

UK internet ad spend grew 4.6 per cent to £1.75 billion in H1 2009

Online advertising expenditure overtakes TV for the first time.

IAB figures show ad expenditure online up £82m to record market share of 23.5%.

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In the first half of 2009 internet advertising weathered the recession and grew by 4.6% to £1,752.1m, despite the entire advertising sector contracting by 16.6% during the same period.

According to the bi-annual online advertising expenditure study from the Internet Advertising Bureau (IAB) - the trade body for digital marketing - in partnership with PricewaterhouseCoopers (PwC) and the World Advertising Research Centre (WARC) - the internet has now overtaken TV advertising to become the UK's single biggest advertising medium.

The UK remains the world leader in terms of market share for online, with the medium accounting for 23.5% in the first half of 2009. The results signal a significant restructure of marketing budgets as advertisers follow their audiences online and look to the internet for even more measurable and accountable methods.

Search, classifieds and online display

Paid-for search continued to grow, proving itself a mainstay of marketing budgets with an 11.8% increase from H1 2008 to H1 2009. As the purest form of direct response advertising, search is proving recession-friendly with marketers investing £1.1bn during H1 2009, which equates to 62.6% of all online advertising expenditure.

Total online classified spend was £335.8m in H1 2009 – or 19.2% of all online ad spend – and saw a slight decline of 3.6% in this period. However within this 'further classifieds', increased by 29% despite the property market crash and stalled automotive sector to £215.2m, promising news for the industry

Online display was down 5.2% year on year to £316.5m, with an 18.1% share of all online advertising revenues. Online display buoyed a tough year as all other mainstream media saw a double digit decline.

Technology, telecoms and finance leading the way

The study also breaks down the online display market by industry category, to identify who the top spenders are and how investment is increasing or decreasing across sectors. The results show that Technology is the biggest spender, accounting for 19.1% of the market, followed by Telecoms (13.3% rising from 9.7% the previous year) and Finance (13.2% up from 11.9%). Entertainment and Media was fourth with 11.8%, while Consumer Goods saw significant growth up from 6.2% in H1 2008 to 8.1% in 2009 as FMCG marketers steadily increased digital budgets.

Guy Phillipson, chief executive of the Internet Advertising Bureau, said: "Internet advertising has beaten all expectations to achieve growth in the most challenging market conditions. Online display has performed notably well against its peers in TV, print and radio despite more than £1.5 billion being wiped off the advertising industry. We have a rollercoaster of a year ahead but even in tough economic conditions marketers still recognise the value, accountability and measurability of online advertising."

Eva Berg-Winters, online advertising expert, PricewaterhouseCoopers LLP said: "Perhaps surprisingly, a slowing economy has accelerated the migration to digital technology and hence the continuing shift from more traditional forms of advertising to online, which promises return on investment and measurability in a period of instability. The only certainty is that this transgression demands fundamental structural change of business models across all industries."

Key drivers for growth

Advertising networks boosting the market: Alongside the major portals, advertisers are increasingly turning to networks to book their online campaigns. According to Econsultancy research, 70% of online advertisers and their agencies work with three online advertising networks or more. Almost half (46%) say they are working with more ad networks than a year ago, an average of 31% of online display advertising budget is believed to be spent on online advertising networks.

Online as a direct response medium: This year has seen marketing budgets being stretched to their very limits, and online has proved its worth. With improved planning and insight tools which mean more advertisers flock to the medium to take advantage of its targeting, accountability and measurability.

Growth of new display formats: With the proliferation of video, the internet has become a highly engaging entertainment medium. Alongside tried and tested methods such as rich media, pre and post roll online video advertising is showing strong growth (a 195% increase year-on-year). This indicates advertisers' willingness to experiment and invest in more engaging and interactive multimedia content.

Ecommerce booming: In a time of recession, people buying and shopping are taking to the internet for the best deals, making online the best place to reach bargain-hungry consumers. The continued annual growth in the online retail market is evidence that online is withstanding the challenges of the economic downturn and the retailers that continue to expand and improve their online presence.

Faster, cheaper broadband: 92% people now have a broadband speed on over 2MB and 56% of home broadband users now have wireless broadband driving audiences online and allows advertisers to provide consumers with richer branded content (BMRB Internet Monitor May 2009).

Summary of ad spend in 2008

Across all 2008 advertising expenditure on the internet was £3,349.7 millions, a market share of 19.2%, following a 17.1% year-on-year increase. Spending online in 2008 increased by £540 million year-on-year as total UK advertising spend fell by 3.5% to £17.5bn.