Q4 2018 Digital Advertising Revenue Report

interactive advertising bureau

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1.0 EXECUTIVE SUMMARY

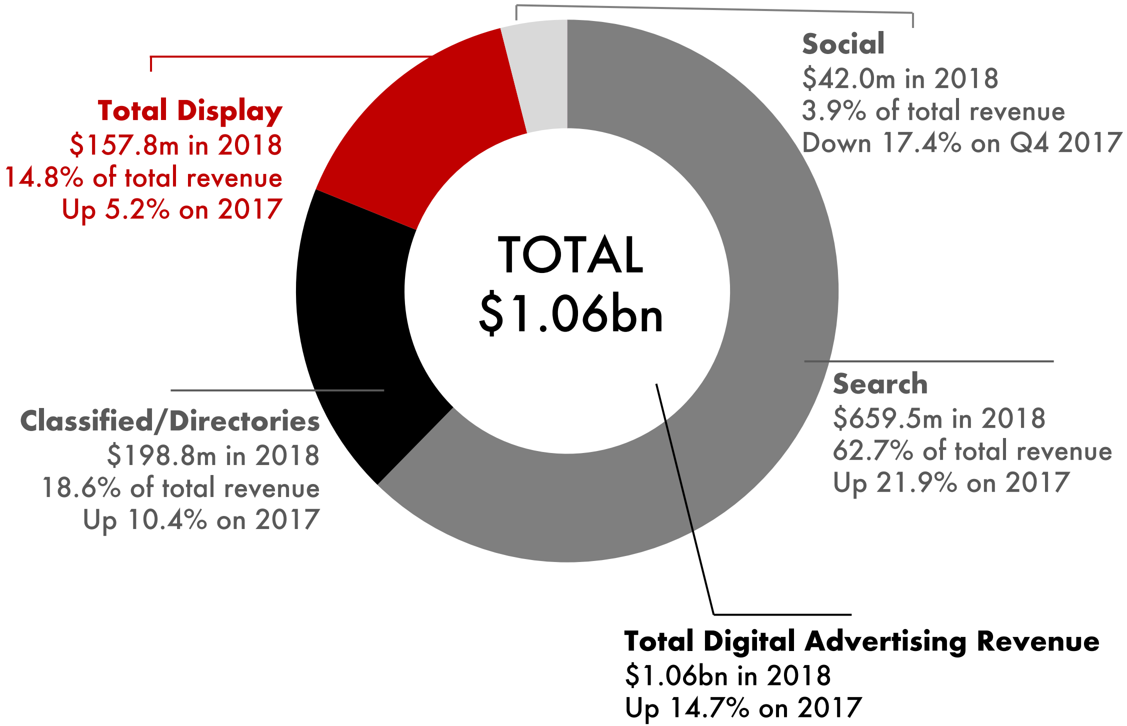
The objective of this report is to provide a clear overview of the New Zealand digital advertising landscape and keep IABNZ members at the forefront of trends to inform and support decision making. Our reporting format has been updated, providing a snapshot of the quarter, along with trends, to provide a contextual overview of the New Zealand digital market.

In 2018, for the first time, digital revenue exceeded $1 billion following four successive quarters of double-digit growth, and up almost 15% year-on-year. Q4 reached $292.4 million, with year-on-year growth of 14%.

Search continues to dominate, with revenue in 2018 of $659.5 million, representing 62% of the total, and up 21.9% year-on-year, recording the highest growth. Classified and Directories, followed, with year-on-year growth of 10.4%, and Total Display (including General Display, Video, Native, Audio and Sponsorship)up 5.2%.

Currently we use SMI data to measure Social media revenue, which only incorporates a part of New Zealand Agency revenue and not direct. We are reviewing our methodology to better measure Social, which will be incorporated within the next quarterly report for Q1 2019.

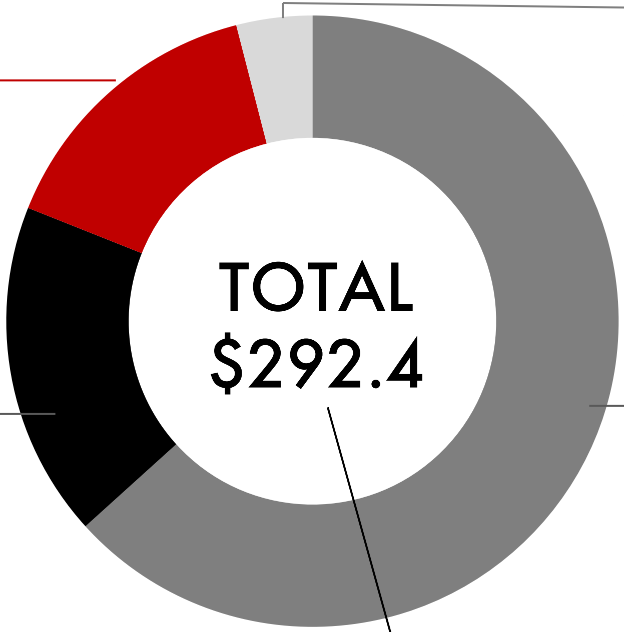
Gill Stewart
CEO



Note: Total Display includes General Display, Video, Native, Audio and Sponsorship

2.0 TOPLINE OVERVIEW

2.1 Q4 2018 CHANNEL REVENUE SUMMARY



Social
$11.7m in Q4
4% of total revenue
Down 11.5% on Q4 2017

Total Display
$43.7m in Q4
15% of total revenue
Up 4.8% on Q4 2017

Classified/Directories $51.9m in Q4
18% of total revenue
Up 10.9% on Q4 2017

Search
$185.0m in Q4
63% of total revenue
Up 20.1% on Q4 2017

Total Digital Advertising Revenue
$292.4m in Q4
Up 14.1% on Q4 2017

Note: Total Display includes General Display, Video, Native, Audio and Sponsorship

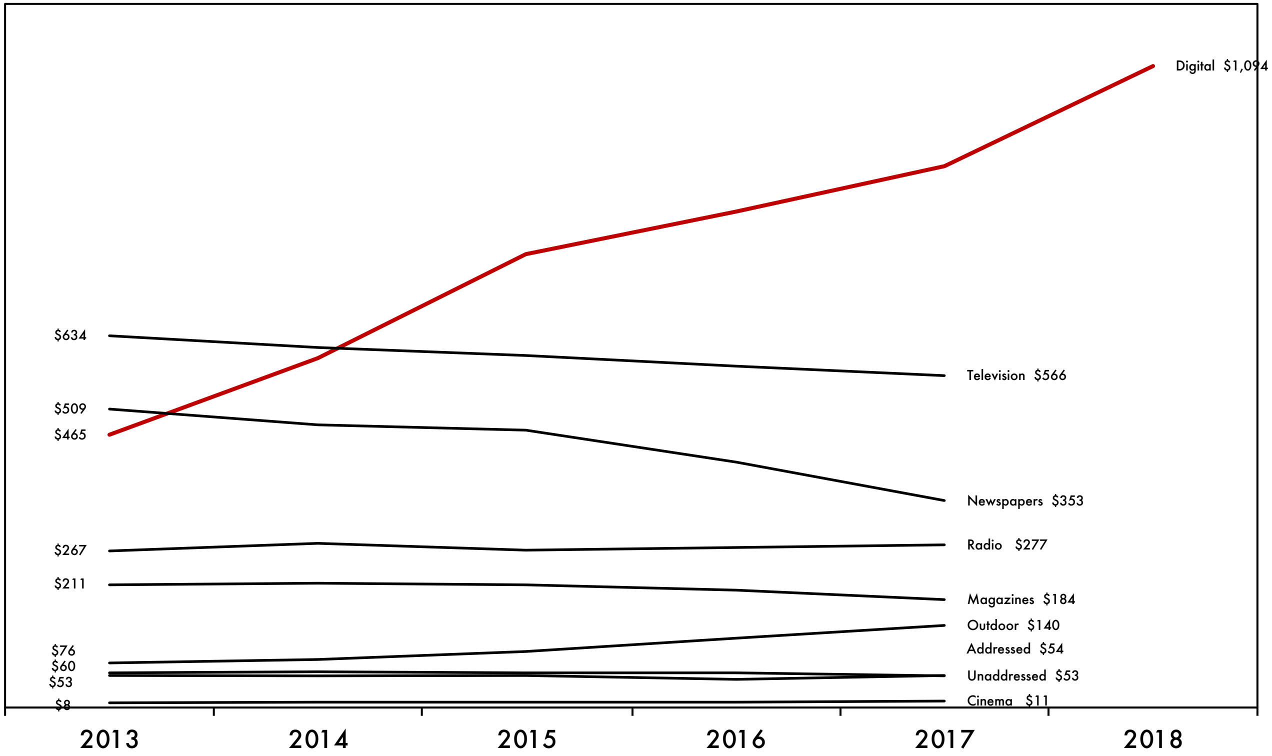
14.1% GROWTH

Q4 revenue reached $292.4 million, with impressive year-on-year growth of 14.1%.

