

IAB Insight

The IAB Online Advertising Expenditure Report

Q4 and Full Year 2007



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

Table of Contents

INTRODUCTION.....	3
ADJUSTMENTS AND CORRECTIONS	4
EXECUTIVE SUMMARY	5
DETAILED FINDINGS	6
Total Market.....	6
Total Market Quarterly Comparison.....	8
Display Advertising Expenditure	9
Display Advertising Quarterly Comparison	9
Display Advertising by Industry Category.....	10
Classified Advertising Expenditure	12
Classified Advertising Quarterly Comparison	12
Search & Directories Advertising Expenditure.....	14
APPENDIX 1 – DISCLAIMER.....	15
APPENDIX 2 – THE REPORT TEAM.....	15
APPENDIX 3 – CONTRIBUTORS	17
APPENDIX 4 – REPORT SCOPE, METHODOLOGY AND FORMAT	19
APPENDIX 5 – DEFINITIONS AND TERMINOLOGY	20
APPENDIX 6 – CONTACTS	23
ABOUT IAB NEW ZEALAND	24
ABOUT PRICEWATERHOUSECOOPERS.....	24
COPYRIGHT NOTICE	24

Introduction

Welcome to IAB New Zealand's third *IAB Insight* report covering the calendar quarter Q4 ending December 31, 2007. *IAB Insight* is an online advertising expenditure report produced by PricewaterhouseCoopers (PwC) on behalf of the Interactive Advertising Bureau New Zealand (IABNZ). This release is the third of a planned series of *IAB Insight* reports to be released each calendar quarter covering online/interactive market advertising spend for the previous quarter.

Around the world, IAB conducts regular research into online advertising expenditure. In New Zealand (as in USA, UK and Australia) the IAB has chosen to partner with PricewaterhouseCoopers to produce this online advertising expenditure report.

IAB Insight provides an accurate guide to the market size and market trends for the Online/Interactive advertising market in New Zealand. The content of this report is compiled from actual revenue data collected from media companies and sales networks (refer Appendix 3, Contributors) representing more than 110 sites. In Q3 this figure was more than 150. Contributor numbers have not declined however in this quarter we have listed only the main contributor site where sub-sites may have previously been listed separately.

Due to the holiday period at the end of the year we did not see any new Contributors for Q4. 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 in the Q3 quarter we provided a "normalised change" representing a "like-for-like" comparison with Q2 (i.e. the change in spending with the new Contributors appearing in Q3 removed to give a true market growth figure).

However, as there have been no new Contributors this quarter, normalised change equals the actual change. The symbols below indicate the actual change compared to the previous quarter:



IAB Insight currently measures three main categories of advertising:

- Display advertising
- Classified advertising
- Search & Directories advertising

For further information refer Appendix 5 – Definitions and Terminology.

To collect the data forming the basis of *IAB Insight* a quarterly survey is conducted with the Contributors which submit confidential revenue data to PwC. This data is then aggregated by the reporting team at PwC for the preparation of this report. In order to ensure complete confidentiality for contributing companies, only aggregated revenue figures are published.

PwC analysis of the data provided by Contributors and preparation of this report does not constitute an audit performed in accordance with New Zealand Auditing Standards and accordingly PwC does not express an audit opinion or other form of assurance with respect to the information reported. PwC conducts spot checks of the information submitted by Contributors on a rolling basis so that every Contributor's data will be checked over a period of approximately 18 months. These spot checks are designed to confirm that expenditure is reported in accordance with the definitions applied in this report and that any relevant classification of revenue has been correctly applied (refer Appendix 4 – Report Scope, Methodology and Format for more information).

Contributors

Without the revenue data collected from contributing companies *IAB Insight* would not be possible.

The IABNZ and PwC would like to thank each company for participating in this important industry research (for a list of Contributors see Appendix 3 – Contributors). The IABNZ and PwC actively encourage other industry participants to become Contributors to *IAB Insight*. If you are currently not contributing data, and would like to participate, please contact us (refer Appendix 6 – Contacts).

Adjustments and corrections

As a result of ongoing spot checks performed by PwC during the collection of data for the IAB Insight quarterly reports, any corrections for the full 2007 year are summarised and included in this report, which includes the Full Year (2007) figures as well as the figures for Q4 2007.

Unless any major variances are uncovered by the spot checking process, we publish any minor variances as corrections in the following quarterly report, and summarise these in the Full Year (Q4) reports – as we have done in this report.

Spot checks for the Q3 quarter yielded some minor anomalies in data submitted to PwC. As a result there are some changes to the previously reported Q3 figures, both normalised and actual, which are corrected in this Q4 report.

For this reason, comparison of the Q3 figures used in this Q4 report will show some small variances from the figures released in the Q3 report. The Q3 figures reported in this Q4 report should be taken as the most accurate figures available as they include any corrections or re-estimates that have surfaced as a result of the spot checking processes.

Most of these changes are statistically insignificant, particularly when taken in the context of the overall spend for 2007. The one significant change is to the previously reported Q3 Search & Directories revenue which has been revised down from \$9.26 million to \$8.26 million.

Search & Directories revenue in this report includes both actual reported figures from Contributors, and estimated components. Following spot checks, the estimated portion of the Q3 figure has been revised down following an analysis of paid search market pricing in that quarter. Paid search pricing varies daily or even hourly according to market supply-and-demand, so estimates need to take this dynamic pricing into account.

As a result of Q3 and Q4 spot checks, we revise the previously reported Q3 figures as shown below:

Previously Reported Totals and Growth Rates for Q3, 2007

Year	Quarter	Total Display	Display Change Qtr/Qtr (normalised)	Total Classified	Classified Change Qtr/Qtr (normalised)	Total Search and Directories	Search and Directories Change Qtr/Qtr (normalised)	Total for Quarter	Overall Change Qtr/Qtr (normalised)
2007	Previously published Q3	\$14.76m	39.10%	\$16.98m	21.50%	\$9.26m	15.50%	\$41.00m	+28.85%
2007	Adjusted Q3	\$14.70m	44.30%	\$16.71m	19.60%	\$8.26m	-1.10%	\$39.67m	+24.67%

Source: IAB/PwC Insight Q1, Q2, Q3, & Q4 2007

Executive Summary

With the addition of the Q4 figures, the total size of the market for the full year 2007 is **\$135.16 million**.

