

IAB report on Online Ad Spend The Netherlands 2012



Introduction and summary

Introduction

This is the third year that the IAB and Deloitte are publishing the online advertising spend report for The Netherlands. The previous four reports, for the full and half year have received positive feedback from the online community and the current edition – which covers 2012 FY has great participation from key industry players.

This years edition is based on data supplied by 40 companies, which allows us to gain extensive insight in the market. We also received estimates from over a dozen affiliate marketing companies to complement the survey data. Deloitte also conducted validation discussions on the preliminary results with different parties including publishers, advertisers and media planners.

Due to improvements in the survey and better internal reporting by survey respondents, we have made adjustments in the 2011 figures for industry revenue splits, payment models and the size of the affiliate advertising segment.



Emile van den Berg
IAB | Research & Standards

“We have been running this report with a steady number of respondents for three years now. For future reports our focus will be on getting more details on international players like Google and Facebook.”



Joris van Heukelom
IAB | Chairman

“This 2012 report shows the effect of a stagnated economy on the growth of digital advertising. The fact that digital is still outperforming other media is fine, but personally, not enough. The different stakeholders within the digital advertising ecosystem should realize that now the time is right to professionalise and standardize on the one hand and go for full innovation in digital marketing on the other hand. The changing behaviour of the consumer as well as the extreme rapid penetration of new media devices demands a faster pace of innovation, trial and error”



Roel van Rijsewijk
Deloitte | Deloitte Digital

“For the first time since we have done this study the second half of the year has shown less spend than the first. If this trend continues, 2013 will be a challenging year for the online advertising industry for the first time in its history. But opportunities for growth in mobile and online video are there.”

Our methodology



Executive summary

- "Internet is the **largest advertising market** and continues **to grow and outperform other mediums** even under challenging economic circumstances"
- **Future growth** of the industry is expected to continue to **slow down** due to **low consumer confidence** and the **challenging economic environment**.
- "Automated Trading is becoming a **more dominant sales mechanism** and is expected **to keep on growing**. This has a strong corrective impact on price levels"
- "Market has **slowed down** considerably in the **second half year** with a **decline** for both **classifieds and display**. **Full year growth** is still a healthy **8.4%**, largely driven by **search**, which now accounts for 54% of the total market"
- "Even though there were **high expectations for video**, due to severe **price pressure** on the video market created by dominant players lowering prices the market has **not shown top line growth**"
- "Leading parties have shown strong growth in **mobile advertising**, however the **share** of the total market remains **relatively small**."



Gagandeep Sethi
Deloitte | Deloitte Consulting

"The relatively weaker performance of online advertising is largely due to pressure from the larger macro-economic environment, which has led advertisers to become more cautious and focus more on performance based (search) advertising"

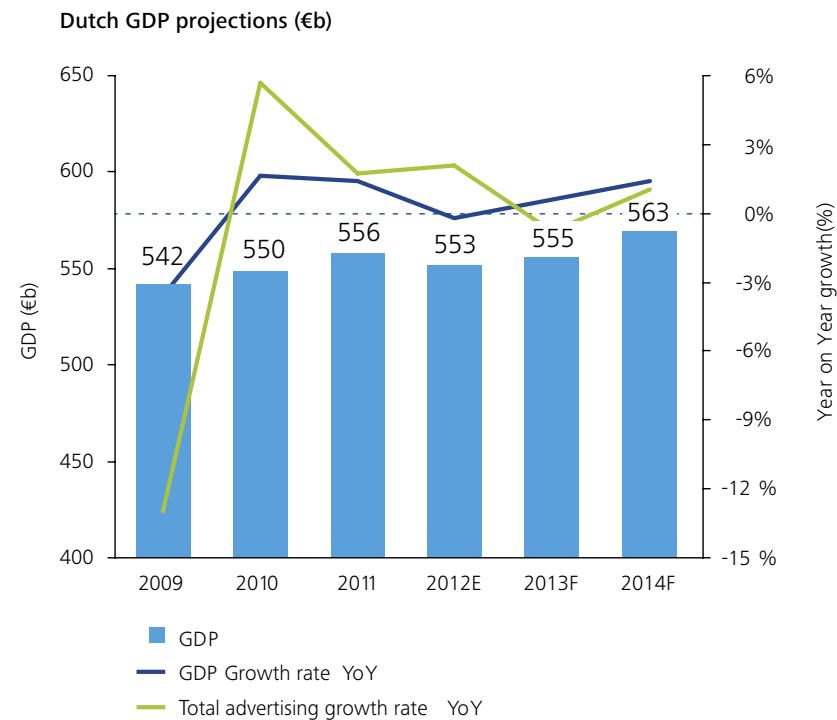
Background

Dutch economy

The economic outlook for the Netherlands remains challenging, resulting in a weak advertising market

Comments

- GDP is expected to grow by 0.3% in 2013 and 1.3% in 2014
- Given the close relationship between GDP and the advertising market we expect the outlook to remain weak



