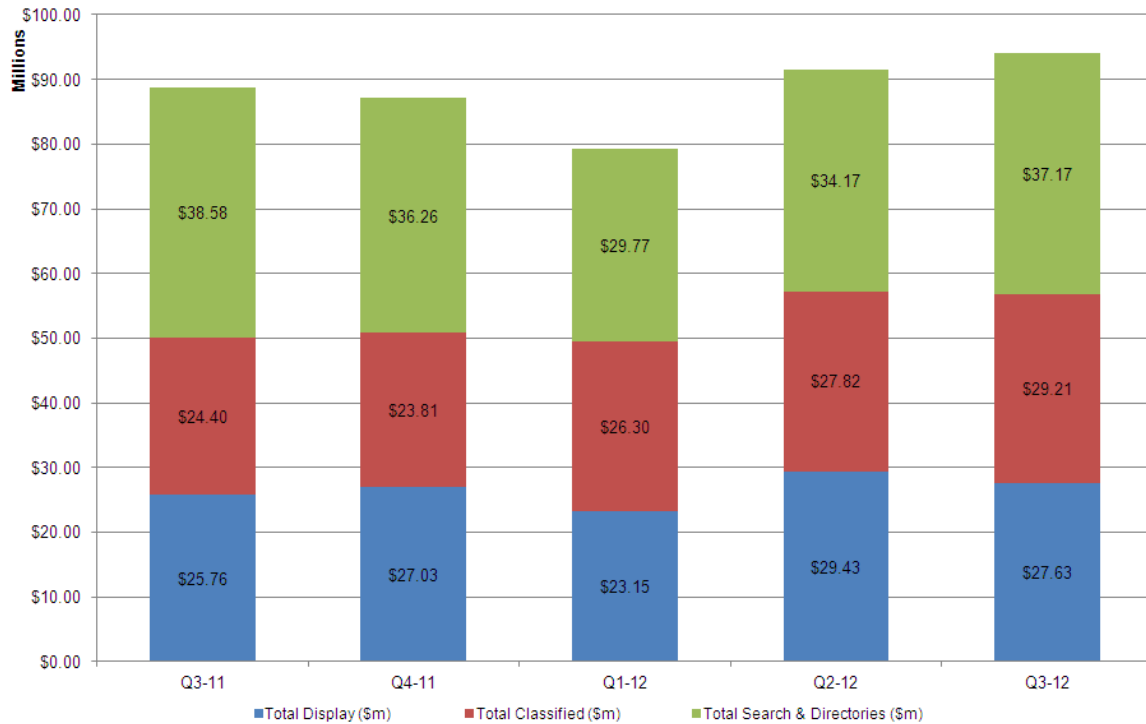
**Laura Maxwell-Hansen, IABNZ Chair and General Manager, Yahoo!NZ.**

### Total market quarterly comparison Q3, 2012



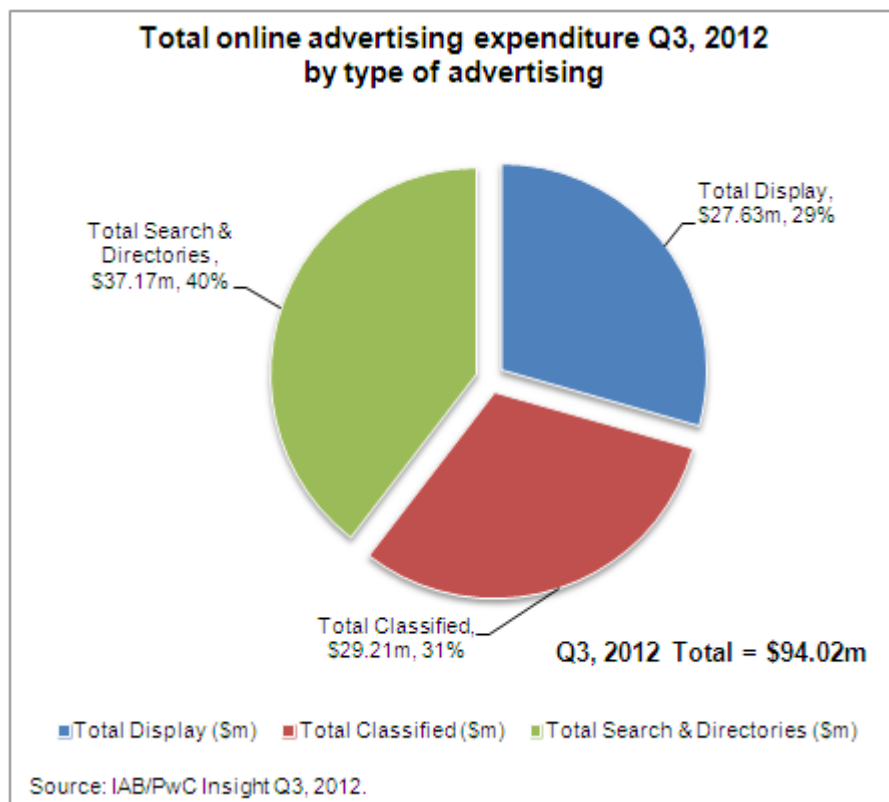
Source: IAB/PwC Insight 2009 - 2011 and Q1 - Q3, 2012.

### Total online advertising expenditure Q3, 2011 to Q3, 2012 comparison



Source: IAB/PwC Insight Q3, 2011 - Q3, 2012.

## Total ad spend by channel Q3, 2012



Search & Directories gained share compared to Q2, 2012 (37%) while year-on-year Classifieds increased from a 28% share to 31%.

Internationally, the estimated advertising expenditure split by channel for 2012 is<sup>2</sup>:

Display – 37%

Classifieds – 13%

Search – 50%.

New Zealand tends to track a few years behind international trends, which is evident in the graph above.

<sup>2</sup> Source: <http://bit.ly/QhIMZA>

## Display advertising

Display advertising in Q3, 2012 was **\$27.63m** - down **6%** on Q2, 2012 but up **4%** year-on-year.

Display advertising accounted for 29% of internet advertising in Q3, 2012.

Growth in Display spending is being driven by social media and online video, as well the availability of larger ad formats providing a richer environment for brand advertising.

### Q3, 2012 Figures at a glance

**Display: \$27.63m**

Down 6.09% from Q2, 2012 (\$29.43m)

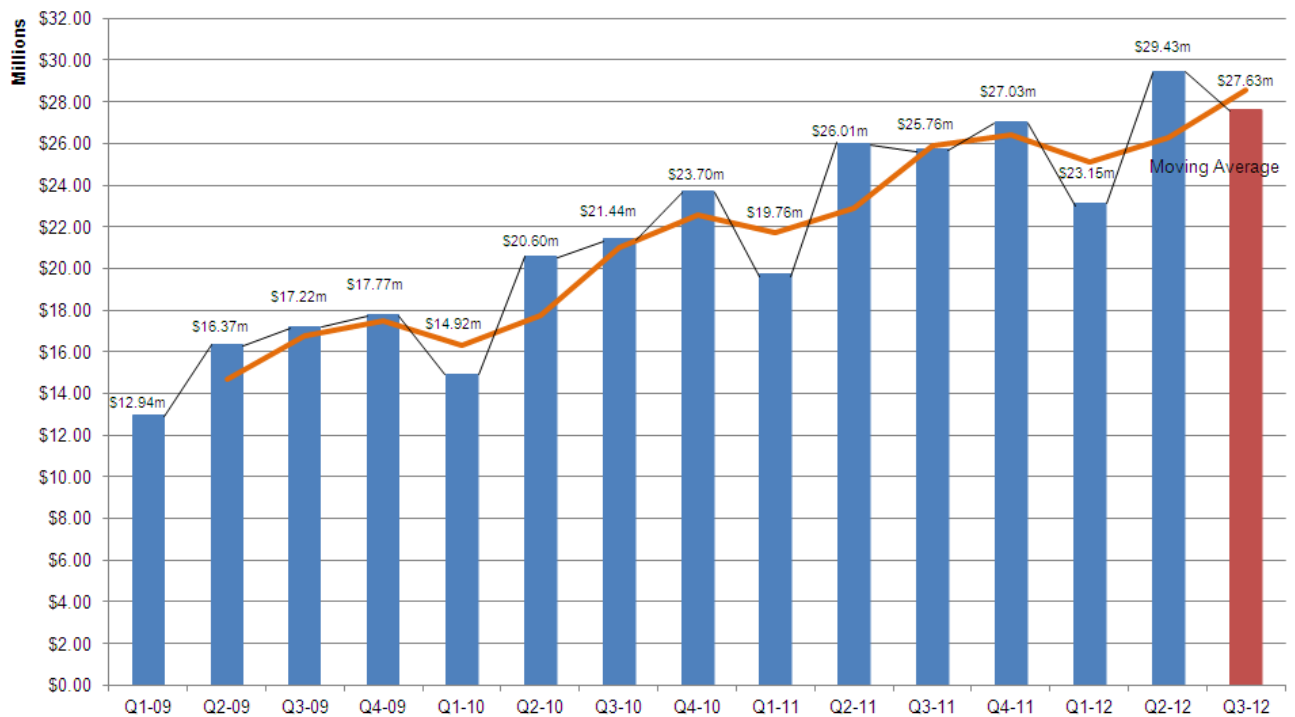
Up 4.17% from Q3, 2011 (\$25.76m)