Search recorded the highest year-on-year growth for the quarter, at 20.1%, followed by Classified and Directories at 10.9% and Total Display, 4.8%.

Growth across each of these channels for the quarter was relatively consistent with what they achieved for the entire year in 2018.

2.2 TOTAL INDUSTRY REVENUE



Note: Revenue for each media excludes digital, as it is included in total digital revenue

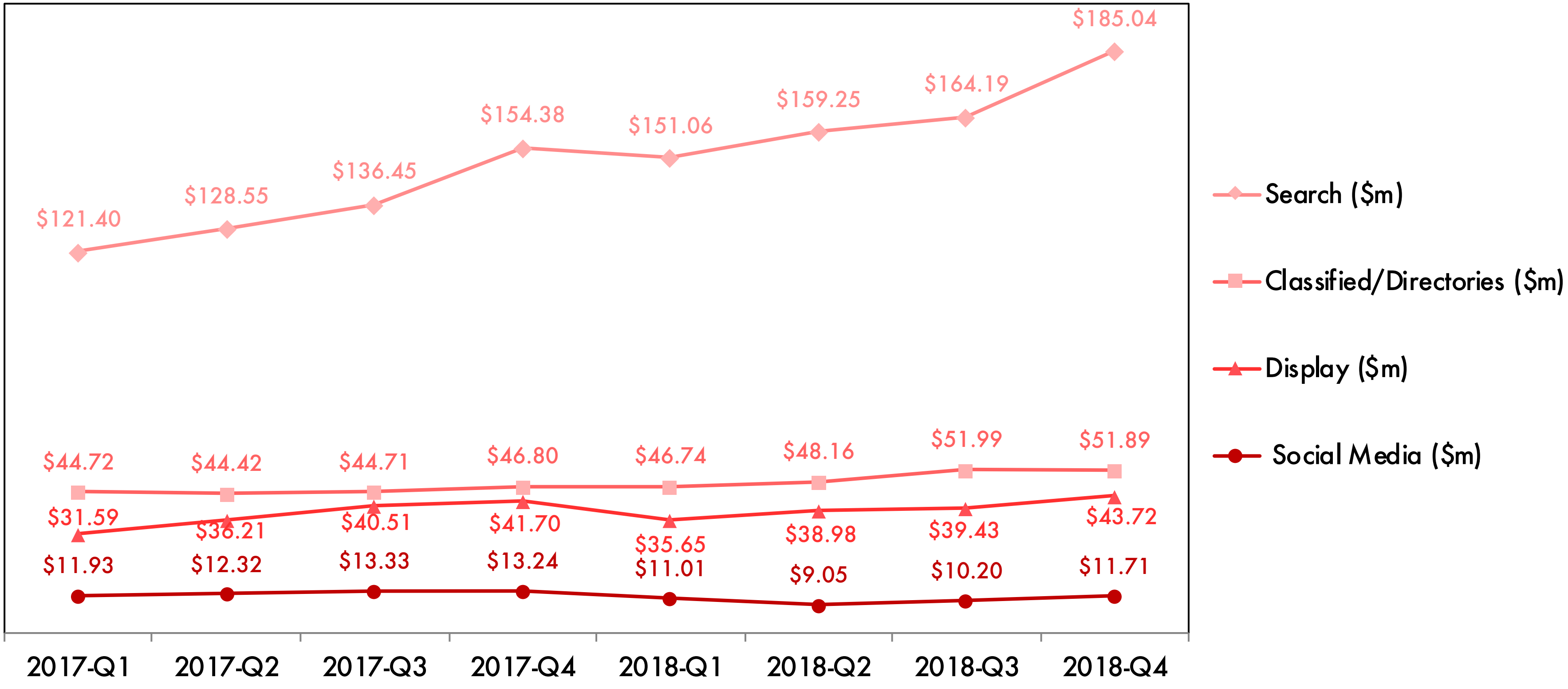
DIGITAL ADVERTISING REVENUE EXCEEDS $1 BILLION

Total digital advertising revenue for 2018, is compared to the most recently released ASA Media Turnover for the 12-month period ended December 2017. This is broken down by individual media, with digital commanding a significant share of total media turnover.

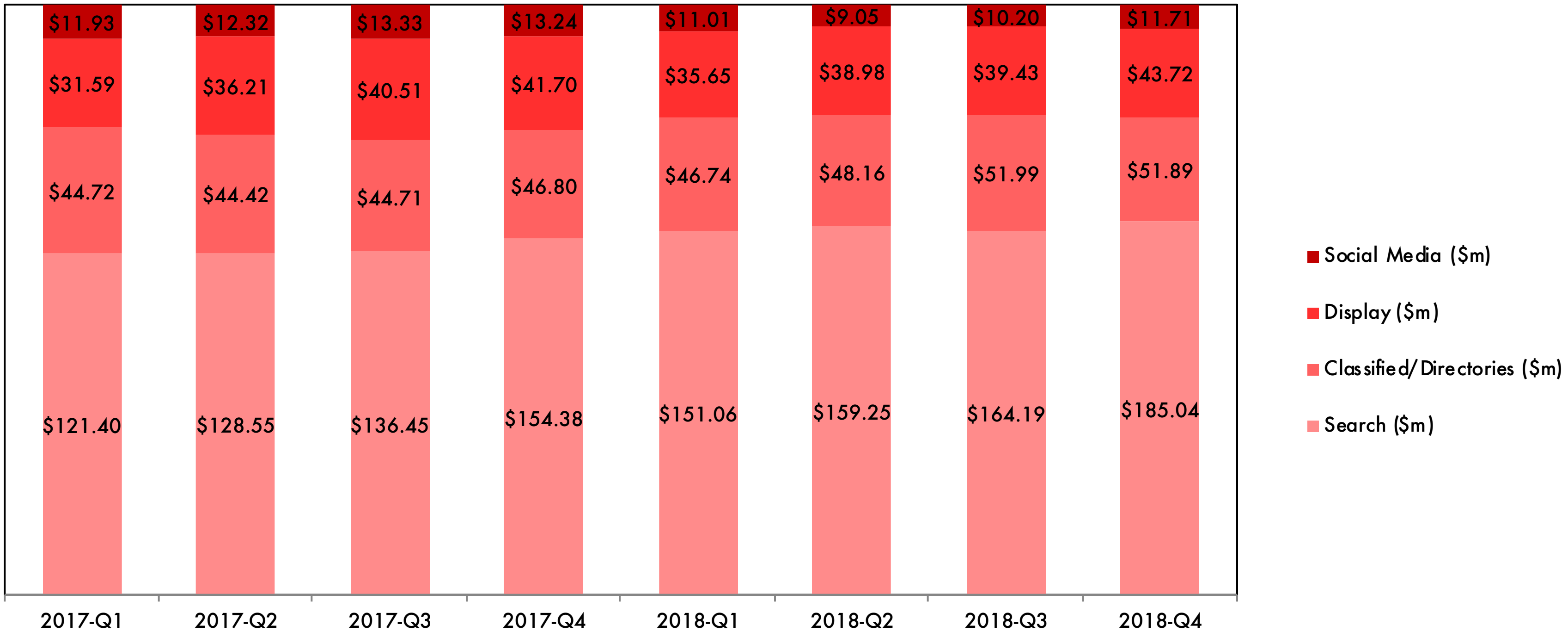
ASA Media Turnover for 2018 is expected to be released in April 2019, therefore IABNZ anticipating that our quarterly report for Q2 2019 will present a more accurate comparison between total digital and other media. Whilst the picture will be slightly different, we should still expect to see digital with the lion's share of total media turnover, and the highest growth of media in New Zealand in 2018.

