SDRUŽENÍ PRO INTERNETOVÝ ROZVOJ

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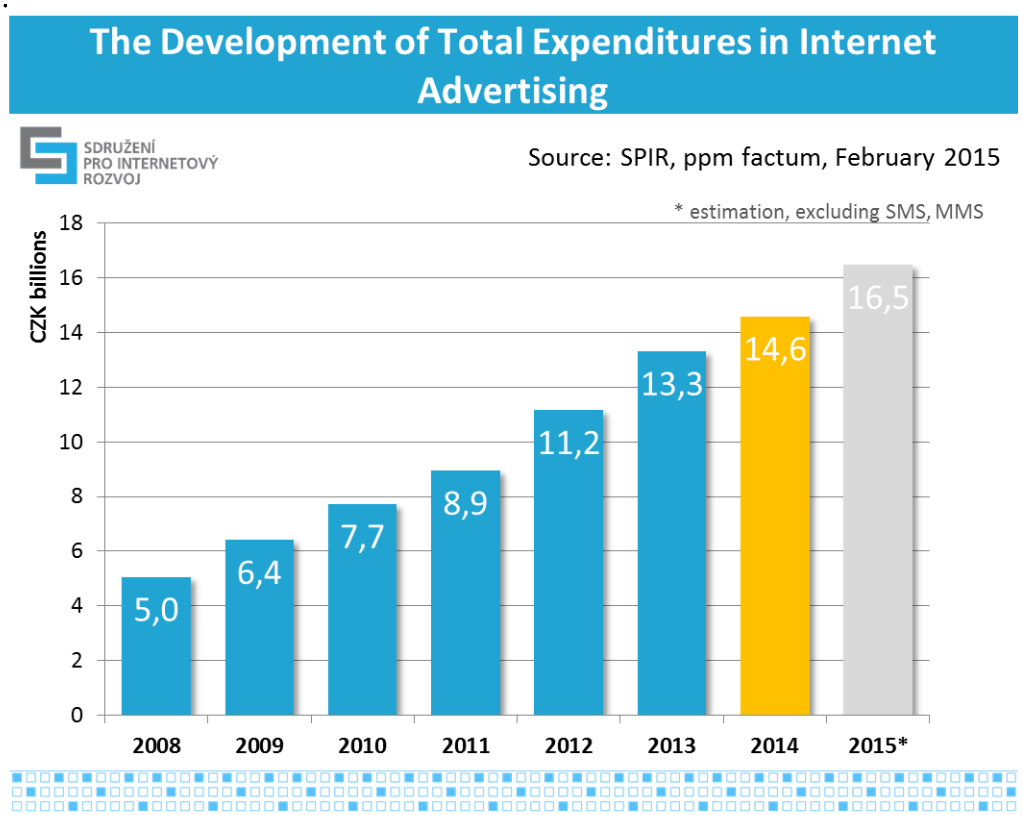
Press Release

PRAGUE, February 24, 2015 – **Internet Advertisers Spent CZK 14.6 billion in the Last Year**

In the last year the volume of internet advertising reached CZK 14.6 billion. If compared to 2013 with the total of CZK 13.3 billion spent on advertising, we record a 10% increase, which was primarily caused by higher expenditures in searching, display banner advertisements and video advertising. The highest, almost double increase occurred in the automatic purchase systems and RTB.[1] Expectations for the next year remain optimistic; the survey participants assume that internet advertising will grow by further 13 per cent up to CZK 16.5 billion. The online advertising accounts for a 20% share of the total advertising expenditures. The data are retrieved from the annual survey of the internet advertising performance conducted for SPIR by the Ppm Factum research agency.