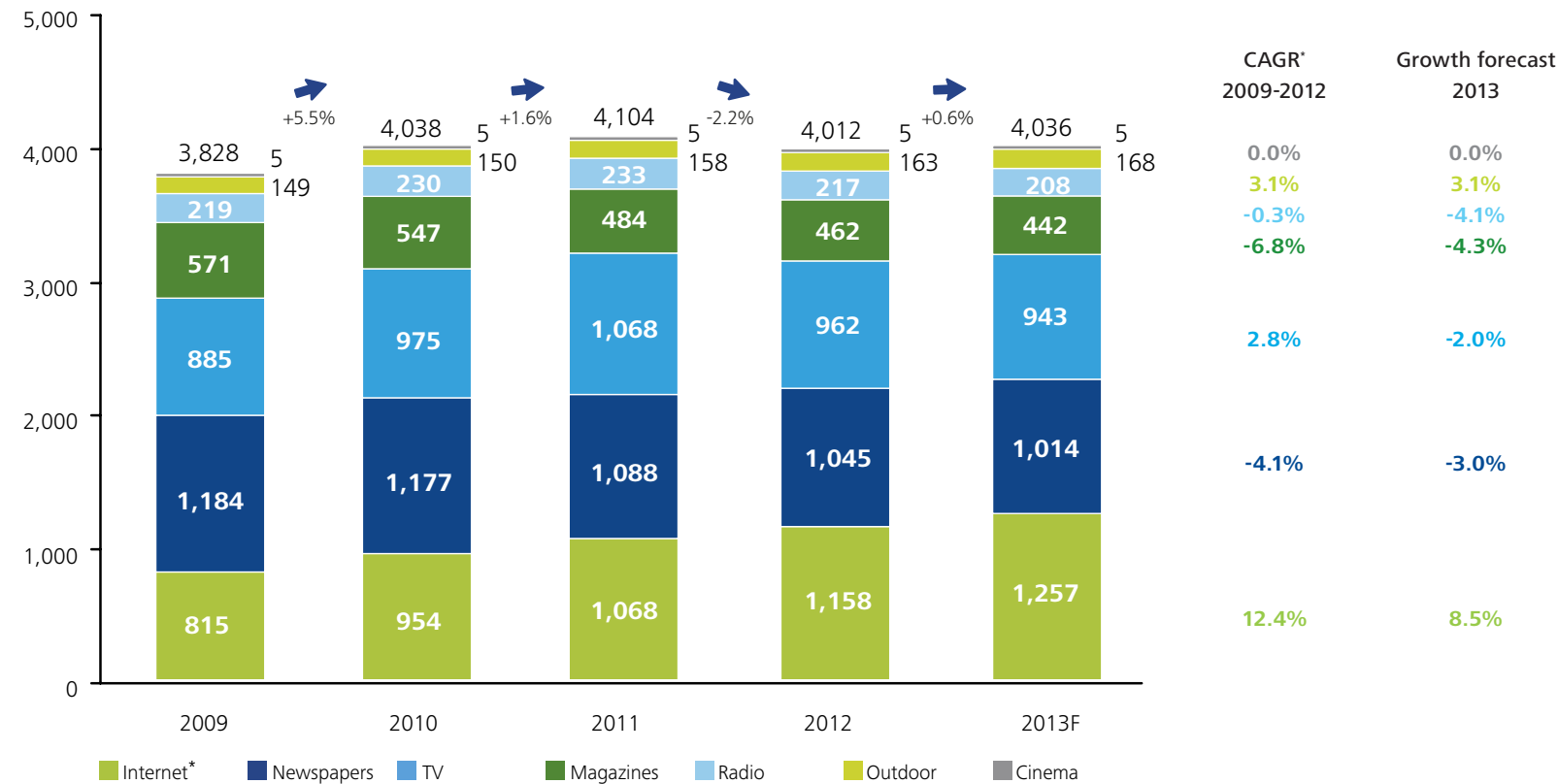
Note: Real GDP based on constant prices

Source: IMF, Zenith Optimedia, SPOT, STIR, RAB, GroupM, Company annual reports, Deloitte analysis

Dutch advertising market

Internet is the largest advertising market and continues to grow and outperform other mediums even under challenging economic circumstances

Estimated advertising market (€m)



*The Internet figures we report are net/net figures, meaning that the figures are reported after agency discount that in some cases apply. The figures reported in other mediu[m]types are before agency discount.

*Compound annual growth rate

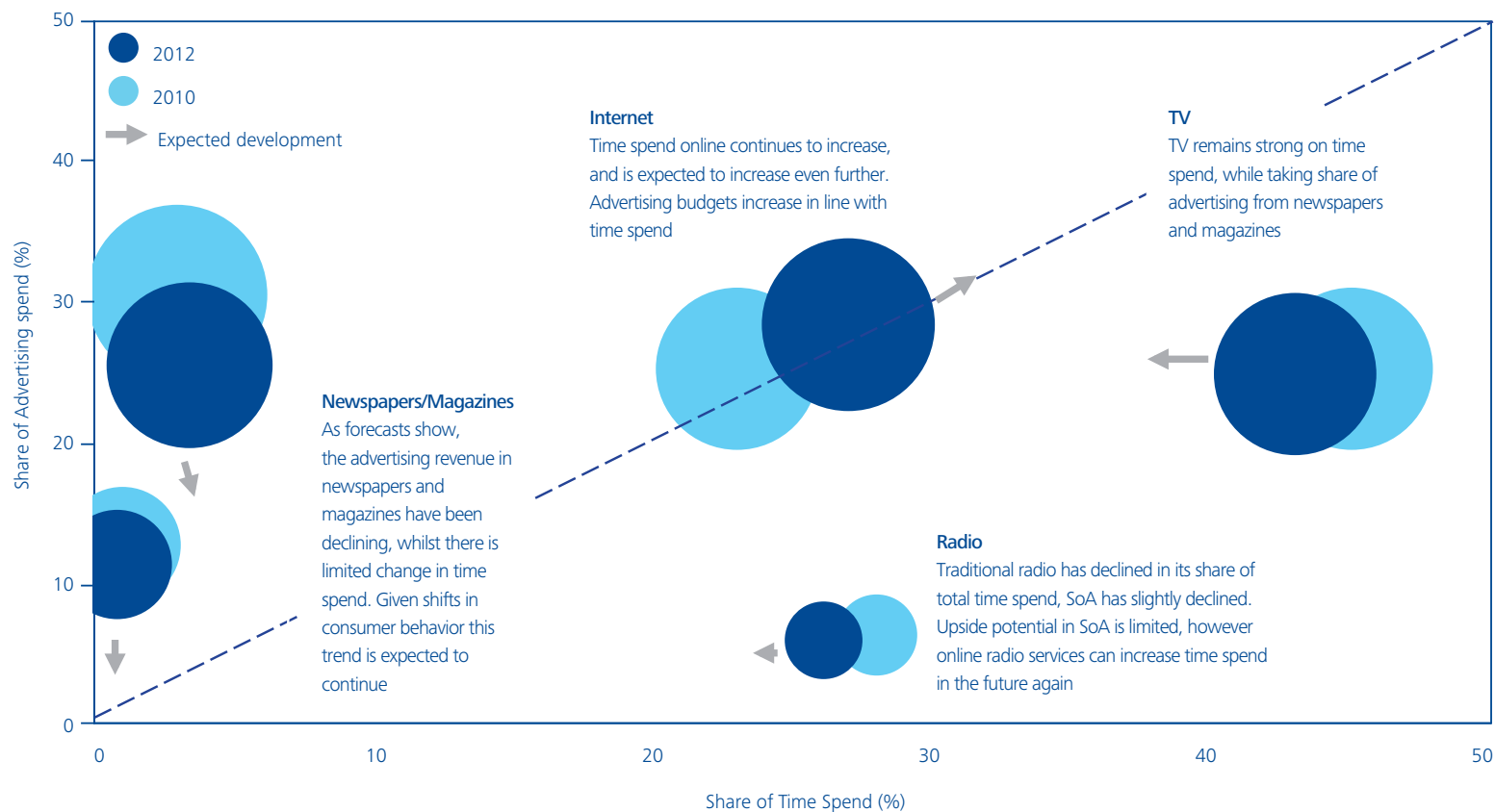
Source: Zenith Optimedia, SPOT, STIR, RAB, Group M, Company annual reports, Deloitte analysis

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Time spend

Internet has been growing its relative share of advertising, as well as the relative share of time spend on the different mediums

Share of time spend vs Share of advertising spend (2010, 2012)



Source: Trends tijdsbesteding 2010 & 2012. SPOT, Zenith Optimedia, Deloitte analysis

