

Internet advertising

Authors: Michael Parris, Maurice Hasson and Brett Duell

Executive summary

To unlock the next phase of growth in the industry, publishers and advertisers will use the ubiquity of data. Trust and transparency continue to be key goals as issues of viewability and brand safe environments persist, and regulators tighten protections for users' privacy. Advertisers are focused on balancing the right context with the benefits of programmatic purchasing. Current measurement standards, such as click through rates, are based on transactional behaviour which does not reflect the preference-building role of high-quality advertising. This is driving short-termism amongst advertisers and an inefficient allocation of advertising revenue. Finding a consistent approach to measurement, ideally a multi-point attribution model, will require intimate collaboration between all industry players and ultimately lead to a more sustainable industry.

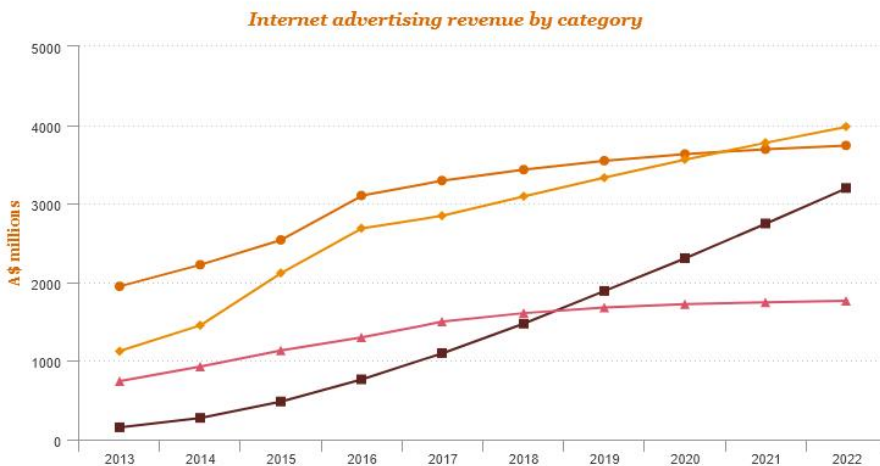


What if only good quality ad inventory was sold online?

[Find out more](#)

Forecasts at a glance

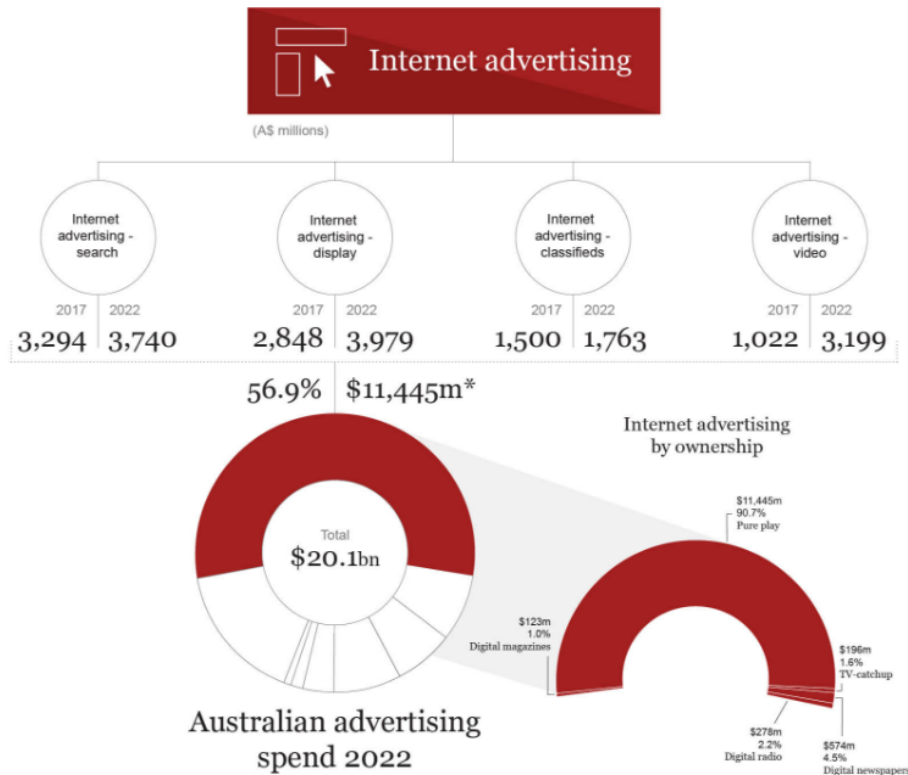
Fast growth in video advertising will see it account for 25 per cent of the total internet advertising market by 2022



CAGR 2018-2022

Search	2.6%
Display	6.9%
Video	23.8%
Classifieds	3.3%

Australian snapshot



* Internet advertising - Pure play total only

More data and greater privacy concerns

Advertisers and media buyers are increasingly sophisticated in using data to segment and target potential customers with online advertising. Publishers are also using data more strategically to inform decisions on what content to produce.