This puts total Interactive advertising spend at 5.8% of total New Zealand advertising expenditure (as reported in the Advertising Standards Authority's "New Zealand Advertising Industry Turnover" report for 2007) and positions Interactive as the fifth largest advertising channel after Newspapers (35.4%), TV (28%), Radio (11.7%) and Magazines (10.9%).

As expected, overall spending on Interactive advertising was lighter in Q4 than in the previous quarter. Q4, 2007 shows a decrease in overall spending to \$37.85 million from the previous quarter's total of \$39.67 million down 4.59% from Q3.

Traditionally, the market has reported lower expenditure in the first and fourth quarters of each calendar year, so this decrease was not unexpected and is likely due to the summer holiday period falling in Q4.

Both Display and Classified declined on the Q3 reported figures (Display down 9.93% and Classified down 5.22%). However Search and Directories spending increased in Q4, with spending up **5.69%** compared to Q3.

The overall spending mix in Q4 is similar to Q3. In Q3, Display advertising was **37%** of total spend with Search & Directories accounting for **21%** and Classified the remaining **42%**.

Q4 sees Display advertising's share of the market decrease slightly to **35%** of total spend. Search & Directories share increased to **23%** of total spend, although it is still below the Q1 and Q2 percentages of **26%** and **25%** respectively.

Classified advertising's share of the market remained at **42%** of total (although overall spending was down almost **5%** on the previous quarter).

It's been an exciting year in 2007. Finally we have a full year of reports and we can report an annual total for interactive advertising expenditure in New Zealand.

The \$135m total for 2007 was larger than many had previously estimated. Over the course of the year we've seen consistently strong growth, so we confidently predict 2008 will set new records for expenditure.

We're looking forward over the course of 2008 to being able to compare each quarter with the same quarter in 2007. This will start to give us valuable insight into seasonal trends that we've not been able to track until now.

The palpable excitement and enthusiasm we're seeing from advertisers and agencies about this medium is an indication that 2008 could be a very big year indeed.

Mark Evans, CEO, IABNZ

Internet advertising is going mainstream in New Zealand. We can report the market was worth \$135m in 2007 and is clearly beginning to challenge the major traditional media types.

Increasing NZ eyeball opportunities and the accountability of this medium continue to build momentum for marketers to shift more of their budgets into interactive advertising.

The only question in my mind is not if, but when interactive becomes one of the leading media channels for New Zealand marketers, mirroring trends we are seeing around the globe.

No doubt marketers across New Zealand are already asking the same question and reflecting this in their plans for 2008. We look forward to a big year in 2008.

Lee Williams, Chairperson, IABNZ

Notes

The size of the Search & Directories advertising market is based on actual reported revenues and an estimation of market size.

The methodology applied for estimating the Search & Directories advertising market size was developed in consultation with representatives from a number of New Zealand's leading Search Engine Marketing (SEM) specialist companies (refer Appendix 3 – Contributors). These companies also helped by contributing aggregated revenue figures for use in calculating the Search & Directories figures reported.

Detailed findings

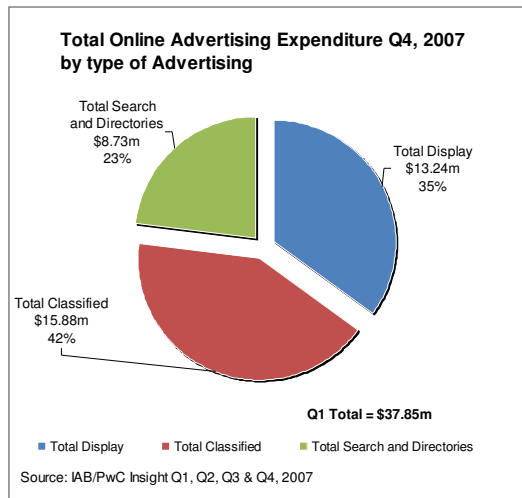
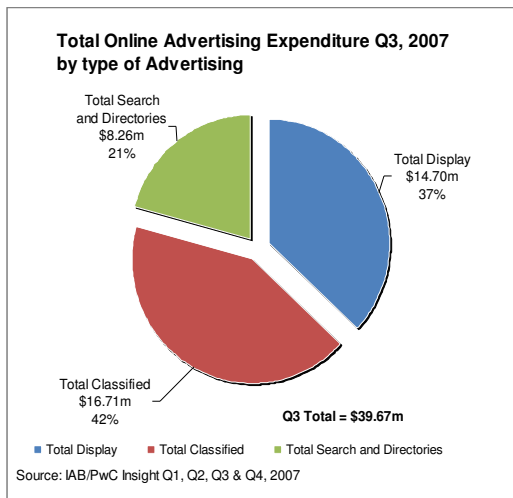
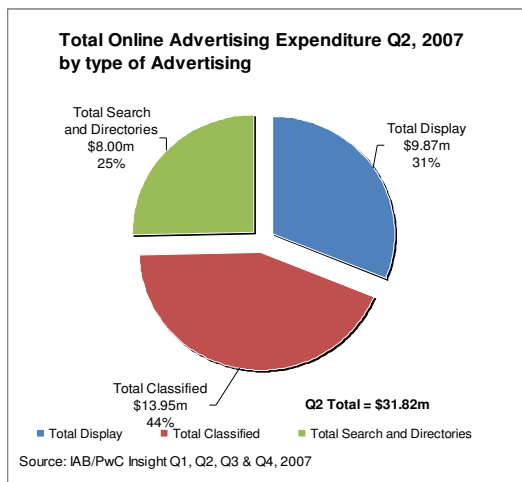
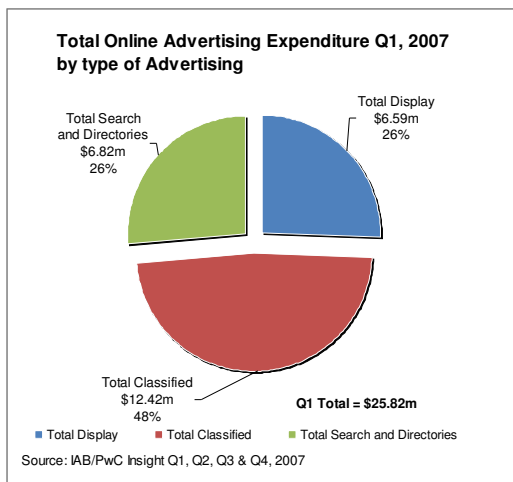
Total Market