29% share of total online ad spend, down from 32% last quarter

*Note: some % have been normalised due to changes in contributors, however dollar amounts are actual.*

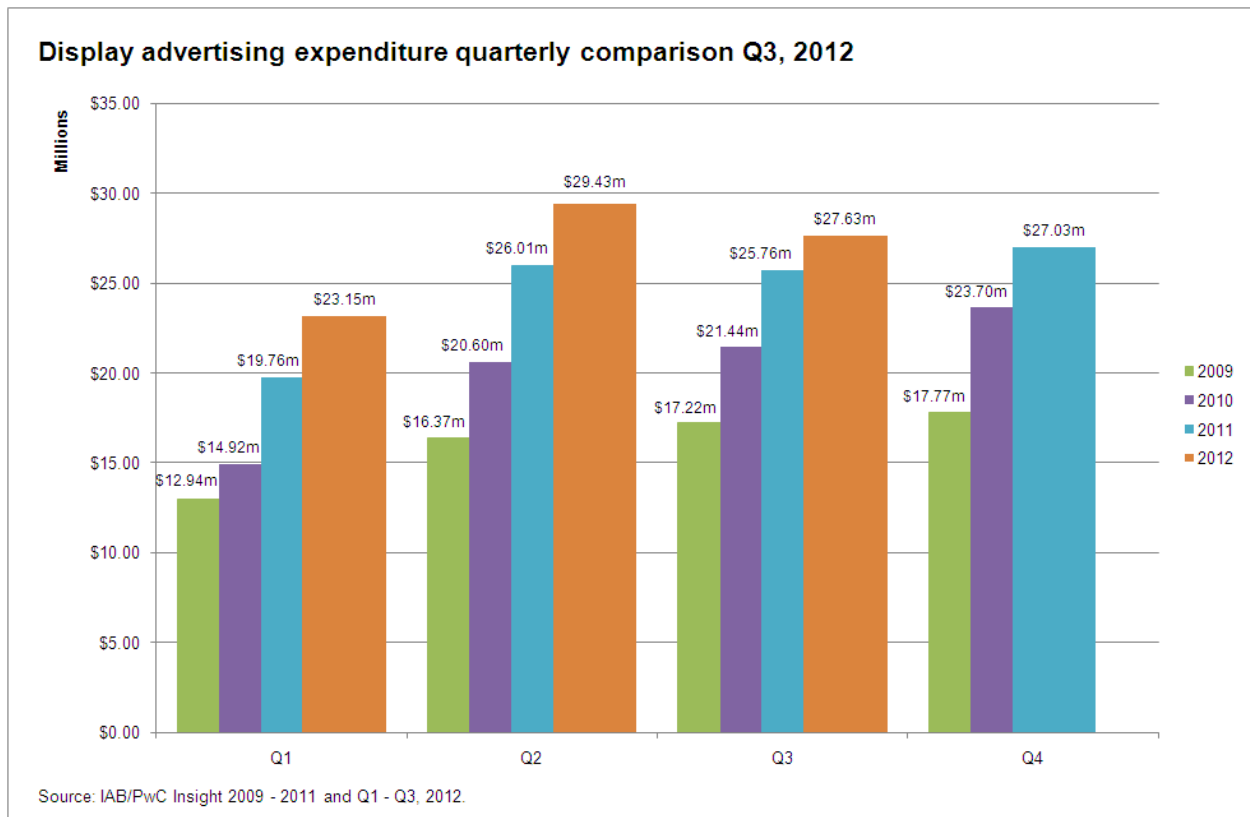
*Display figures also include Google Display Network & Facebook Display ad spend.*

Display total market growth full year 2009 - 2011 and Q1 - Q3, 2012



Source: IAB/PwC Insight 2009 - 2011 and Q1 - Q3, 2012.

In the last two years Display spend has dropped in Q3 compared to Q2 with it picking up again in the last quarter due to the Christmas rush.



“Total online advertising spend to date for 2012 is \$265m, which represents 81% of the overall 2011 spend totalling \$328m, and remarkably surpasses the total 2010 spend of \$257m. Online advertising continues to grow and shows no sign of stopping. Classified advertising continues its double-digit year-on-year growth for 5 consecutive quarters. The drop in Display in Q3 could be attributed to a few factors, such as the holding back of spend in preparation for the Christmas season. However, the spend in Q4 will surely demonstrate the expected growth in the industry.

New players and the changing dynamics of the market provides ongoing opportunity for growth. The increasing popularity of smartphones and tablets is providing advertisers with greater opportunities to reach out to consumers. The use of social media and mobile platforms to communicate and engage with consumers is a key driver of growth in the online advertising market.” **Chris Perree, Partner, PwC.**

Display advertising expenditure quarterly comparison Q3, 2012 - Detailed table

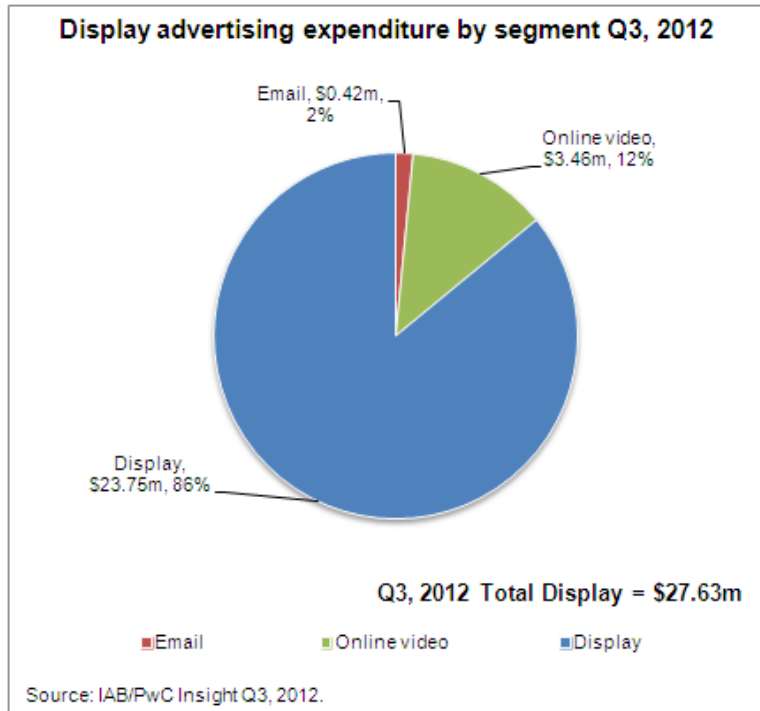
Year	Quarter	Total Display (\$m)	Qtr/qtr change		Year/year change
			\$m	%	
2007	1	\$6.59			
2007	2	\$9.65	\$3.06	44.46%	
2007	3	\$12.84	\$3.19	28.31%	
2007	4	\$12.98	\$0.14	1.09%	
2008	1	\$11.54	-\$1.44	-11.09%	68.29%
2008	2	\$14.98	\$3.44	30.21%	52.70%
2008	3	\$15.84	\$0.86	5.45%	24.00%
2008	4	\$15.76	-\$0.08	-0.53%	20.09%
2009	1	\$12.94	-\$2.82	-17.89%	11.17%
2009	2	\$16.37	\$3.43	26.51%	5.75%
2009	3	\$17.22	\$0.85	5.19%	8.69%
2009	4	\$17.77	\$0.55	3.19%	12.75%
2010	1	\$14.92	-\$2.85	-16.06%	15.27%
2010	2	\$20.60	\$5.68	38.11%	25.84%
2010	3	\$21.44	\$0.84	3.72%	24.07%
2010	4	\$23.70	\$2.26	4.52%	20.24%
2011	1	\$19.76	-\$3.94	-18.51%	22.24%
2011	2	\$26.01	\$6.25	29.63%	17.30%
2011	3	\$25.76	-\$0.25	-1.35%	6.79%
2011	4	\$27.03	\$1.27	4.80%	8.19%
2012	1	\$23.15	-\$3.88	-18.19%	9.07%
2012	2	\$29.43	\$6.28	28.48%	8.39%
2012	3	\$27.63	-\$1.80	-6.09%	4.17%
<b>Total 2007</b>		<b>\$42.06</b>			
<b>Total 2008</b>		<b>\$58.12</b>			
<b>Total 2009</b>		<b>\$64.30</b>			
<b>Total 2010</b>		<b>\$80.65</b>			
<b>Total 2011</b>		<b>\$98.56</b>			

Source: IAB/PwC Insight 2007 - 2011 and Q1 - Q3, 2012.

