

Registered Office: Korunní 79/1171, 13000, Prague 3, Czech Republic

Telephone: +420 224 251 250 **E-mail:** info@spir.cz **Internet:** www.spir.cz

Bank Account: Raiffeisenbank **Acct. No.:** 375076001/5500 **Business ID:** 70108005 **Tax ID:** CZ70108005

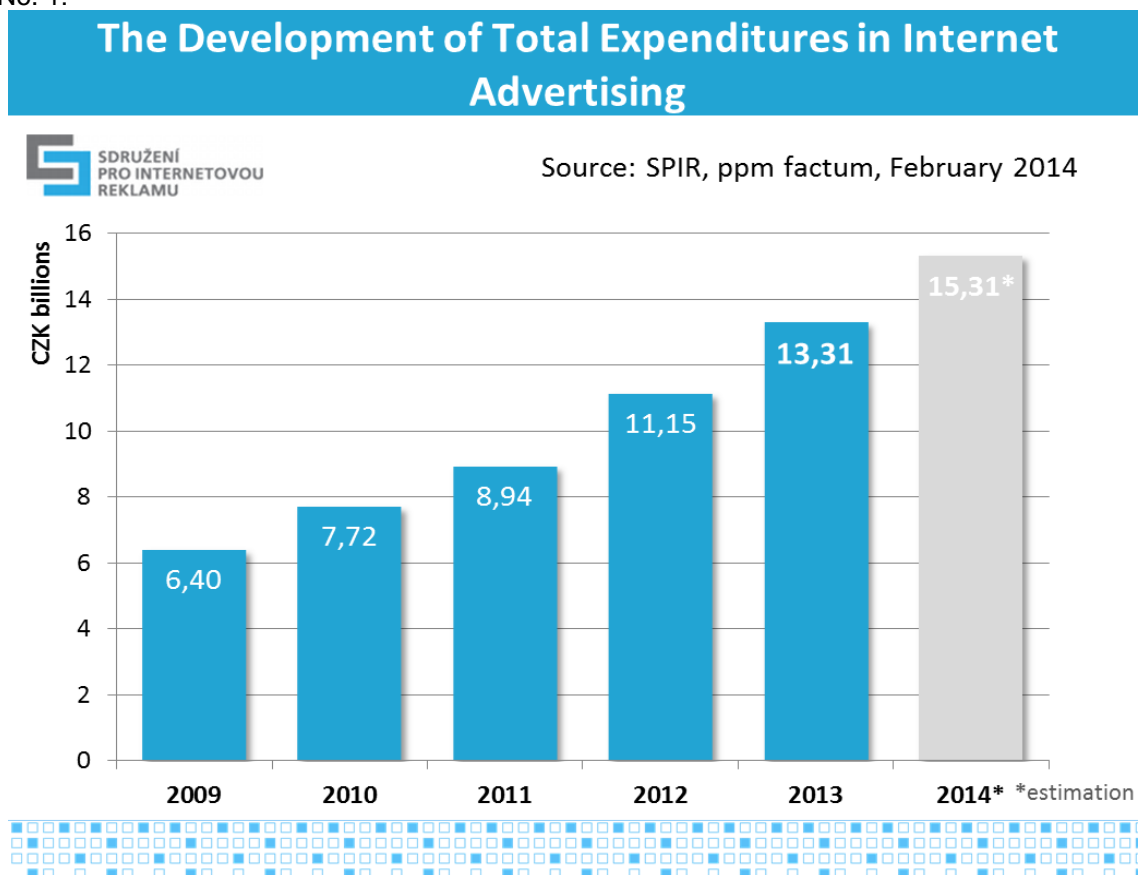
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Press Release

PRAGUE, March 5, 2013 – Internet Advertising exceeded CZK 13 Billion Last Year, Doubling Over the Last Five Years

As in previous years, Internet advertising recorded double-digit growth in 2013. According to SPIR estimates, last year's advertising expenditures in various forms of online promotion reached CZK 13.3 billion. This is more than double the figure (CZK 6.4 billion) for 2009. The increase in investments is reflected in all areas of Internet advertising. The largest volume is accounted for by display banner advertisements, and advertisers also amply use paid search advertising, content networks, classifieds and directories. Video advertising on the Internet is increasingly popular among advertisers, and sales of advertising in RTB¹ automatic purchase systems recorded rapid growth. Of total advertising expenditures, online advertising accounts for a 19 % share of the advertising budgets in the Czech Republic. The data come from the annual survey of Internet advertising performance conducted for SPIR in January and February by the Ppm Factum Research agency.