Consumers are sharing more personal data, albeit unintentionally, as we move into the 'age of assistance', a term describing the uptake of artificial intelligence (AI)-enabled digital assistants such as Apple's Siri, Amazon's Alexa and Google Home.

The combination of these trends has heightened consumers' awareness of privacy, as the *2017 Global Consumer Trust Study* from the Mobile Ecosystem Forum (MEF) showed. Consumers who are always happy to share their data¹ dropped dramatically on the prior year's survey, from six to three percent. Thirty-nine percent said they never share their data. In response, regulators around the world are taking a keener interest in ensuring consumer data protections. The European Union's [General Data Protection Regulation \(GDPR\)](#), in effect from May 2018, requires all businesses operating in Europe, or with European customers, to comply with privacy standards or face fines of up to 20 million Euros.

Revelations that Facebook's platform allowed a third party, Cambridge Analytica, to access the personal data of one in four Americans for the purpose of influencing the US 2016 Election, has heightened sensitivities further. In April 2018, Facebook CEO Mark Zuckerberg appeared before the US Congress to answer concerns.

Over the forecast period we expect privacy to remain a major strategic focus for the digital advertising industry in Australia. We expect its increasing importance will enable publishers with best practice protections to build a trust-based competitive advantage with users and advertisers alike.

'Advertisers need to recognise that it is no longer good enough for advertisements to intrude on the consumer experience. Businesses who put the consumer first will be the ones who ultimately succeed.'

Jason Pellegrino, Google Australia & New Zealand

Ad viewability is higher on desktop than mobile and for inventory sold directly by publishers

	All	Publisher direct	Programmatic
Video	58.0%	59.4%	47.7%
Desktop	55.6%	57.0%	45.7%
Mobile	55.2%	54.4%	41.6%

Source: IAB Australia/PwC Viewability Benchmark April - September 2017

Tackling programmatic

The growth in programmatic advertising has brought benefits and challenges to publishers and advertisers. The Australian Interactive Advertising Bureau (IAB)'s Viewability Study shows ad inventory sold direct by publishers has better viewability rates than advertising sold programmatically by third parties. This is because historically publishers' sold only their non-premium and remnant inventory programmatically. However, to optimise revenues publishers are now using tools that allow them to sell via third parties while protecting themselves and their advertisers. One such innovation is the IAB's ads.txt (which stands for authorised digital sellers), a simple way for publishers to show buyers which third parties are allowed to sell their inventory.

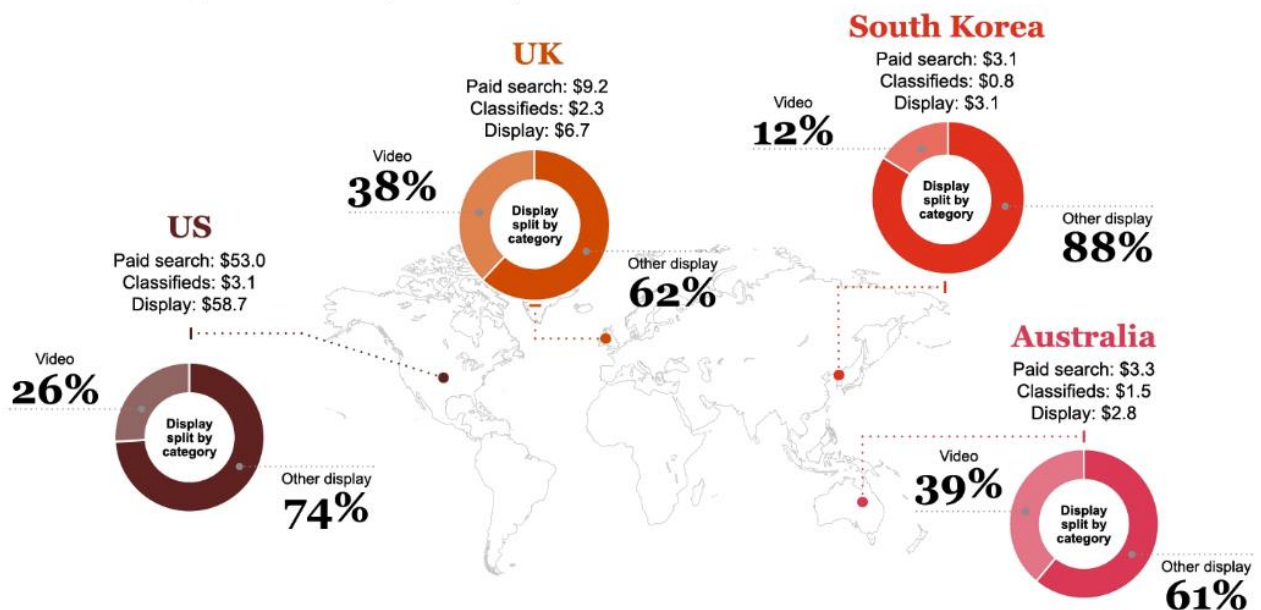
A combined effort by media buyers and advertisers to 'white-list' suitable (brand safe) sites is another positive trend for premium publishers. In 2017, the world's biggest advertisers, Procter & Gamble and Unilever, reduced the number of sites on which they bought ads by 33 percent and 11 percent respectively.² More active cherry-picking of sites by marketers will serve to improve the quality of online ad inventory overall and therefore the reputation of the industry. Additionally, 'white-listing' and 'black-listing' works to constrain supply should result in CPM increases for quality publishers.

