

IAB report on Online Advertising Spend

The Netherlands H1 2017

October 2017

Introduction

Since 2010, IAB Netherlands and Deloitte have been reporting on the online advertising spend in the Netherlands by publishing the Online Ad Spend Study. The content of this half year study is based on information gathered directly from the advertising sellers and buyers in the digital community.

In this edition market analysis is based on data supplied by 31 companies, including publishers, media agencies, ad networks and programmatic platforms.



Nathalie Peters
IAB Netherlands | Chairman

It happened, the biggest chunk of paid media is spent on digital advertising. Good news for our industry, but we can not lean back now and just cheer. Cause of this growth is the quick development of targeted digital advertising. And although more time is spent on digital and improvement in ad targeting continues, the upcoming GDPR implications for digital marketing are significant.

I believe that the GDPR provides a fantastic marketing opportunity to leverage data to build trust and create a value exchange between organizations and their customers. But we must have business in order. We have to be in charge of ensuring that consumers know what their data is being used for and be able to respond to any customer requests regarding their data. It's all our responsibility to be prepared. Let's make that happen.



Yvonne de Jager
IAB Netherlands | MD

It is amazing to see the continuous double digit digital growth. As seen before, online video and social are the strongest pillars of growth. But we now also see an enormous increase in mobile ad spends. 40% of ad revenue is now spent on mobile! Substantial inventory becomes available, which explains the growth in spend.

Digital advertising depends more and more on the technology behind it. This technology allows to have better targeted advertising (amongst others). It is expected that the cost for technology investments will increase, and that less spend is necessary in the actual ad campaigns in the future. So are we reaching our peak in ad spend growth? We're looking very much forward to see how 2017 will end in terms of total yearly ad spend. It is forecasted that growth will be 11% overall. Which makes this sector still one of the fastest growing industries in the country.



Nathalie La Verge
Deloitte | Technology, Media & Telecom

The first half of 2017 again shows double digit growth figures in online advertising, while we see a strong decline in (linear)TV spend at the same time. The figures reflect the trend that both consumers and advertisers have made the switch to digital, with the global organizations taking over advertising budgets from local players.

With the GDPR regulation ahead, we expect challenging times for certain players in the current advertising ecosystem, but looking from a broader perspective, at the same time there are opportunities to take advantage from transparency and data requirements to build a trusted relationship with consumers in the long term.

Methodology

Realization of this study



Survey methodology

Our current report covers the total net online advertising spend in the Netherlands during H1 2017 and is based on information supplied by 31 participating companies.

- Figures are adjusted for double counting, based on information provided by the survey participants
- The report is conducted independently by Deloitte on behalf of IAB Nederland
- The figures are drawn up on the basis of company input and have not been verified by Deloitte
- Only aggregated results are published, individual company information is held in strict confidence with Deloitte

Executive summary

H1 2017 Online advertising trends in the Netherlands



Online Advertising spend

+13%

Spend by advertisers on online advertising increased with +13% due impressive growth of paid search advertising (+18%). In the first half of 2017 a net revenue 954m€ was realized, compared to 843m€ in the first half of 2016.



Online video advertising

+42%

Online video continues as best performing ad format in advertising since 2013, with +42% revenue growth in H1 2017. Online video totals 73m€ in ad spend and accounts for a 20% market share within online display advertising.



Mobile advertising

+32%

Online advertising spend shifts from desktop to mobile. Mobile search, display and video accounts for 40% of the online advertising spend, compared to 36% in H1 2016. The mobile display and video ad revenues has increased with +32%.



Sales through programmatic exchange

+22%

Publishers continue to shift the sales of ad inventory from traditional manual sales towards programmatic exchanges. The display advertising revenue sold via the programmatic exchange increased with +22% driven by inflow of mobile inventory.



Social media advertising

+45%

We estimate that the advertising spend on social platforms has increased with an average of +45% during H1 2017. Social accounts for 35% (129m€) of advertising revenue spend on display ads.