Graph No. 1:



¹ Real Time Bidding – explanation follows the article in the note on terminology

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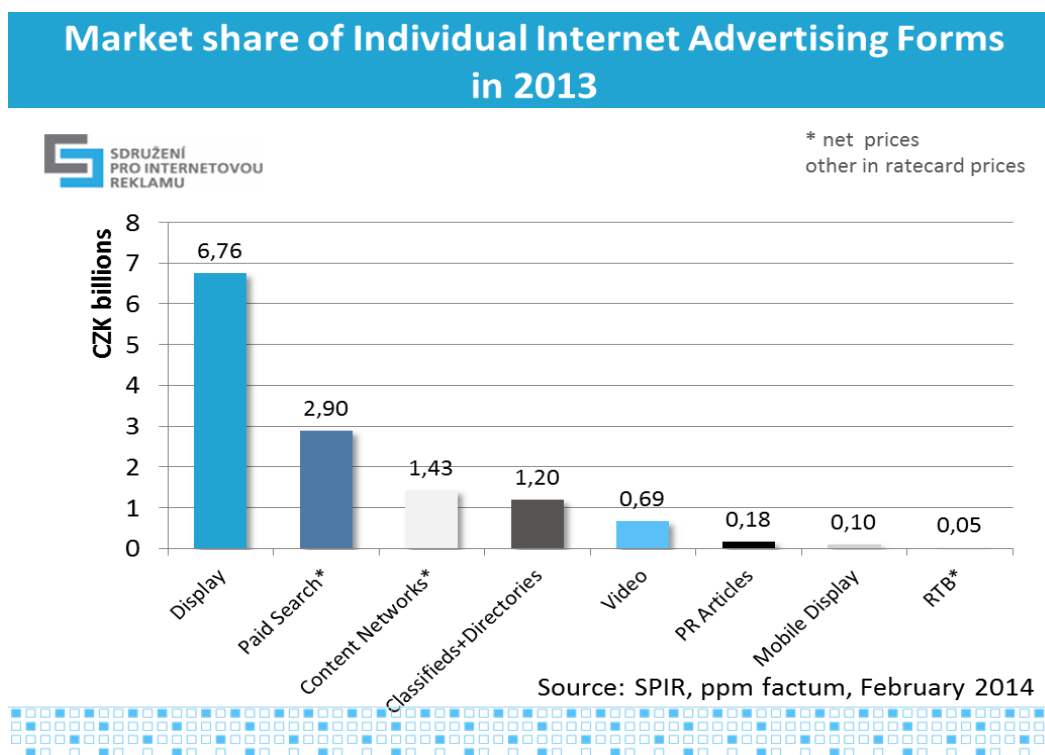
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The largest part of advertising expenditures is attributable to display advertising, which includes all banner formats (CZK 6.8 billion at ratecard prices). In real prices, search advertising reached CZK 2.9 billion and in content networks reached CZK 1.4 billion. More than a billion crowns (CZK 1.2 billion) was collected on classifieds and directories advertisements. Although smaller in absolute amounts, video advertising (CZK 689 million), paid PR articles (CZK 178 million), and purchases of advertising targeted at an audience at RTB auctions (CZK 45 million) are rapidly growing forms of advertising on the Internet. *“If we were asked to identify a trend, then in addition to a general increase in the turnover in ratecard prices we could certainly talk about the growing diversity of business models and formats of advertising space and related investment diversification,”* commented Chief Executive of SPIR Ján Simkanič on the survey results.

This year the structure of outputs was slightly altered and performance models are reported separately – advertising in search and content networks, which were previously counted together because of the use of the same PPC payment model. Advertising targeting mobile devices is monitored on the media side as well as the side of the ad contracting entity. Graph No. 2 shows, among other things, the size determined from data provided by the content providers (CZK 102 million at ratecard prices), which shows the value of advertising on dedicated mobile sites and mobile applications. Nevertheless, agencies reported a 9% share of total advertising costs in searching and networks focused on mobile phones and tablets, corresponding to about CZK 390 million in real prices. In the graph, however, these are included in categories Search and Content Networks.