Sources:
Digital: IABNZ Digital Advertising Revenue Report
Other Media: ASA

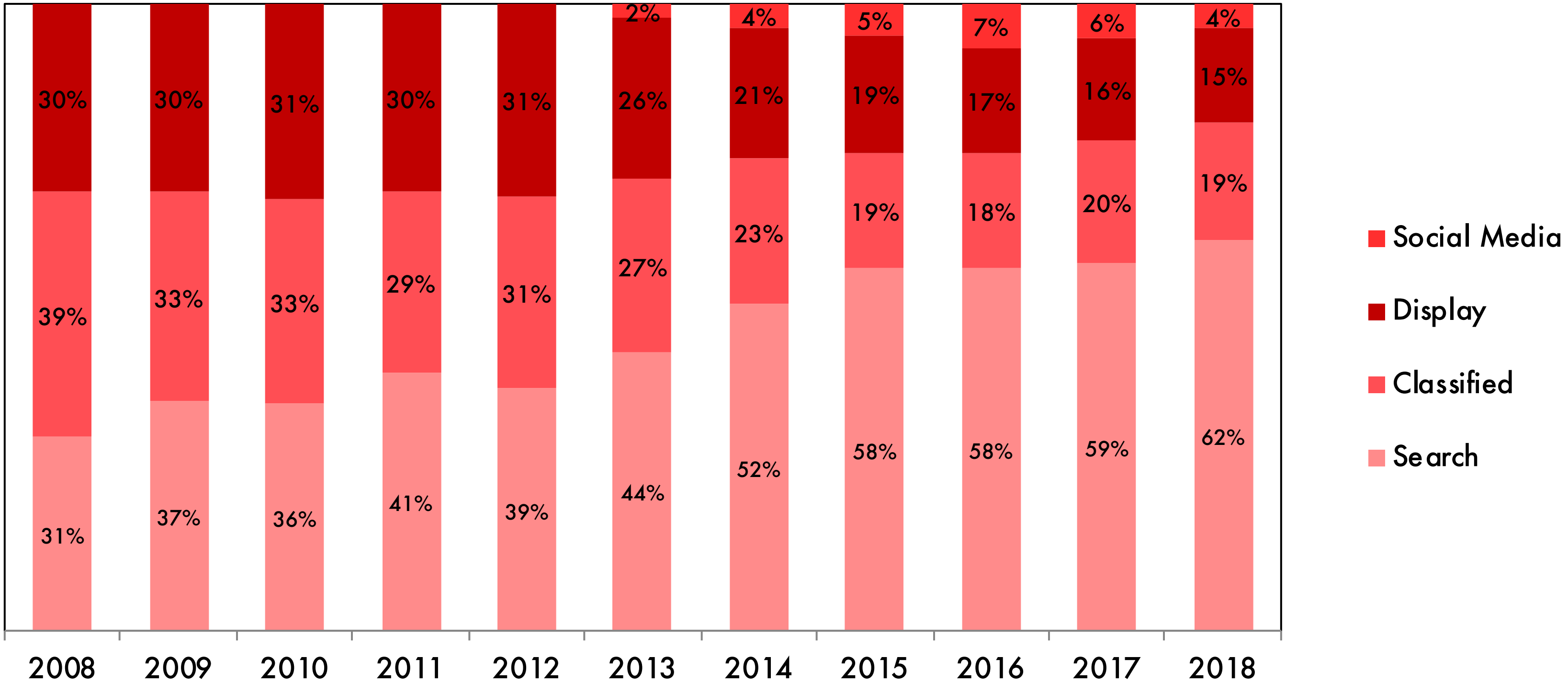
2.3 QUARTERLY DIGITAL REVENUE BY CHANNEL



2.4 QUARTERLY DIGITAL SHARE OF REVENUE BY CHANNEL



2.5 ANNUAL DIGITAL SHARE OF REVENUE BY CHANNEL



Note: Directories included in Search until Q2 2018, now included with Classified as Classified and Directories

Source: IABNZ Ad-Spend Report H1 2017

3.0 DISPLAY CHANNEL

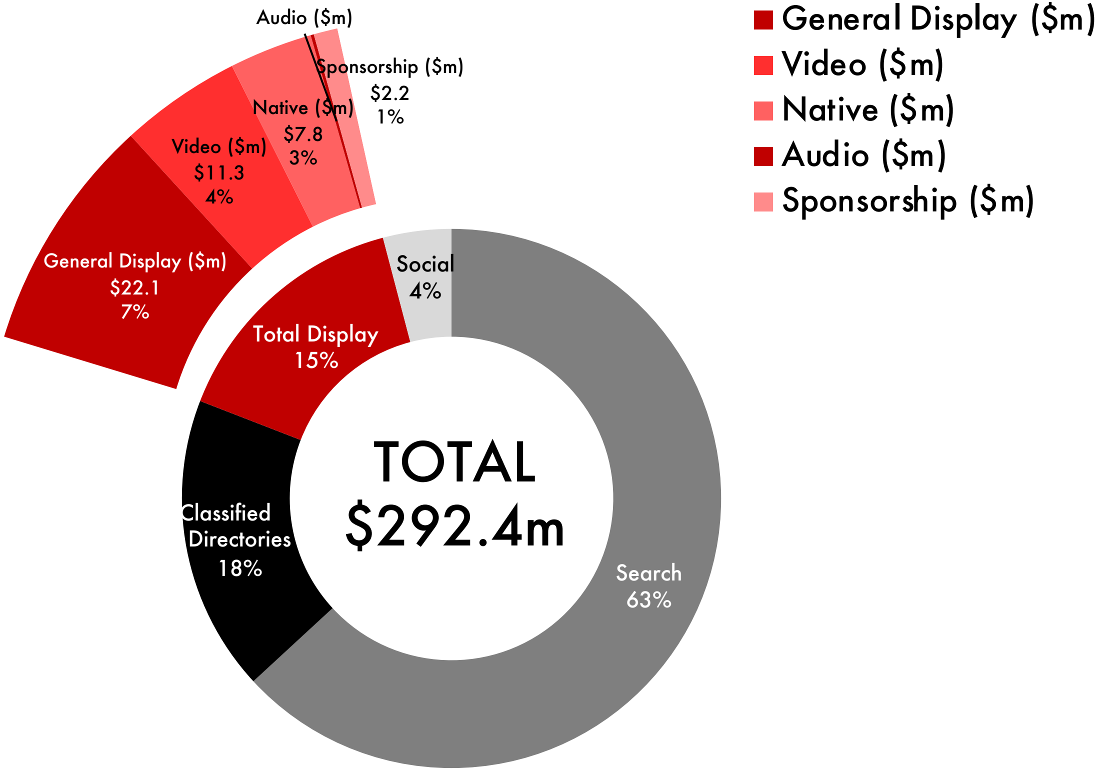
3.1 Q4 2018 DISPLAY CHANNEL REVENUE SUMMARY