2012 Results

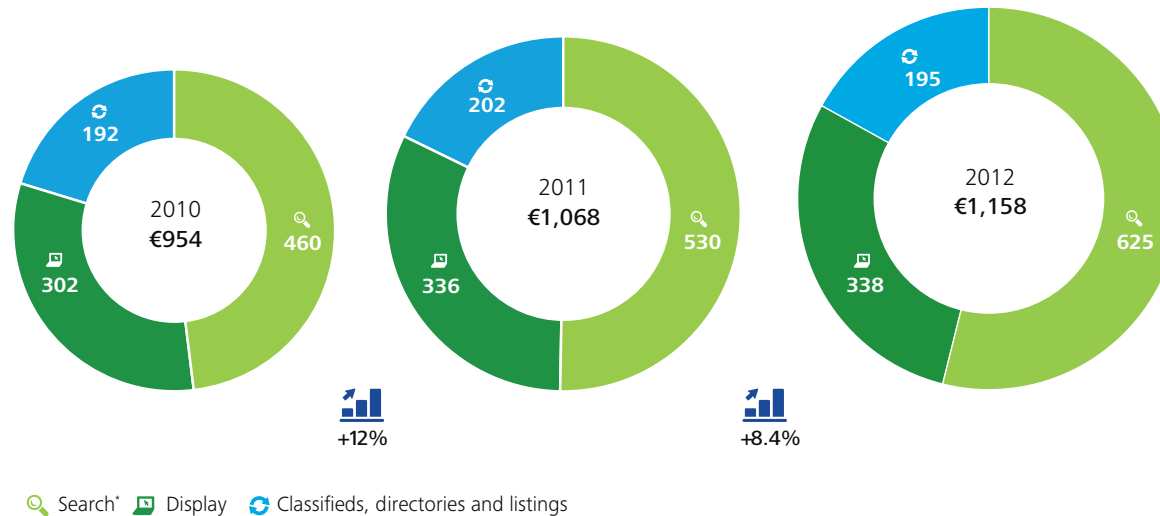
Online advertising market

Search is the main contributor to the growth of the online advertising market; the growth of Display and Classifieds is slowing down

Fran Goebbels
Annalect | Managing Director

"As the market circumstances are tough, advertisers move to more secure media; in 2012 online search has benefited from challenging economic circumstances. The challenge for publishers is to monetize their premium content."

Revenue by advertising category (€m)



	Growth 2010-2011	Growth 2011-2012
Search*	+15.4%	+18%
Display	+11.4%	+0.3%
Classifieds, directories and listings	+5%	-3.4%

* Search revenue is our estimation of all revenue of Google and its competitors in The Netherlands

Note: Display revenue includes some double counting from search related revenues; Classifieds, directories & listings estimated based on a limited number of data points

Source: Survey respondents, Annual reports, Deloitte analysis

Online advertising market

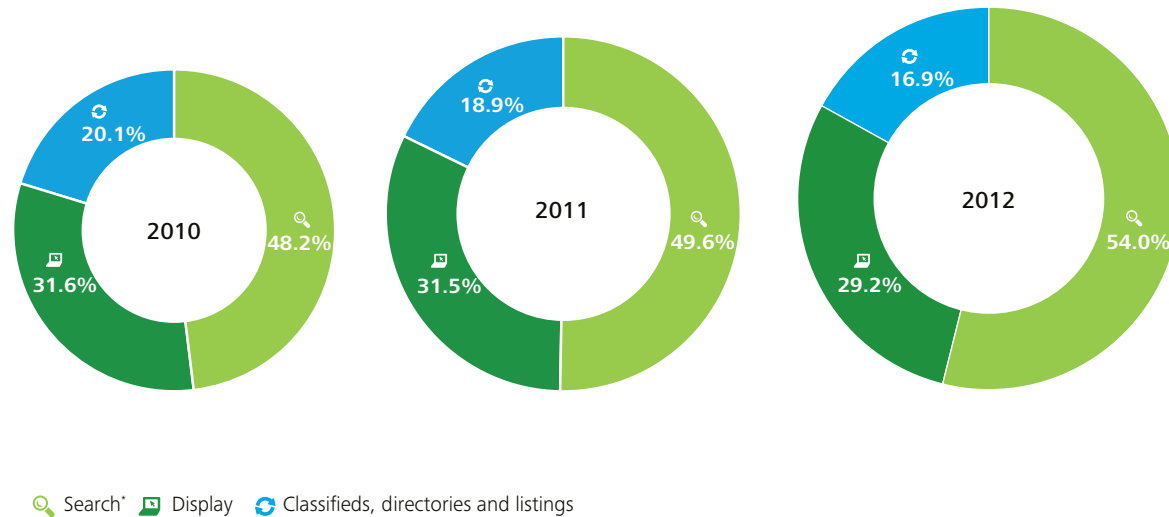
2012 has been the first year in which Search has over 50% of market share in advertisement revenue

Marc de Vries

TMG | General Manager TMG Online Media

"I foresee a bigger role for automated trading in the future, for display, as well as for video advertising. Furthermore, a good and reliable understanding of reach of positions is important for further growth and professional development of the industry."

Revenue by advertising category (%)



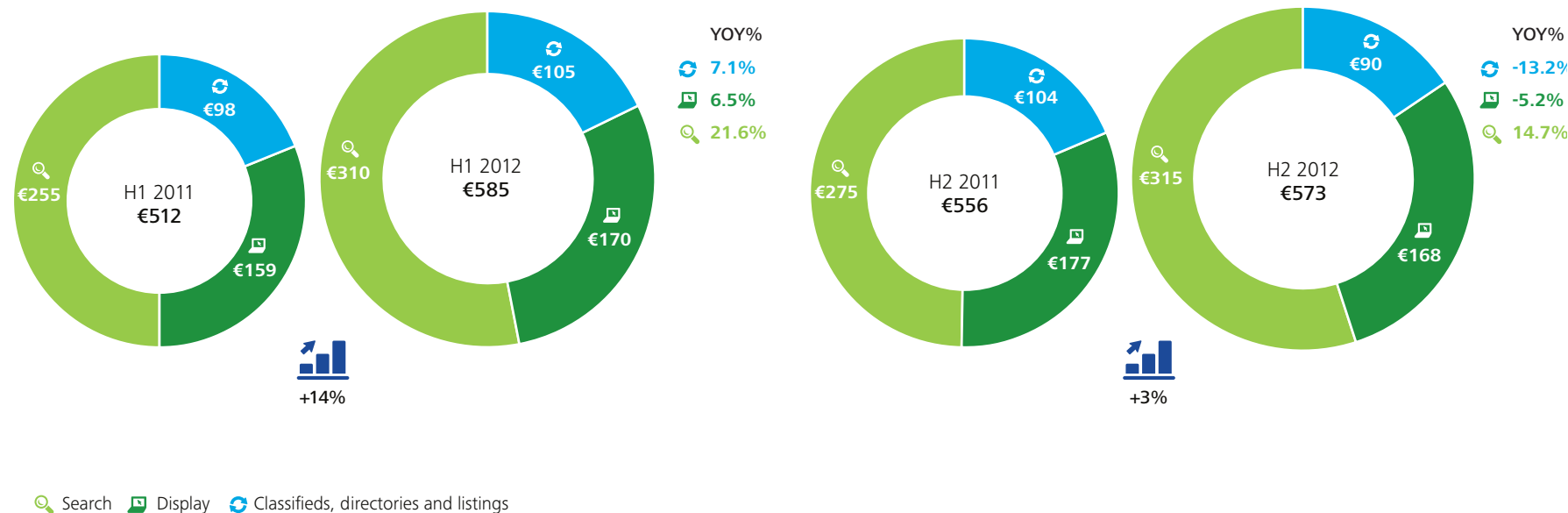
* Search revenue is our estimation of all revenue of Google and its competitors in The Netherlands