Search

+18%

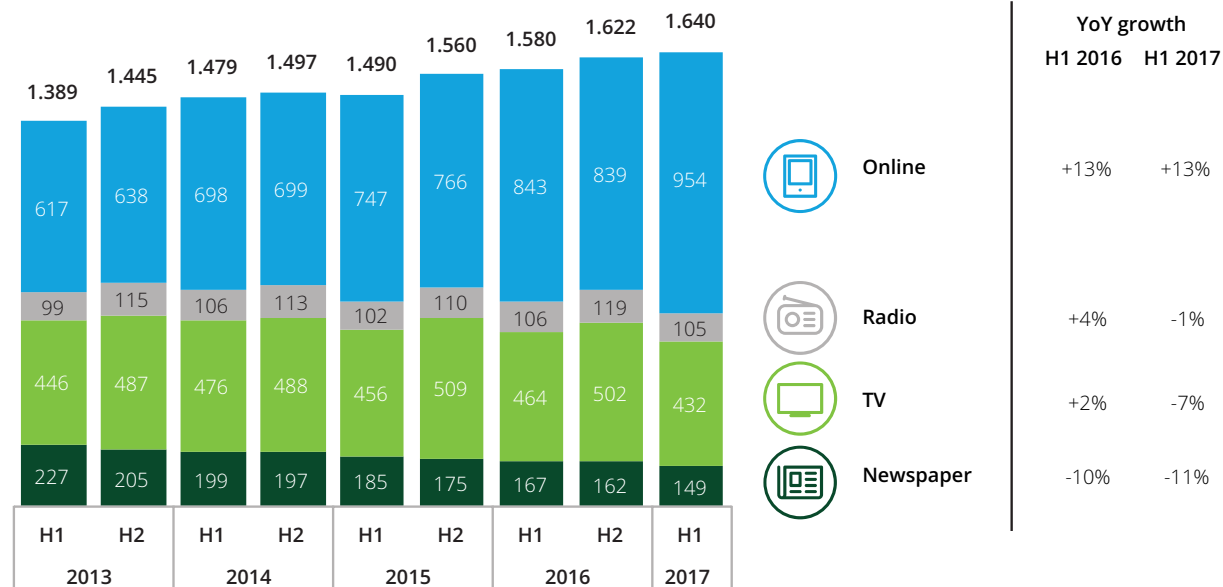
Search revenue realized a +18% growth, totaling 438m€ in ad spend revenues. Again, the search category has the largest growth rate compared to display and classifieds and continues to stay the largest category in online advertising with a 45% market share.

Background economy

The 4 largest advertising markets

Online advertising continues to gain share in favor of traditional media

Net advertising market Online, TV, Radio & Newspaper (m€)



Advertising market

The GDP economic trend in The Netherlands is projected to grow in 2017 and 2018, with +2,4% and 2,0% respectively. Consumer spending, (real estate) investments and export are drivers of this growth. Advertisers will benefit from increased household consumption, with additional ad spending projected in the industries: recruitment, financial services and consumer products.

The growth of revenues for the total advertising market has followed the GDP growth rates, however a new trend is the shift of marketing budget towards marketing technology. Advertisers spend more on technology to improve to reach their target audience. This shift from broad advertising towards targeted (digital) advertising, need less ad but more technology spending. Due to these trends we expect paid ad spending to reach it's peak in growth rates in 2017.

Online

The biggest chunk of paid media is spend on digital advertising. More time spend on digital and improvements in ad targeting continues to attract spending by advertisers. Main driver for growth are online video and social content on mobile devices. Compared to Europe and UK, the growth in advertising revenues in the Netherlands is on par with its neighbors (2016: Europe = +14%, UK = +13% and NL = +11%).

TV

Last year (2016) the NL and other markets showed no growth in TV advertising revenues (0% for the UK, EU and NL). This year the revenues are expected to decline, something we see already happening in the first half year of 2017. Large advertisers are reducing the number of TV marketed products and consumers spend less time watching linear TV.

Radio

Radio advertising declined slightly with -1% in H1 2017. Similar to TV the time spent on radio shifts towards digital streaming. The strong growth in digital radio advertising revenues is at this point not able to turn the tide.

Print

Print ad revenues continue to decrease, with -11% in H1 2017.