## Email and Online Video advertising spend Q3, 2012

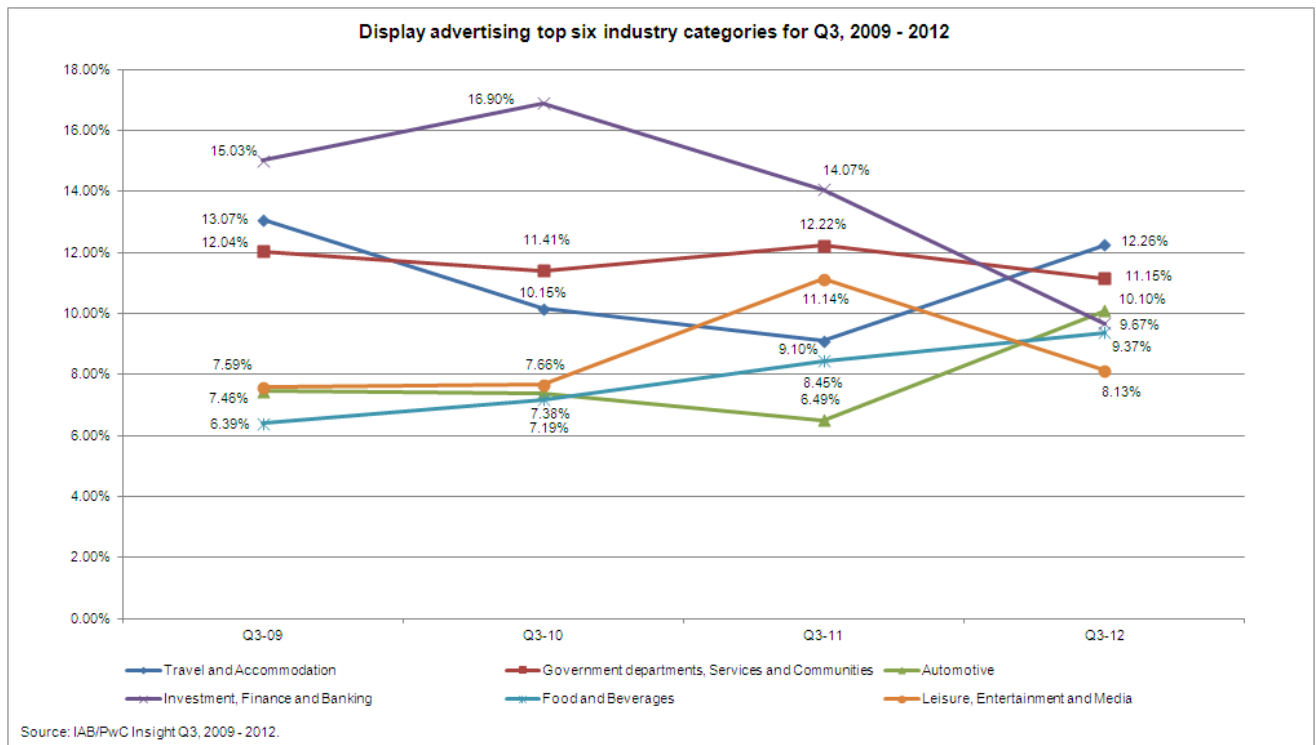
Video advertising in Q3, 2012 was \$3.46m (12% share of Display spend) while email's share of total Display spend was 2% (\$0.42m).

Video also experienced strong year-on-year growth at 23%. Email expenditure dropped 19%.



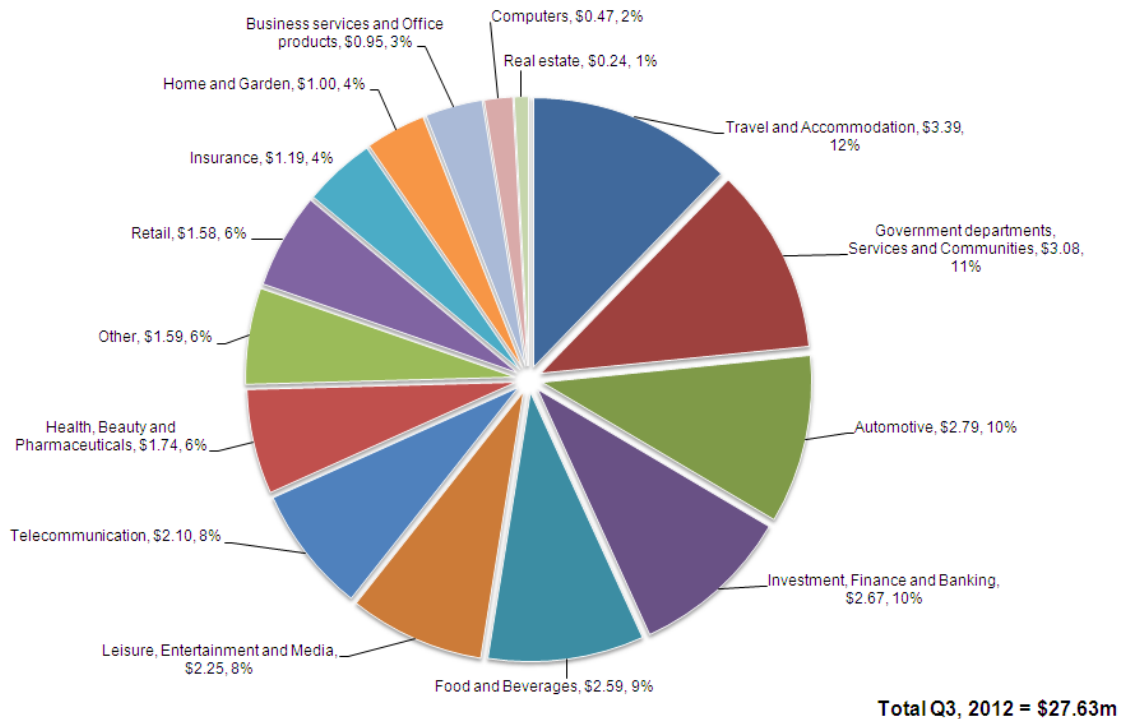
“Despite a marginal decrease in video advertising revenue from Q2, 2012 the strong year-on-year growth of 22.98% follows a global trend with similar results seen in the US, UK, and Australia. With growing audiences and the increased consumption of online video content, this trend is expected to continue as advertisers follow consumers. Additionally, advertisers are taking the opportunity to elicit audience interaction with more video advertising creativity being tailored for the online viewing experience.” **John-Paul Randall, Digital Media Sales Manager, TVNZ and IABNZ Vice-Chair.**

## Display advertising by industry category



Year-on-year has seen some interesting shifts in the top Display categories with Investment, Finance and Banking dropping share from 14.07% to 9.67%. However, Automotive has experienced 56% share growth year-on-year, Travel & Accommodation 35% and Food & Beverage 11%.