Source: Survey respondents, Annual reports, Deloitte analysis

Online advertising market

Growth has slowed down considerably in the second half of 2012, Display and Classifieds' revenue declined compared to the second half of 2011

Revenue by advertising category (€m)



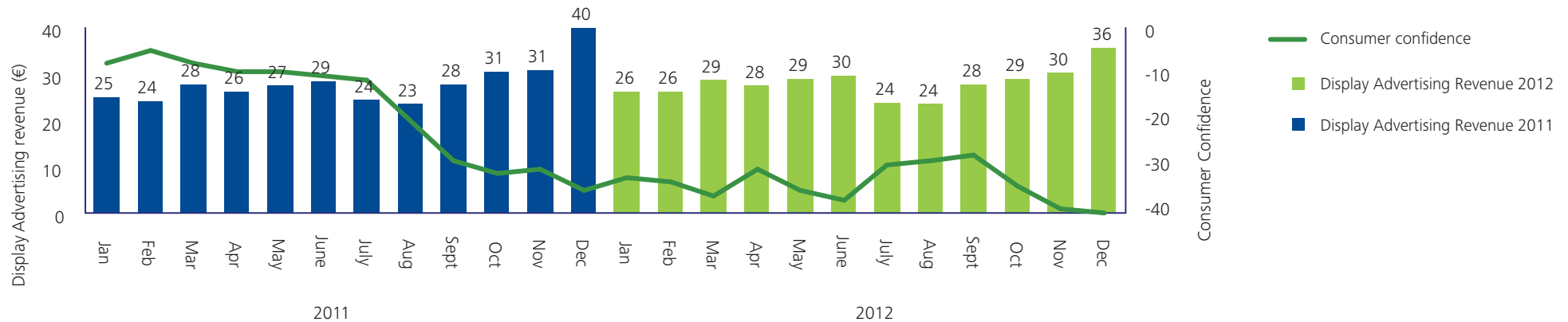
The first half year of 2012 showed a 14% growth compared to 2011, driven by search supported by growth from both classifieds and display which grew around 7%

The second half of 2012 saw growth slow to 3% fully driven by search, with display and classifieds in decline

Consumer confidence

Consumer confidence which dipped in H2 2011 has remained low throughout 2012 impacting the display advertising revenue

Display advertising revenue vs. consumer confidence (2011, 2012)



Decline in consumer confidence did not affect the growth of display advertising spend. To secure 2012 budgets, advertisers unloaded their budgets at the end of the year

In the second half of 2012, the display spend did not grow compared to H2 2011. As consumer confidence was at a low, advertisers reduced their spend and did not unload their budgets

Source: Survey respondents, CBS, Deloitte analysis

Details display advertising

There have not been any major shifts regarding formats; due to price pressures online video has not shown the expected growth

Gagandeep Sethi
Deloitte | Deloitte Consulting

“The volumes in video advertising have been increasing significantly, however due to price dumping the relative share of video advertising revenue has not increased”

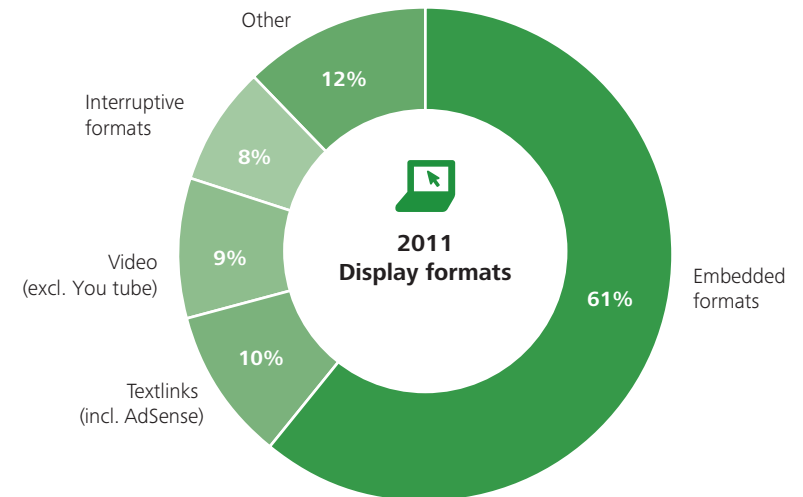
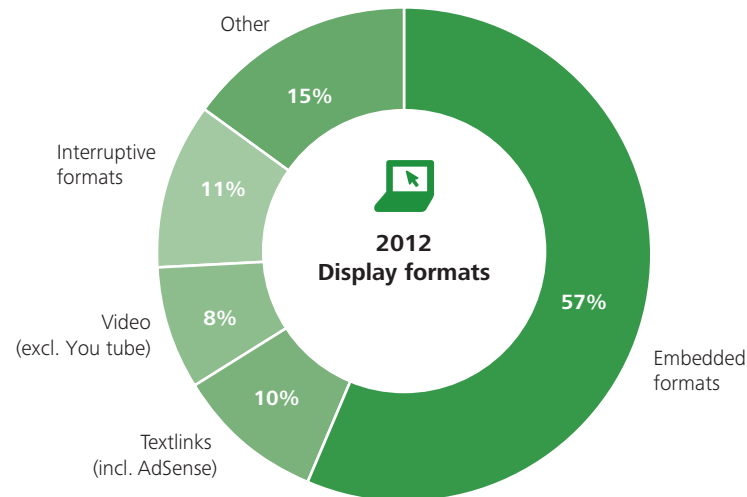
Aschwin de Bruijn
Magna Global | Director Online

“The market for display advertising is under pressure and it needs to prove its value to advertisers. Publishers need to offer better targeting, better visibility, consider more performance based pricing and reduce clutter on their sites. One good example that we are seeing more often in video, is paying for true views, which offers advertisers better value”

Note: Video excludes YouTube

Source: Survey respondents, Deloitte analysis

Display advertising breakdown by format



Display revenue per medium

Growth for mobile advertising was strong, however it is growing from a small base and remains a relatively small part of total advertising

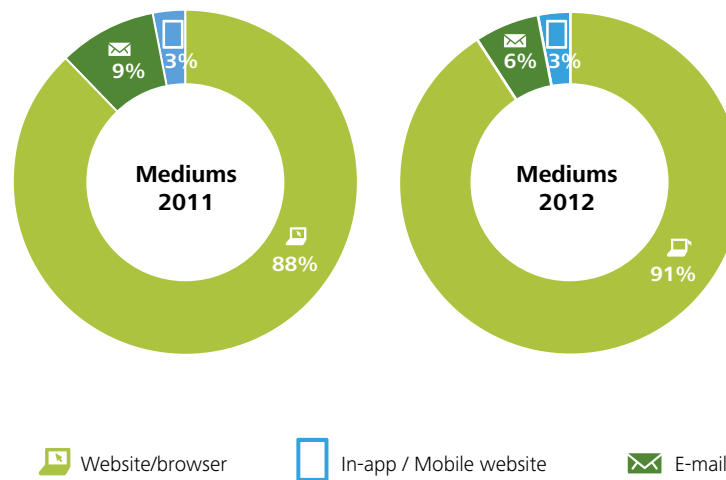
Maarten Kuil
Sanoma | Director Strategy

"Mobile advertising is growing fast, but advertisers willingness to pay is still low. Pay for performance might become the new normal on mobile devices."