Note: The Internet figures we report are net/net figures, meaning that the figures are reported after agency discount that in some cases may apply; TV is excluding online video; Newspaper is excluding ad revenue from digital content; Growth rate and/or additions may not equal presented numbers due to rounding;

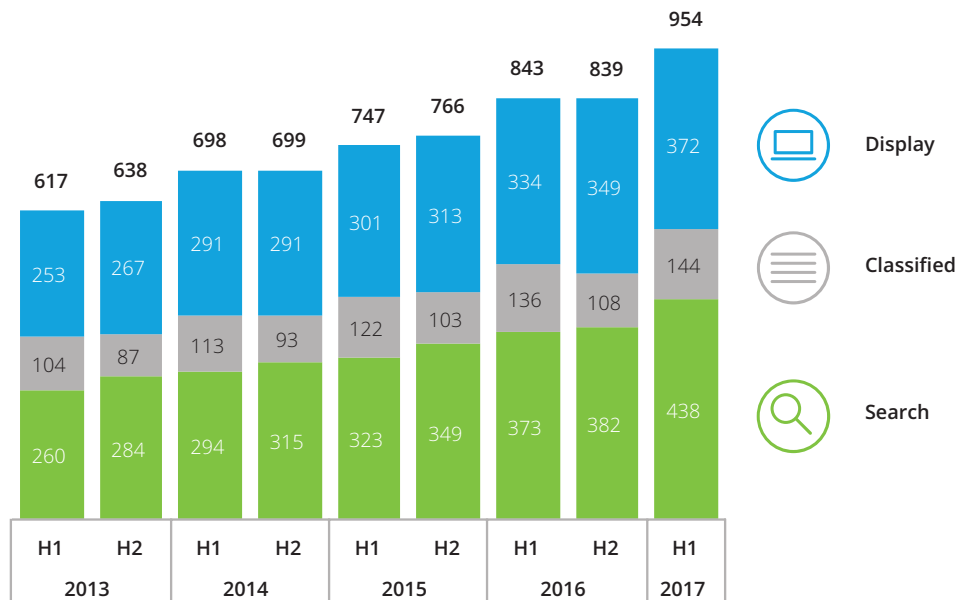
Source: RAB, Nielsen, Screenforce, Annual reports, NDP, Deloitte analysis

Online advertising

Online advertising market 2013 - H1 2017

Online advertising spend realized a +13% increase in revenues due to impressive performance of search (+18%)

Online advertising market (m€)



YoY growth

	H1 2016	H1 2017
Display	+11%	+11%
Classified	+12%	+5%
Search	+15%	+18%

Online advertising market

Online advertising has grown with +13% in H1 2017 with respect to the same period of the previous year.

Display advertising

Online advertising through display advertising increased with +11%, due to good performance of mobile, online video and social.

Classifieds, directories and listings

Classifieds, directories and listings increased with +5% with respect to the same period of the previous year

Paid search advertising

We estimate that spend on search advertising increased with +18% in H1 2017. Major growth drivers in paid search advertising are increasing mobile search queries and PLAs (product listing ads).

Note: The figures we report are net/net figures, meaning that the figures are reported after agency discount that in some cases may apply; Search numbers are estimated based on annual reports, media buyers and media agencies feedback; Classifieds, directories & listings are based on a limited number of data points; Growth rate and/or additions may not equal presented numbers due to rounding; Adjustment in H1 2016 data due to revised and additional respondent data;

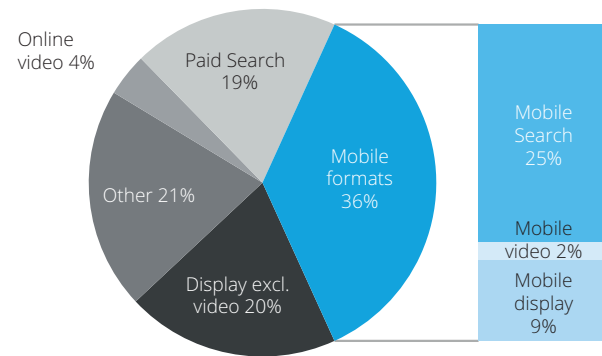
Source: Survey respondents, Media buyers, Annual reports, Deloitte analysis