Graph No. 2:



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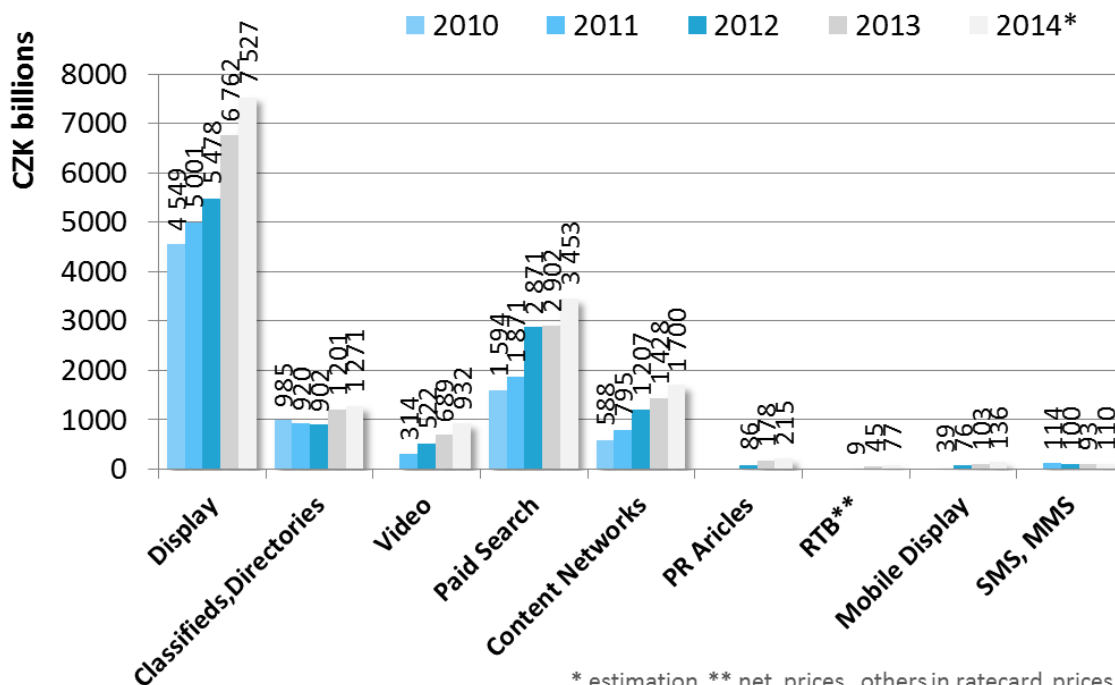
Of all the observed forms of advertising, the volume of advertising sold by the RTB recorded the highest growth, with a more than five-fold increase (CZK 45 million). Among other rapidly developing formats are paid PR articles, with a two-fold increase compared to 2012, and video advertising, which paid out one third more compared to a year ago. Graph No. 3 shows the development of the various forms of online advertising in the previous four years and expectations for this year. Along with these, the research also includes advertising in SMS and MMS messages in operator networks, which last year reached CZK 93 million.

Graph No. 3:

Performance of Individual Forms of Internet and Mobile Advertising from 2010 to 2013 and 2014* in CZK Billions



Source: SPIR, ppm factum, February 2014



* estimation, ** net prices, others in ratecard prices



The data in the graph are not completely comparable due to the use of different prices (net prices for contextual, search, and RTB ads, and list prices for other items). A comparison of estimated real prices will be available in the [AdEx](#) pan-European research of advertising expenditures, to which SPIR contributes with their data in the summer.