### Display advertising total spend by industry category Q3, 2012



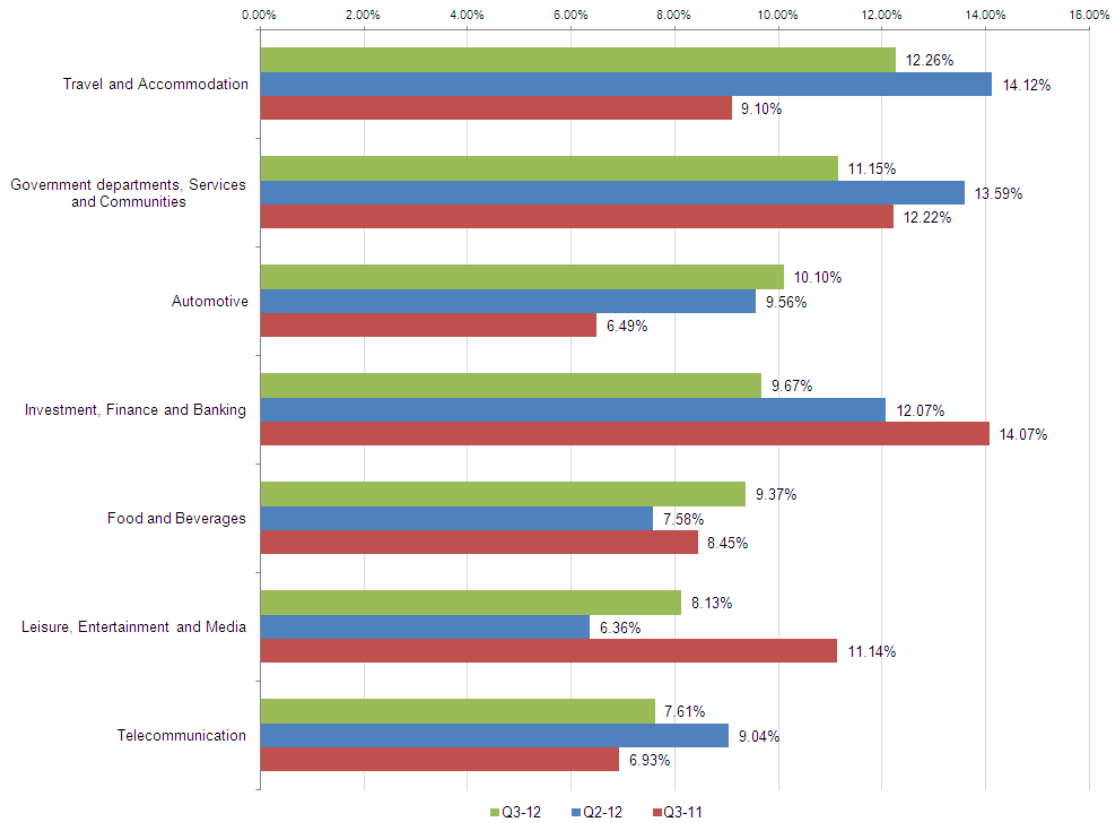
Source: IAB/PwC Insight Q3, 2012.

#### Display advertising expenditure's quarterly history by industry category - Detailed table

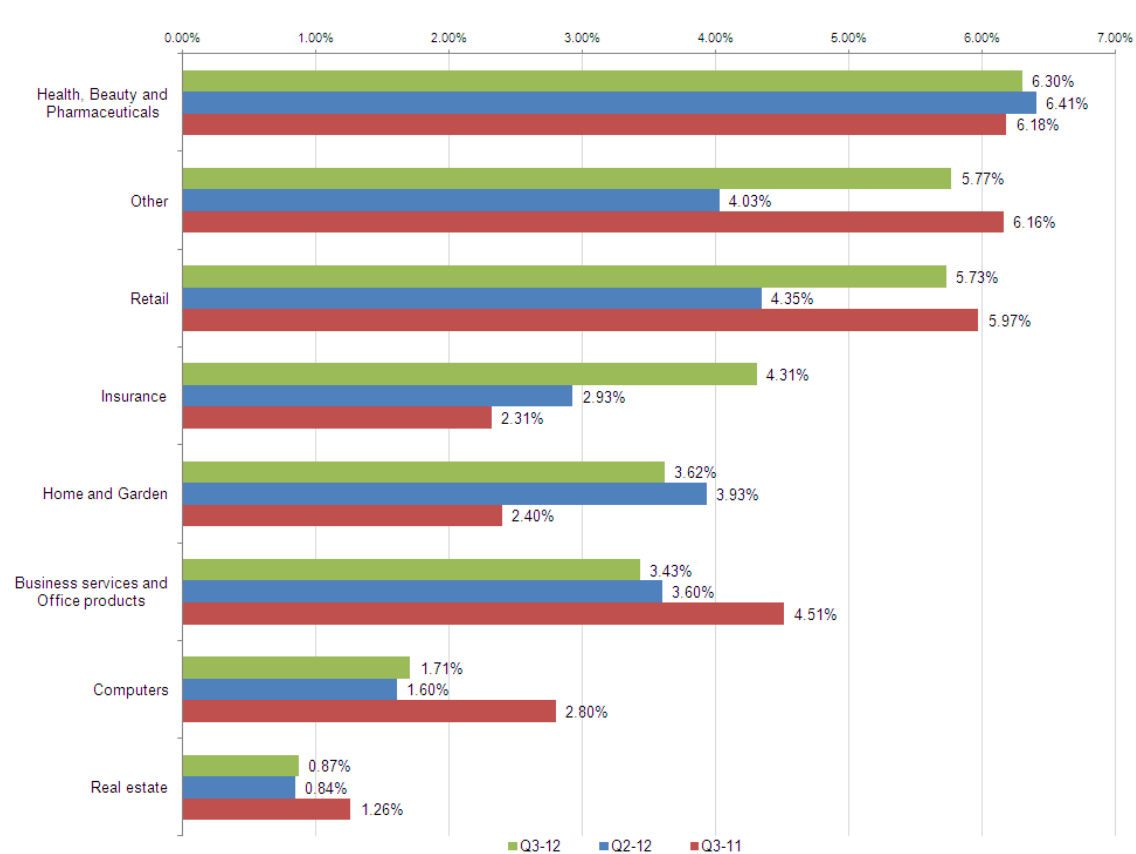
Advertiser industry category	Q3-10	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11	Q1-12	Q2-12	Q3-12
Travel and Accommodation	10.15%	11.28%	10.93%	10.53%	9.10%	10.56%	12.64%	14.12%	12.26%
Government departments, Services and Communities	11.41%	10.09%	11.37%	15.14%	12.22%	13.28%	11.93%	13.59%	11.15%
Automotive	7.38%	6.71%	9.27%	7.15%	6.49%	7.12%	10.77%	9.56%	10.10%
Investment, Finance and Banking	16.90%	17.59%	13.67%	12.92%	14.07%	13.40%	14.65%	12.07%	9.67%
Food and Beverages	7.19%	6.82%	6.86%	6.52%	8.45%	7.52%	7.45%	7.58%	9.37%
Leisure, Entertainment and Media	7.66%	9.26%	9.69%	10.70%	11.14%	9.04%	10.29%	6.36%	8.13%
Telecommunication	8.94%	10.33%	6.65%	6.52%	6.93%	7.49%	5.10%	9.04%	7.61%
Health, Beauty and Pharmaceuticals	5.53%	3.99%	4.66%	6.46%	6.18%	5.01%	6.08%	6.41%	6.30%
Other	4.36%	4.25%	5.66%	4.99%	6.16%	4.56%	5.00%	4.03%	5.77%
Retail	5.35%	7.26%	5.66%	6.15%	5.97%	7.33%	4.65%	4.35%	5.73%
Insurance	3.69%	2.16%	3.79%	2.28%	2.31%	2.29%	1.54%	2.93%	4.31%
Home and Garden	3.33%	2.08%	2.17%	2.96%	2.40%	4.05%	3.39%	3.93%	3.62%
Business services and Office products	3.92%	4.13%	5.28%	4.91%	4.51%	4.05%	3.64%	3.60%	3.43%
Computers	3.29%	3.16%	3.06%	2.28%	2.80%	3.34%	1.84%	1.60%	1.71%
Real estate	0.89%	0.89%	1.30%	0.51%	1.26%	0.97%	1.04%	0.84%	0.87%

Source: IAB/PwC Insight 2010 - 2011 and Q1 - Q3, 2012.

**Display advertising expenditure by industry category Q3, 2011, Q2, 2012 and Q3, 2012**



**Display advertising expenditure by industry category Q3, 2011, Q2, 2012 and Q3, 2012**



## Search & Directories advertising

Total Search & Directories advertising expenditure in Q3, 2012 was **\$37.17m** - up **9%** on Q2, 2012 and down **5%** year-on-year.