Total online/interactive advertising expenditure in New Zealand for the quarter ended December 31, 2007 totalled **\$37.85** million. This represents a decrease of **4.59%** over the previous quarter's total of **\$39.67** million. The combined Full Year 2007 online/interactive advertising spend through to December 31, 2007 is **\$135.16** million.

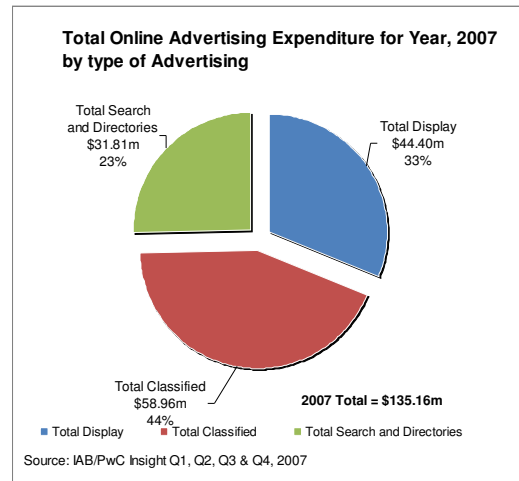
In Q4, Display advertising showed a decrease of **\$1.46** million down **9.93%** over Q3. This likely reflects seasonal variation with the market reporting that Q4 is traditionally lighter than the previous quarter due to the Christmas holiday period. This trend is also expected for Q1 2008.

The first full year results for online advertising in New Zealand are promising. A steady increase each quarter in Search & Directories advertising expenditure highlights the response from advertisers keen to benefit from the potential of this online medium. Going forward, we will be well positioned to recognise trends throughout the year, compare quarterly figures with those from previous years, and portray that insight in the market.
Chris Perree, Partner, PwC

Classified advertising was down on the previous quarter, decreasing **\$0.83** million (**down 4.97%**) from **\$16.71** million in Q3 to **\$15.88** million in Q4. Overall market share for classified advertising remained constant, however, at 42%. Search & Directories advertising expenditure increased **5.69%** in Q4 from **\$8.26** million in Q3 to **\$8.73** million in Q4.



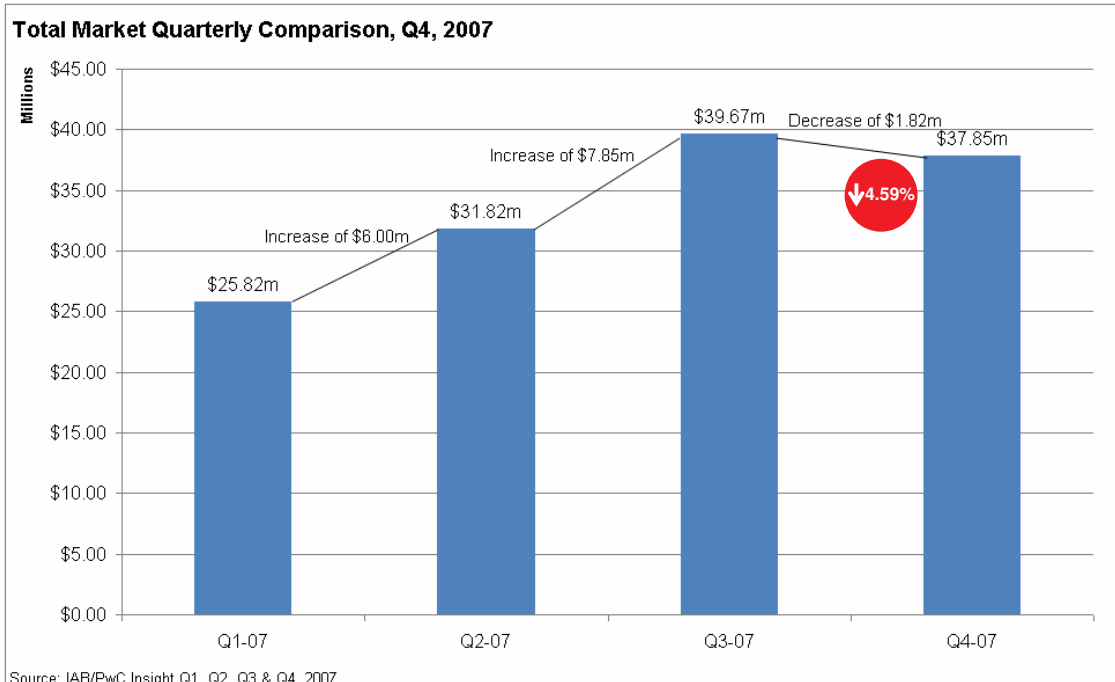
As this is the first full year of the IAB Insight report, we do not yet have prior year on year figures on which to base a year-on-year comparison. Overall for 2007, the market split was Display **33%**, Search & Directories **23%** and Classified Advertising **44%**.



Total Market Quarterly Comparison

The total market reported in Q4 declined **4.59%** from **\$39.67** million in Q3 to **\$37.85** million in Q4.

A major drop in Display advertising was the most notable change this quarter which was down **9.93%** on the previous quarter. Online advertising in the Classified category also dropped with Classified advertising down **4.97%**, however Search & Directories advertising was up **5.69%**



* This symbol indicates the actual change compared to the previous quarter.