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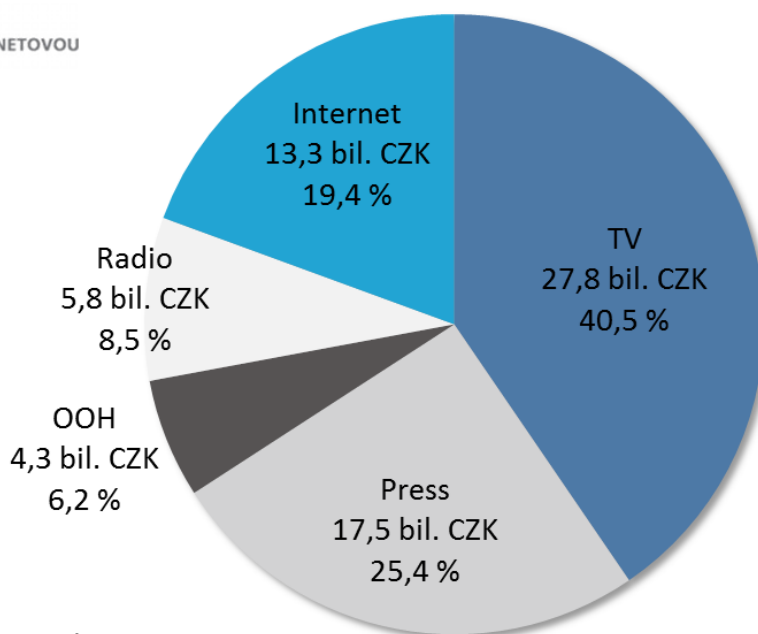
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Looking at the comparison of advertising expenditures in various media types, the largest portion (40.5 %) is spent on television, despite an outflow of more than CZK 2 billion from its advertising budgets as compared to 2012. The second most important medium from the point of view of advertisers is print, with a one-quarter share (CZK 17.5 billion). Internet advertising accounts for CZK 13.3 billion, with a 19.4 % share. Radio earned a 8.5 % share (CZK 5.8 billion) and Out -of - Home advertising 6.2 % (CZK 4.3 billion).

Graph No. 4:

Individual Mediatype Share in 2013*



* prices excl. self-promotion campaigns

Source: SPIR, ppm factum, Admosphere, February 2014



The trend of the development of advertising expenditures on the media (Graph No. 5) shows that while television advertising is still at the top of the interest of advertising contracting entities, print advertising is falling for the fourth year in a row, as opposed to online advertising, which continues to grow. If the current 15-20 % annual growth in Internet advertising spending is maintained, it can be assumed that the volume of online advertising will match or surpass print in two years, i.e. in 2015.

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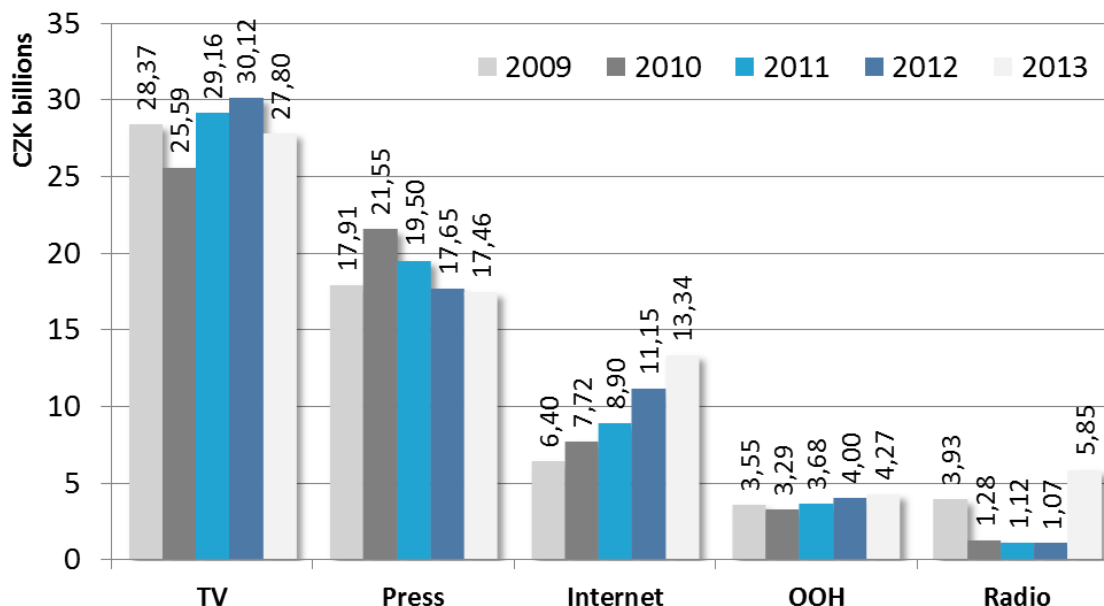
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Graph No. 5:

Share Development by Individual Mediatypes (in absolute terms)