Search growth is being stimulated by the rapid adoption of smart mobile devices. Smartphone penetration in New Zealand is currently 41% and expected to reach 50% as early as 2013.<sup>3</sup> This is changing how consumers interact with search engines, and advertisers are paying attention.

### Q3, 2012 Figures at a glance

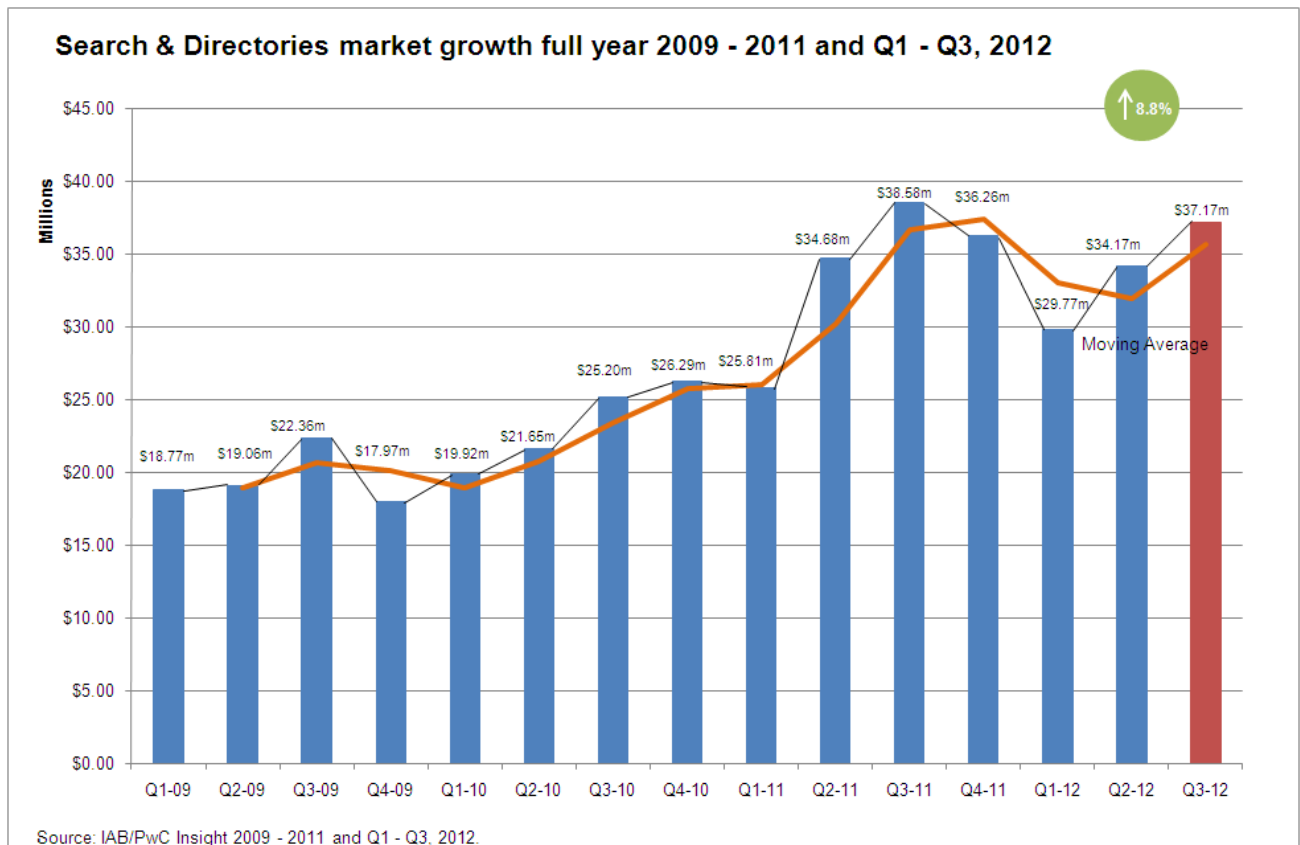
**Search & Directories: \$37.17m**

Up 8.79% from Q2, 2012 (\$34.17m)

Down 4.93% from Q3, 2011 (\$38.58m)

40% share of total online ad spend, up from 37% last quarter

*Note: some % have been normalised due to changes in contributors, however dollar amounts are actual.*

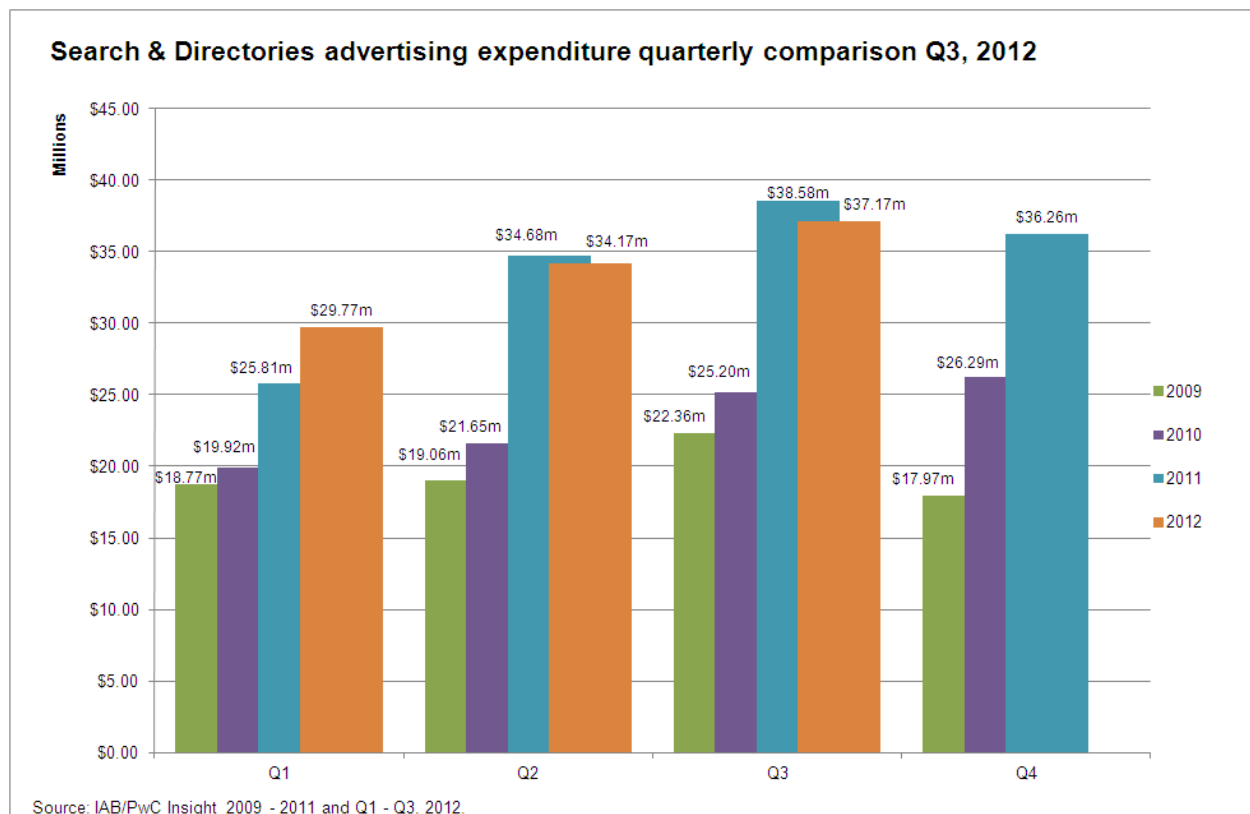


<sup>3</sup> Source: IABNZ Mobile Advertising Council November 2012

Search & Directories advertising expenditure quarterly comparison Q3, 2012 - Detailed table