Total Market Quarterly Comparison, Q4, 2007 - Detail Table

Year	Quarter	Total Display	Total Classified	Total Search and Directories	Total of Quarterly	Change Qtr/Qtr	Year/Year
2007	1	\$6.59m	\$12.42m	\$6.82m	\$25.82m		
2007	2	\$9.87m	\$13.95m	\$8.00m	\$31.82m	+23.21%	
2007	3	\$14.70m	\$16.71m	\$8.26m	\$39.67m	+24.68%	
2007	4	\$13.24m	\$15.88m	\$8.73m	\$37.85m	-4.59%	
Total		\$44.40m	\$58.96m	\$31.81m	\$135.16m		

Source: IAB/PwC Insight Q1, Q2, Q3, & Q4 2007

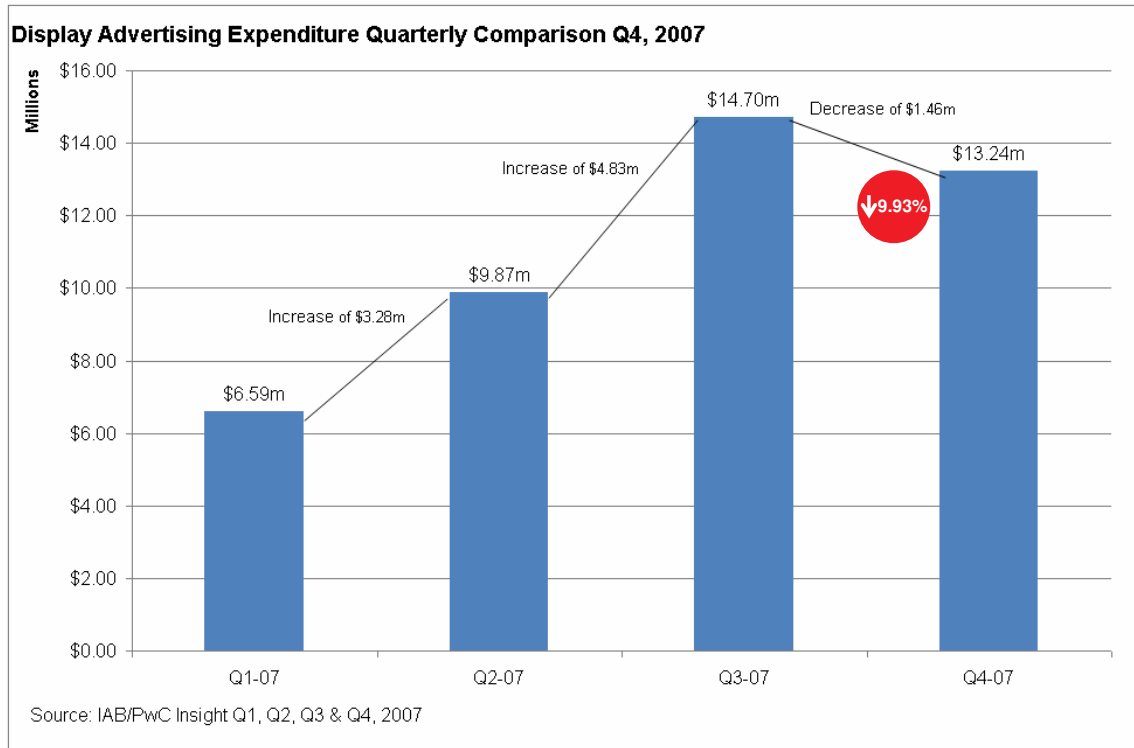
* In many instances numbers have been rounded to aid readability, particularly in the charts and graphs. Some aspects of the report are best served using unrounded numbers, particularly some tables. This creates the possibility that readers may observe some instances where there are small discrepancies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

Display Advertising Expenditure

Total expenditure on Display advertising for the three months ending 31 December, 2007 was \$13.24 million. This was a decrease of \$1.46 million from the previous quarter's total of \$14.7 million. This gives a decline of **9.93%** quarter on quarter.

The most notable change in Q4 was a substantial decrease in the Travel and Accommodation sector, which was down to 11.9% of Display advertising from 21.71% in the previous quarter. As this is the third largest category of display advertising, this had a significant impact on overall reported display advertising figures in Q4.

Display Advertising Quarterly Comparison



* This symbol indicates the actual change compared to the previous quarter.

Display Advertising Expenditure Quarterly Growth Q4, 2007 - Detail Table

Year	Quarter	Total Display	Change Qtr/Qtr	Year/Year
2007	1	\$6.59m		
2007	2	\$9.87m	+49.70%	
2007	3	\$14.70m	+49.00%	
2007	4	\$13.24m	-9.93%	
Total		\$44.40m		

Source: IAB/PwC Insight Q1, Q2, Q3 & Q4, 2007

Display Advertising by Industry Category

The industry categories that showed the highest levels of Display advertising expenditure in Q4, accounting for over **72%** of Display advertising expenditure, were:

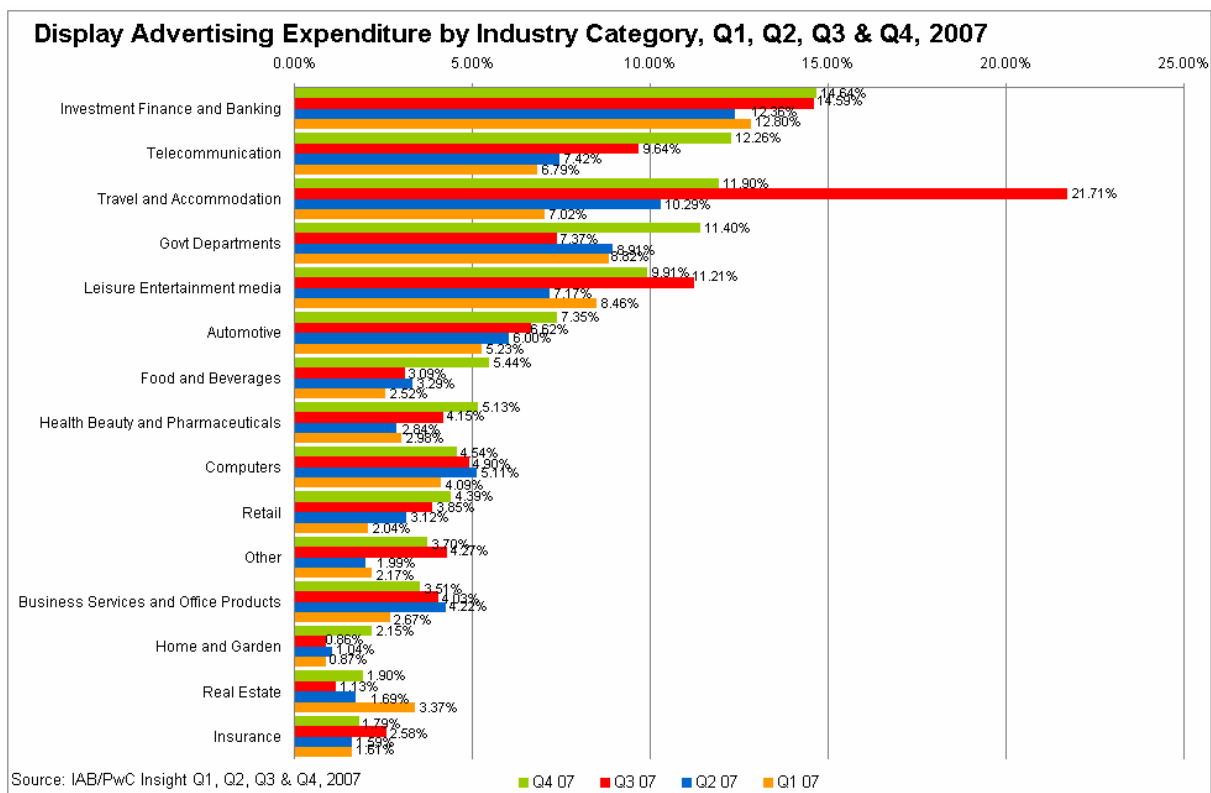
- Travel and Accommodation
- Investment Finance and Banking
- Leisure, Entertainment and Media
- Telecommunications
- Government Departments
- Automotive
- Food and Beverages

This quarter Food and Beverages advertising was one of the top seven industry categories, replacing Computers which held this position in Q2 and Q3.

The biggest impact in display advertising in Q4 was the marked decrease in Travel and Accommodation advertising down from **21.71%** of total Display advertising in Q3, 2007 to **11.90%** of total Display advertising in Q4, 2007, although this figure is still higher than that sector's reported advertising in Q1 and Q2 of **7.02%** and **10.29%** respectively.

Other notable changes were Telecommunications, Government, Automotive, Food and Beverages, Health Beauty and Pharmaceuticals, Real Estate and Home and Garden which all increased spending on Q3 figures.

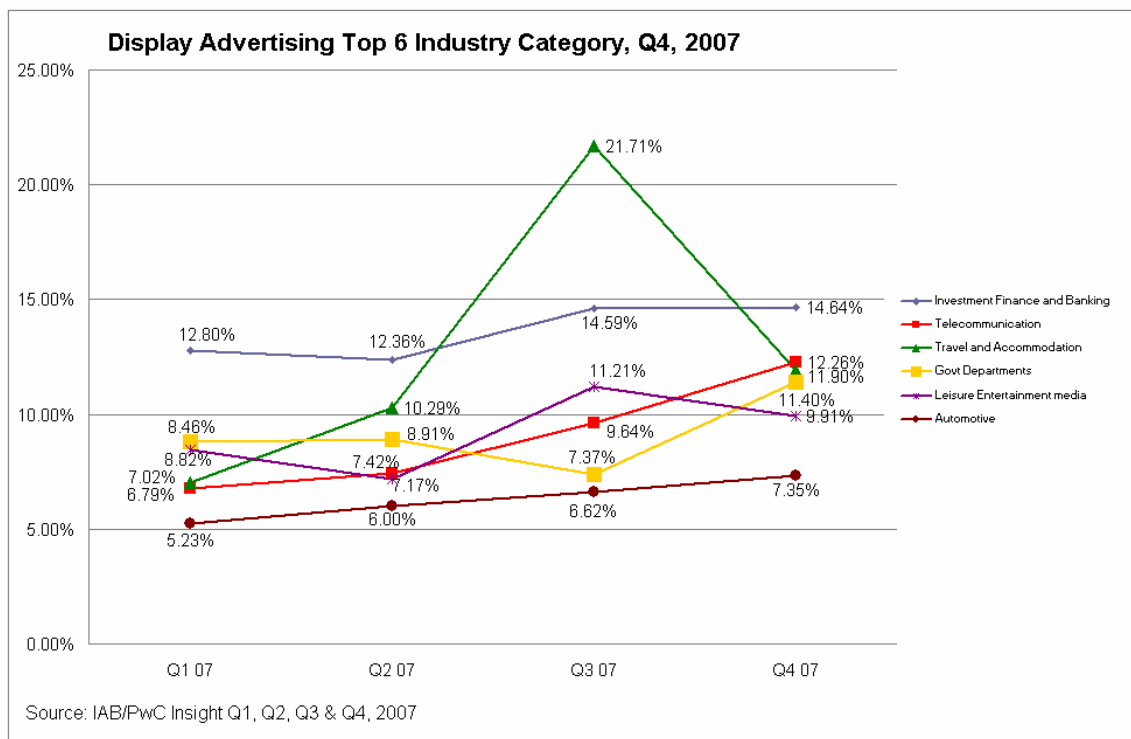
Food and Beverages, Real Estate and Home and Garden each showed notably strong increases but these three categories form a relatively small proportion of overall display spending (with Food and Beverages the largest of these three categories at **5.44%** in Q4).