Online advertising market H1 2016 - H1 2017

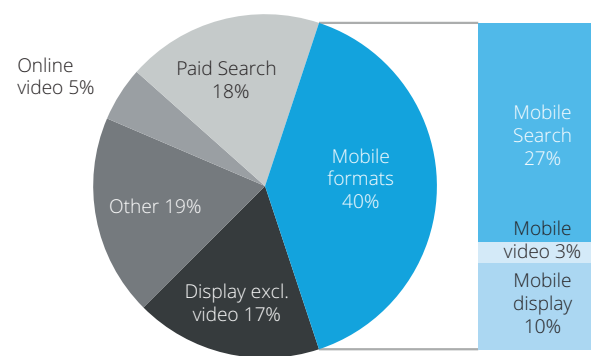
In H1 2017 40% of the online ad revenue is spent on mobile

Online advertising market (share of ad formats %)

H1 2016



H1 2017



To align and be able to compare market figures to other international IAB market reports, the online ad formats (paid search, classifieds and display) are rearranged including the device of delivery. Paid search is divided into mobile search on phone and tablet devices and paid search on laptop and desktop. Display is separated into (mobile) video advertising and (mobile) display ads excl. online video (incl. banners, rich media and native advertising). All remaining categories such as digital audio, email, classifieds and unspecified other display ads are compiled into the other category. Note that due to limited data points in the other category we are unable to separate the mobile share within the other category.

Note: Amounts may not equal 100% due to rounding

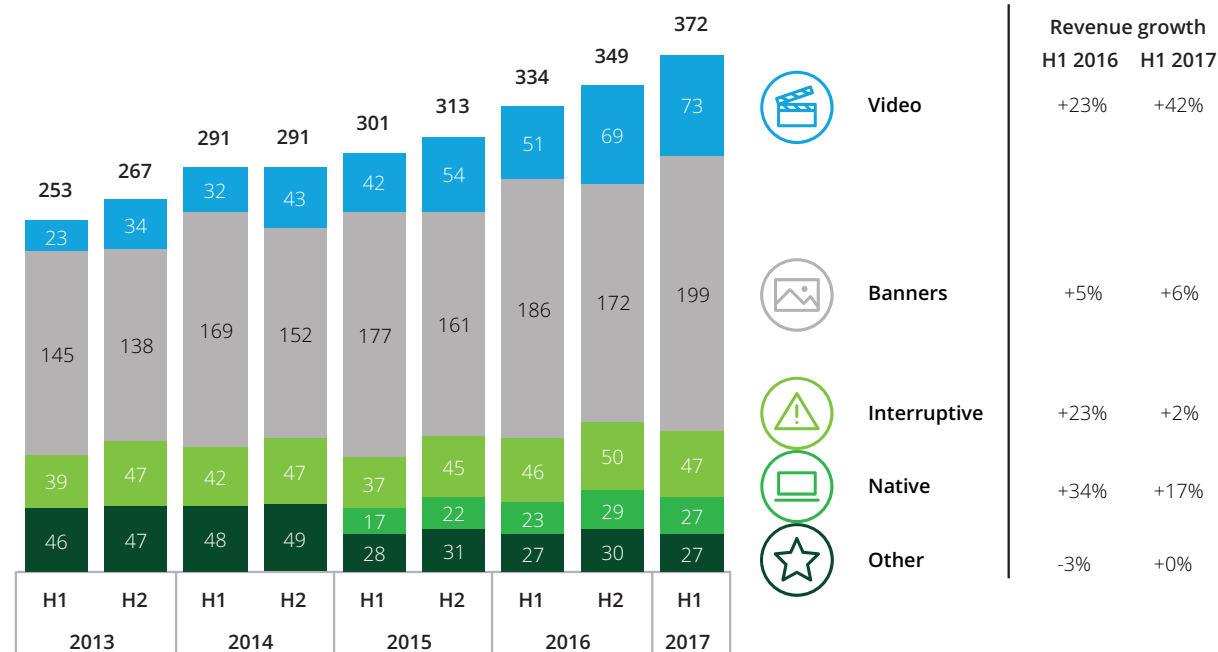
Source: Survey respondents, Media buyers, Annual reports, Deloitte analysis

Display advertising

Display advertising formats

Online video is the main growth driver of display advertising with +42%

Revenue per display ad format (m€)



Online display advertising formats

Within display we measure 4 different formats; Video, Banners, Interruptive and Native. All formats which could not be classified in one of these formats are consolidated into the "Other" category.