TOTAL DISPLAY 5% GROWTH

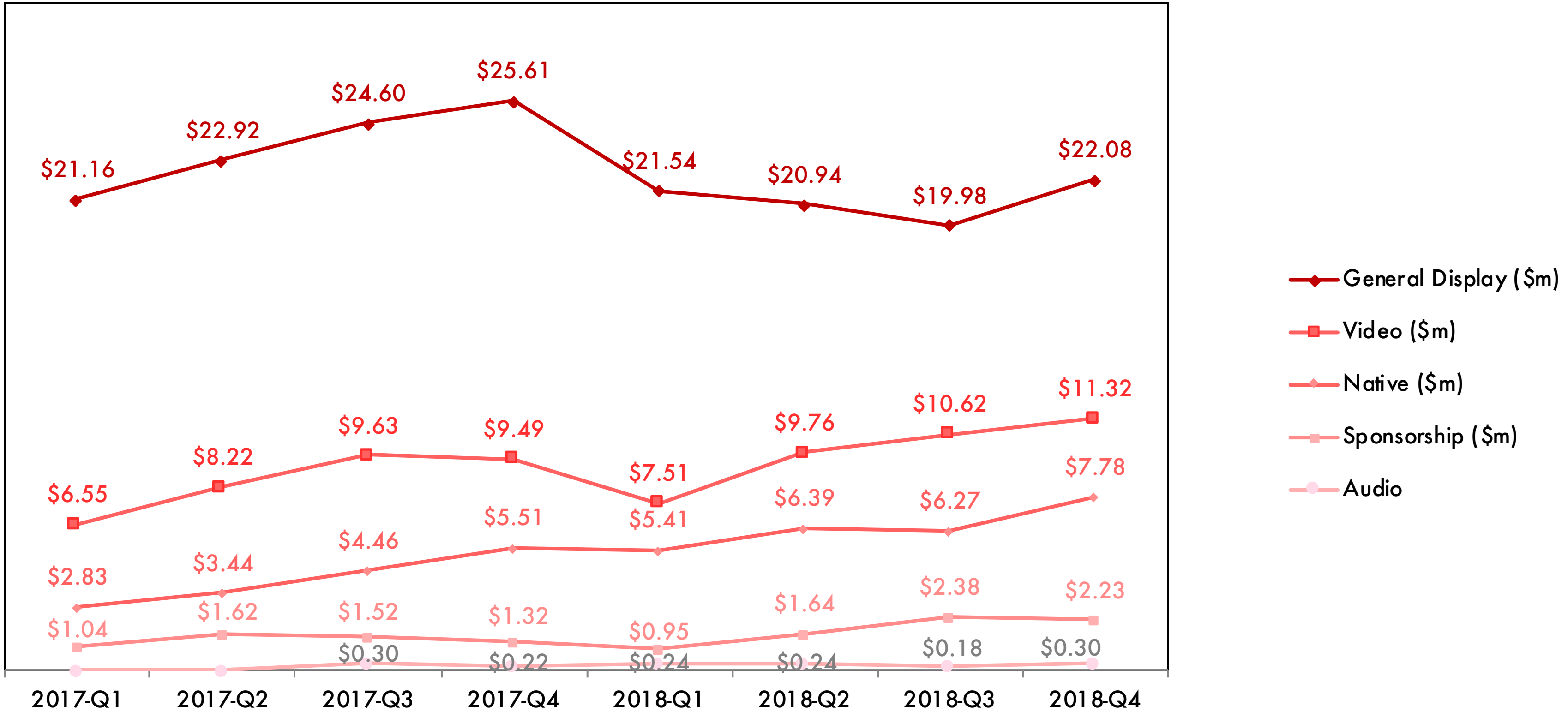
Total Display (all devices) in Q4 reached 43.7 million, and almost 5% year-on-year growth; it represented 15% of total digital revenue for the quarter.

This chart shows channel breakdowns for Total Display into General Display, Video, Native, Audio and Sponsorship, and their percentage of total digital revenue for the quarter.

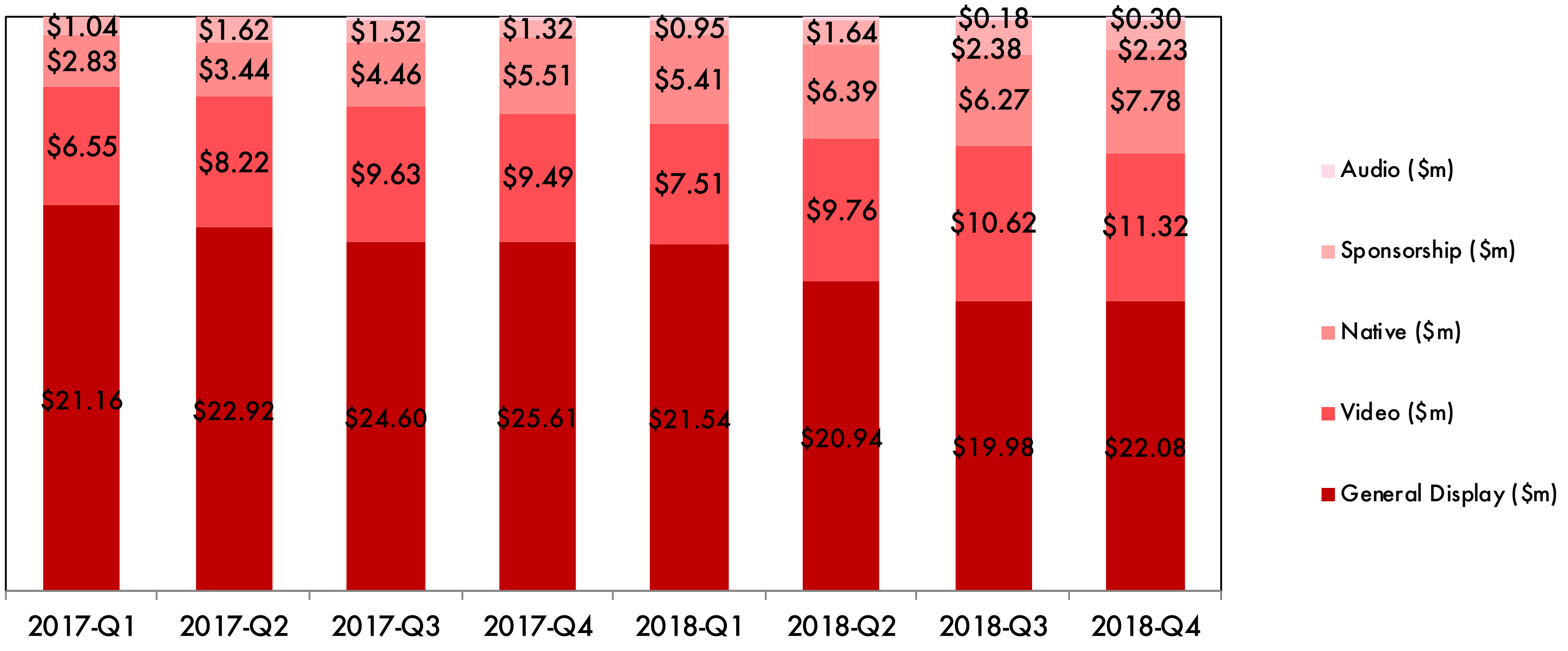
Year-on-year growth for Total Display channels were topped by Sponsorship, Native and Audio (albeit off a low base), at 69%, 44% and 36% respectively, followed by Video, with impressive year-on-year growth of 19.3%. General Display however decreased by 14% year-on-year. Due to other display channel growth.