Display Advertising Expenditure by Industry Category Q1, Q2, Q3 & Q4, 2007 - Detail Table

Advertiser Industry Category	Q1 07	Q2 07	Q3 07	Q4 07
Investment Finance and Banking	12.80%	12.36%	14.59%	14.64%
Telecommunication	6.79%	7.42%	9.64%	12.26%
Travel and Accommodation	7.02%	10.29%	21.71%	11.90%
Govt Departments	8.82%	8.91%	7.37%	11.40%
Leisure Entertainment media	8.46%	7.17%	11.21%	9.91%
Automotive	5.23%	6.00%	6.62%	7.35%
Food and Beverages	2.52%	3.29%	3.09%	5.44%
Health Beauty and Pharmaceuticals	2.98%	2.84%	4.15%	5.13%
Computers	4.09%	5.11%	4.90%	4.54%
Retail	2.04%	3.12%	3.85%	4.39%
Other	2.17%	1.99%	4.27%	3.70%
Business Services and Office Products	2.67%	4.22%	4.03%	3.51%
Home and Garden	0.87%	1.04%	0.86%	2.15%
Real Estate	3.37%	1.69%	1.13%	1.90%
Insurance	1.61%	1.59%	2.58%	1.79%

Source: IAB/PwC Online Advertising Expenditure Report Q4, 2007



Notes

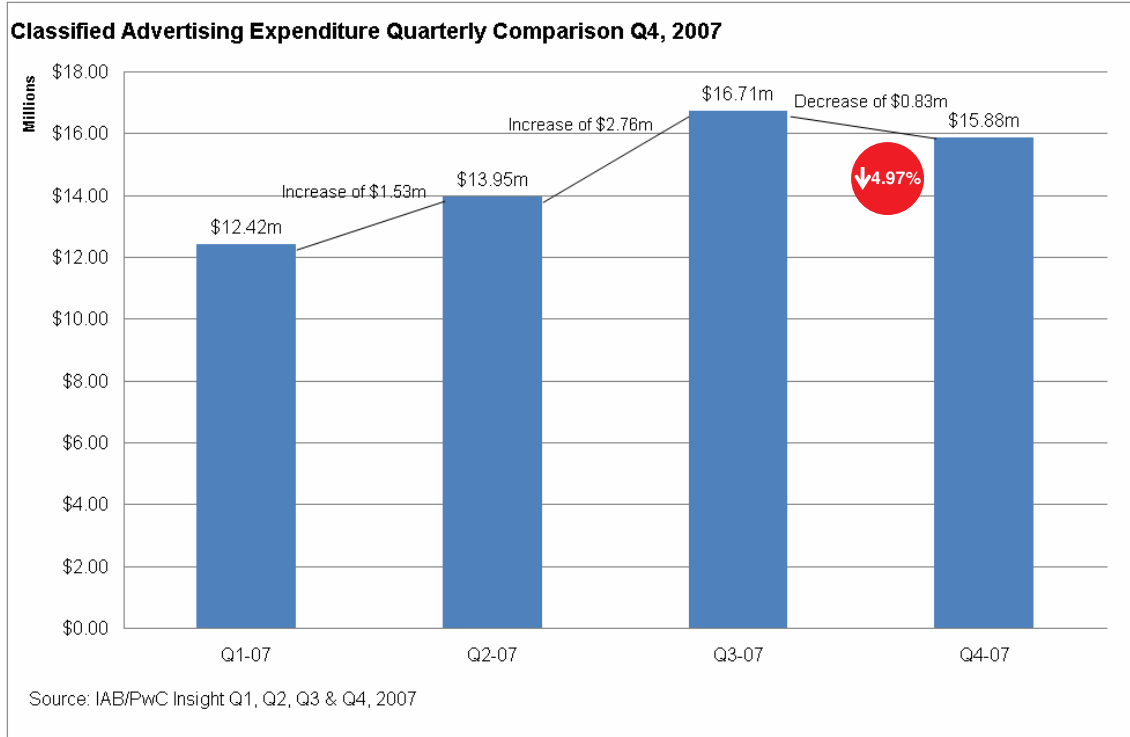
Contributors were asked to provide a breakdown of their Display advertising by 15 categories (see Appendix 5 – Definitions and Terminology for details), and 100% of Contributors were able to do this for the Q4 report.

Classified Advertising Expenditure

Expenditure on classified advertising in Q4, 2007 was \$15.88 million, down \$0.83 million from \$16.71 million in Q3 (a quarter-on-quarter decline of 4.97%).

Despite this classified advertising continues to remain the dominant sector for online advertisers, and is still responsible for 42% of the total online advertising market share.

Classified Advertising Quarterly Comparison



* This symbol indicates the actual change compared to the previous quarter.

Classified Advertising Expenditure Quarterly Growth Q4, 2007 - Detail Table

Year	Quarter	Total Classified	Change Qtr/Qtr	Year/Year
2007	1	\$12.42m		
2007	2	\$13.95m	+12.33%	
2007	3	\$16.71m	+19.79%	
2007	4	\$15.88m	-4.97%	
Total		\$58.96m		

Source: IAB/PwC Insight Q1, Q2, Q3 & Q4, 2007

Notes

Most of the Contributors submitting revenue data for Classified advertising submitted data categorised into the following types of classified advertisements:

- Automotive
- Personals
- Real Estate
- Recruitment
- Other

However due to the numbers of Contributors submitting, it was not possible to report Classified advertising expenditure broken down by these categories without the potential for revenues from individual companies to be identified.