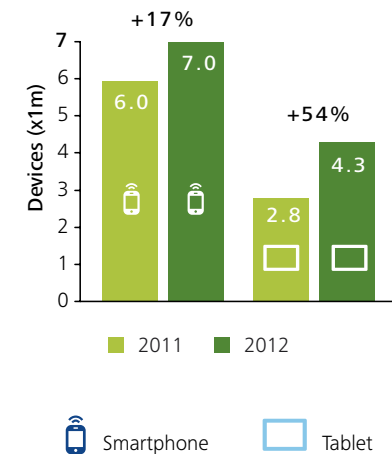
Fran Goebbels
Annalect | Managing Director

"Mobile media use is no where near being accurately reflected in mobile ad spend. The demand for mobile advertising is still lacking as most advertisers still have not completely prepared for this medium, still it offers huge potential and we are anticipating breakthrough developments in the mobile advertising market in the coming years."

Display advertising revenue per device



Number of devices



* Including In-app and mobile websites

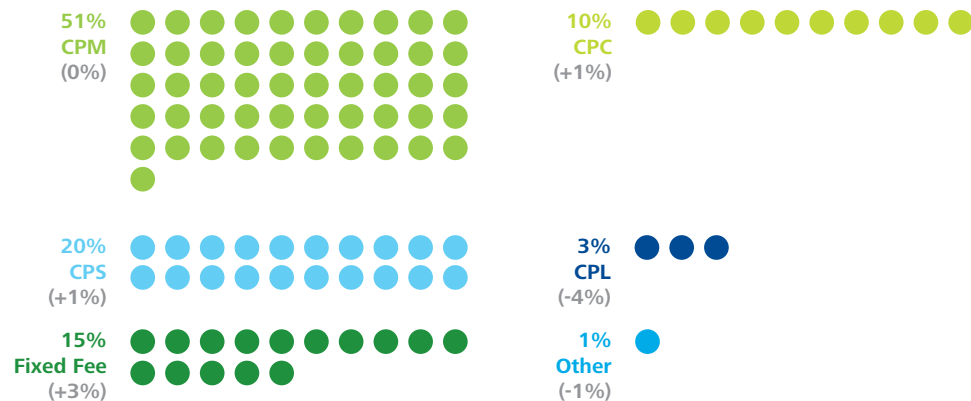
Note: In-app only includes revenues from survey respondents and excludes revenues from players such as Google and Apple

Source: Survey respondents, Intomart GFK, Deloitte analysis

Revenue per payment model

CPM is still the dominant payment model for display advertising, CPS and Fixed Fee payment models have seen minor share gains

Display advertising revenue per payment model 2012 (%)



Nini Spits

de Persgroep Advertising | Sales director Digital

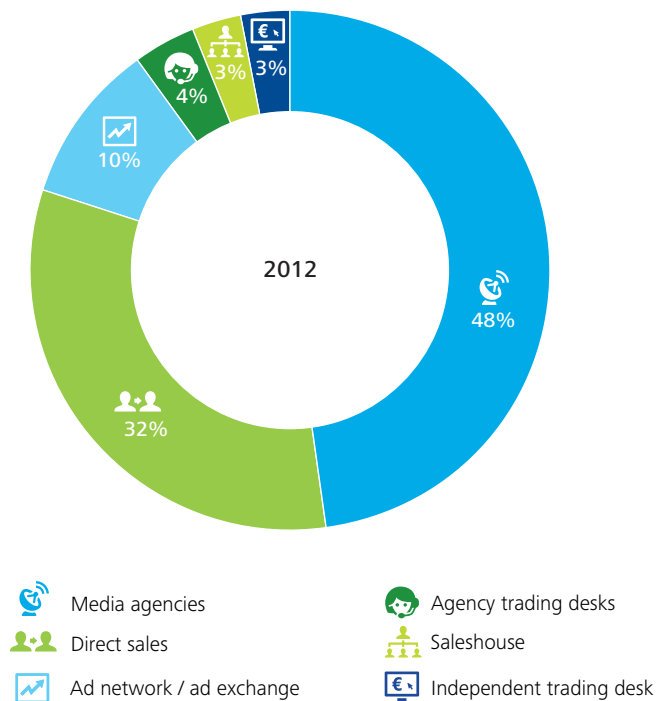
"We focus on premium online display adformats for building brands online. We experience that online branding gains more importance for advertisers and therefore we believe in the continuity of the cpm-model."

Note: Adjustment in 2011 data due to revised respondent data

Source: Survey respondents, Deloitte analysis

Sales channels

Media agencies are responsible for nearly half of display advertising sales; growth is expected from Ad Networks and Ad Exchanges



Reinier Breij

Aegis Media | Trading Manager

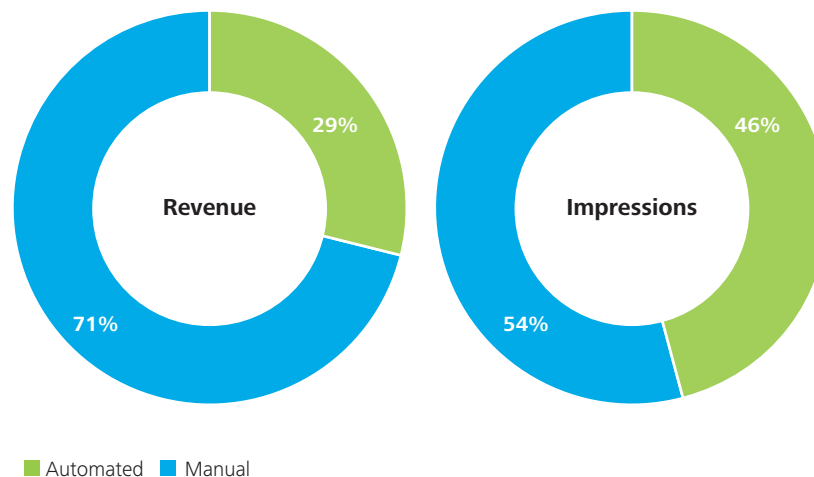
"Ad network and ad exchange platforms is expected to increase in the future as more publishers will use their own platforms for automated trading and RTB. This will take share from the direct sales of publishers"

Source: Survey respondents, Deloitte analysis

Automated Trading

Automated trading is an important sales channel, although price levels on the automated trading market are lower

Display advertising by sales method*



Janneke Niessen
ImproveDigital | CIO

"RTB and programmatic buying have been drivers for growth and the Dutch market is ahead of other markets in Europe. Automated trading will continue to grow where we expect programmatic premium to grow significantly in the next years."