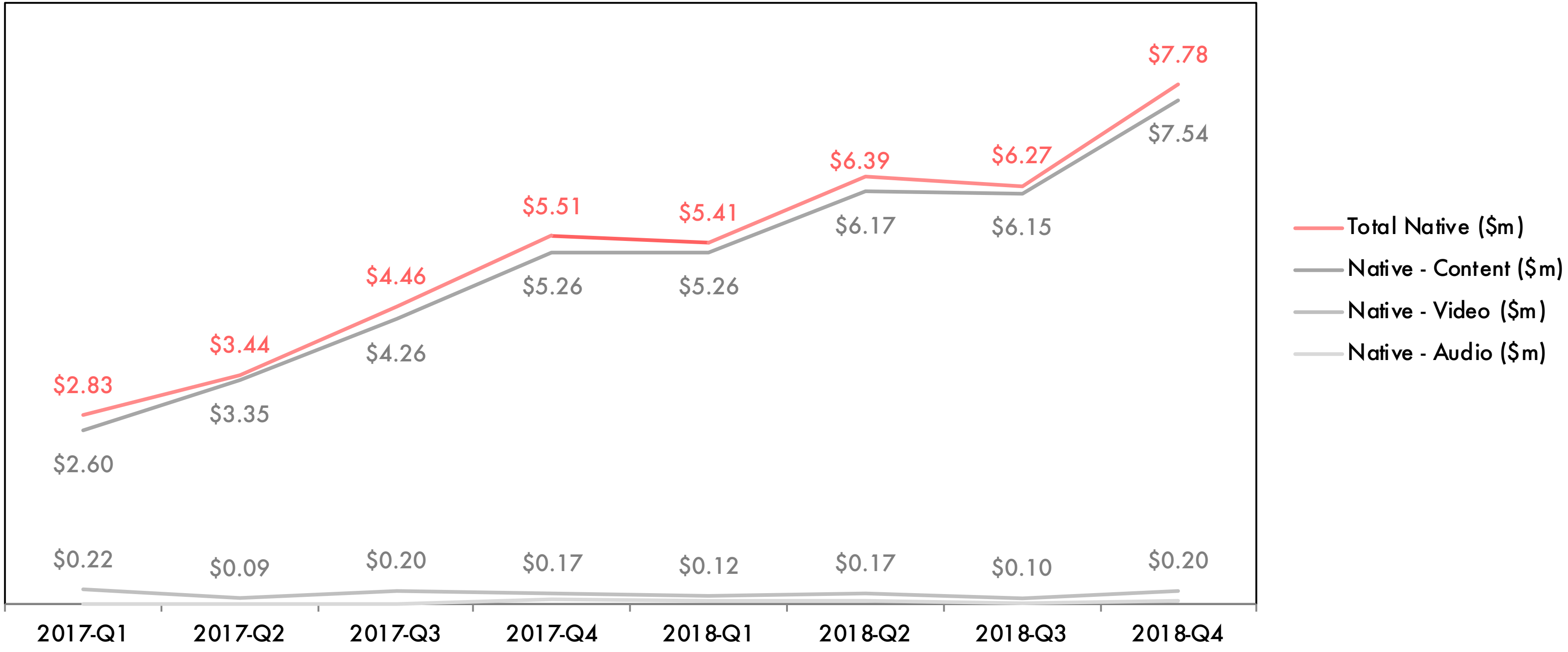
3.2 QUARTERLY DISPLAY CHANNEL REVENUE TRENDS



3.3 QUARTERLY TOTAL DISPLAY SHARE OF REVENUE BY CHANNEL

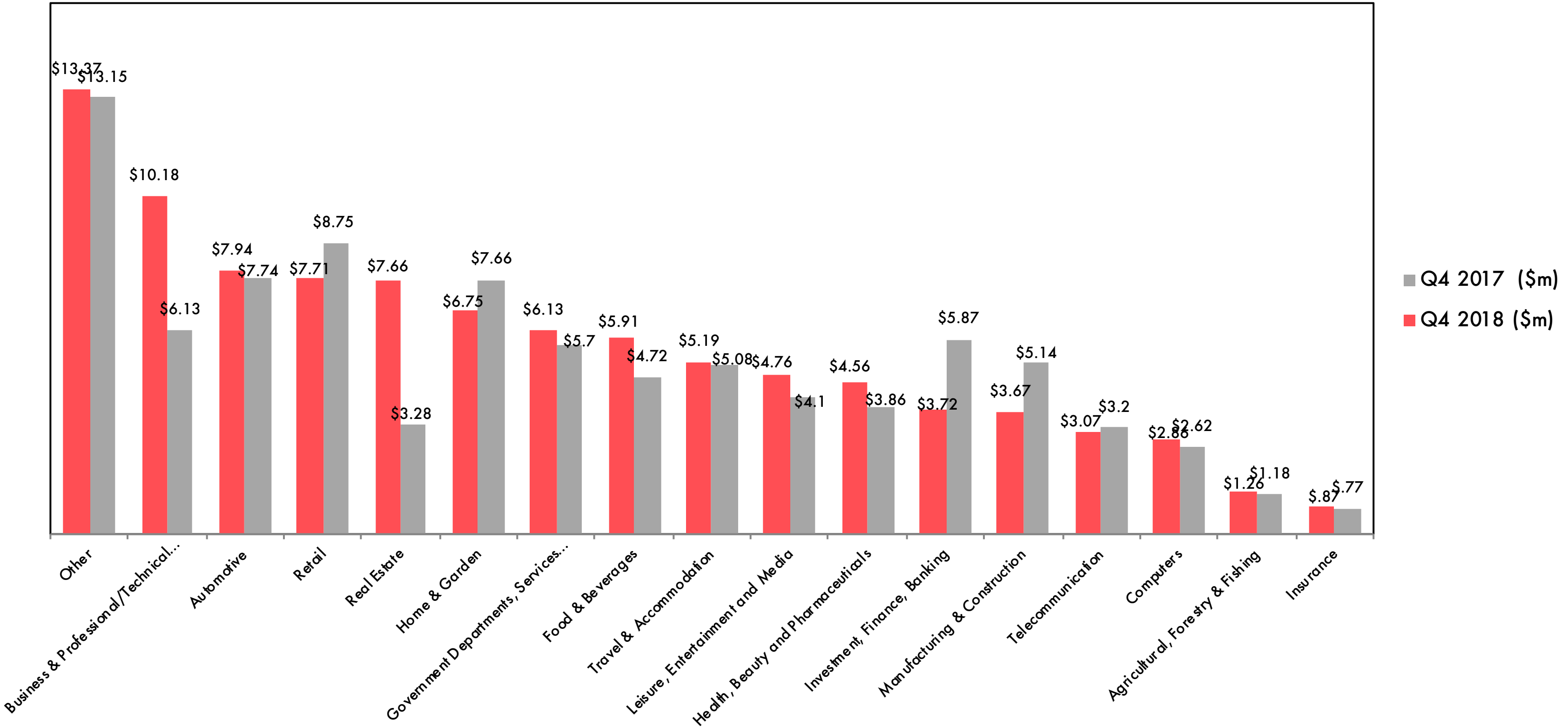


3.4 NATIVE REVENUE BREAKDOWN



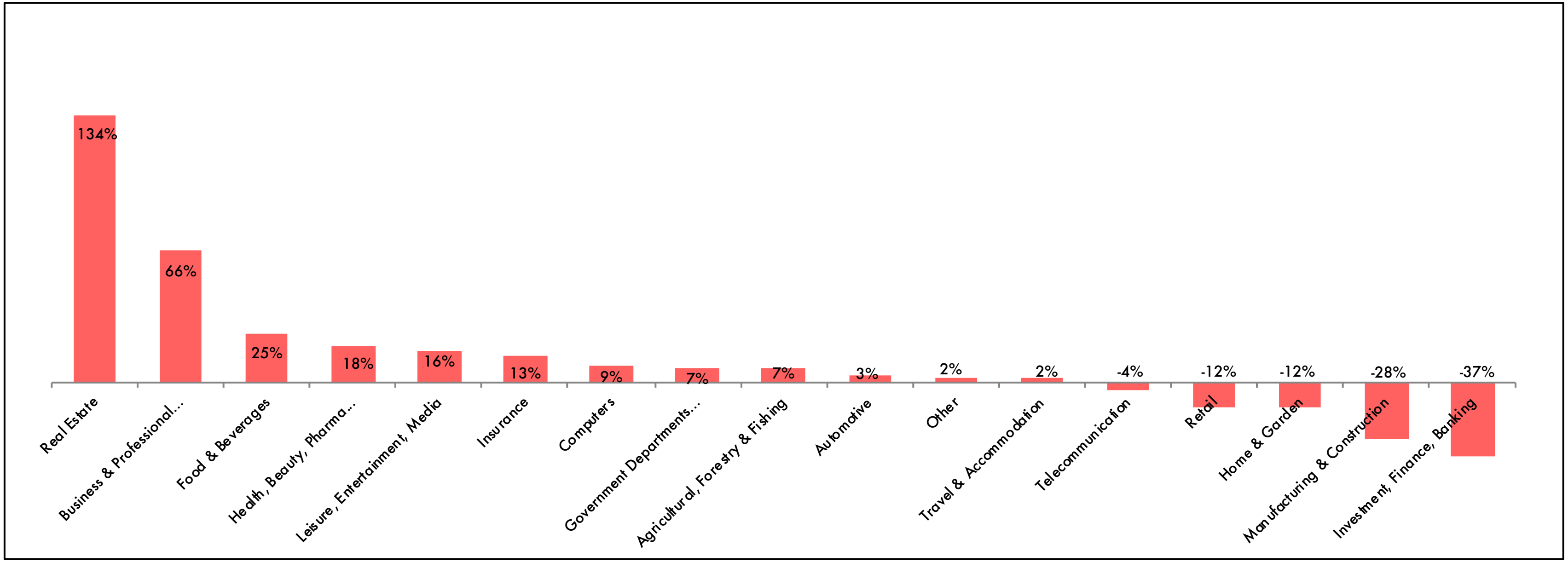
4.0 ADVERTISING CATEGORIES

4.1 Q4 2018 TOTAL DISPLAY REVENUE BY CATEGORY



Note: Includes General Display, Video, Native, Audio and Sponsorship. Excludes Classified, Directories, Search and Social