Online video

Online video (in-stream and out-stream) grows with +42%, and is one of the fastest growing format in terms of ad spend.

Banners

Spend on IAB and non-IAB format banners increased with +6%.

Interruptive

The advertising spend on interruptive formats (incl. rich media, over the page and page takeover) increased with +2%.

Native

Spend on native advertising increased with +17% to 27m€ in H1 2017.

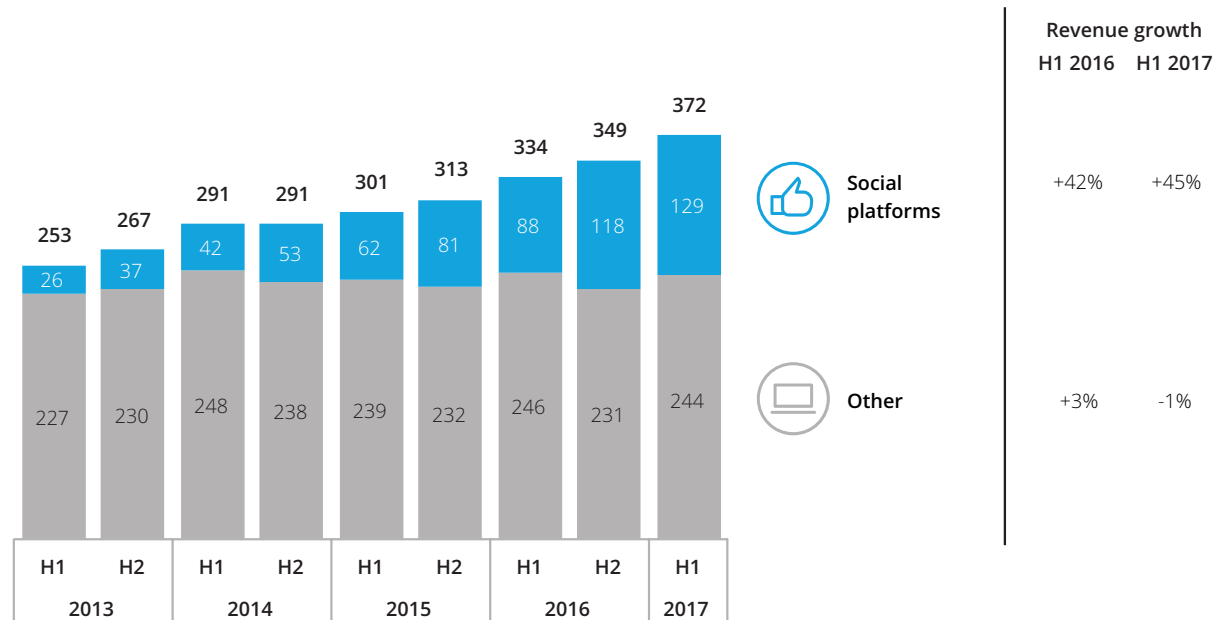
Note: Native content was consolidated into the other category before 2015

Source: Survey respondents, Deloitte analysis

Social within display advertising spend

Spend on social platforms continues to increase and accounts for 35% of the revenues within display advertising

Advertising on social platforms vs other (m€)



Social platforms continue to increase market share within display advertising. We estimate that spend on social platforms accounts for 35% of the display market in H1 2017. A similar trend has occurred in the US where social rapidly gained market share and as of 2016 accounts for more than 39% of all display ads.