Aschwin de Bruijn
Magna Global | Director Online

"RTB is helping the market find the real price for unsold display inventory. In the future, as more rich-media formats start being sold through RTB the market will face increasing price pressure"

*Based on a limited number of respondents (N=12)

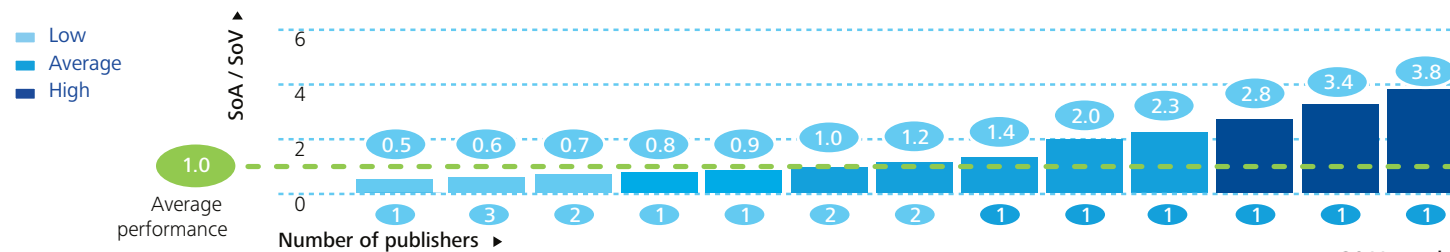
Source: Survey respondents, Deloitte analysis

Power ratio display advertising

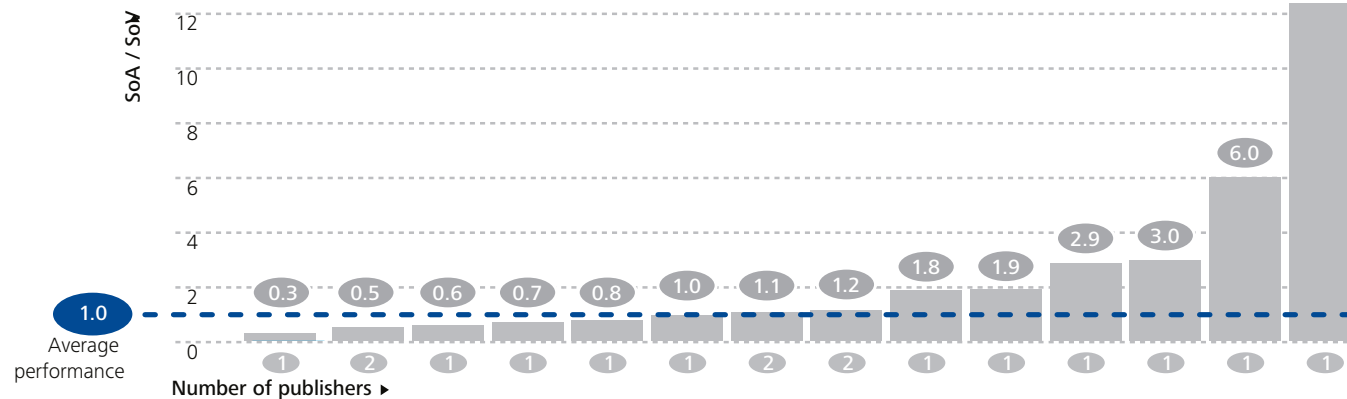
With prices under pressure and the market increasingly commoditizing we see the power ratio flatten

Power ratio display advertising

2012 results



2011 results



Comments

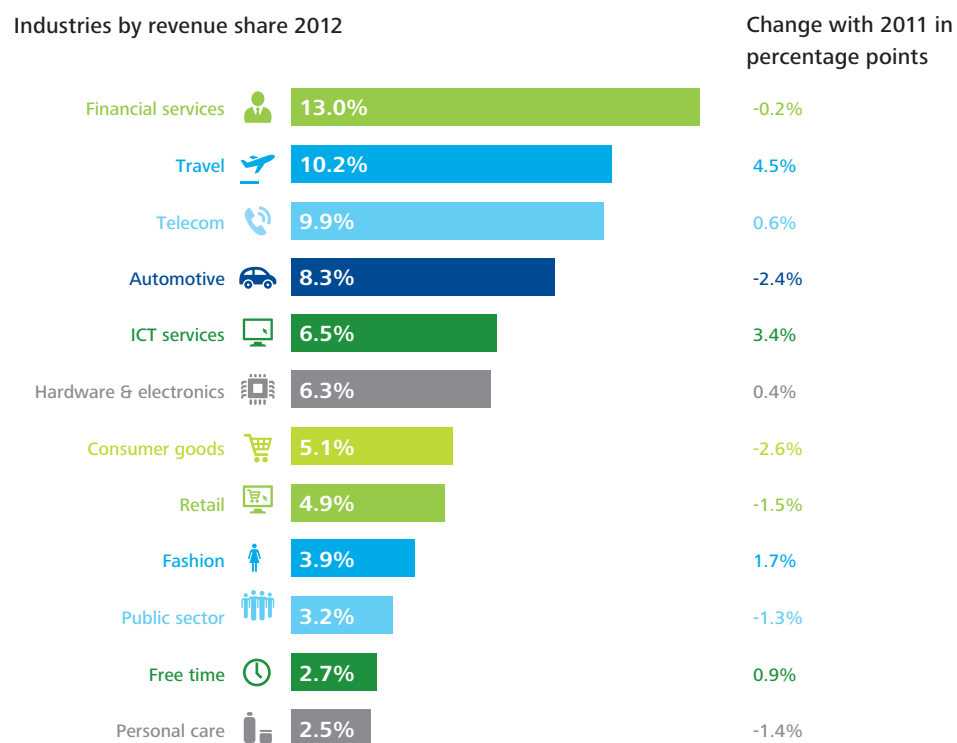
- Share of Advertising is the ratio of respondent revenue to the sum of revenue of included respondents
- Share of Visitors is the ratio of respondent unique visitors to the sum of unique visitors of included respondents
- The power ratio is calculated by dividing Share of Advertising by Share of Reach
- Publishers with a specific target audience received a high advertising share relative to their visitors' share

Note: Visitors are according to STIR definitions of visitors over 13 years of age, like for like comparison only includes respondents of both 2011 and 2012

Source: STIR 2011/2012, Survey respondents, Deloitte analysis

Industries

Automotive and Consumer Goods have lost relative share in advertising spend, whilst Travel and ICT Services show most growth

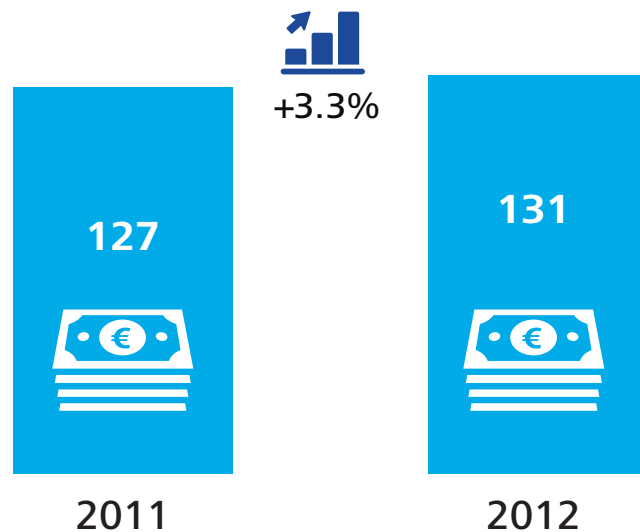


Note: Excluding classifieds, directories & listings, search and industry category other. Adjustment in 2011 data due to revised respondent data

Source: Survey respondents, Deloitte analysis

Affiliate marketing

Under challenging circumstances spend on affiliate marketing in The Netherlands has increased by 3.3% to €131 million



Jochem Vroom

Imbull BV | Managing Director

"Last year the market has encountered pressure from both macro-economic as legislative circumstances. The market has consolidated, while at the same time multiple merchants are setting up their own affiliate marketing platforms. Considering the circumstances the market has performed reasonably."