4.2 YEAR-ON-YEAR TOTAL DISPLAY VARIANCE BY CATEGORY



Note: Includes General Display, Video, Native, Audio and Sponsorship. Excludes Classified, Directories, Search and Social

5.0 DEVICE

5.1 Q4 2018 DEVICE REVENUE SUMMARY

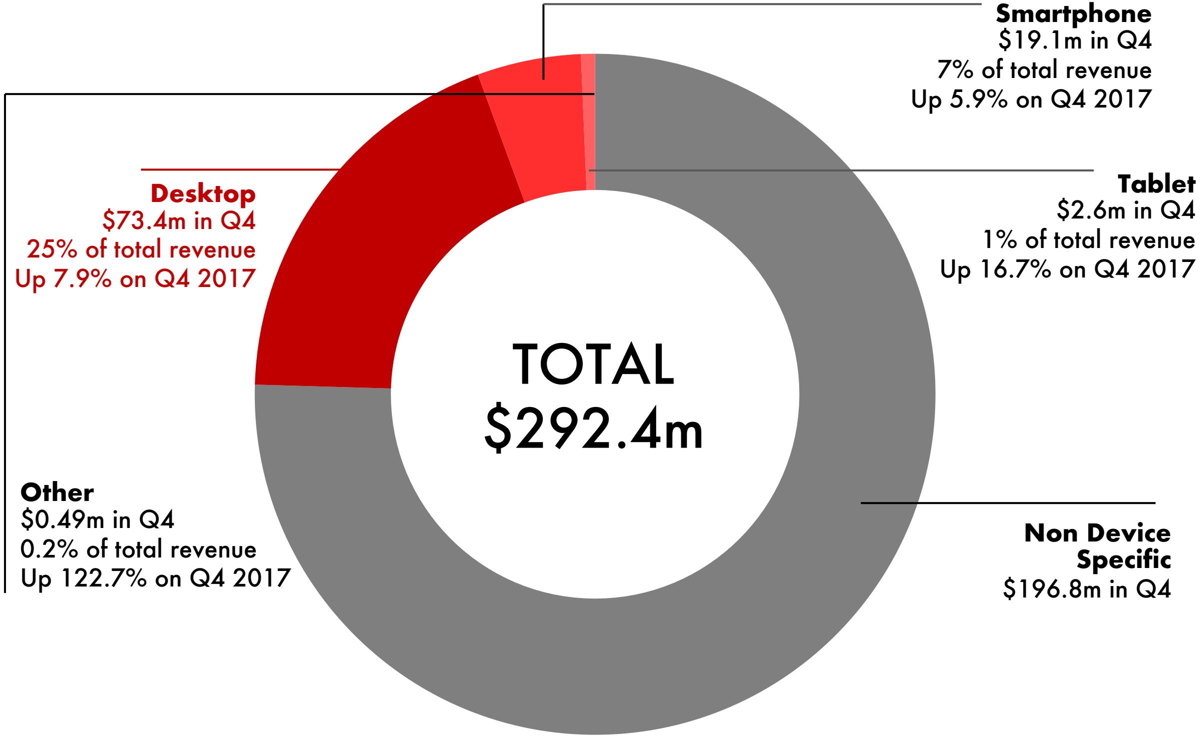
TABLET GROWTH 16.7%

Desktop holds the second largest share of total digital revenue broken down by device, at 25% for the quarter.

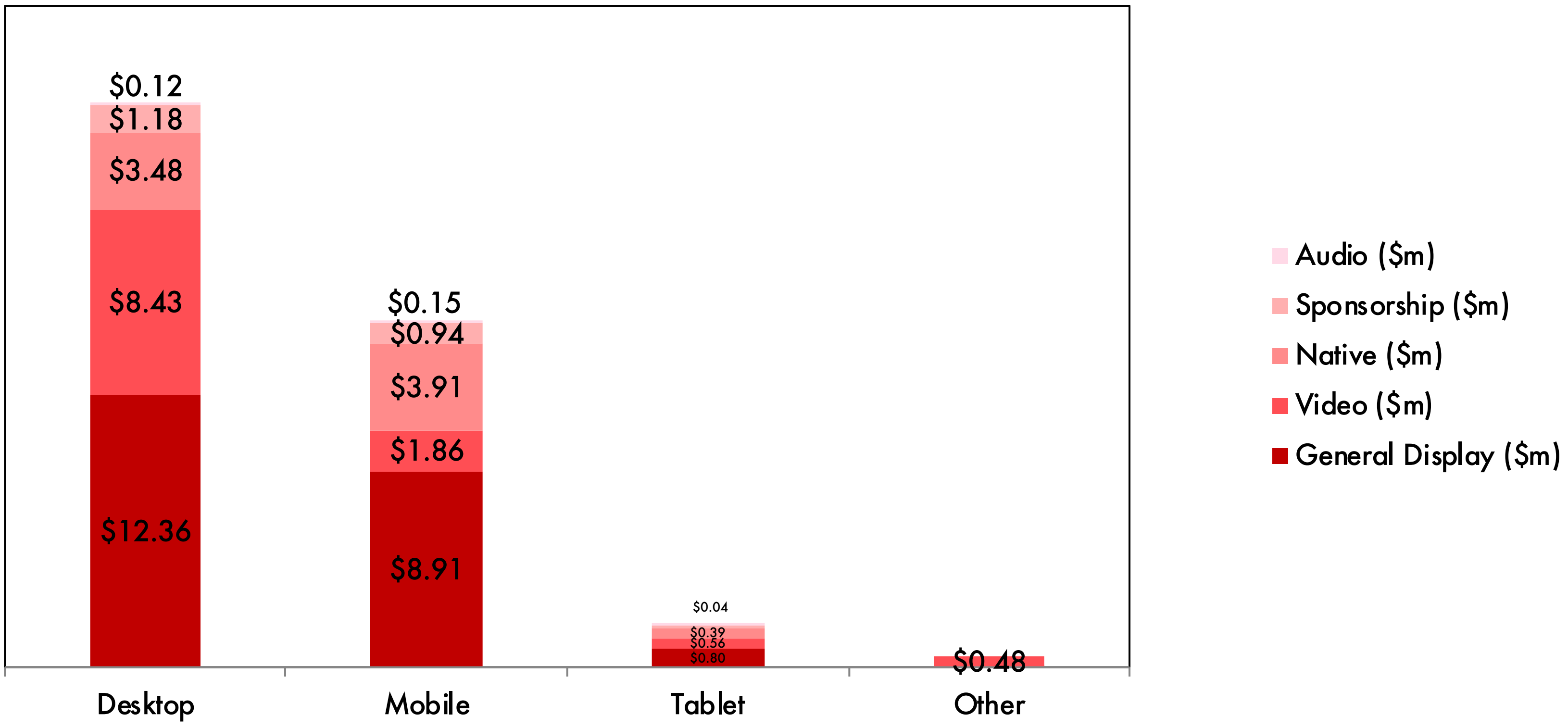
Smartphone generated $19.1 million, or 7.4% of total revenue, and grew 5.9% year-on-year.

Tablet generated $2.6 million, or 1% of total revenue, and grew 16.7% year-on-year.