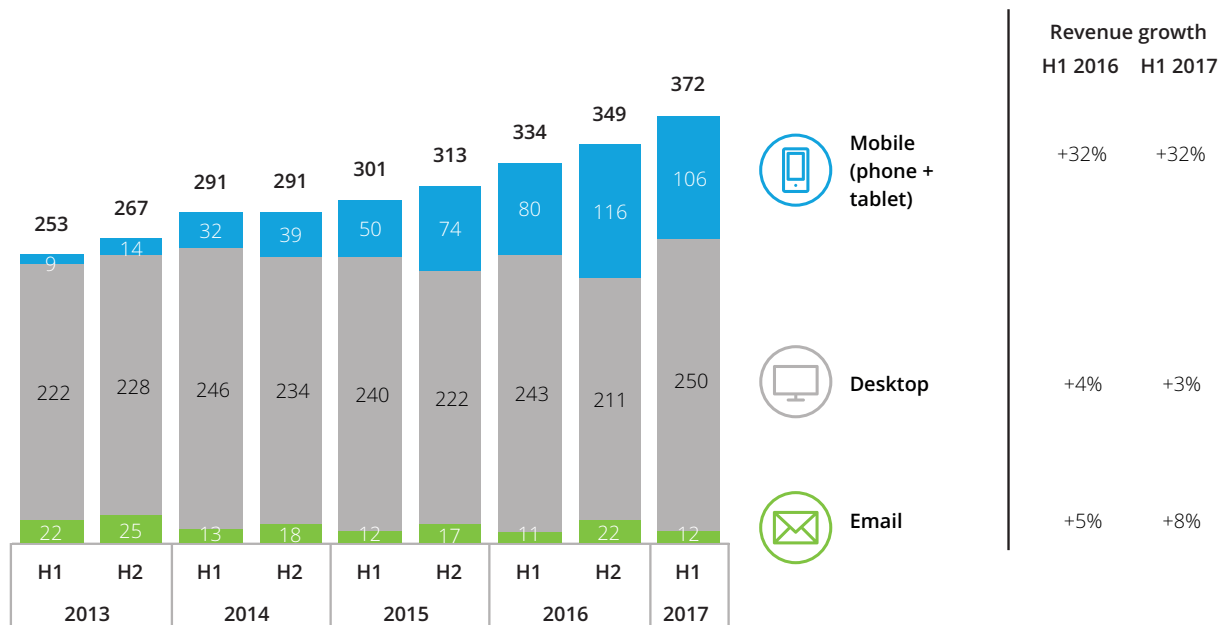
As social platforms are mainly app/mobile focused, the growth in social is one of the main drivers for the significant growth figures in mobile advertising.

Source: Annual reports, Media Buyers, IAB UK/US, Survey respondents, Deloitte analysis

Display advertising medium

Online advertising shifts from desktop to mobile devices

Revenue per device for display ads (m€)



Online advertising shifts towards mobile devices. Within display 34% of the advertising revenue is from mobile (phone + tablet) devices as of H1 2017. The shift towards mobile occurs also in other markets, and even at a faster pace. In the UK desktop advertising reached its peak in 2015 and showed a strong decline in revenues in 2016.

Note: Figure based on survey respondents only; Mobile advertising is the spending category by advertisers on mobile website or in-app ads; Revenue growth rate is calculated on a L4L basis; Growth rate and/or additions may not equal presented numbers due to rounding

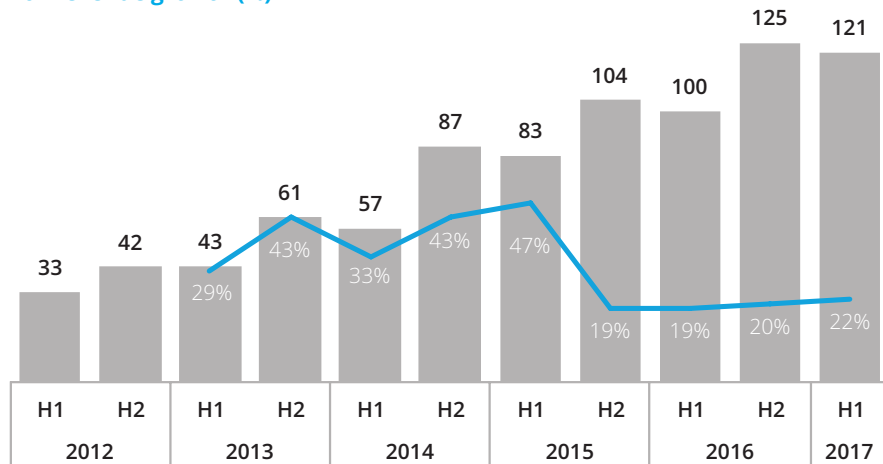
Source: Survey respondents, Deloitte analysis