Marko Dobroschelski

Daisycon | CEO

"Maturity in the market, boils down to an increase demand for quality and service. Broad and sector specific economic and legislative pressure had a negative impact on overall spending due to downturn of high value sectors. Market share in numbers of transactions and its impact on e-commerce in general is growing strong with new sectors adopting this marketing model at high speed"

Note: Adjustment in 2011 data due to revised respondent data

Source: Survey respondents, Jochem Vroom Affiliateblog.nl / Imbull BV, Deloitte analysis

Outlook

Revenue growth expectations

Respondents predict a 4.7% market growth in 2013

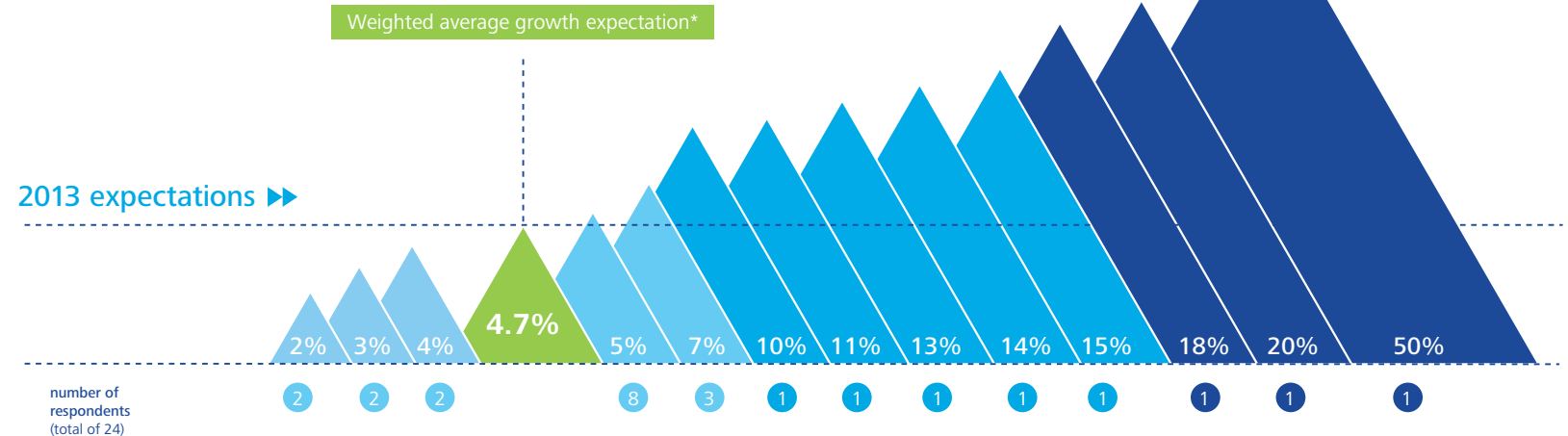


Gagandeep Sethi
Deloitte Consulting | Strategy

"Companies expect a weighted growth rate of 4.7% in 2013. This is significantly lower than expectations for previous years reflecting an overhang of the economic circumstances on companies' expectations."

Survey respondents growth expectations (% market growth per respondent)

■ Low
■ Average
■ High



* Growth expectation calculated by weighting responses with company revenue

Source: Survey respondents, Deloitte analysis

Growth expectations 2013

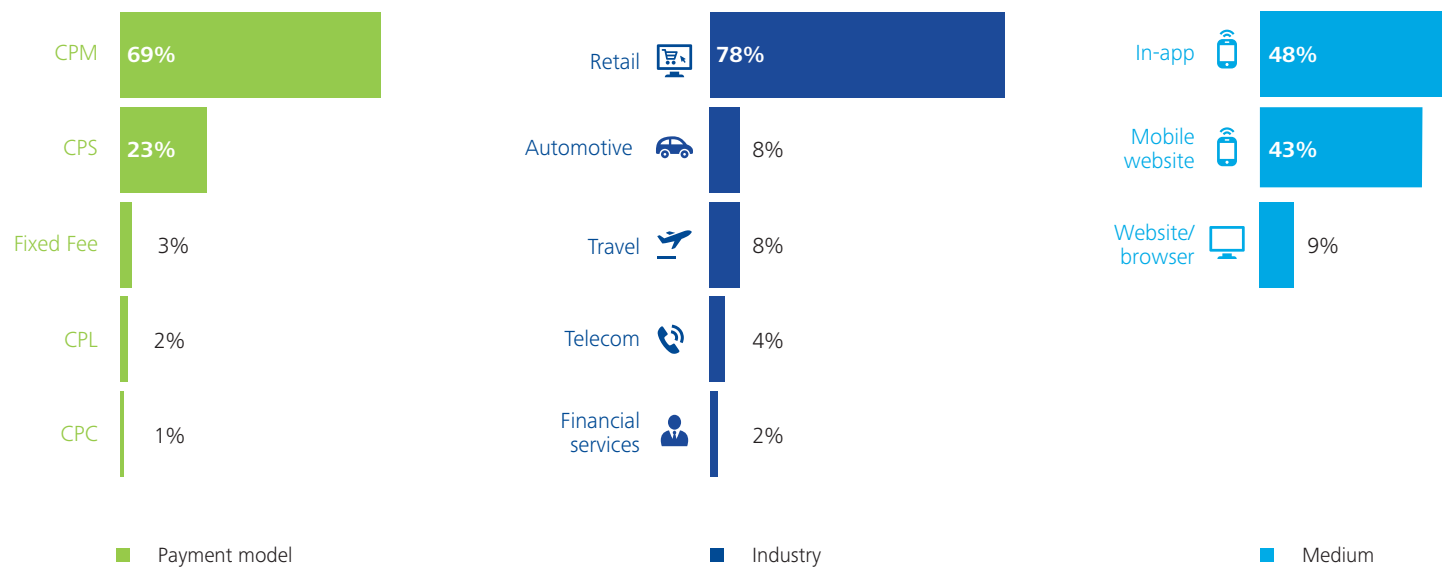
Most respondents expect CPM to continue to be the most popular payment model, retail and mobile advertising most likely to drive growth

Reinier Breij

Aegis Media | Trading Manager

"Mobile advertising is developing strongly. Finally advertisers are adjusting to new formats. For example including rich media between content is taking off lately"

Weighted % of respondents growth expectations



Note: Percentages based on responses weighted by respective company revenues
Source: Survey respondents, Deloitte analysis