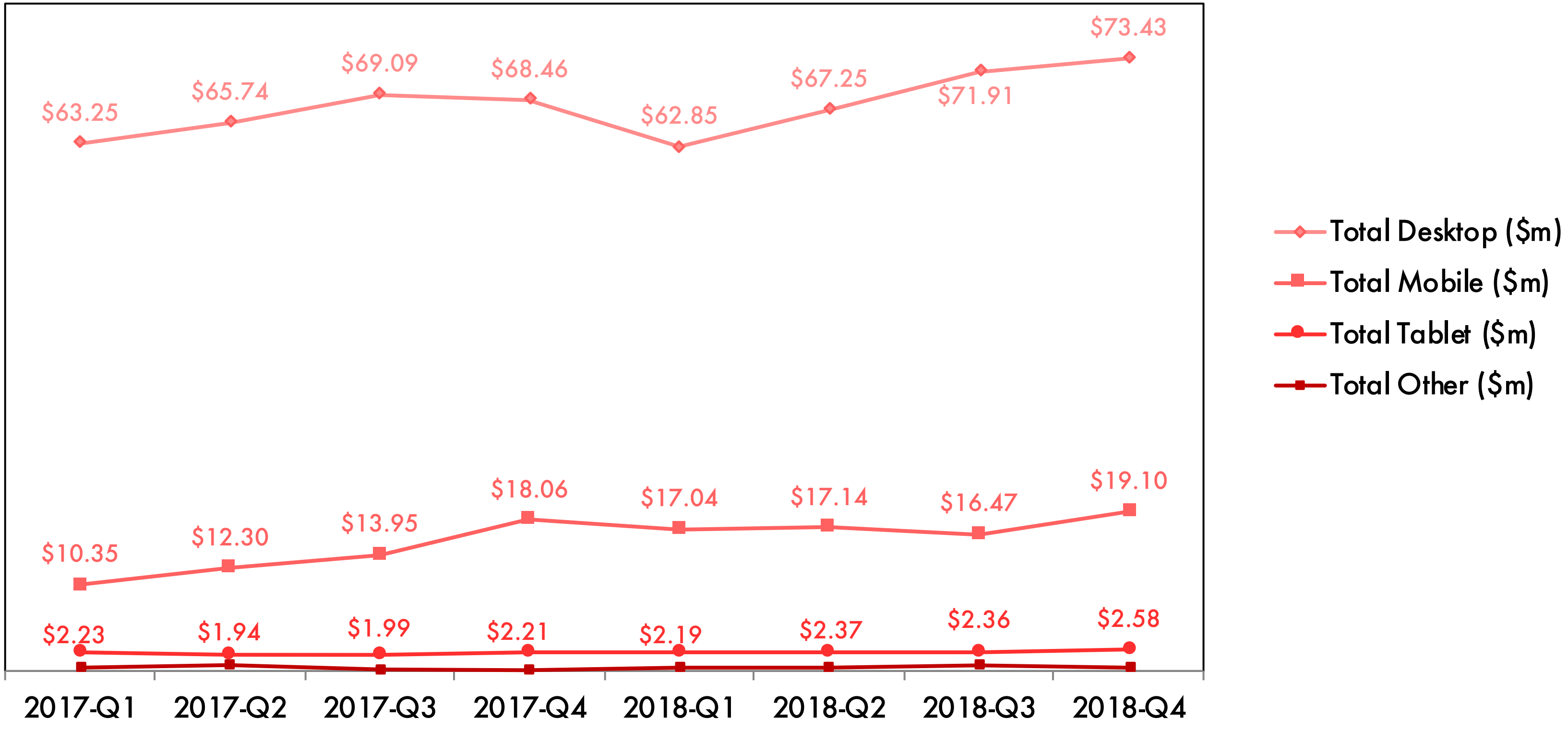
Total Mobile (Smartphone and Tablet) generated $21.7m, or 7.4% of total revenue, and grew 7%.



5.2 Q4 2018 TOTAL DISPLAY SHARE OF REVENUE BY DEVICE



5.3 QUARTERLY TOTAL DISPLAY REVENUE BY DEVICE



6.0 PROGRAMMATIC

6.1 Q4 2018 PROGRAMMATIC SUMMARY

With the launch of the new quarterly report format we have taken the opportunity to identify programmatic trends back to Q1 2014.

Programmatic data is sourced from Standard Media Index (SMI), however Q3 2017 report commenced releasing data net of Google Ad Manager, given it is being double counted. In the following quarterly programmatic trends, we have identified separate trend lines - SMI data (including Google Ad Manager), and another, net of Ad Manager. Q3 2017, the period at which we began reporting net of Ad Manager is identified, so it is clear how the two data sets are impacted with reporting changes. In either scenario programmatic revenue remains trending upwards.

'As programmatic media normalises in the industry, it's no surprise to see its growth in popularity for advertisers. The initial hype around programmatic has fallen away and we're left with the original premise that more efficient and effective media targeting will drive better outcomes for advertisers. We also see the growth in programmatic as a good sign that advertisers are becoming more confident in the transparency of their agency and technology relationships.' - Richard Thompson (Director, Future State Consultancy)

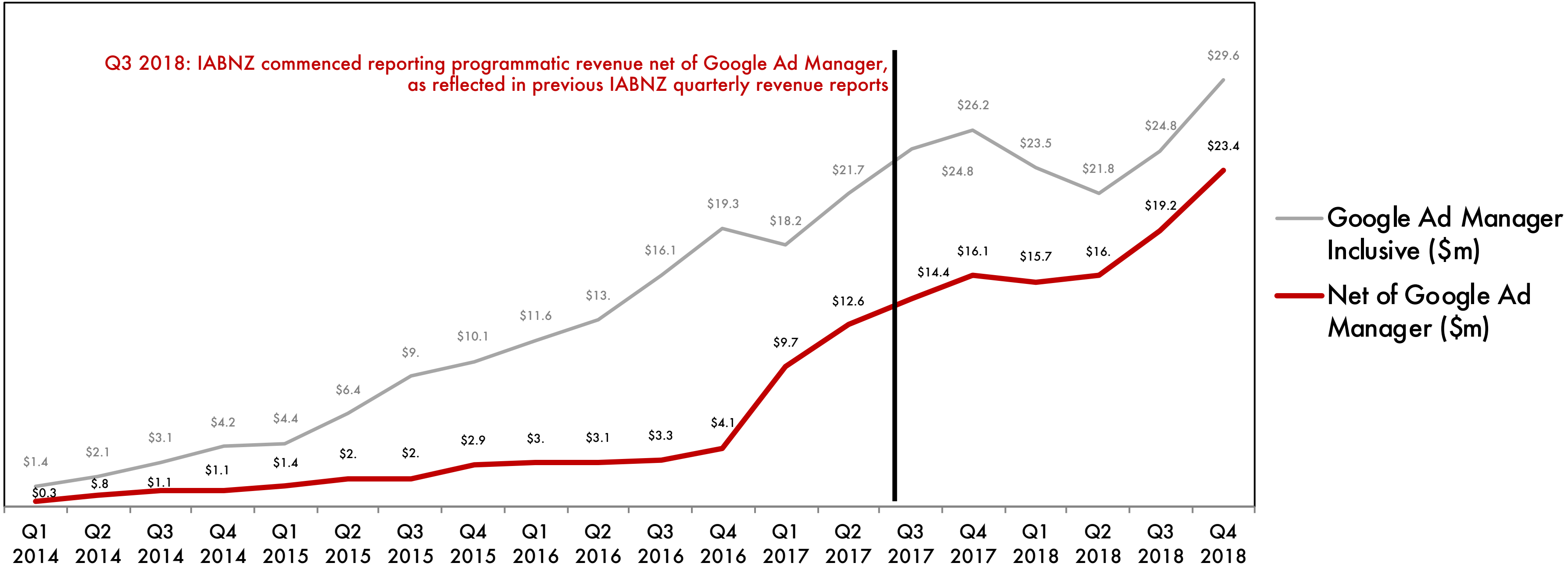
'It's very satisfying to see programmatic maintain such a healthy growth rate in the NZ digital ecosystem as it edges towards default status. Technology allows programmatic advertising to work increasingly harder for our clients and their brands and still retains a huge scope for improvement across innovation, data insights and utilisation.' - Parris Downey (General Manager, Yango NZ and Chair, IABNZ Programmatic Council)

Given the complex nature of programmatic trading it often takes some weeks for the final value of campaigns to be known and therefore paid; given that quarterly programmatic trend data is now provided, comparisons to prior IABNZ Digital Advertising reports will identify different quarterly revenue results. Future quarterly reports will provide any retrospective amendments to quarterly data.