Source: SPIR, ppm factum, Admosphere, Kantar Media, February 2014



* prices excl. self-promotion campaigns

Radio adspend does not include regional advertising between 2010 - 2012



Note to the Terminology:

Types of Internet advertising used:

- Internet display advertising: Banners, buttons, skyscrapers, overlays, interstitials, pop ups displayed on a website
- Paid search advertising: Advertising appearing on specific word requests on search engines

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- *Content networks: Contextual advertising appearing on websites according to the content displayed to the user that is selected and served by automated systems.*
- *PPC: This kind of advertising usually has a performance model for the payment of advertising, in which payment is made per click or actually delivered traffic, not for the number of impressions or the time interval as is the case, for example, with banner advertising or preference entries in directories. In paid for search, PPC advertising usually appears in browsers on the right, next to the search results, or also in premium positions. On content websites or networks, PPC advertising is displayed on the right or under the article.*
- *Video advertising: Includes In-stream video spots (pre-rolls, mid-rolls and post-rolls) appearing before, during or after a video content in the player or an overlay ad or video banners.*
- *Mobile advertising: Any display advertising viewed or read on a mobile phone or a tablet including rich media advertising (mobile display advertising) or advertising appearing on specific word requests on search engines, viewed on a mobile device (mobile search advertising).*
- *RTB (real time bidding) is a type of business model for selling banner advertising targeted to desired audience. In RTB, advertising is sold according to the number of impressions, where each impression is delivered in real time by automatic systems as is appropriate for the required target group. In the RTB model, geographical, linguistic or behavioral targeting of advertising is often used, on the basis of previous activity and the interests of the user.*
- *Online classifieds: A fee is paid by an advertiser to display an ad or listing around a specific vertical such as automotive, recruiting and real estate, regardless of the outcome of the ad (i.e. the fee is paid even if there is no 'sale').*
- *Directories: Online version of printed yellow pages (business listing paid for by advertiser).*
- *PR articles: Advertising articles placed among content articles on the media.*

Description of the Methodology:

While surveying and processing the results, in the interest of objectivity and the protection of sensitive data, the Ppm Factum agency was commissioned. The survey was conducted during January and February 2014, so that it was based on current closings of individual subjects. The performance of all types of advertising was based on declared performance of individual providers of content, agencies, and operators of advertising networks and mobile operators.

From the addressed 55 important internet operators, 30 became actively involved, whose media impacts vast majority of Czech Internet users. All 3 addressed mobile operators provided funds for SMS and MMS advertising messages. To get the performance of individual advertising networks, three operators were addressed and a total of 40 agencies (media, specialized SEM, web-development). Actively involved were 2 operators of an advertising network (Sklik of Seznam.cz and eTarget) and 19 agencies. What is important is that the companies with a dominant share of the turnover in the market mostly provided their data actively during the survey. To calculate the total advertised amount in advertising networks, the claimed performance of the Sklik advertising network is used, along with the weighted average of the percentage distribution of spending by agencies into advertising networks, where the weight is the absolute spending of the given agency.

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In order to arrive at one aggregate number for all forms of internet advertising for the purpose of comparison with other media types, we had to add up the real prices of advertising performance in paid search and advertising networks with the ratecard prices of all forms of internet advertising. The reason is that the performance advertising does not have any ratecard prices. Raising real prices with performance advertising by a hypothetical margin and so improve the overall Internet budget would not be correct. With other media types, estimates of real prices are not available. In the overall performance of the Internet were not included SMS and MMS campaigns, which cannot be considered as a type of Internet advertising.

The comparison of performance of media types is based on the monitoring of media investment carried out by Admosphere (or, since 2010, by Kantar Media). In 2013, the performance of radio advertising significantly increased compared to previous years (from CZK 1 billion to CZK 5.8 billion), which is due to a change in the methodology of the Admosphere media monitoring company. Namely, monitoring of the performance of radio advertising was expanded last year to include data from regional radio campaigns.

SPIR is a professional association engaged in the area of internet advertising since the year 2000. At the present time the membership base consists of 60 members. In addition to conducting individual, widely respected online audience measurement NetMonitor, it is also conducting the AdMonitoring project of internet advertising expenditures, audit of online campaigns (AdAudit), the professional internet marketing conference IAC, provides expert analyses of the development of the internet market, and is a self-regulatory organization of audiovisual content and online behavioral advertising (OBA) in the Czech Republic.

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