

2018 IAB UK & PwC Digital Adspend Study

Measuring the size of the UK digital advertising market

research@iabuk.com



1. Introduction



Background

- Adspend is the official measure of the size of the UK digital advertising market
- A census of major UK media owners and intermediaries
- Adspend — includes desktop, tablet and smartphone
- Only media spend is reported to ensure fair comparison to other media
- Official Advertising Association figures since 1997
- Information collected annually
- Data shown by:
 - Category (display, search & classified)
 - Format (banners, video, etc.)
 - Environment (social vs non-social media)
 - Industry sectors (split by display, search and social)

Digital includes desktop, tablet and smartphone

Total digital

- Online advertising viewed on a desktop PC or laptop, accessed via an internet connection
- Advertising that has been specifically tailored and served on a tablet device, accessed via 3G, 4G or Wi-Fi
- Advertising that has been specifically tailored and served on a smartphone device, accessed via 3G, 4G or Wi-Fi (feature phones included)
- All reported data includes desktop, tablet and smartphone unless otherwise stated

Smartphone only cuts of data

- Advertising that has been specifically tailored and served on a smartphone device, accessed via 3G, 4G or Wi-Fi (feature phones included)
- For the purpose of this study, advertising on feature phones etc. is also included in this category
- Smartphone only figures are signposted throughout

2.1 Methodology



Reported revenue

- Survey includes UK ad revenues submitted by 64 participants plus additional recruitment sites and TV broadcasters reported by WARC
- The figures are drawn up on the basis of submitter declaration and have not been verified or audited
- Some revenues included in total figures are based on publically available ad revenues



2018 direct submissions



Modelled revenue

- Modelling of UK ad revenues for:



As well as: Informa, TES, MVF, Monster, Taboola, Sizmek, Trade Desk, Global Radio, Ad2-One*, ESI, Jobsite, Johnston Press, LoopMe, Outbrain, Mediamath, SuperAwesome

- Modelling is aided by the IAB / PwC Advisory Board and corroborated with additional 3rd party data and industry interviews
- Revenues for video advertising on online TV broadcaster websites and apps are based on WARC estimates
- Except for the above companies, reported figures have not been adjusted for organisations that did not participate in the survey

IAB / PwC Advisory Board



Methodology notes

Adjustments

- Figures are **adjusted for double-counting**, based on information provided by survey submitters (e.g. a media owner's revenue overlapping with an intermediary also submitting to the survey)

Absolute growth

- Growth rates presented are based **on all revenues** included in the study. We have modelled revenues for companies with partial or missing submissions
- In previous years we have given like-for-like growth rates excluding companies that did not submit in either of the years

Revenues

- Total digital advertising revenue (as presented in this report) is reported on a **gross** basis
- Participants are asked to provide UK only revenues (i.e. ad revenues generated in the UK with advertising served / intended for a UK audience)

Restatements

Figures from previous waves of Adspend are restated, where needed, to offer the most accurate data possible

Restatements happen when new data points are available to help refine modelling, or when submitters provide more accurate historical data

2017 restatement - total market:

Published 2017:
£11.553bn

Restated 2017:
£11.683bn

2017 recap — digital advertising reached

£11.683 billion

Paid for search:

£5.821bn

Display:

£4.307bn

Classified:

£1.470bn



2.2 Headline Results



The total UK digital market in 2018

£13.44bn

An increase of
£1.76bn
year-on-year

15.0% increase

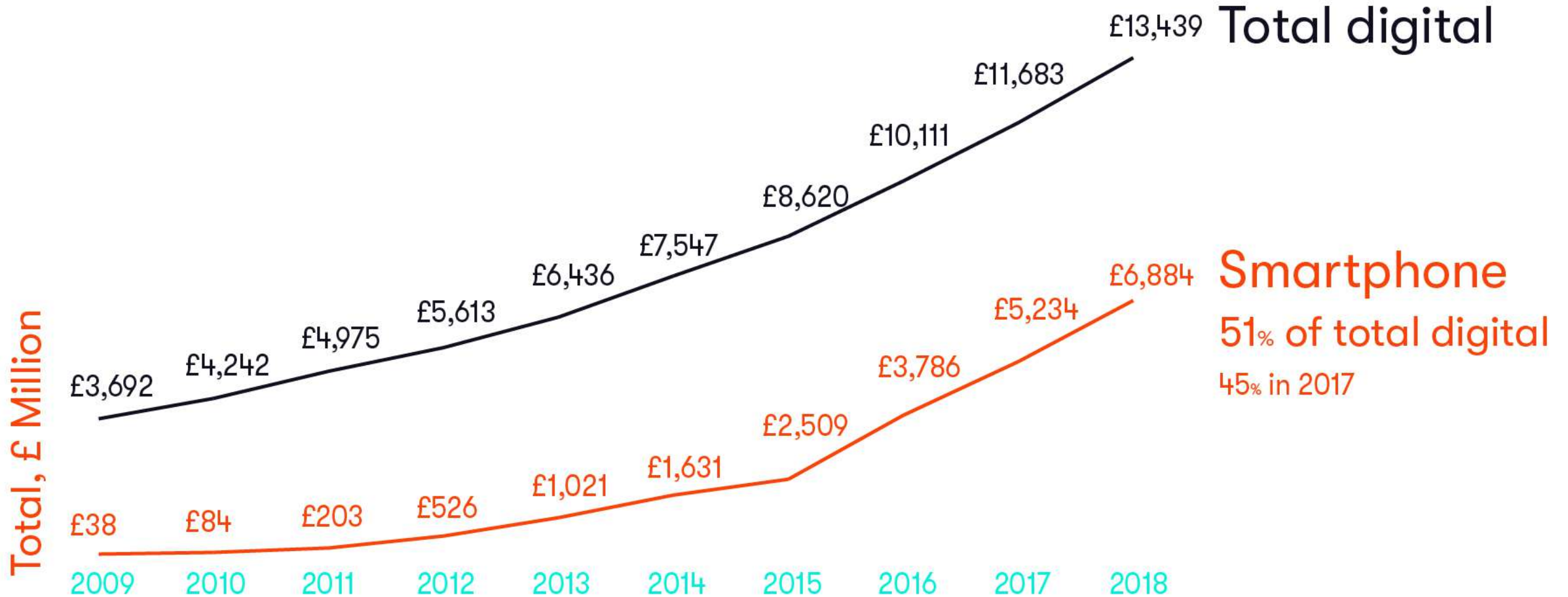
Almost all growth in 2018 is coming from smartphone

£6.88bn

An increase of
£1.65bn year-on-year
on smartphone

31.5% increase

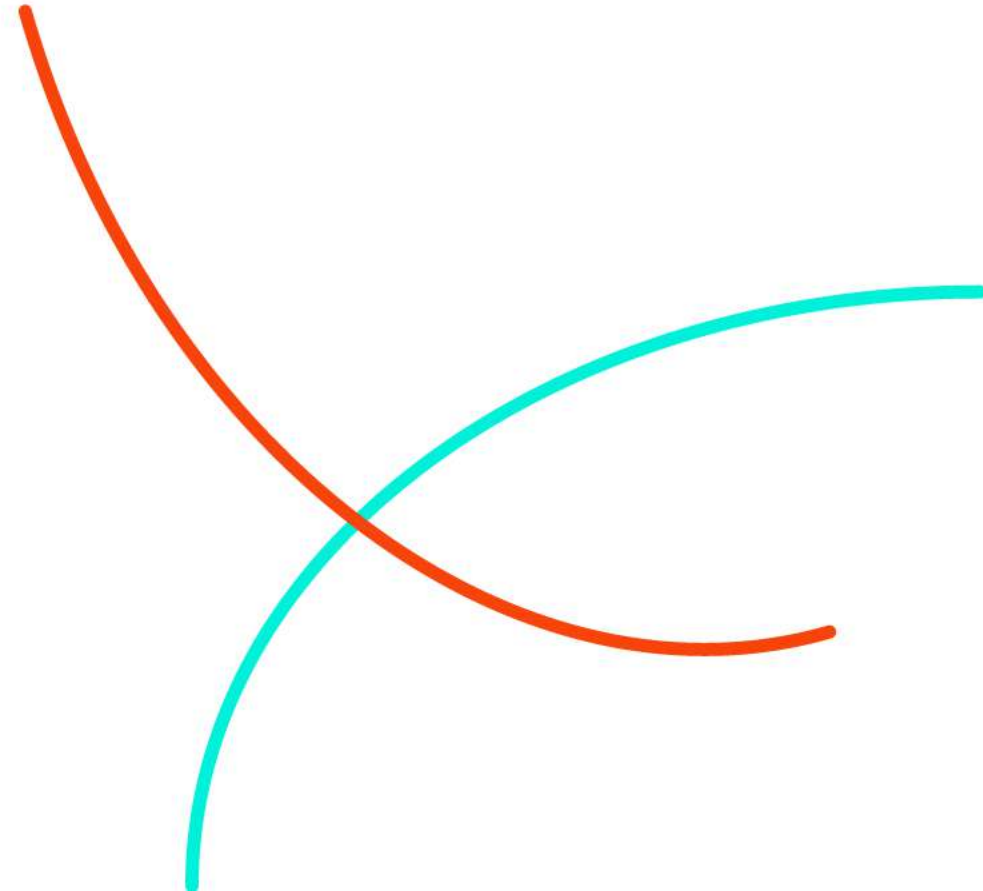
51% of digital advertising is on smartphone



IAB UK Adspend Advisory Board Commentary

“Market growth remained both strong and concentrated, mainly for the same reason: the appeal of search and online video advertising for an exceedingly broad advertiser base. The flexibility and measurable performance of top online advertising platforms attracts small businesses, trade promotion budgets and big brand advertisers alike.”