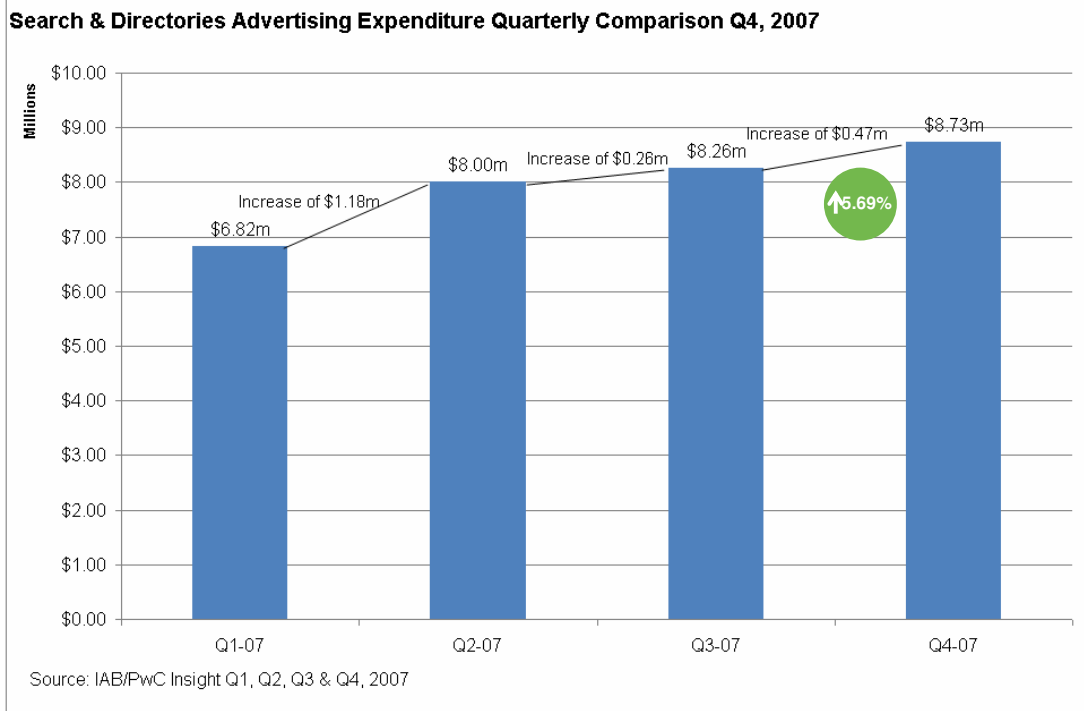
In order to ensure that this could not happen, we have reported a single consolidated figure for this category of advertising again this quarter.

IABNZ and PwC anticipates that future quarterly reports may be able to break out classified revenues by category as and when the number of companies submitting classified advertising expenditure data increases.

Search & Directories Advertising Expenditure

Total expenditure on Search & Directories advertising in Q4 was \$8.73 million, up \$0.47 million (an increase of **5.69%**) from a total of \$8.26 million in Q3.

Search & Directories advertising has shown consistent growth each quarter in 2007, showing the increasing importance of Search & Directories as a part of the interactive marketing mix. The increase from Q3 to Q4 is particularly notable given that the total interactive advertising market declined over the same period.



* This symbol indicates the actual change compared to the previous quarter.

Search & Directories Advertising Expenditure Quarterly Growth Q4, 2007 - Detail Table

Year	Quarter	Total Search and Directories	Change Qtr/Qtr	Year/Year
2007	1	\$6.82m		
2007	2	\$8.00m	17.43%	
2007	3	\$8.26m	3.21%	
2007	4	\$8.73m	5.69%	
Total		\$31.81m		

Source: IAB/PwC Insight Q1, Q2, Q3 & Q4, 2007

Notes

The Search & Directories advertising expenditure figure reported is based partly on actual reported revenues, and partly on an estimation of market size. This is due to significant revenues in this category that were not able to be obtained through submission of actual revenue figures.

The methodology for estimating Search & Directories advertising market size was developed in consultation with representatives from a number of New Zealand's leading Search Engine Marketing (SEM) specialist companies.

Those companies also helped by contributing aggregated revenue figures for use in calculating the estimated Search & Directories figures reported in this report. This quarter a new SEM contributed to the estimation model, allowing further improvement in the accuracy of the market estimation.

Appendix 1 - Disclaimer

This report has been prepared using information provided by contributing Media companies (refer Appendix 3 – Contributors) to PricewaterhouseCoopers, who have relied on the information provided as being complete and accurate at the time it was given.

PricewaterhouseCoopers 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. PricewaterhouseCoopers makes no representations about the analysis or application of the data.

PricewaterhouseCoopers 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 PricewaterhouseCoopers of any errors or omissions identified in this report.

Appendix 2 – The Report Team

This report was produced by a team of people from PwC and IABNZ. The IAB would like to thank them for their efforts. In particular, thanks are due to

PricewaterhouseCoopers

Project Sponsor	Chris Perree, Partner
Project Manager	John Deane, Director
Analysts	Laura Byrne Jade Chin Gladwin Mendez

IABNZ

CEO	Mark Evans
Administration and Project Manager	Sara Goessi

IAB Board

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Vice Chairperson	Tom Osborne (APN)
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Research Sub-Committee

Chairperson Bonnie Frankland (NZGirl)

Members Amanda Wisniewski (Nielsen Online)
Tanya Speir (Fairfax)
Kate Joyce (The Internet Bureau)
Toby Christensen (APN)
Chintaka Ranatunga (Yellow Pages)

IABNZ and PwC would also like to thank members of the following companies for their ongoing support of the *IAB Insight* report by the contribution of the information needed for the methodology developed for estimating Search & Directories advertising market size:

First Rate
NetConcepts
Netpointers
OMD Digital
SearchMasters
Surefire Search
The Internet Bureau

Appendix 3 – Contributors

Contributing Media Companies

3media Group Limited
AA Tourism
ACP Digital
APN
CMPMedica (NZ) Ltd
Fairfax Business Media
Fairfax Digital
Home Business New Zealand Ltd
iStart
Jasons Travel Media Limited
JDJL Limited
Littlies Publishing
MediaOne Network NZ Ltd
Mediaworks
Metservice
MSN New Zealand Ltd
New Zealand City Ltd
New Zealand Rugby Union
NZGirl Ltd
Realestate.co.nz
SEEK NZ
SellMeFree
Sportal New Zealand
Trade Me Ltd
TVNZ
Varsity
View New Zealand Ltd
Yahoo!Xtra New Zealand Ltd
Yahoo Search and Marketing NZ
Yellow Pages Group

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

First Rate
NetConcepts
Netpointers
OMD Digital
SearchMasters
Surefire Search
The Internet Bureau