'Often the difference between an opportunity and a threat is simply how quickly you can execute against it. This is something that the traditional players need to remind themselves when determining their strategy.'

Jason Pellegrino, Google Australia & New Zealand

Australian marketers embrace online video advertising

Internet advertising revenue 2017 (A\$ billions)



Sources: PwC Global Entertainment & Media Outlook 2018, IAB Online Advertising Expenditure Report

Diversifying revenue streams

According to Jason Scott, CEO of Allure Media, 'publishers need to acknowledge the disruption in the industry and look for opportunities in changing consumer behaviour to build ancillary revenue streams around the audiences they have created.'³ Quality content remains the key driver in gaining consumer attention and trust. This connection, once formed, presents opportunities to transition into a host of revenue streams, including branded content, data sales, e-commerce (through affiliate links) and brand licensing. Jason Scott explains that 'if the consumer gives us five minutes of their time to read a review of a latest gadget, or immerse themselves in an image gallery of the current runway fashions, we believe we should do the work to allow them to take the next step if they so choose.'⁴ Over the next five years publishers will thrive by harnessing their brands' power to extend into new areas of monetisation, engaging in a multifaceted way with their audience.

'Publishers need to acknowledge the disruption in the industry and look for opportunities...to build ancillary revenue streams.'

Jason Scott, Allure Media



Industry participants

Internet advertising

Internet advertising data tables

Internet advertising - by category including mobile (A\$ millions)

	Historical data					Forecast data					2018-2022 CAGR
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
AUD											
Search	1,949	2,223	2,539	3,103	3,294	3,432	3,546	3,631	3,692	3,740	
% change		14.1%	14.2%	22.2%	6.2%	4.2%	3.3%	2.4%	1.7%	1.3%	2.6%
Display	1,125	1,453	2,120	2,687	2,848	3,093	3,331	3,561	3,775	3,979	
% change		29.2%	45.9%	26.7%	6.0%	8.6%	7.7%	6.9%	6.0%	5.4%	6.9%
Classifieds	743	929	1,135	1,300	1,500	1,608	1,679	1,722	1,747	1,763	
% change		25.0%	22.1%	14.6%	15.4%	7.2%	4.4%	2.6%	1.5%	0.9%	3.3%
Total	3,817	4,605	5,794	7,090	7,642	8,133	8,556	8,914	9,215	9,482	
% change		20.6%	25.8%	22.4%	7.8%	6.4%	5.2%	4.2%	3.4%	2.9%	4.4%

Video is a subset of display and therefore has been excluded from the total.

Internet advertising mobile (A\$ millions)

	Historical data					Forecast data					2018-2022 CAGR
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
AUD											
Australia	349	855	1,550	2,283	3,100	3,717	4,371	5,092	5,838	6,634	
% change		144.8%	81.3%	47.3%	35.8%	19.9%	17.6%	16.5%	14.7%	13.6%	16.4%

Internet advertising - Pure play (A\$ millions)

	Historical data					Forecast data					2018-2022 CAGR
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
AUD											
Australia	3,314	4,107	5,185	6,374	6,794	7,213	7,562	7,843	8,065	8,247	
% change		23.9%	26.2%	22.9%	6.6%	6.2%	4.8%	3.7%	2.8%	2.3%	4.0%

Video (A\$ millions)

	Historical data					Forecast data					2018-2022 CAGR
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
AUD											
Australia	156	276	484	766	1,100	1,474	1,890	2,307	2,748	3,199	
% change		76.9%	75.2%	58.2%	43.6%	34.0%	28.2%	22.1%	19.1%	16.4%	23.8%

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