Matti Littunen, Enders Analysis



2.3 The Digital Media Mix



Which formats go where?

Display:

Standard display banners

Native advertising (inc. in-feed and native distribution)

Paid sponsored content

Interruptive formats

Display ads on email

Tenancies

Pre-mid-post roll video

Outstream / social in-feed video

Video other

Affiliate display

Display other

Search

Paid for search

Classified

Recruitment classified

Other classified

Other

Solus email

Audio advertising

Lead generation

Mobile SMS/MMS

Ads in or around games

Display accounts for 39% of all digital ad spend

Paid for search:

50%

Display:

39%

Classified:

11%



Other: < 1%

2018 total £13.44bn

2017:

Search 50%, Display 37% Classified 13%, Other < 1%

Smartphone is almost entirely display and search advertising

Paid for search:

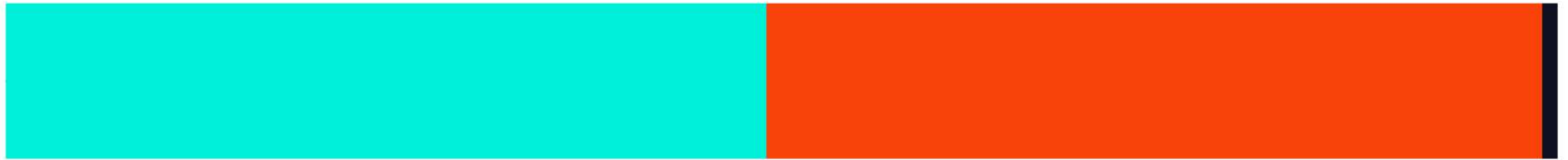
49%

Display:

50%

Classifieds / Other:

< 1%



2018 Smartphone total £6.88bn

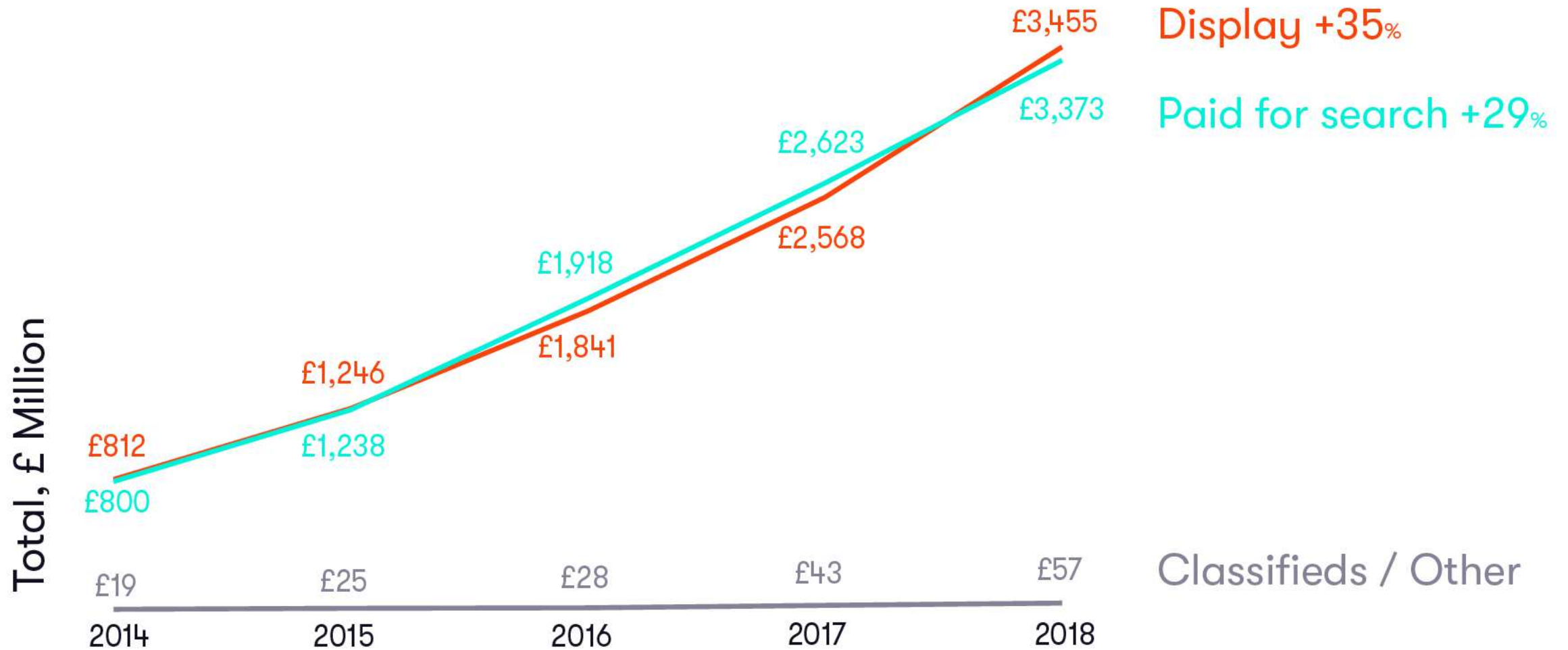
2017:

Search 50%, Display 49%, Classifieds/Other < 1%

Growth for display has accelerated over the past year



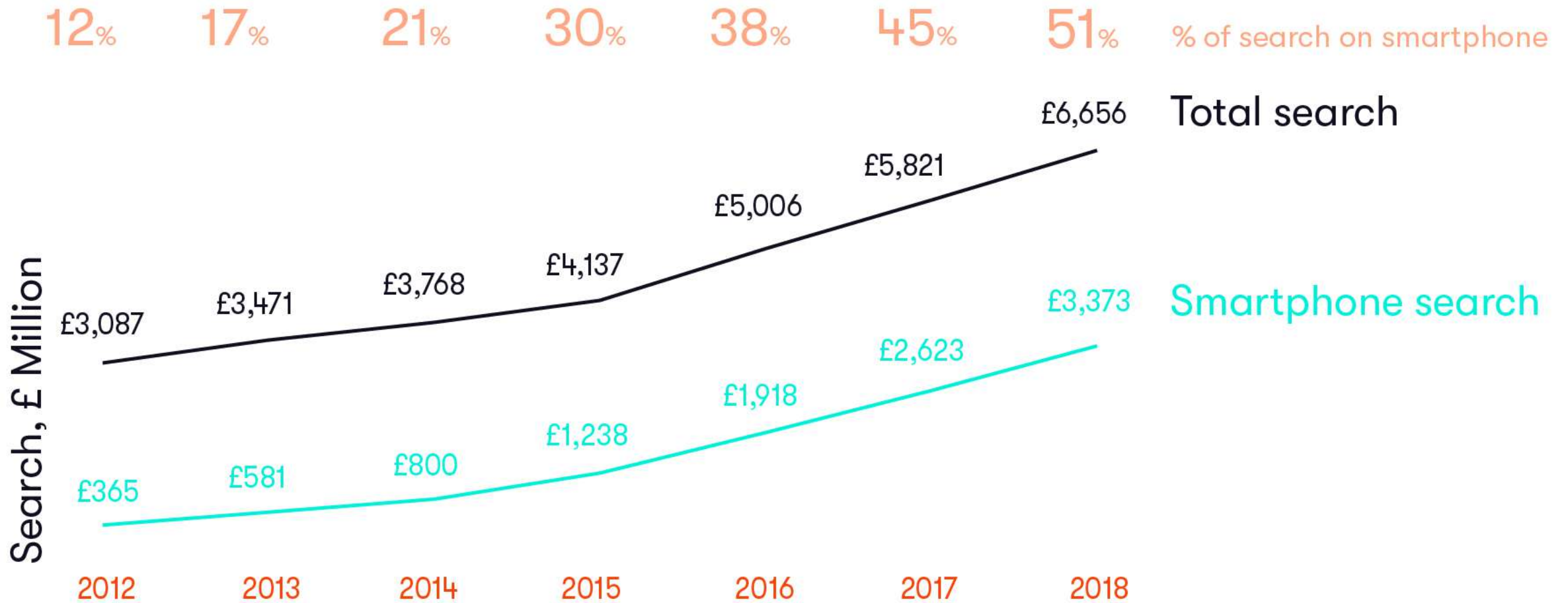
Smartphone display has grown at a faster rate than search