Sites represented

www.aatravel.co.nz	www.gdo365.co.nz	www.runwayreporter.com
www.admedia.co.nz	www.hauraki.co.nz	www.search4cars.co.nz
www.adsearch.co.nz	www.hbtoday.co.nz	homes.search4homes.co.nz
www.agridata.co.nz	www.homebizbuzz.co.nz	jobs.search4jobs.co.nz
arulive.sportal.com.au	www.interest.co.nz	www.sellmefree.co.nz
www.allblacks.com	www.jasons.com	www.skycitycinemas.co.nz
www.allrealestate.co.nz	www.jobuniverse.co.nz	www.smaps.co.nz
www.autotrader.co.nz	www.kiwifm.co.nz	www.solidgoldfm.co.nz
www.bayofplentytimes.co.nz	www.nzlifestyleblock.co.nz	sportal.co.nz
www.bebo.com	www.littlies.co.nz	www.sjs.co.nz
www.blackcaps.co.nz	www.management.co.nz	www.stuff.co.nz
www.bookabach.co.nz	www.metrolive.co.nz	www.surfpix.co.nz
www.bsport.co.nz	www.metservice.com	www.taste.co.nz
www.c4tv.co.nz	www.morefm.co.nz	www.theaucklander.co.nz
www.cancel.co.nz	www.motorcycletrader.co.nz	www.thebreeze.co.nz
www.starcanterbury.co.nz	www.msn.co.nz	www.thecoast.net.nz
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www.cuisine.co.nz	www.tourism.net.nz	www.travelbug.co.nz
www.dailypost.co.nz	www.nzww.co.nz	www.tv3.co.nz
www.databook.co.nz	www.nzcity.co.nz	www.tvnz.co.nz
www.dealsonwheels.co.nz	www.nzdating.com	www.ubd.co.nz
www.directbroking.co.nz	www.nzgirl.co.nz	www.varsity.co.nz
www.easymix.co.nz	www.nzherald.co.nz	www.viewauckland.co.nz
www.essentiallyfood.co.nz	www.nzhouseandgarden.co.nz	www.vorb.org.nz
www.eventfinder.co.nz	www.motorhomesandcaravans.co.nz	www.times-age.co.nz
www.fairfaxbm.co.nz	www.oldfriends.co.nz	www.wanganuichronicle.co.nz
www.farmtrader.co.nz	www.ondemand.co.nz	www.whitepages.co.nz
www.fashionz.co.nz	Onfilm E-mail update	Windows Live Hotmail
Fastline E-mail update	www.pcworld.co.nz	Windows Live Messenger
www.finda.co.nz	www.radiosport.co.nz	www.wises.co.nz
www.findsomeone.co.nz	www.radiolive.co.nz	www.yahooextra.co.nz
www.flava.co.nz	www.realcommercial.co.nz	www.yellow.co.nz
www.foodlovers.co.nz	www.realestate.co.nz	www.yourhomeandgarden.co.nz
Foodnews E-mail update	www.reseller.co.nz	www.zmonline.co.nz
www.gameplayer.co.nz	www.rugbyheaven.co.nz	

Appendix 4 - Report Scope, Methodology and Format

Report Scope

The Interactive Advertising Bureau (IABNZ) partnered with PricewaterhouseCoopers 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 online and interactive advertising growth. It is envisaged that as new segments of interactive advertising become established – such as mobile – these will be included in future reports.

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 “spot checked” to encourage a high level of data integrity.

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 periodic “spot checks” of information submitted by Contributors. These “spot checks” are designed to confirm that reported expenditure is reported in accordance with the definitions applied in this *IAB Insight* and that any relevant classification of revenue has been correctly applied. The “spot checks” do not constitute an audit performed in accordance with the New Zealand Auditing Standards and, accordingly, PwC does not express an audit opinion.

Contributing companies are subjected to “spot checks” on a “rolling” basis to ensure that every company is checked within a given period (currently approximately every 18 months). In addition, a group of the larger Contributors are “spot checked” more frequently.

To ensure the protection of participant’s 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. 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 in an industry category may change from time to time which 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 that 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 (i.e. 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 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 category, 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.

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

Based on information provided by Contributors, approximately 74% 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 three broad categories:

- General Display Advertising, which includes revenues from Display ads such as banner advertisements of many different sizes and formats, affiliate marketing programmes, partnerships, sponsorships and emails
- Classified Advertising, which includes revenues from ads placed to buy or sell an item or service
- Search & Directories Advertising, which includes revenues from online Directories and search engine listings.

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

Classified Advertising also lists the top performing categories for the reporting period.

Search & Directories Advertising is reported as a single figure due to the limited number of participants in the individual segment in this category.

Appendix 5 – Definitions and Terminology

Advertising Expenditure Types

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.

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 & Beverages

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

Government Departments, Services and Communities

All information on any form of Government from national to local and including political parties. Also 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 (e.g. chemists).

Home & Garden

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

Investment, Finance, 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, e.g. venues, events, sports, music, movies, boating, games of chance, fitness centres, dedicated retail. Also includes any business related to mass communication i.e. 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, includes residential housing, sections, commercial property, property developers and real estate agents.

Retail

This category includes major retailers such as department stores and discounters and warehouses. Also includes fast food, restaurants and other food outlets, shopping centres, bookstores, as well as direct response (e.g. 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 foodstores (covered under Food & 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 & 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 (e.g. 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, servicing.

Personals

Any classified advertising related to personal advertising including dating sites, services offered, births, deaths and marriages, 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, or job-seeker advertisements, 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

About PricewaterhouseCoopers

PricewaterhouseCoopers (www.pwc.co.nz) provides industry-focused assurance, tax and advisory services for public and private clients. More than 120,000 people in 144 countries connect their thinking, experience and solutions to build public trust and enhance value for clients and their stakeholders.

Unless otherwise indicated, "PricewaterhouseCoopers" refers to the New Zealand entity operating as PricewaterhouseCoopers. PricewaterhouseCoopers is a member firm of PricewaterhouseCoopers International Limited.

For more information about PricewaterhouseCoopers and how we may be able to help you, please contact one of the PricewaterhouseCoopers team listed in Appendix 6 – Contacts.

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