A full explanation of the requirement for retrospective revenue updates from Jane Ractliffe (AU/NZ Managing Director, Standard Media Index) follows.

'The SMI programmatic ad spend data reflects the actual payments made by Agencies via either the Agency trading desks or independent demand side platforms. However, given the complex nature of programmatic trading it often takes some weeks for the final value of a campaign to be known and therefore able to be paid. All SMI payment data shows the ad spend for the actual period of the campaign, and therefore will change when campaigns occurring within a time period are paid retrospectively. Similarly, the data is also affected by the large number of account queries associated with programmatic campaigns with payments delayed until account queries are settled and then again paid retrospectively.' - Jane Ractliffe (AU/NZ Managing Director, Standard Media Index)

6.2 QUARTERLY PROGRAMMATIC REVENUE



Source: As at Q1 2017, Standard Media Index (SMI)

7.0 INSIGHTS

7.1 FURTHER INSIGHTS

Australian Market Comparison

The Australian PwC Online Advertising Expenditure Report has just been released, which confirms the Australian digital advertising market to be worth $8.8 billion in 2018 compared to $1.058 billion for the same period in New Zealand. Population in Australia is almost five times that of New Zealand, and using this benchmark alone, digital revenue in New Zealand would need to be turning over 70% more per annum to achieve parity with Australia.

We will be looking further into this in our next quarterly report to provide more information as to the reason why New Zealand digital revenue is under-indexing by comparison, however an initial view is one of the contributing reasons is the level of Federal Government advertising investment on various initiatives is proportionally considerably higher than in New Zealand. Additionally, revenue spent on Australian State Government initiatives further compounds this.

'Whilst most NZ companies see the significant value of digital marketing, most aren't doing it as well as they could. Very few are digitally mature, using connected data, automation and integrated tech, which would enable them to achieve meaningful connections with consumers, and realise a step-change in cost and revenue uplifts through digital market'. - Caroline Rainsford (Country Director, Google)

Whilst it is clear, New Zealand is under-indexing on digital compared to our trans-Tasman counterparts, we may see some narrowing in the gap when we review Social media revenue reporting. Currently we use SMI data to measure social media revenue, which only incorporates a part of New Zealand agency revenue and not direct. We are reviewing our methodology to better measure Social media revenue, which will be incorporated in the next IABNZ Digital Advertising Revenue Report for Q1 2019.

8.0 METHODOLOGY

8.1 REPORTED AND ESTIMATED REVENUE

Reported Revenue

- Actual revenue is obtained directly from companies deriving revenue from the sale of digital advertising
- Aggregate amounts reported are rounded to the nearest $10,000
- Based on the information provided by the contributors, approximately 81% of the data in this document is derived from participants whose underlying financial records have been, or will be, audited by an independent auditor
- Data submitted by participants is kept confidential and figures are only ever reported by IABNZ in aggregated form
- Variance checks are performed on data submitted by participants for reasonableness in light of past submissions and general industry trends
- Expenditure is based on gross amounts charged to advertisers and inclusive of any applicable agency commission
- As of Q3 2015 the IABNZ Revenue report reflects vendor-based Agency bookings as reported by the Standard Media Index (SMI) for the quarter. The value quoted does NOT include advertisements booked directly with Social networking websites by advertising brands.
- As of Q1 2017, Programmatic Advertising revenue figures are now sourced from Standard Media Index (SMI). The reported revenue reflects the value of actual placements as reported by Agency Trading Desk bookings and bookings onto independent DSPs.

Estimated Revenue

This report includes an estimation of Paid Search revenue for New Zealand. The methodology was developed in consultation with other IAB's and is sense checked by leading New Zealand based Search Engine Marketing agencies.

8.2 DISPLAY ADVERTISING CATEGORIES

Agriculture, Forestry and Fishing
This category includes any business engaged in growing crops, raising animals, growing and harvesting timber, and harvesting fish and other animals from farms or their natural habitats or supplying goods and services to the producers.

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 and taxation services; advertising and marketing services; printing and publishing services, and employment/personnel/training Services. This category also includes all office products and services including stationery, furniture, photocopiers and retailers.

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

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

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

Health, Beauty and Pharmaceuticals
This category covers toiletries and cosmetics including baby products, cosmetics, personal care products, fragrances, hair and skin care, soaps and cleaners, and pharmaceutical products including remedies, medicines, lotions, vitamins, diet, corporate, dressings, health services and retail (i.e. pharmacies).

Home and 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, white-ware, brown-ware); 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) i.e. beds, floor covers, occasional furniture, soft furnishings; home heating (includes all home heating or cooling products, services and retail); and gardening including garden furniture, BBQ's, tools, plants, equipment and retail.

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.

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.

Leisure, Entertainment and Media

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

Manufacturing and Construction

This category includes units mainly engaged in the physical or chemical transformation of materials, substances or components into new products (except agriculture and construction).

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, discounters and warehouses. Also included is 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, television/video rental and servicing and other specialist stores not already excluded.

Note: The Retail category excludes

Supermarkets and food stores (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, travel agents.

Telecommunication

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

Travel and Accommodation

Any business providing products, services and/or information and advice related to the travel and tourism industry. Any travel services including carriers, accommodation, tours, destinations and retail (i.e. 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), pet products, manufacturing & construction, wholesale trade and education & training services.

8.3 CLASSIFIED ADVERTISING CATEGORIES

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.

9.0 BACKGROUND

9.1 IABNZ DIGITAL REVENUE REPORT

What is the interactive industry?
Advertising viewed on any screen using an internet connection 3G, 4G or WIFI

The report includes revenue information collected from companies including:

- Census of major NZ media owners
- Revenue data from major NZ Agency trading desks and Independent DSP's*
- Agency revenue from social media companies*
- Estimation of Google

IABNZ has produced the NZ Digital Advertising revenue report since 2007
Digital Advertising Revenue includes online, mobile, tablet
Data shown by:

- Device (Desktop, Smartphone, Tablet, Other)
- Channel (Video, General Display, Audio, Sponsorship, Native, Classifieds, Directories, Search and Social)
- Industry Sector (Agriculture, Automotive, Business Services, Computers etc.)

*Source: Standard Media Index (SMI)

9.2 DEVICES INCLUDED

Desktop

Online advertising viewed on a desktop PC or laptop accessed via an Internet connection

Smartphone

Advertising that is viewed on a smartphone device accessed via 3G, 4G or Wifi

Tablet

Advertising that is viewed on a tablet device accessed via 3G, 4G or Wifi

Other

Advertising that is viewed on a device such as Smart TVs, Connected TV Devices (Freeview Plus On demand, Apple TV, Chromecast), Gaming Consoles, and Wearables

Only digital media spend is reported to ensure fair comparison to other media
For each device the channels reported are: Video, General Display, Audio, Sponsorship, Native, Classifieds & Directories, Search

9.3 WHICH CHANNELS GO WHERE

Display

General Display

All banner advertising including pop ups, floating and interstitial advertisements, downloaded applets which instantly interact with the user, and ads that change when the user's mouse passes over it.

Video

TV-like advertisements that may appear as in-page video commercials or before, during and/or after a variety of context in a player environment including but not limited to streaming, video, animation, gaming, music video content. This definition includes broadband video commercial that appear in live, archived and downloadable streaming content.

Audio

Pre roll, mid roll, post roll audio advertising, where advertisements target consumers through Podcasts, and Internet radio.

Sponsorship

Advertisements that link a brand with related content or context in a form that is clearly distinguishable from a banner, button, or other standardized ad unit.

Native

Paid advertising that matches the form and function of the platform upon which it appears. Native advertising could take the form of written content, video or audio.

Social

Ads on paid Social Media Platforms.

Search

Ads on paid search.

Classifieds and Directories

Revenue from ads placed in order to buy or sell an item or service which includes recruitment, real estate, automotive, personal and other classified ads & directory listings.