Search



51% of all search spend is on smartphone



IAB UK Adspend Advisory Board Commentary



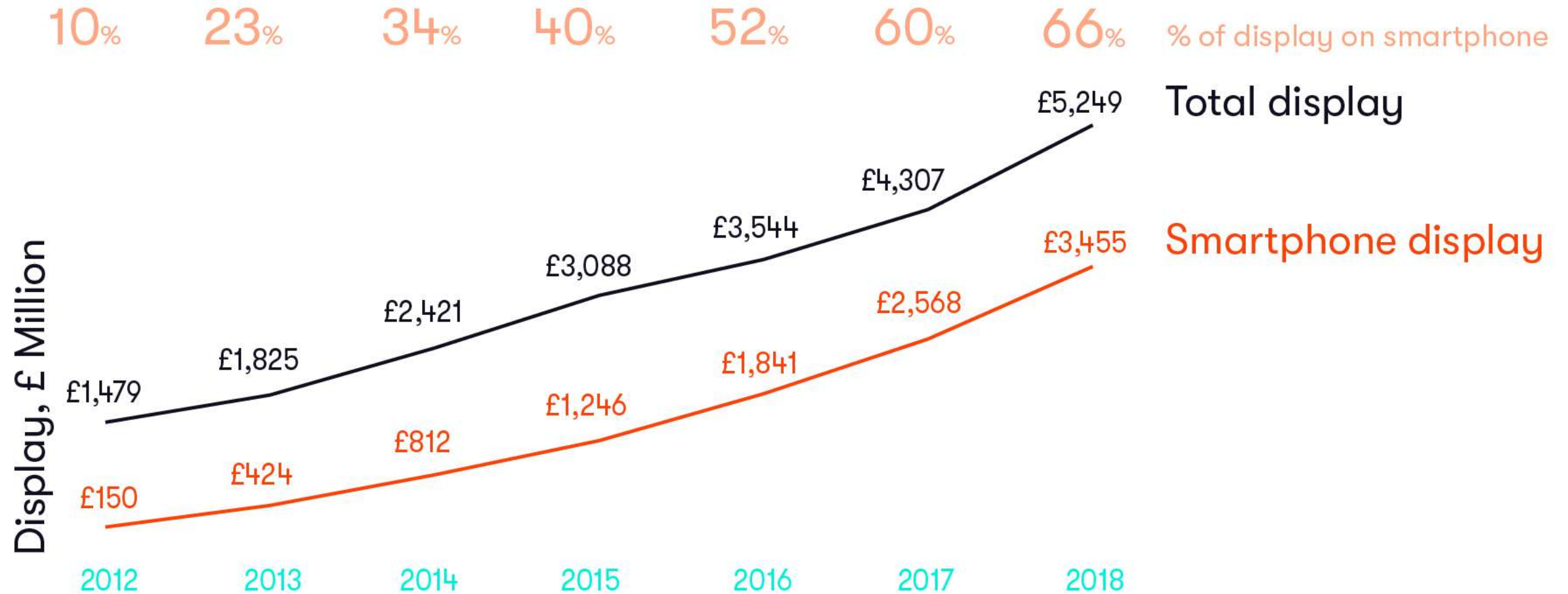
“As with other digital media channels, growth in search investment on mobile has historically lagged behind the amount of time spent on the device. So it’s not a huge surprise to see that the bulk of growth in search spend over the last 12 months has come from mobile - the market is just playing catch up.”

Neil Bruce, Mindshare

Display



66% of display is now on smartphone



Video is the largest display format

Video:

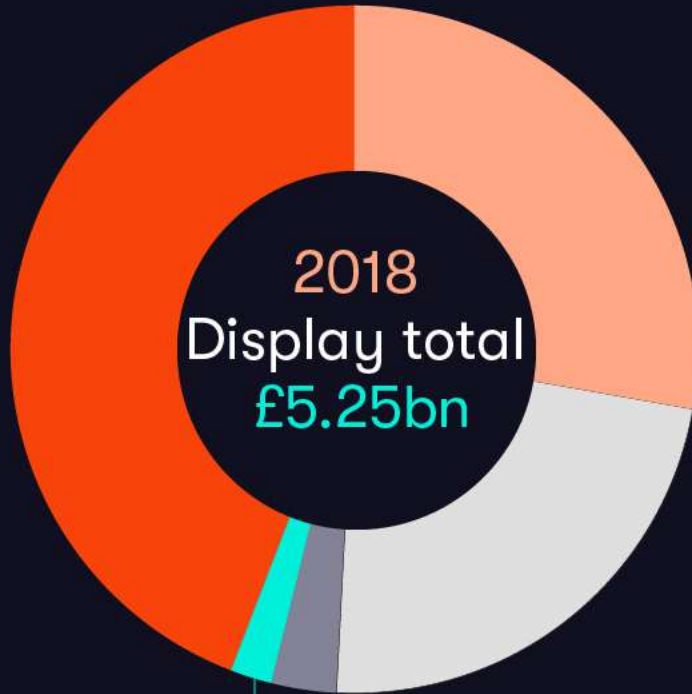
44%

£2,307m

Sponsored
Content:

3%

£167m



Banners:

28%

£1,486m

Native:

23%

£1,192m

Other:

2%

£97m



Video is driving the majority of growth in display



81% of smartphone display is video and native

Video:

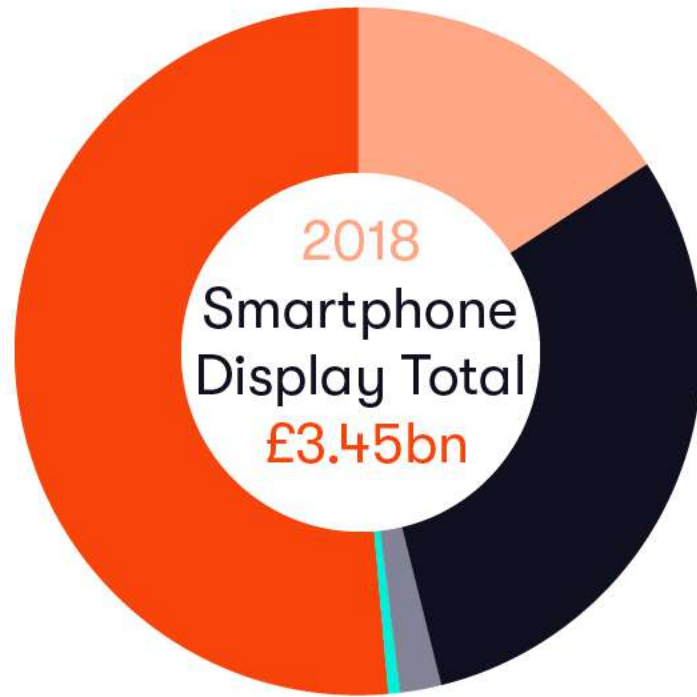
51%

£1,748m

Native:

30%

£1,047m



Standard display*:

16%

£566m

Remaining display formats**:

0.7%

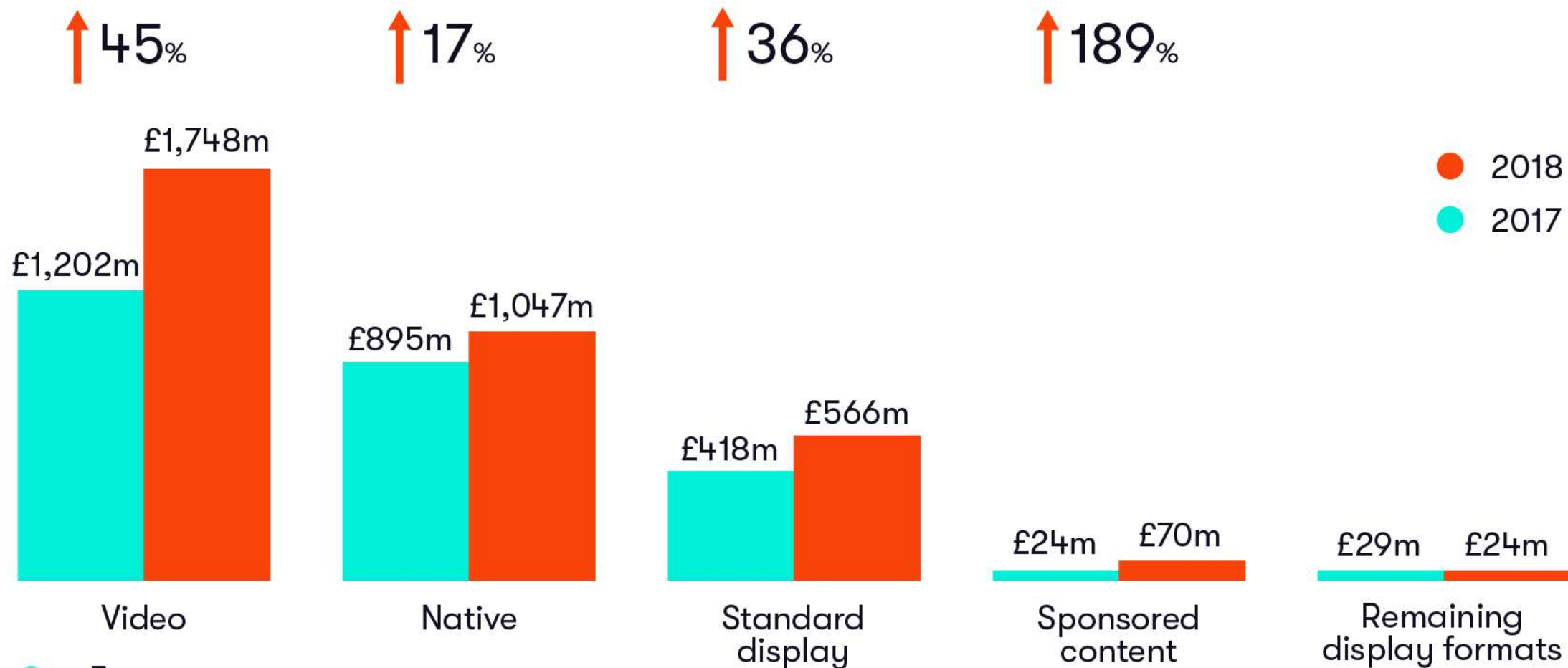
£24m

Sponsored Content:

2%

£70m

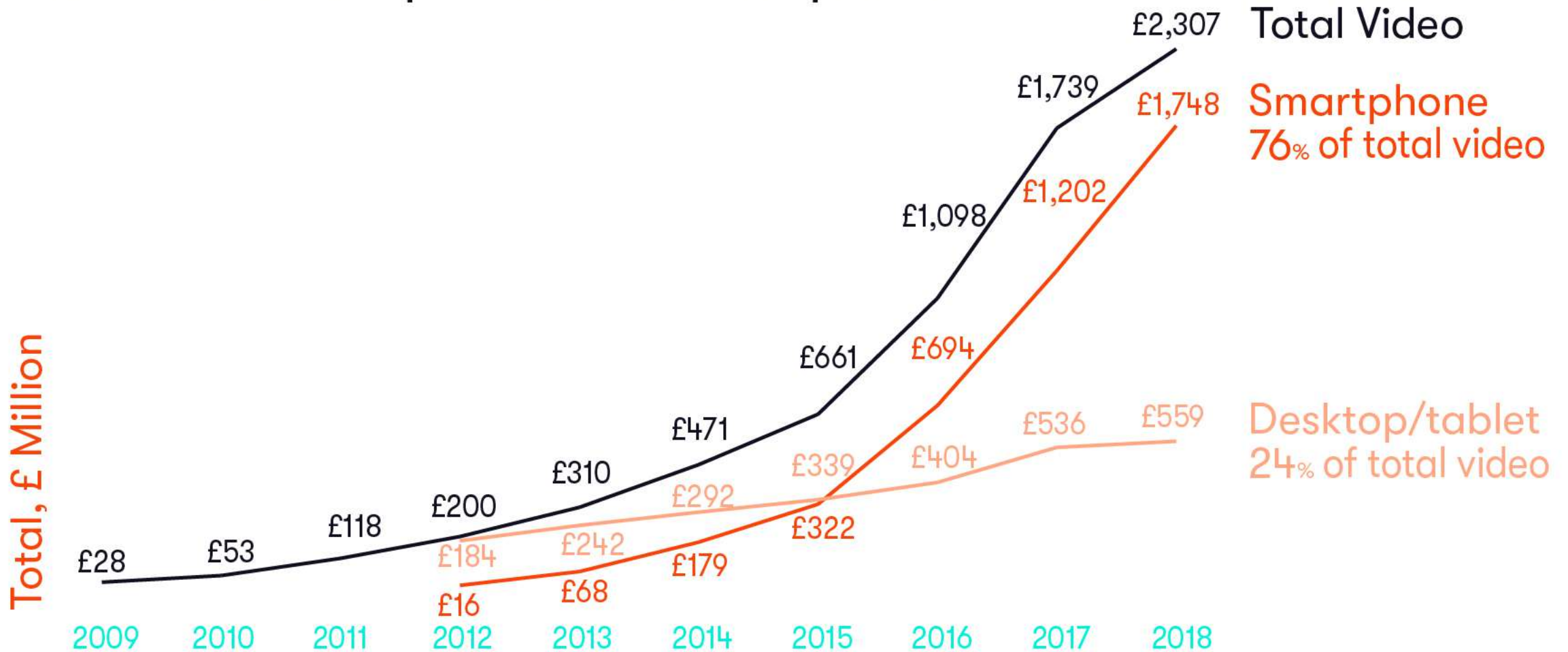
Smartphone video shows strong growth



Video



76% of all video spend is on smartphone

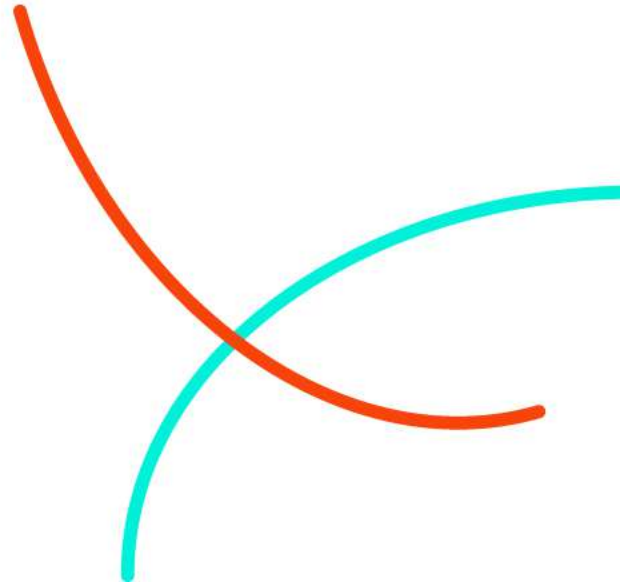


IAB UK Adspend Advisory Board Commentary

“As the quality of smartphone handsets continues to improve with bigger, better, higher quality screens coupled with faster WIFI or 4G connectivity and affordable data plans, users are spending more time consuming more video content on their phones. And the more content that is consumed the more ad opportunities they are presented with.

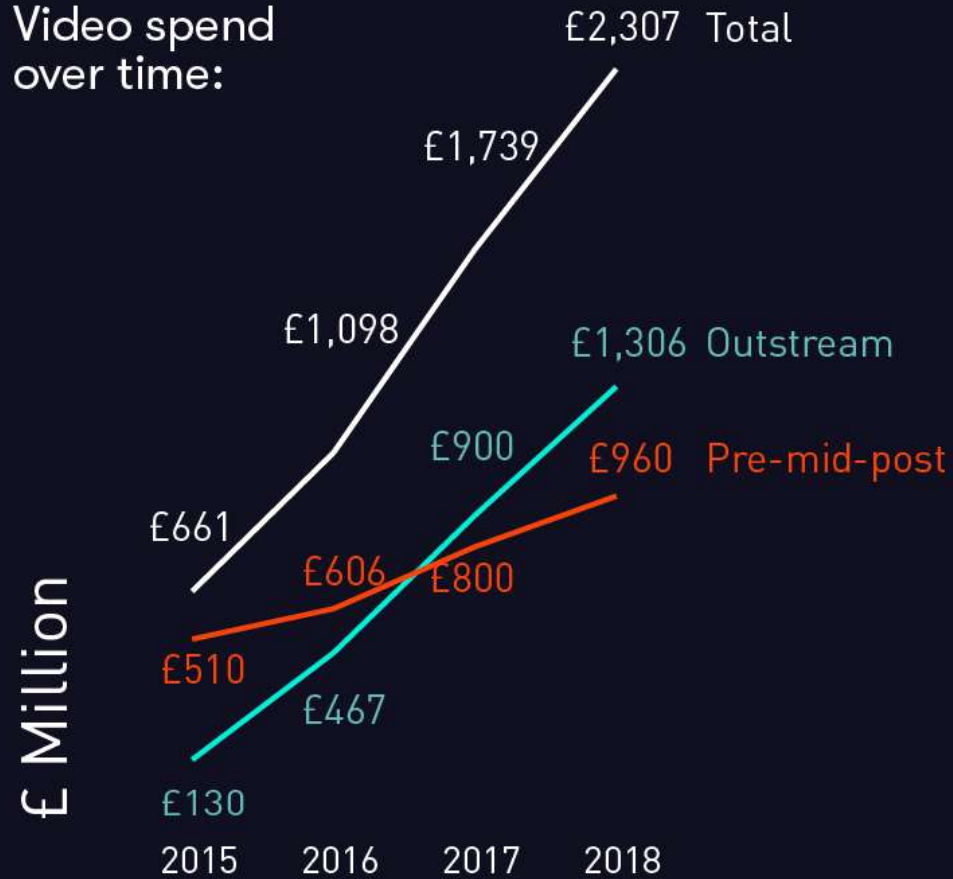
It's not only the experience and accessibility that is improving but the ad formats themselves. Clients and planners are now thinking mobile first and using mobile formats that fit with how users consume content on their phones.”

Dave Foster, Dentsu Aegis



Outstream has increased its majority of total video spend

Video spend
over time:



Pre-mid-post
roll:

42%

£960m

Video
other:

2%

£40m

Outstream /
social in-feed:

57%

£1,306m



2017

Outstream 52%
Pre-mid-post 46%
Other 2%

59% of pre-mid-post roll video is non-broadcaster VOD

Non-broadcaster VOD:

59%

£570m

Broadcaster VOD:

41%

£390m



2018 total pre-mid-post roll £960m

2017:

Non-broadcaster 62%

Broadcaster 38%

Outstream over-indexes on smartphone

Outstream/social in-feed ●

Pre-mid-post roll ●

Video other ●

Desktop / Tablet total: £559m



Smartphone total: £1,748m

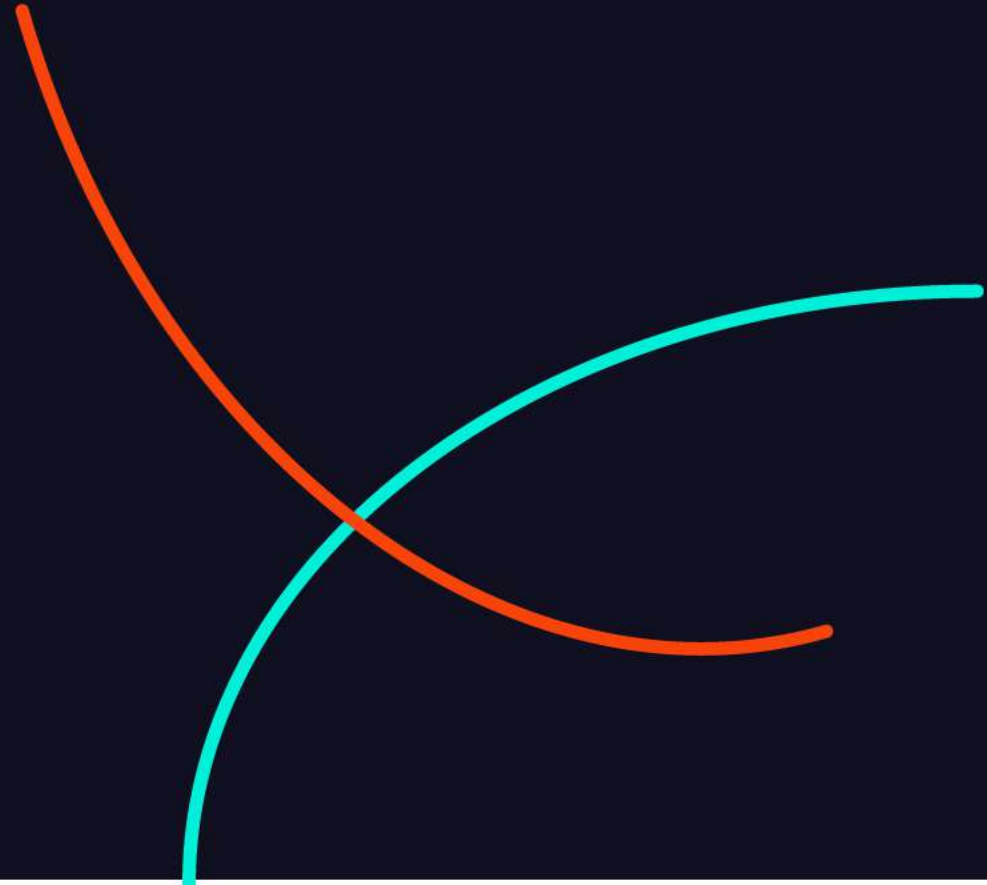


IAB UK Adspend Advisory Board Commentary

“More advertisers than ever have committed to maximise the potential impact of thier campaigns by customising video creative for digital platforms. Whilst we still clearly see the importance of TV’s digitally migrating audience, offering opportunities for impactful 30” copy on broadcasters’ digital platforms, we can’t forget the positive impact that video ads created specifically for digital platforms provide.”

Dave Counsell, the7stars

Native



The majority of native advertising is in-feed

Native distribution:

9%

£107m

In-feed:

91%

£1,084m



2018 total native £1,192m

2017:

Native distribution 8%

In-feed 92%

Almost all native advertising on smartphone is in-feed

Desktop / Tablet total: £145m



Native distribution: 39% £57m

In-feed: 61% £88m

Smartphone total: £1,047m



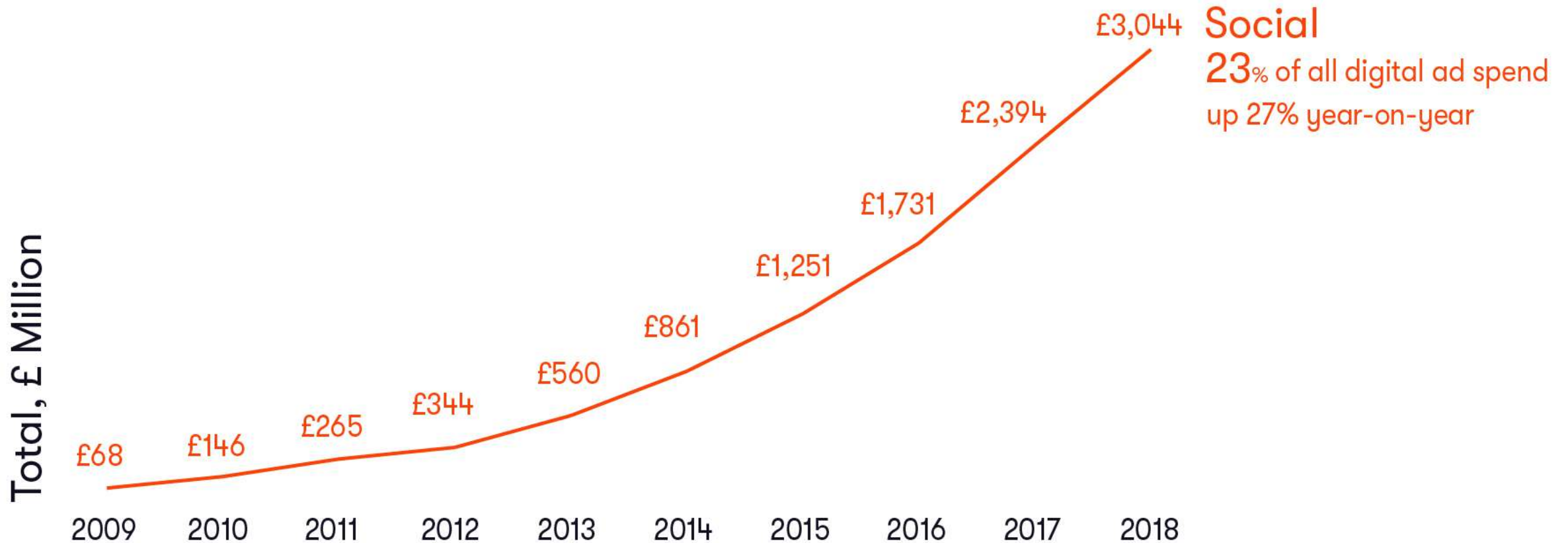
Native distribution: 5% £51m

In-feed: 95% £996m

Social



Social revenue is now £3.04bn, 23% of all digital ad spend



80% of all social spend is on smartphone

Smartphone:

80%

£2,438m

Desktop & tablet

20%

£606m



2018 total social £3,044m

2017:

Smartphone 83%

Desktop & tablet 17%

58% of all display is being served in a social environment

Non-social:
42%
£2,205m



Social:
58%
£3,044m

Non-social video:
22%
£503m



Social video:
78%
£1,804m

Non-social banners:
89%
£1,316m



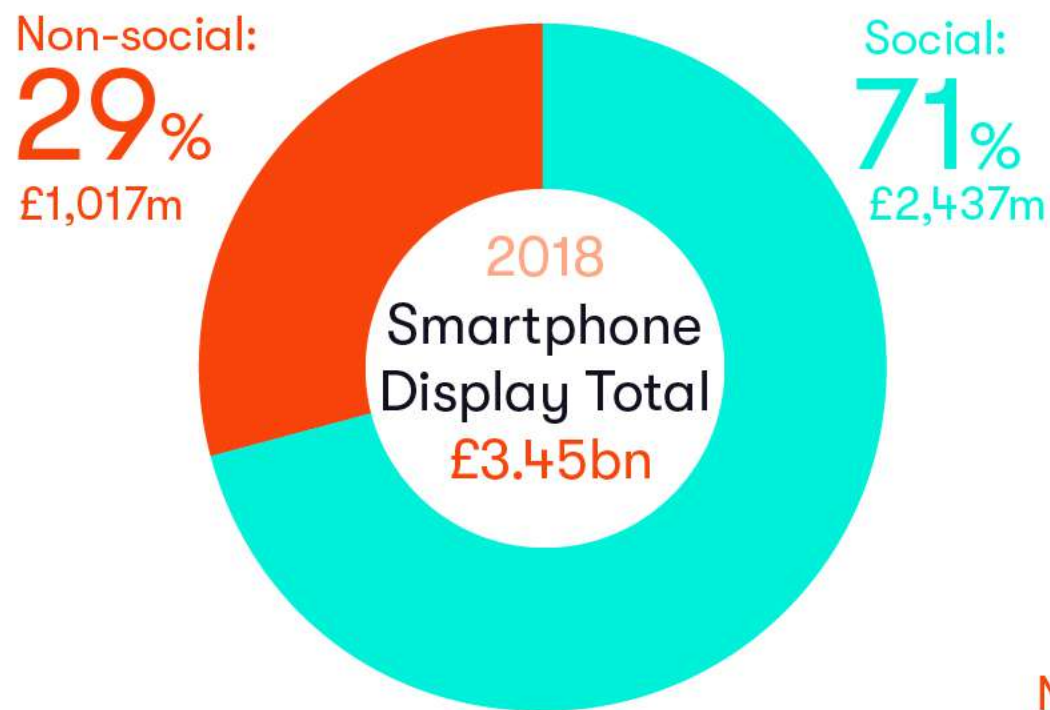
Social banners:
11%
£170m

Non-social native:
10%
£122m

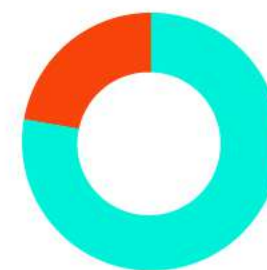


Social native:
90%
£1,070m

71% of all smartphone display is served in a social environment

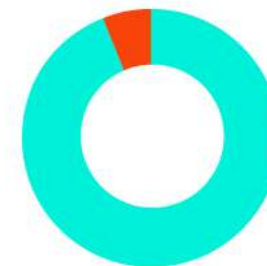


Non-social video: 22%
£387m



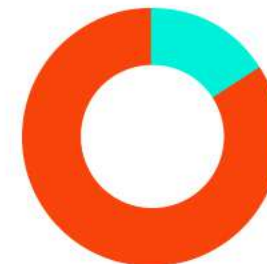
Social video: 78%
£1,361m

Non-social native: 6%
£60m



Social native: 94%
£987m

Non-social standard display*: 84%
£476m

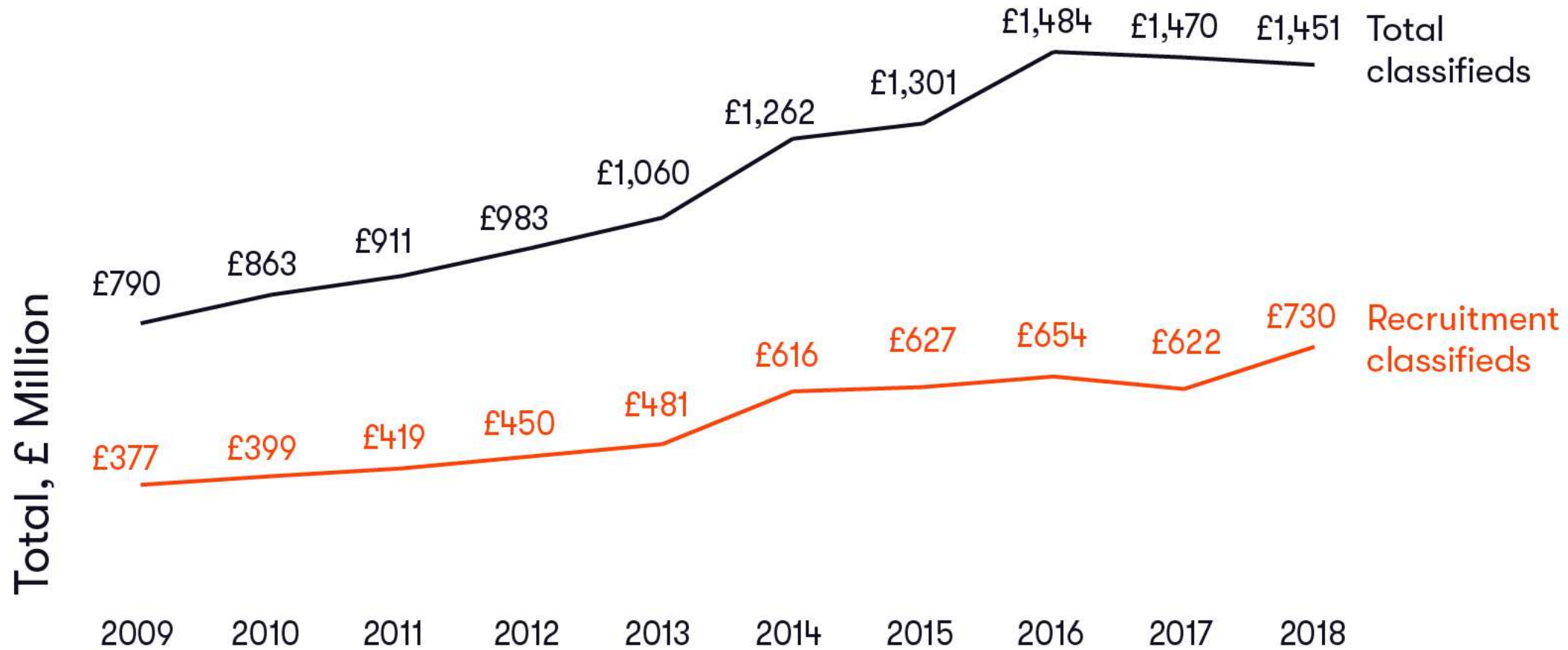


Social standard: 16%
£90m

Classifieds



Recruitment makes up 50% of all classified spend



2.4 Industry Sectors



Reported revenue

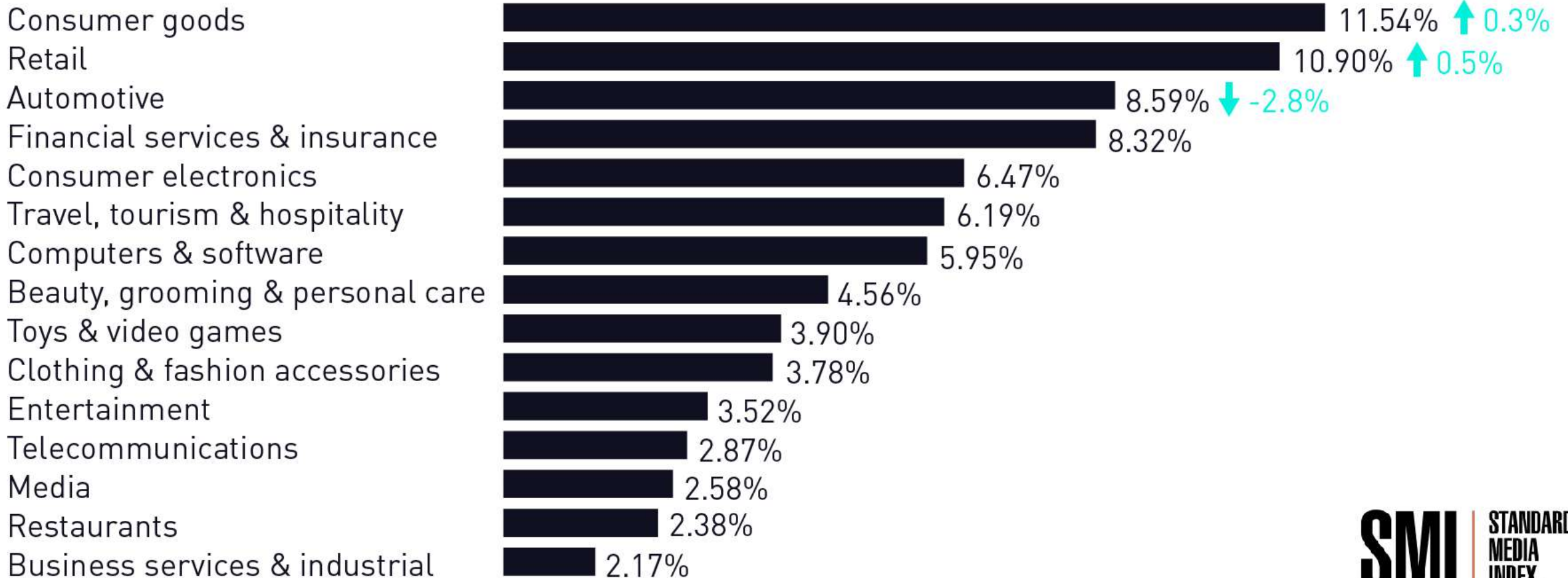
- Data collected from 5 out of 7 UK media agency groups
- Except for these groups, figures have not been adjusted for other organisations
- Display: all paid media space that isn't search
- Social: display advertising across all social networking sites
- Non-social display: display advertising across all non-social networking sites
- Paid for search data does not account for search bought directly (i.e. not through a media agency)

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MEDIA
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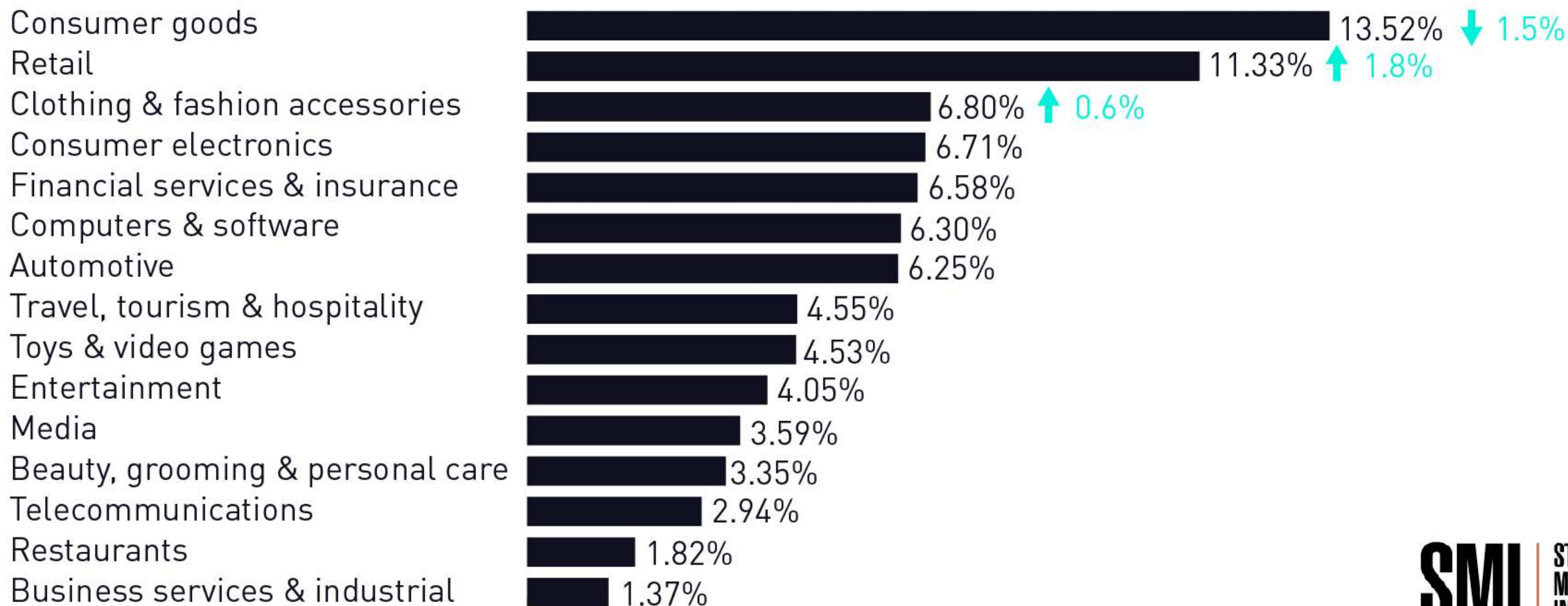
Industry sectors: total display advertising