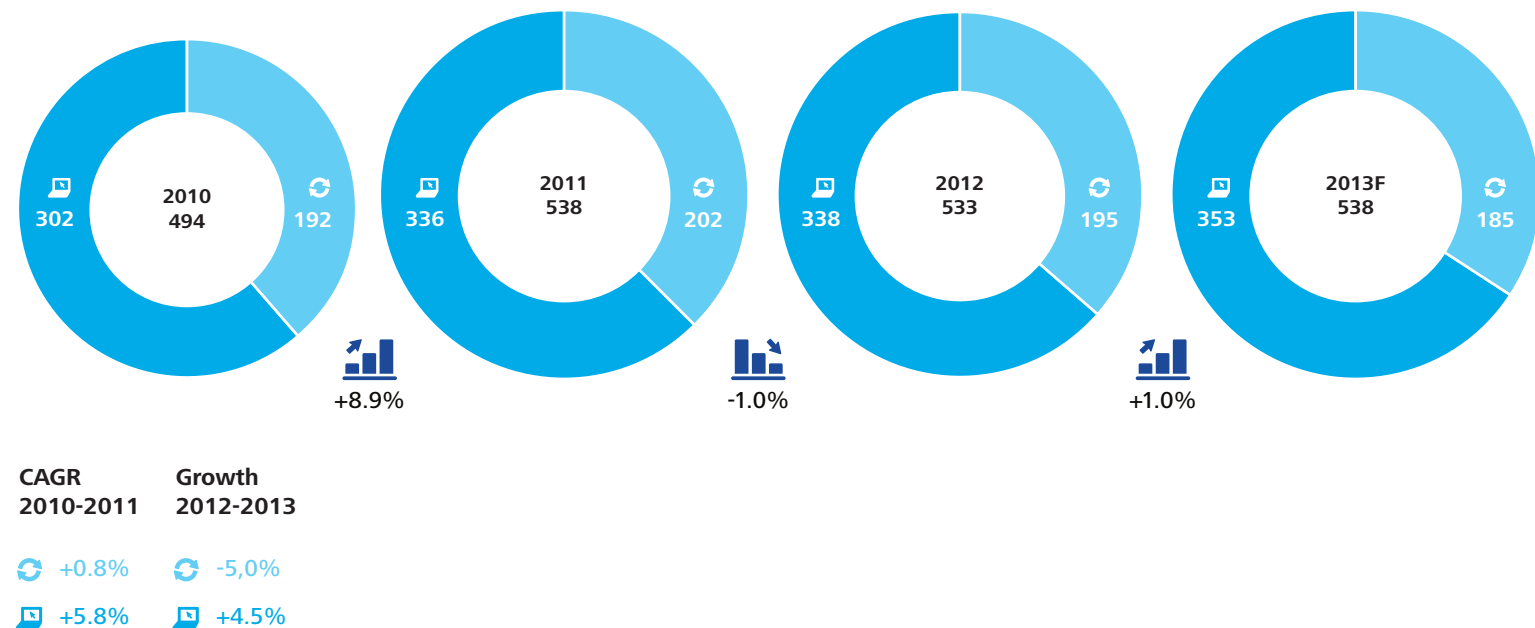
Display and classified revenue forecast

Display is expected to grow by 4.5% in 2013, with classifieds likely to decline by 5% resulting in a relatively flat 2013 for most Dutch publishers

Roel van Rijsewijk
Deloitte Digital | Director

"The outlook for 2013 shows similar trends as were encountered in 2012. The increase of automated trading and RTB will keep pressuring the market and macro-economic circumstances remain challenging. Especially the Classifieds market will suffer from these circumstances as Display can slightly recover"

Display and classified revenue forecast 2013 (€m)



* Display market total for H1 2011 has been restated in the FY 2011 report
Source: Survey respondents, Deloitte analysis

Display Classifieds, directories and listings

Appendix

Definitions

Categories

- Display
 - Embedded formats (banners, buttons, skyscrapers etc)
 - Interruptive formats (rich media, over the page, page take-over etc)
 - Tekstlinks (incl. AdSense)
 - Video (pre-/mid-/ postroll)
 - Other uncategorized display advertising
- Online classifieds, directories & listings
 - B2B
 - B2C
 - C2C

Sales channels

- Direct sales
- Media agencies: E.g. GroupM, Omnicom Media Group, Havas, IPG, Aegis, Publicis
- Ad network/ ad exchange: E.g. Google exchange, Right Media Exchange
- Agency trading desks: E.g. Xaxis, Acciem, Amnet, Vivaki
- Sales house: E.g. WebAds, Adfactor, Semilo
- Independent trading desks: E.g. Blue Mango, Yielddivision, Pervorm, Adlantic,
- Bannerconnect

Payment models

- Fixed Fee: Payment model based on a fixed fee
- CPM: Cost per Mille = Payment model where the advertiser pays per thousand views
- CPC: Cost per Click = Payment model based on the number of clicks on an advertisement
- CPL: Cost per Lead = Payment model that is based on the number of leads generated. A lead is an online conversion where the consumer shares its contact details and indicates to be interested
- CPS: Cost per Sale = Payment model based on the number of sales generated

Methodology

Online advertising market

- 40 companies reported their data based on the questionnaire
- The figures are drawn up on the basis of site declaration and have not been verified
- Wherever needed we have used tools such as regression analysis to make estimations regarding issues like total advertising spend
- Based on the information provided by survey participants, figures have been adjusted for double counting

Search and classifieds market

- Due to limited availability of company data we had to estimate the market size for search and classifieds based on market data
- Together with the taskforce search from the IAB we defined the search market and estimated the market size
- Google regulations forbid commenting on our search market estimates
- The classified market is based on public available market estimates. Due to limited data points, current classified market size could not be verified

List of survey participants

Name of company

1 Ad Pepper media BeNeLux b.v.

2 AD2ONE B.V.

3 Addurance

4 Adfactor

5 Adlantic Online Advertising

6 Affilinet Nederland B.V.

7 Autokopen.nl

8 Bannerconnect

9 Be Viacom

10 Cleafs

11 ClickDistrict

12 Daisycon B.V.

13 De Persgroep Advertising

14 Exponential

15 FD Mediagroep

Name of company

16 Funda Real Estate B.V.

17 HDC Media

18 IDG

19 Mark&Mini

20 Marktplaats Media

21 Microsoft

22 NDC Mediagroep

23 NRC Media B.V.

24 RTL Nederland

25 Sanoma Media The Netherlands

26 SBS

27 Semilo

28 Smartclip Benelux BV

29 Spil Games

30 Ster

Name of company

31 Sulake B.V.

32 Telegraaf Media Groep

33 Tibaco Internet Media

34 ToTwenty B.V.

35 Videostrip B.V.

36 VNU Media

37 WebAds Interactive Advertising

38 Koninklijke Wegener N.V.

39 YD

40 Zanox M4N

Data sources

Company / Organization	Website
1 CBS	www.cbs.nl
2 Wakoopa	www.wakoopa.nl
3 Google	www.google.com
4 Imbull BV	www.imbull.com
5 IMF	www.imf.org
6 SPOT	www.spot.nl
7 STIR	www.stir.nl
8 Zenith Optimedia	www.zenithoptimedia.com
9 Affiliate Blog	www.affiliateblog.nl
10 RAB	www.rab.fm
11 GroupM	www.groupm.com

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Email: lauren@iab.nl

Dutch IAB research includes the IAB / Deloitte Ad Spend Study, all IAB commissioned research and assisting IAB members with their research projects. Also responsible for shaping the IAB knowledge base so that it meets members' needs moving forward

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