Programmatic advertising

Programmatic advertising

The revenue of display ads sold by real time bidding has grown with +22% in H1 2017

**Display advertising revenue through programmatic exchange (m€)/
YoY revenue growth (%)**



Programmatic market

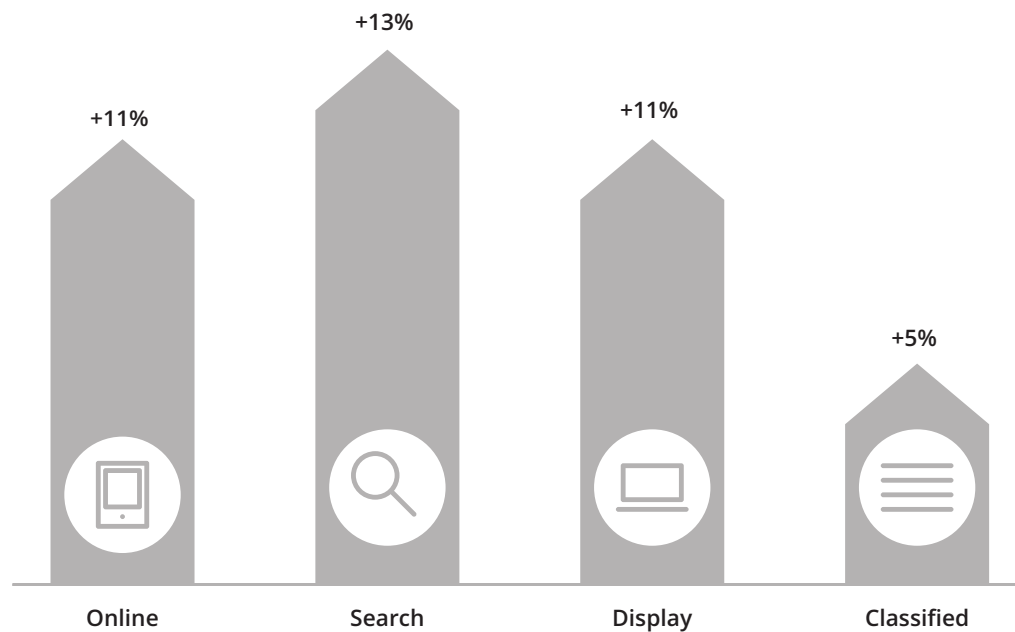
The online display advertising spend through programmatic channels increased with +22% in H1 2017, totaling 121€ in revenues.

Source: Ad spend and programmatic survey respondents, Deloitte analysis

Outlook 2017

Outlook

Forecast growth Full Year 2017



Note: Forecast is calculated using regression analysis on participating companies Y/Y growth rate

Note: *The Deloitte Consumer Survey was carried out for the Deloitte report: Economic impact assessment of the proposed European GDPR

The current growth rate is expected to continue during the second half of 2017. However some (near-future) developments can have an impact on the advertising spend outlook:

GDPR regulations will be enforced from May 2018 onwards. Consumers must explicitly give consent to personal data to be processed. Also organizations must track consent and be transparent on activities performed on gathered personal data. Based on the Deloitte Consumer Survey* only a small minority (less than 20%) of EU customers will actively give consent to gather their data in order to generate more relevant Ads. Without this data, target audience advertising will become more difficult, with lower CPM prices for publishers as a result .