Year	Quarter	Total Search & Directories (\$m)	Qtr/qtr change		Year/year change
			\$m	%	
2007	1	\$6.82			
2007	2	\$8.22	\$1.40	17.30%	
2007	3	\$10.12	\$1.90	18.94%	
2007	4	\$8.99	-\$1.13	-11.17%	
2008	1	\$15.13	\$6.14	54.39%	92.96%
2008	2	\$15.11	-\$0.02	2.22%	89.34%
2008	3	\$14.90	-\$0.21	-1.39%	34.38%
2008	4	\$14.57	-\$0.33	-2.21%	44.05%
2009	1	\$18.77	\$4.20	28.83%	27.00%
2009	2	\$19.06	\$0.29	1.55%	26.14%
2009	3	\$22.36	\$3.30	17.31%	50.07%
2009	4	\$17.97	-\$4.39	-19.63%	23.34%
2010	1	\$19.92	\$1.95	10.85%	6.13%
2010	2	\$21.65	\$1.73	8.69%	13.59%
2010	3	\$25.20	\$3.55	12.68%	16.38%
2010	4	\$26.29	\$1.09	4.34%	46.29%
2011	1	\$25.81	-\$0.48	-1.67%	29.81%
2011	2	\$34.68	\$8.87	34.39%	34.58%
2011	3	\$38.58	\$3.89	11.23%	53.39%
2011	4	\$36.26	-\$2.31	-6.18%	37.89%
2012	1	\$29.77	-\$6.50	-17.92%	14.73%
2012	2	\$34.17	\$4.40	14.80%	-2.34%
2012	3	\$37.17	\$3.00	8.79%	-4.93%
<b>Total 2007</b>		<b>\$34.15</b>			
<b>Total 2008</b>		<b>\$59.71</b>			
<b>Total 2009</b>		<b>\$78.16</b>			
<b>Total 2010</b>		<b>\$93.06</b>			
<b>Total 2011</b>		<b>\$135.33</b>			

Source: IAB/PwC Insight 2007 - 2011 and Q1 - Q3, 2012.



## Classified advertising

Classified expenditure in Q3, 2012 was **\$29.21m** - up **5%** on Q2, 2012 and up **21%** year-on-year.

Classified advertising accounted for 31% of internet advertising in Q3, 2012.

Total classified advertising spend to date for 2012 is \$83m, which represents 88% of the total 2011 expenditure.

### Q3, 2012 Figures at a glance

**Classifieds: \$ 29.21m**

Up 4.99% from Q2, 2012 (\$27.82m)

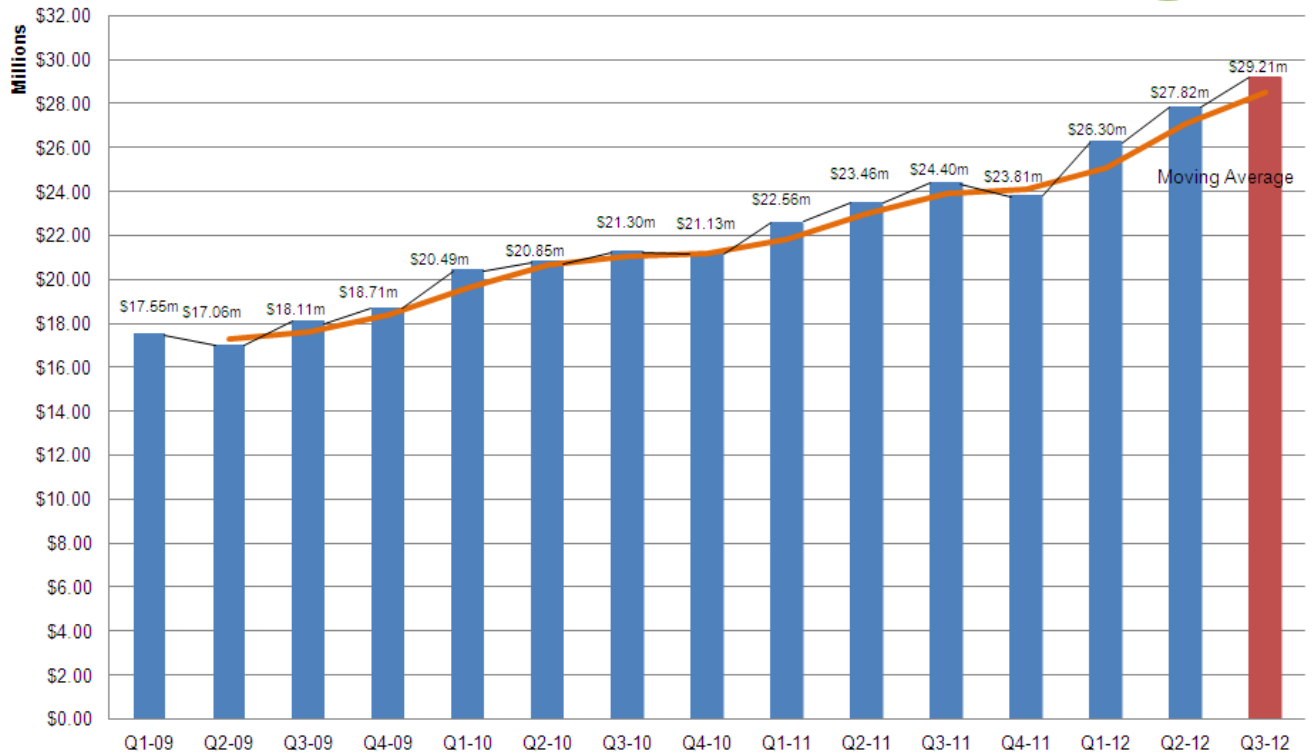
Up 20.86% from Q3, 2011 (\$24.40m)

31% share of total online ad spend, same as last quarter

*Note: some % have been normalised due to changes in contributors, however dollar amounts are actual.*

Classified market growth full year 2009 - 2011 and Q1 - Q3, 2012

↑ 5.0%



Source: IAB/PwC Insight 2009 - 2011 and Q1 - Q3, 2012.

Classified advertising expenditure quarterly comparison Q3, 2012 - Detailed table

Year	Quarter	Total Classified (\$m)	Qtr/qtr change		Year/year change
			\$m	%	
2007	1	\$12.42			
2007	2	\$13.95	\$1.53	11.27%	
2007	3	\$16.71	\$2.76	19.60%	
2007	4	\$15.88	-\$0.83	-4.97%	
2008	1	\$19.19	\$3.31	20.84%	52.42%
2008	2	\$19.15	-\$0.04	-0.21%	37.27%
2008	3	\$19.08	-\$0.07	-0.47%	13.99%
2008	4	\$17.90	-\$1.18	-6.16%	12.68%
2009	1	\$17.55	-\$0.35	-1.96%	-8.55%
2009	2	\$17.06	-\$0.49	-2.79%	-10.91%
2009	3	\$18.11	\$1.05	6.15%	-5.06%
2009	4	\$18.71	\$0.60	3.31%	4.53%
2010	1	\$20.49	\$1.78	9.50%	16.74%
2010	2	\$20.85	\$0.36	1.76%	22.20%
2010	3	\$21.30	\$0.45	2.22%	17.70%
2010	4	\$21.13	-\$0.17	-0.79%	12.92%
2011	1	\$22.56	\$1.43	6.82%	10.15%
2011	2	\$23.46	\$0.90	3.98%	4.06%
2011	3	\$24.40	\$0.94	4.04%	14.60%
2011	4	\$23.81	-\$0.59	-2.43%	12.76%
2012	1	\$26.30	\$2.49	10.44%	16.57%
2012	2	\$27.82	\$1.53	6.87%	19.79%
2012	3	\$29.21	\$1.39	4.99%	20.86%
<b>Total 2007</b>		<b>\$58.96</b>			
<b>Total 2008</b>		<b>\$75.32</b>			
<b>Total 2009</b>		<b>\$71.43</b>			
<b>Total 2010</b>		<b>\$83.76</b>			
<b>Total 2011</b>		<b>\$94.23</b>			

Source: IAB/PwC Insight 2007 - 2011 and Q1 - Q3, 2012.

Classified advertising expenditure quarterly comparison Q3, 2012



Source: IAB/PwC Insight 2009 - 2011 and Q1 - Q3, 2012.

## Mobile advertising

Mobile advertising in Q3, 2012 was **\$693,216** – up **5%** on Q2, 2012 and up **157%** year-on-year.

Mobile advertising expenditure quarterly comparison Q3, 2012 - Detailed table

Year	Quarter	Total Mobile (\$m)	Qtr/qtr change		Year/year change
			\$m	%	
2011	1	\$0.06			
2011	2	\$0.17	\$0.11	173.11%	
2011	3	\$0.17	\$0.01	-9.94%	
2011	4	\$0.23	\$0.06	39.56%	
2012	1	\$0.28	\$0.05	-9.36%	208.35%
2012	2	\$0.65	\$0.37	131.21%	156.41%
2012	3	\$0.69	\$0.05	4.50%	156.60%
<b>Total 2011</b>		<b>\$0.63</b>			

Source: IAB/PwC Insight 2011 and Q1 - Q3, 2012.