Top 3 year-on-year % point increase

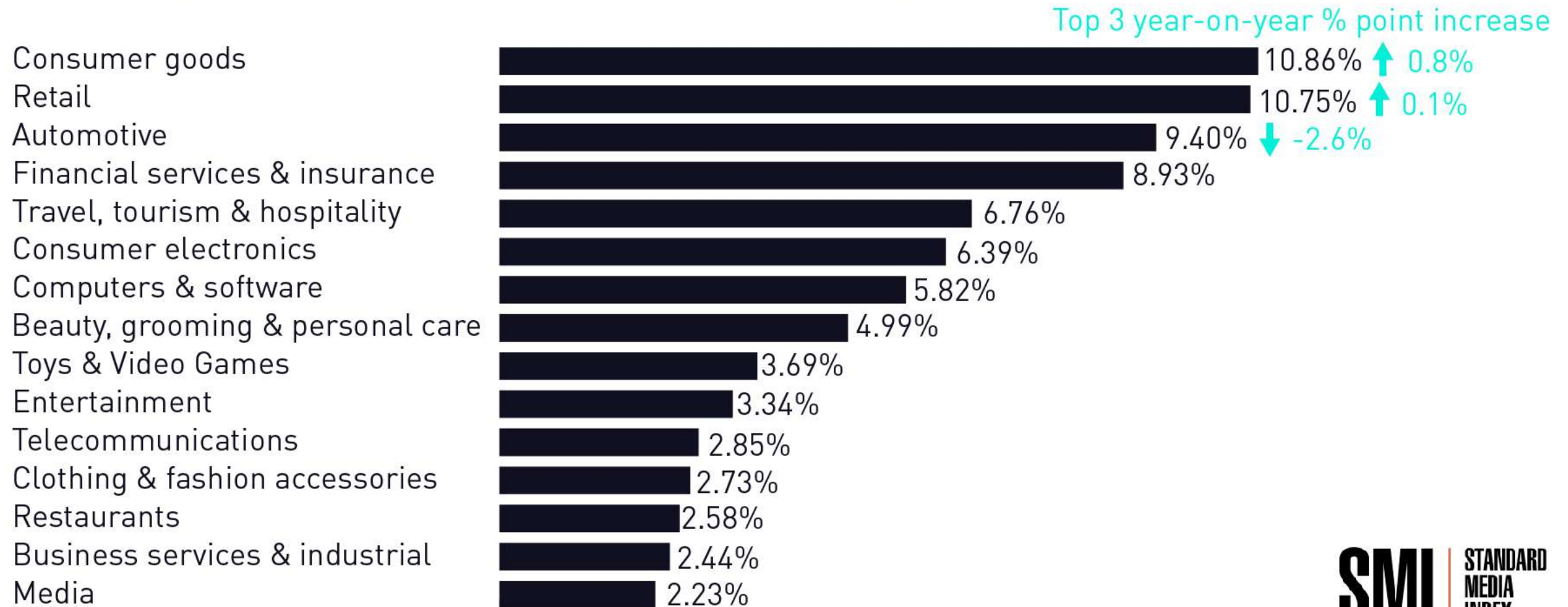


Industry sectors: social networking sites

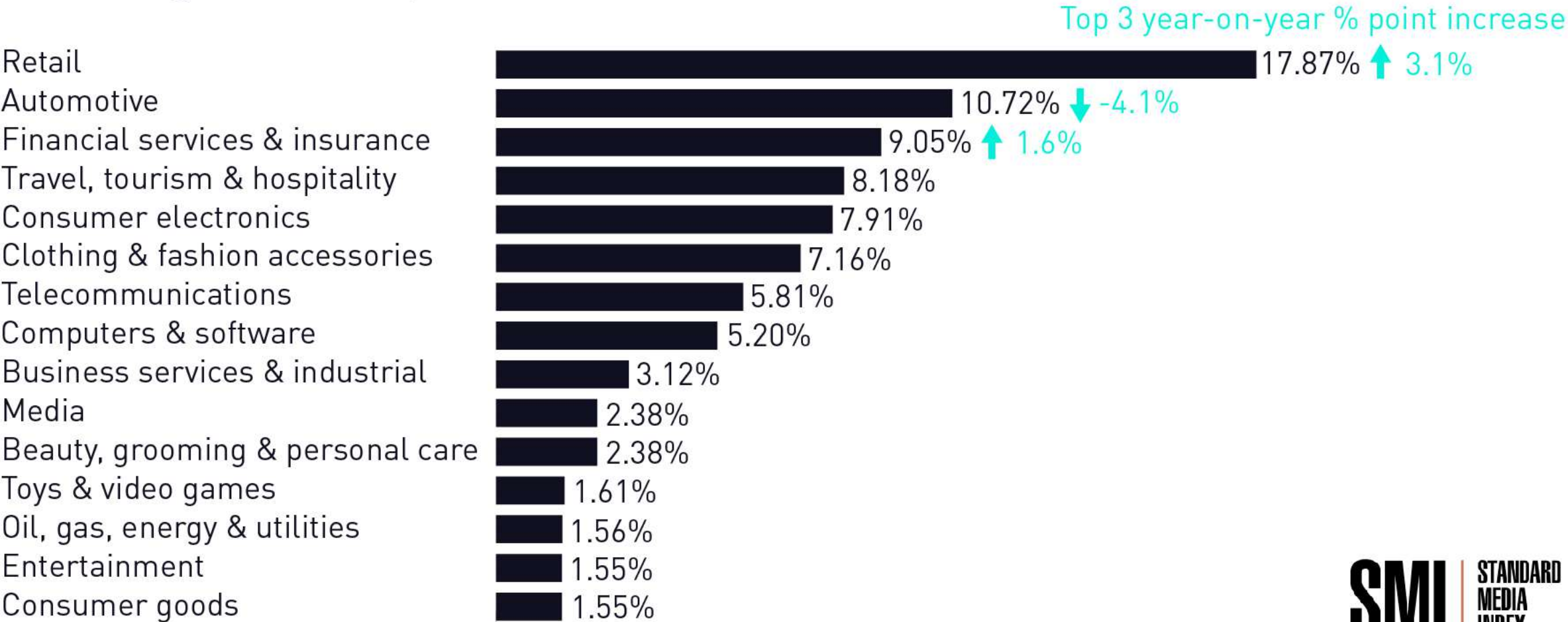
Top 3 year-on-year % point increase



Industry sectors: non-social networking sites (display only)



Industry sectors: paid search



2.5 Forecast & Summary



2019 full year forecast

| GroupM | Full year 2019 forecast |
|-----------------------|-------------------------|
| UK Advertising Market | +5% |
| Digital* | +9% |
| Display* | +11% |
| Search | +9% |

2018 Summary

- The total UK digital advertising market in 2018 is worth **£13.44bn**
- **Smartphone** is driving almost all growth in the market
- At **£6.88bn**, smartphone now makes up **51%** of all digital spend
- Video is larger than standard display banners, **up 33%** year-on-year
- Outstream / social in-feed has increased its share as the largest video format, now **57% of all video**
- **76%** of all video spend is on smartphone
- Social revenue is now **23%** of all digital spend

2.6 Appendix



SMI industry sector definitions

Automotive

Aftermarket Parts & Services : Auto Parts, Tires & Additives: Wheels, tires, lubricants, motor oil, filters, brake pads, batteries, auto accessories etc. Automotive Service & Repair: Mechanics, repair shops, car washes, auto service companies, auto review websites. Automotive Vehicles & Dealerships: Auto Dealers & Associations: Vehicle dealers & services, dealership associations (DAA) Motor Vehicles: Cars, SUVs, trucks, sedans, motorcycles, vans. Brand Examples: Ford; Toyota Dealers, Michelin; Pennzoil, Cars.com

Beauty, Grooming & Personal Care

Hair Care: Hair dryers, hair straighteners, shampoos, conditioners, hair styling products, hair coloring products, hair salons, barbershops. Makeup, Fragrances & Grooming: Cosmetics, fragrances, colognes, makeup, lipstick, foundation, nail polish. Oral Care: Toothbrushes, toothpaste, mouthwash, dental floss, tooth picks. Personal Hygiene & Shaving: Aftershaves, shaving cream, electric razors, razor blades, products used for personal hygiene such as condoms, lubricants, tampons, sanitary napkins, diapers. Skin Care: Sunscreen, tanning lotions & creams, lip balms, all skin creams not used for a specific medical purpose or ailment (such as a non-prescription acne cream). Brand Examples: Head & Shoulders; Maybelline; Crest; Degree; Olay

Building & Construction

Construction Equipment: Tractors, heavy duty machinery, construction companies, raw construction materials, concrete, paving, masonry, lumber, insulation, wallboard, roofing, siding. Paint & Home Improvement: Paint, brushes, finishes, coatings, portable hand and power tools, or equipment that would be used in the building or improving of any physical structures. Plumbing, HVAC & Bathroom Fixtures: Sinks, faucets, bathtubs, toilets, heating & cooling equipment Brand Examples: Benjamin Moore Paint; American Standard; Kohler

Business Services & Industrial

Business, Courier, Legal & Management Services: Legal services, auction houses, funeral homes, courier services, consultants, other various business services. Consumer review websites that do not solely focus on another SMI Category. Employment & Recruitment Services: Recruitment or employment agencies or websites and services used for career development. Brand Examples: FedEx; Legalzoom; Monster.com; TheLadders. Manufacturing Materials & Equipment: Military & aviation equipment, chemical companies, aircraft manufacturers, and any type of electronics or machinery used for industrial production. Brand Examples: John Deere; Boeing

SMI industry sector definitions

Clothing & Fashion Accessories

Clothes & Apparel: Dresses, suits, dress shirts, formal wear, bridal wear, jackets, coats, jeans, pants, underwear, lingerie, socks, bras, hosiery etc. (excludes sports apparel & footwear). Fashion Accessories: Handbags, luggage, wallets, ties, belts, gloves, hats, scarfs, sunglasses and all other types of fashion accessories. Jewelry & Watches. Shoes, Boots & Footwear: Casual & dress shoes, boots, sandals, slippers, and other types of non-sports related footwear. Brand Examples: DKNY; Samsonite luggage; Omega watches; Hunter boots

Computers & Software

Internet & Software Companies: Software, technology, data storage, networking services & equipment, social networking companies. Brand Examples: Facebook; Oracle; Salesforce. PCs & Laptops: Computers, hardware, computer components. Printers & Office Machines: Printers, scanners, ink, office machine peripherals, multi-function office machines, copiers, label-makers etc.