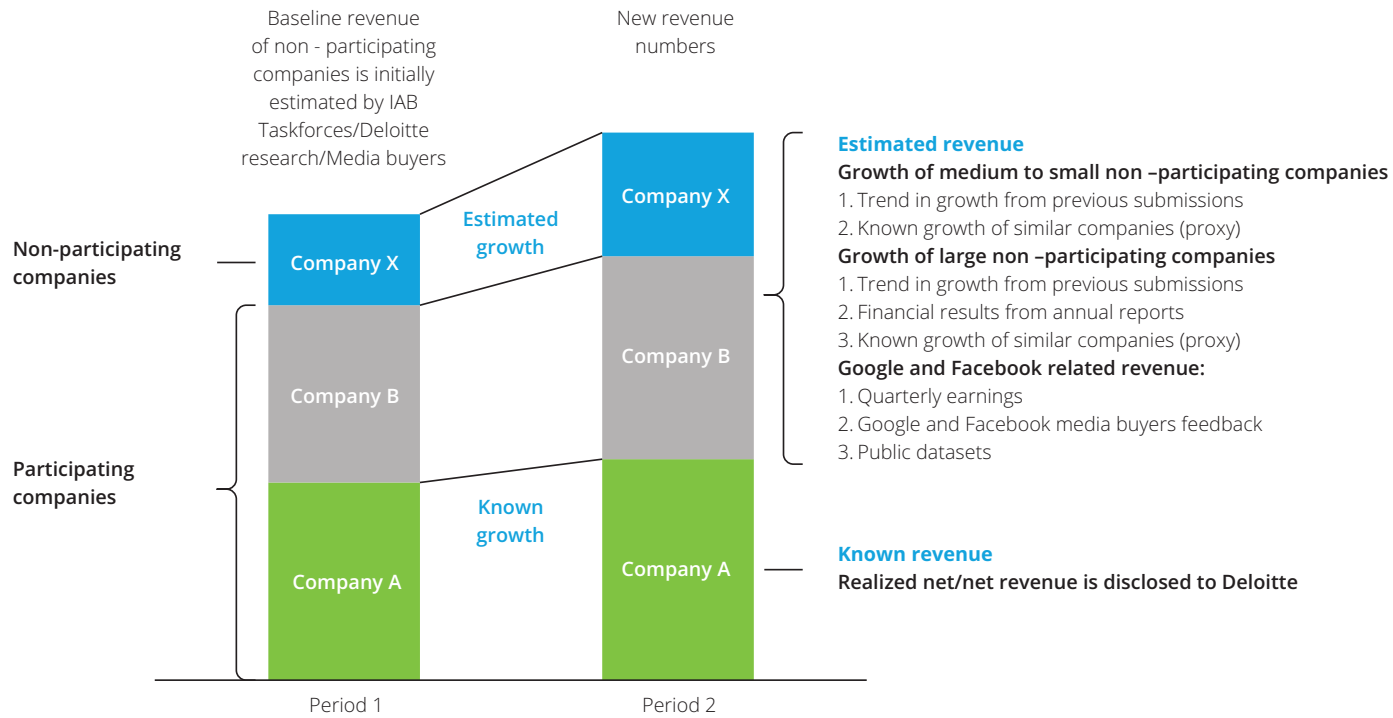
Changes in Product listing ads (PLA), allowing 3th party comparison websites to advertise via PLA, leads to changes in the ad revenue distribution and ad effectiveness.

Growth in user generated video content advertising. User generated video content platforms attracts many viewers and advertising spend, but due to its unaudited nature can also lead to online ad misplacement. Advertisers being more cautious in this space can hamper ad development within online video advertising.

Methodology

Methodology: Estimation

For each report Deloitte tries to include as many companies as possible to ensure an accurate representation of the online advertising market, however due to various reasons we cannot collect figures from all companies active in the online advertising market.



List of participating companies

Above	De Persgroep	Mediaexchange	Semilo
Addurance	Ematters	MobPro	Smartclip
Adfactor	FD Mediagroep	NDC Mediagroep	TMG
Affilinet	Funda	NMPi Digital	Traffic4u
AppNexus	Improve Digital	Nochii	Trafficbuilders
Autotrack	Mannenmedia	PerformGroup	Tweakers
Awin	Marktplaats	S&D Interactive	Yoki Network
Daisycon	Massarius	Sanoma	

Contact

For questions concerning this research feel free to contact



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Matthijs is a Consultant within the Deloitte Risk Advisory practice and specialized in risk analytics and quantitative data analyses for the Technology, Media & Telecommunication industry. Matthijs supported the research of all IAB Ad Spend/ Programmatic and Search studies for the Netherlands since 2016.

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