“The growth in mobile spend in New Zealand is in line with our expectations and mirrors the ongoing growth of impressions that we are seeing on the New Zealand InMobi Network. This has been fuelled by the increase in smartphone and tablet penetration, which continues to drive a fundamental shift in the way consumers are consuming media. This shift is creating a plethora of opportunities for brands to connect with their audiences in a way that drives real engagement and measurable results.” **Mark Coplestone, Head of Sales, InMobi**

### Mobile advertising expenditure quarterly comparison Q3, 2012



Source: IAB/PwC Insight 2011 and Q1 - Q3, 2012.

# Appendix 1 – Report scope, methodology and format

## Report scope

The Interactive Advertising Bureau (IABNZ) has partnered with PwC to establish a comprehensive standard for measuring online advertising expenditures. The IABNZ *IAB Insight* is an ongoing IABNZ mission to provide an accurate barometer of interactive and mobile advertising growth.

To differentiate the *IAB Insight* from existing market size estimates and to achieve industry-wide acceptance, key aspects of this report are:

- Actual revenue data is obtained directly from companies deriving revenue from the sale of online/interactive advertising.
- The aim of the *IAB Insight* is to be as inclusive as possible. The intention is to include any significant form of online/interactive advertising, and accept data from any company that derives revenue from the sale of online/interactive advertising in the New Zealand market.
- Data submitted by participants is kept completely confidential and figures are only ever reported in an aggregated form.
- Data submitted by participants is periodically checked to encourage a high level of data integrity.
- By not including estimates (with the exception of Search & Directories) and acknowledging contributions from 100% of the participants in any given segment can never be assured, it is an accepted tenet the *IAB Insight* report understates the online advertising market revenues.

The online advertising expenditure reported by the *IAB Insight* is based on gross amounts charged to advertisers and inclusive of any applicable agency commissions.

## Methodology

Contributors to this *IAB Insight* report are required to submit an online advertising expenditure return to PwC at the end of each reported quarter. PwC compiles the submissions and conducts a review of the reported figures for reasonableness in light of past submissions and general industry trends.

PwC conducts variance checks of information submitted by all contributors, based on an analysis of their quarter-on-quarter contribution. If a significant variance is identified, further analysis will be performed to determine the nature of the variance.

A walkthrough of the data submission process will be performed with new contributors in their first quarter. This walkthrough is designed to confirm expenditure is reported in accordance with the definitions applied in this *IAB Insight* report and any relevant classification of revenue is correctly applied. The walkthroughs do not constitute an audit performed in accordance with the New Zealand Auditing Standards. Accordingly, PwC does not express an audit opinion.

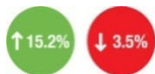
To ensure the protection of contributors' data and market share information, industry category breakdowns will only be referred to where at least three or more unrelated participants have contributed to the aggregate.

In many instances, numbers have been rounded to aid readability, particularly in the charts and graphs. Yet, some aspects of the report are best served using unrounded numbers, particularly some tables. This creates the possibility that readers may observe some instances where there are small discrepancies in numbers to the right of the decimal point.

Due to the dynamic nature of the internet industry, the number of participants (or contributors) in an industry category may change from time-to-time. This may result in the category not being referred to separately in future reports.

*IAB Insight* always seeks to represent the total market size as reflected by the contributors. It should be noted the inclusion of new contributors in a quarter has the potential to overstate apparent market growth (or understate apparent market contraction) over the previous quarter. To address this, we have provided two figures representing changes from the previous quarter. These are the total market growth, and a 'normalised change' representing a 'like-for-like' comparison with the previous quarter (ie. the change in spending with the contributors appearing for the first time in this quarter removed to give a true market growth figure).

The symbols below in this report indicate the actual normalised change compared to the previous quarter:



All reported amounts represent aggregated data supplied by the contributors. No estimates are included in the aggregate to cover those entities that are not participants, with the exception of Search & Directories. In this advertising channel, an estimate of market size was made, because there were significant revenues in that segment that were not reported by contributing companies.

The methodology used to estimate the Search & Directories market was developed in consultation with leading New Zealand-based Search Engine Marketing companies, and used data submitted to PwC by those companies. Recognising the rate of change in segments of this area of the market, the methodology used to estimate the Search & Directories market is reviewed annually at the end of Q4.

Aggregate amounts reported are rounded to the nearest \$10,000.

Based on information provided by contributors, approximately 87% of the data in this report is derived from participants whose underlying financial records have been, or will be, audited by an independent auditor.

## Format

The *IAB Insight* reports New Zealand online advertising expenditure sourced from the following channels:

- General Display advertising, which includes revenue from Display ads - such as banner advertisements of many different sizes and formats, video ads, affiliate marketing programmes, partnerships, sponsorships, emails, Google Display Network and revenues from New Zealand agencies who place Display ads on the [www.facebook.com](http://www.facebook.com) website.
- Classified advertising, which includes revenue from ads placed to buy or sell an item or service.
- Search & Directories advertising, which includes revenue from online Directories and Search engine listings.
- Mobile advertising, expenditure from general display or search engine listings viewed on a mobile device such as a smartphone or tablet.

General Display advertising is further reported by advertiser industry categories and their share of the total General Advertising pool.

Classified advertising is reported as a single figure due to the limited number of participants in the individual segments in this channel.

Search & Directories advertising is reported as a single figure due to the limited number of participants in the individual segments in this channel.

Mobile advertising is reported as a single figure due to the limited number of participants in the individual segments in this channel.

## Appendix 2 – Disclaimer

This report has been prepared using information provided by contributing media companies (refer Appendix 4 – Contributors) to PwC. The firm has relied on the information provided as being complete and accurate at the time it was given.

PwC does not accept any responsibility for any reliance placed on this report by any person and hereby disclaims any liability for any loss or damage caused by errors or omissions, whether such errors or omissions resulted from negligence, accident or some other causes. PwC makes no representations about the analysis or application of the data.

PwC has received a fee for the preparation of this report and takes responsibility for the independence of the research and analysis contained in this report.

Please notify PwC of any errors or omissions identified in this report.

## Appendix 3 – The report team

This report was produced by teams from PwC and IABNZ.

IABNZ would like to thank them for their efforts. In particular, thanks are due to:

### PwC

<b>Project Sponsor</b>	Chris Perree, Partner	
<b>Project Manager</b>	Wilson Kuah, Senior Associate	
<b>Analysts</b>	Nerissa Duncan Alice Sung Reena D'Souza	

### IABNZ

<b>General Manager</b>	Alisa Higgins	
<b>Chair</b>	Laura Maxwell-Hansen - Yahoo!NZ	
<b>Vice-Chair</b>	JP Randall - TVNZ	
<b>Board members</b>	Bridget Gallen - Vodafone Craig Delany - Metservice Dan Robertson - Mi9 Lara Bancroft - Yellow Mark Copplestone - InMobi	Parris Downey - Fairfax Siobhan McKenna - Mediaworks Spencer Bailey – APN Tony Keusgen - Google Yael Milbank - Trade Me

## Appendix 4 – Contributors

### Contributing media companies

ACP Media	New Zealand Rugby Union
Ad2OneGroup	NZGirl
Adhub Ltd	NZS.com Limited
All Real Estate	Ogilvy New Zealand
APNOnline	OMD Digital
Catch!Media	PHDiQ
Digital Network Sales (DNS)	Realestate.co.nz
Fairfax Media	SEEK NZ
Great NZ Survey (3DI)	SkyTV Network
GrownUps Ltd	The Radio Network Ltd
iStart	Trade Me Ltd
Jasons Travel Media Limited	TVNZ
JDJL Limited	Valued Interactive Media
Komli NZ	View New Zealand Ltd
Localist	Vivaki
MEC	Vodafone NZ
Mediacom	Yahoo Search and Marketing NZ
Mediaworks	Yahoo! New Zealand Ltd
Metservice	Yellow Pages
MSN New Zealand Ltd	

### Companies contributing information to support the estimation of the Search & Directories market size

Catch!Media	OMD Digital
First Rate	PHDiQ
GSL Network	SureFire Search
iProspect	Vivaki
Mediacom	Yellow Pages
Ogilvy New Zealand	