Consumer Electronics

Cameras & Camcorders. Portable Electronic Gadgets: iPods, MP3 players, portable media players, navigation/GPS systems. Smartphones & Tablets: Mobile phone or hand held mobile tablets built on a mobile operating system, with more advanced computing capability connectivity than a feature phone. TVs & Home Entertainment Equipment: TVs, DVD players, home theatre sound system equipment, speakers, Blu-ray players. Brand Examples: Dell; Canon Powershot; Canon Pixma; iPod; Samsung Galaxy; LG TV

SMI industry sector definitions

Consumer Goods (Food produce, dairy, drinks, household supplies)

Cereals & Breakfast Foods: Hot & cold cereals, waffles, pancakes, bagels, muffins etc. Confectionary, Snacks & Dessert Items: Candy, mints, gum, chips, nuts, popcorn, pretzels, cookies, crackers, cakes, pies, pastries, donuts, ice cream, frozen yogurt, sorbet, popsicles, gelatins, pudding. Dairy, Produce, Meat & Baked Goods: Milk, butter, eggs, yogurt, sour cream, cheese, dairy products, dairy substitutes, fruits vegetables, meat, poultry, fish, sea food, hot dogs, bacon, sausage, grains, beans, breads, rolls Ingredients, Condiments, Mixes & Seasonings: Sugar, salt, pepper, jellies, jams, preserves, Peanut butter, mayonnaise, sandwich spreads, marinades, seasonings, spices, extracts, pickles, relish, salad dressing, cooking oils, syrup, honey. Prepared & Frozen Foods/Meals: Soups, pasta, pasta dishes, prepared dinners & entrees, baby food, frozen foods Brand Examples: Cheerios; Snickers Chocolate; Sugar in the Raw; Green Giant frozen foods. Bottled & Enhanced Water: Bottled water, vitamin water, sparkling water, flavoured water. Coffee & Tea. Juice & Flavored Beverages: Fruit juice, vegetable juice, orange juice, apple juice, Kool-Aid, Capri Sun and other types of flavored beverages. Soft Drinks: Soda, pop, carbonated & non-carbonated soft drinks, diet and regular soft drinks. Sports & Energy Drinks. Brand Examples: Vitamin Water; Tropicana; Gatorade; Lipton Tea; Coca-Cola; Red Bull. Beer & Ale: Beer, lager, cider, light beer, breweries. Liquor & Spirits: Whiskey, brandy, cognac, cordials, liqueurs, gin, rum, tequila. Wine & Champagne: Wine, champagne, wineries, vineyards, wine coolers Brand Examples: Budweiser; Jack Daniels; Yellowtail. Air Fresheners & Cleaning Products: Air fresheners, disinfectants, kitchen and bathroom cleaning products Disposable Paper Goods: Paper towels, toilet paper, napkins, tissues, paper cups and plates. Laundry & Dishwashing Preparations: Laundry detergent, bleach, dishwashing soaps, fabric softener, and other laundry and dishwashing preparations. Pet Food & Care: Cat food, dog food, pet food, pet vitamins, cat litter, leashes, cages, collars, pet medication and other pet care products. Brand Examples: Febreze; Charmin; Dawn; Pedigree Miscellaneous. Household Supplies & Services: Batteries, etc.

Entertainment

Books: Book publishing houses, actual book titles, electronic books. Motion Pictures: Theatrical movie releases. Online Ticketing & Entertainment Websites. Pre-recorded media content: DVDs, home videos, CD's, pre-recorded music or non-internet based video. Spectator Sports, Concerts & Live Entertainment: Professional sports team, athletic leagues, opera houses, symphonies, music concerts, festivals, museums, zoos, live entertainment etc. Brand Examples: Little Brown & Co.; Avengers Age of Ultron (Theatrical Release); Fandango; Spotify; NY Giants

Financial Services & Insurance

Banking: Banks, financial exchanges, boards of trade, savings & checking accounts, mortgages, personal loans & corporate loans / lending. Credit Cards: Credit cards, credit card companies, traveler's checks, bank gift cards. Investment Products & Services: Stocks, Bonds, Mutual Funds, Retirement Accounts, Pensions, Asset management & other forms of investments. Brand Examples: HSBC; Capital One; American Express; Charles Schwab. Insurance: automobile, life, home, health, dental & any other form of insurance Brand Examples: Geico; Allstate; Liberty Mutual

SMI industry sector definitions

Health & Medical

Health/Fitness Facilities & Services: Gyms, fitness centers, diet programs, and health-related websites Supplements & Vitamins: Vitamins, minerals, weight loss, health & nutritional supplements not sold in food form. Brand Examples: NY Sports Club; LA Fitness; South Beach Diet; Centrum. Medical Equipment & Facilities: Hospitals & Medical Centers: Hospitals, health service centers, nursing homes, doctors, veterinarians, medical centers, hospices. Medical Equipment & Supplies: Medical equipment, heart monitors, pregnancy tests, first aid equipment, bandages, braces, crutches, contact lenses, hearing aids, canes, walkers, and any other piece of medical equipment or device needed to treat or manage a medical problem or ailment. Brand Examples: First Response; Acuvue

Media

TV Networks: Cable and Network television stations, and TV networks/channels Brand Examples: HBO; AMC; CBS; CW Magazines: Consumer, trade, weekly, monthly, annually, bi-annually, quarterly, and all other forms of print publications in a magazine format. Media Websites & Content Providers. Newspapers: Dailies, local, community papers, and all other forms of print publications in newspaper format Radio: Satellite, terrestrial, digital, local, national, syndication, college and or student radio. Brand Examples: Vogue; NYTimes; Sirius Radio

Oil, Gas, Energy & Utilities

Electricity & Water: Electricity and water companies. Gasoline & Oil: Petroleum companies, gasoline, and oil companies. Power & Energy: Power & energy companies, Natural energy, windmills etc. Brand Examples: ConEd; BP; Exxon

Organizations & Associations

Charitable, Health & Humanitarian: Charities, societies, institutions, associations. Labor Unions & Advocacy Groups: Non-government affiliated political groups, unions, lobbyist groups Brand Examples: Ronald McDonald House; United Way; Teachers Union; Corn Refiners Association

Retail

Department Stores: Retail establishment which sells a wide range of durable good and products while offering consumers a wide variety selection amongst various merchandise lines at variable price points in all product categories. Brand Examples: Macy's; JCPenny; Dillard's. Specialty Retailers: Retail chains our outlets that specialize in one or more particular industries or segments Brand Examples: Gap; Victoria Secret; Sunglass Hut. Discount Stores: Wholesale clubs and discount retail establishments that sell a variety of goods at less than normal retail prices. Online Retailers: Retail stores that specialize or only participate in online sales. Supermarkets, Convenience & General Stores. Brand Examples: Ciscos; Amazon; Duane Reade

SMI industry sector definitions

Toys & Video Games

Dolls & Action Figures: Action figures, figurines, dolls. Interactive Entertainment: Video games, video game manufacturers, video game websites, online and or internet games, video games consoles.

Toys & Games: Board games, card games, collector's cards, playing cards, various toys Brand Examples: Barbie; X-Box; Scrabble

Travel, Tourism & Hospitality

Airlines: Commercial airlines. Cruise Lines: Commercial cruise lines. Excludes travel websites that may specialize in cruise vacations. Only cruise lines, Hotels & Casino Resorts: Includes both foreign and domestic luxury and lower class hotels, motels, hostels, casinos, destination resorts, and other forms of vacation and or temporary hospitality. Tourism Bureaus: Local & national government tourism bureaus, individual state and or city tourism campaigns and websites, local and or national CVBs. Travel Services & Websites: Various online travel booking and or review sites, travel agents, travel centers, car rental companies, tour companies, and other various forms of travel or vacation services. Brand Examples: Jet Blue; Royal Caribbean; Mohegan Sun; Aruba Tourism; Orbitz

Restaurants

Casual & Upscale Dining: Steakhouses, non-chain restaurants, sit-down upscale fine dining establishments Brand Examples: TGI Fridays; IHOP; Olive Garden Ice Cream, Coffee & Pastry Shops, Bakeries, cafes, coffee houses, donuts shops etc. Pizza Eateries: Quick-Serve and or sit-down pizza specialty restaurants. Quick Serve Restaurants: Fast food, sit-down and or drive through restaurants Brand Examples:

Dunkin Donuts; Pizza Hut; McDonalds