## Sites represented

<a href="http://au.eonline.com">au.eonline.com</a>	<a href="http://www.dennis.co.ukbrandscars">www.dennis.co.ukbrandscars</a>	<a href="http://www.istart.co.nz">www.istart.co.nz</a>
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www.smilecity.co.nz  
www.snow.co.nz  
www.sportal.co.nz  
www.stardoll.com  
www.stocknessmonster.com  
www.stockscan.com.au  
www.stuff.co.nz  
www.stylelist.com  
www.surf.co.nz  
www.surf2surf.co.nz  
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www.techcrunch.com  
www.tender.net.au  
www.theaucklander.co.nz  
www.thebreeze.co.nz  
www.theedge.co.nz  
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www.ticketek.co.nz  
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www.topstocks.com.au  
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www.tradeboat.co.nz  
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www.travelbug.co.nz  
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www.tv3.co.nz  
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www.unlimited.co.nz  
www.vaitor.com  
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www.viewauckland.co.nz  
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www.visitvineyards.com  
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www.wairarapatimesage.co.nz  
www.walletpop.ca  
www.wanganuichronicle.co.nz  
www.webjet.com  
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www.yahoo.co.nz  
www.yellow.co.nz  
www.yellow.co.nz/whitepages  
www.zmonline.co.nz  
www.zoodle.co.nz

## Appendix 5 – Definitions and terminology

### Advertising expenditure channels

#### Display advertising

Expenditure on advertising including banners, buttons, skyscrapers, rich-media, streaming advertising and other forms of interactive Display advertising.

#### Classified advertising

Expenditure on advertisements placed to buy or sell an item or service, or to report an item of information including “listing” advertisements for Real Estate, Recruitment, Automotive, Personals and any other classified advertisements.

#### Search & Directories advertising

Expenditure from online Directories or Search Engine listings.

#### Mobile advertising

Expenditure from advertising viewed on a mobile device such as a smartphone or tablet.

### Display advertising industry categories

There are 15 categories for Display advertising. These were derived from categories used by Nielsen Media Research and are a superset of the categories used for categorising Nielsen Media’s AIS data. The 15 categories are as follows:

#### Automotive

Any business related to the automotive sector including vehicles (cars and motorbikes), associations, equipment, retail (car dealers), fuel, maintenance, parts and accessories.

#### Business services and Office products

All companies providing services to other businesses such as accounting, legal taxation services; advertising and marketing services; printing and publishing services, and employment/personnel/training services. Also includes all office products and services including stationery, furniture, photocopiers and retailers.

#### Computers

Computer hardware, software, peripherals, systems, connectivity including internet service providers, games machines, printers and dedicated retail and services.

#### Food and Beverages

All foodstuff products, which also includes corporate, pet foods, confectionery, and all beverages including alcohol and retail liquor. This category includes supermarkets and food stores.

#### Government departments, Services and Communities

All information on any form of Government from national to local and including political parties. Also includes services/utilities, such as gas and electricity suppliers; all educational institutions from pre-school to tertiary and not-for-profit, community and charitable organisations.

## **Health, Beauty and Pharmaceuticals**

This category covers toiletries and cosmetics including baby products, cosmetics, personal care products, fragrances, hair and skin care, soaps and cleaners, and pharmaceutical products including remedies, medicines, lotions, vitamins, diet, corporate, dressings, health services and retail (eg. chemists).

## **Home and Garden**

This category includes all materials used in home improvements (eg. paving, roofing and guttering, security, paint and wallpaper and retail); household electrical products (eg. personal products, batteries, whiteware, brownware); household items (eg. cookware, light bulbs, wraps, sprays, cutlery, china, storage); household cleaning products (ie. any product used in cleaning any area of the home including laundry products); household furnishings for the home not covered by household electrical (eg. beds, floor covers, occasional furniture, and soft furnishings; home heating - includes all home heating or cooling products; services and retail), and gardening (including garden furniture, BBQs, tools, plants, equipment and retail).

## **Investment, Finance and Banking**

Any company/financial institution providing banking and/or investment products, services or advice; from banks to bonds, credit cards to travellers cheques.

## **Insurance**

Any business either corporate or individual, involved with insurance-related products or services. This includes motor vehicle insurance, house and household contents insurance, life insurance, health insurance, corporate and professional insurance, and brokers.

## **Leisure, Entertainment and Media**

This category includes any organisation that provides goods and services related to lifestyle and/or entertainment, or consumed in leisure time (eg. venues, events, sports, music, movies, boating, games of chance, fitness centres, and dedicated retail). Also includes any business related to mass communication (ie. mediums such as television, radio, newspapers, magazines, websites and cinema).

## **Real estate**

Any business providing commercial or residential property advice, information and retail services for the sale and management of real estate, and includes residential housing, sections, commercial property, property developers and real estate agents.

## **Retail**

This category includes major retailers such as department stores, discounters and warehouses. It also includes fast food, restaurants and other food outlets, shopping centres, bookstores, as well as direct response (eg. Chrisco Christmas Club), function centres and support services, hair and beauty salons, craft shops, TV/video rental and servicing, and other specialist stores not already excluded.

### **Note: The Retail category excludes:**

Supermarkets and food stores (covered under Food and Beverages); agricultural trading societies and laboratories, automotive dealers, retail liquor, clothing and footwear retail, computer retail, gardening centres and retailers, home improvement retail, furnishing and flooring retail, home heating retail, industrial contractor retail, music and entertainment (DVD/video etc) stores, office retail, chemists, real estate agents, telecommunications retail and travel agents.

## **Telecommunication**

All aspects of telephony. This includes telephone hardware, accessories and services, mobile phone hardware accessories and services, telecommunications retail, corporate, and connectivity including service plans and packages.

## **Travel and Accommodation**

Any business providing products, services and/or information and advice related to the travel and tourism industry. Any travel services including carriers, accommodation, tours, destinations and retail (eg. travel agents).

## **Other**

Any business that does not meet the general parameters of any of the preceding definitions. This may include clothing/accessories (covering all areas of clothing), footwear and accessories including retail; agricultural (covering services, animal remedies and veterinary, chemicals, buildings and equipment and retail); industrial (including products, machinery, equipment, tools and retail); smoking (including all smoking products and anti-smoking products and organisations); transportation (covering commercial transportation services), and miscellaneous, including pet products.

## **Classified advertising revenue categories**

There are five categories for Classified advertising as follows:

### **Automotive**

Any classified advertising related to the automotive sector, including vehicles (cars and motorbikes), equipment, retail (car dealers), parts and accessories, and servicing.

### **Personals**

Any classified advertising related to personal advertising, including dating sites, services offered, births, deaths and marriages, and sundry personal announcements etc.

### **Real estate**

Any classified advertising relating to the buying, selling, leasing or rental of any form of real estate property or services including residential and commercial.

### **Recruitment**

Any classified advertising relating to the recruitment industry, including situations vacant, job-seeker advertisements, and contract services etc.

### **Other**

Any classified advertising that does not fall into the categories listed above.

## Appendix 6 – Contacts

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## About IAB New Zealand

IAB New Zealand (IABNZ) represents New Zealand's fast-growing, exciting and dynamic interactive advertising industry. IABNZ is an affiliate of the international network of IAB offices in 26 countries.

IABNZ works with its members to help identify the best roles for interactive advertising engage customers and build brands. Members of IABNZ include media owners, ad agencies, and web development shops through to research and measurement, ad-serving companies and ISPs. In short, anyone involved in interactive advertising from individual bloggers hosting ads to the world's largest media players and agencies.

IABNZ's mission is to drive awareness and usage of interactive media, and to play a central advocacy role in protecting and enhancing the interests of our members and their clients.

For more information, please visit IABNZ's website - [www.iab.org.nz](http://www.iab.org.nz).

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PwC ([www.pwc.com](http://www.pwc.com)) firms help organisations and individuals create the value they're looking for. We're a network of firms in 158 countries with close to 169,000 people who are committed to delivering quality in assurance, tax and advisory services.

"PwC" is the brand under which member firms of PricewaterhouseCoopers International Limited (PwCIL) operate and provide services. Together, these firms form the PwC network. Each firm in the network is a separate legal entity and does not act as agent of PwCIL or any other member firm. PwCIL does not provide any services to clients. PwCIL is not responsible or liable for the acts or omissions of any of its member firms nor can it control the exercise of their professional judgment or bind them in any way.

For more information about PwC New Zealand and how they may be able to help you, please contact one of the PwC team listed in Appendix 6 – Contacts or visit [www.pwc.co.nz](http://www.pwc.co.nz).

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