Graph no. 1:



[1] Real Time Bidding – explanation to be found in the Note on Terminology at the end of the article

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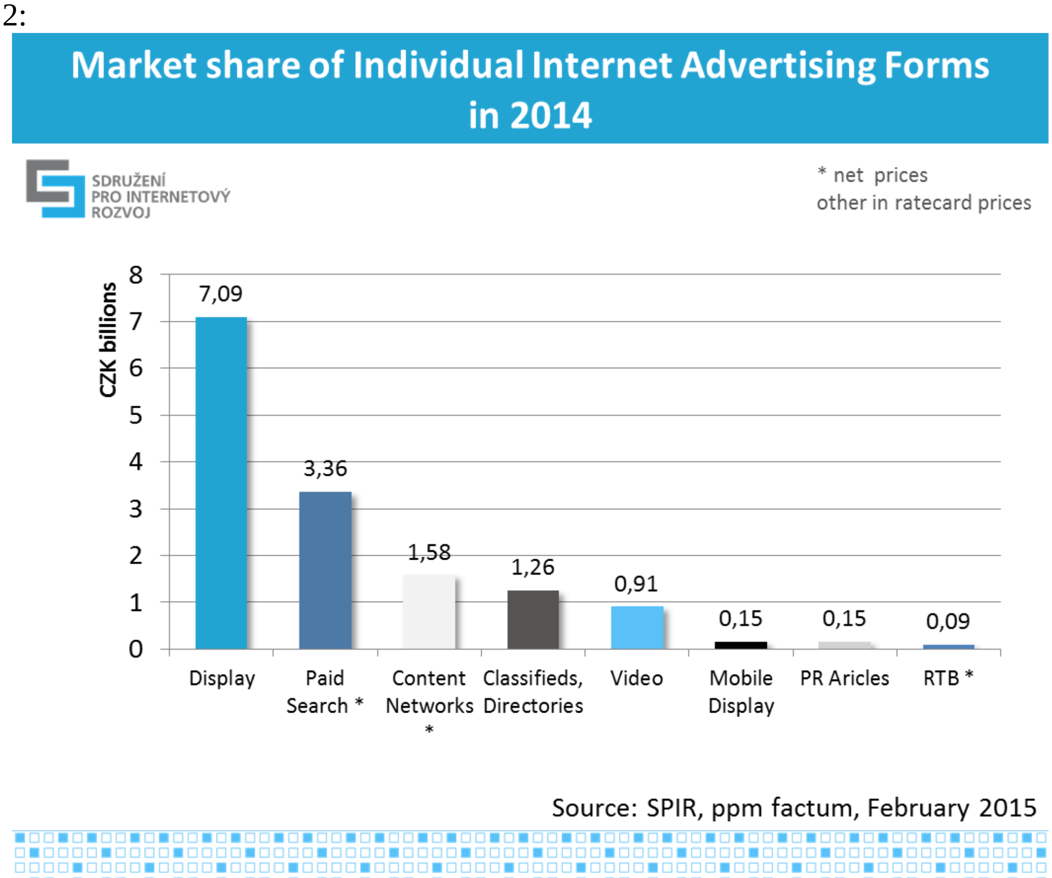
The largest part of advertising expenditures is attributable to display advertising, i.e. CZK 7.1 billion at ratecard prices[2]. If compared with the last year's volume of CZK 6.8 billion, we see a slight growth that was probably caused by the increasing popularity of non-standard advertising forms. The AdMonitoring continuous project measuring the online display advertising announced stagnation on the level of CZK 6.5 billion in the last year. The difference is caused by advertising in unregistered interactive or rich media formats.

Advertising in search networks (Google, AdWords, Sklik) continuously increases expenditures and in the last year it reached the expected volume of CZK 3.4 billion in real prices, i.e. by 500 million more than in the previous year. The volume of advertising sold in content networks is CZK 1.6 billion in real prices. Over one billion of Czech crowns (CZK 1.3 billion) is attributable to classified and directories advertisements. Higher amounts of money are spent on video and mobile advertising on the internet. During the past four years (since 2011) the performance of video advertising tripled up to CZK 907 million, while the mobile advertising increased four times up to CZK 153 million (in ratecard prices).

Graph no. 2:



[2] Prices of advertising space according to the ratecard do not have to correspond to the real prices.

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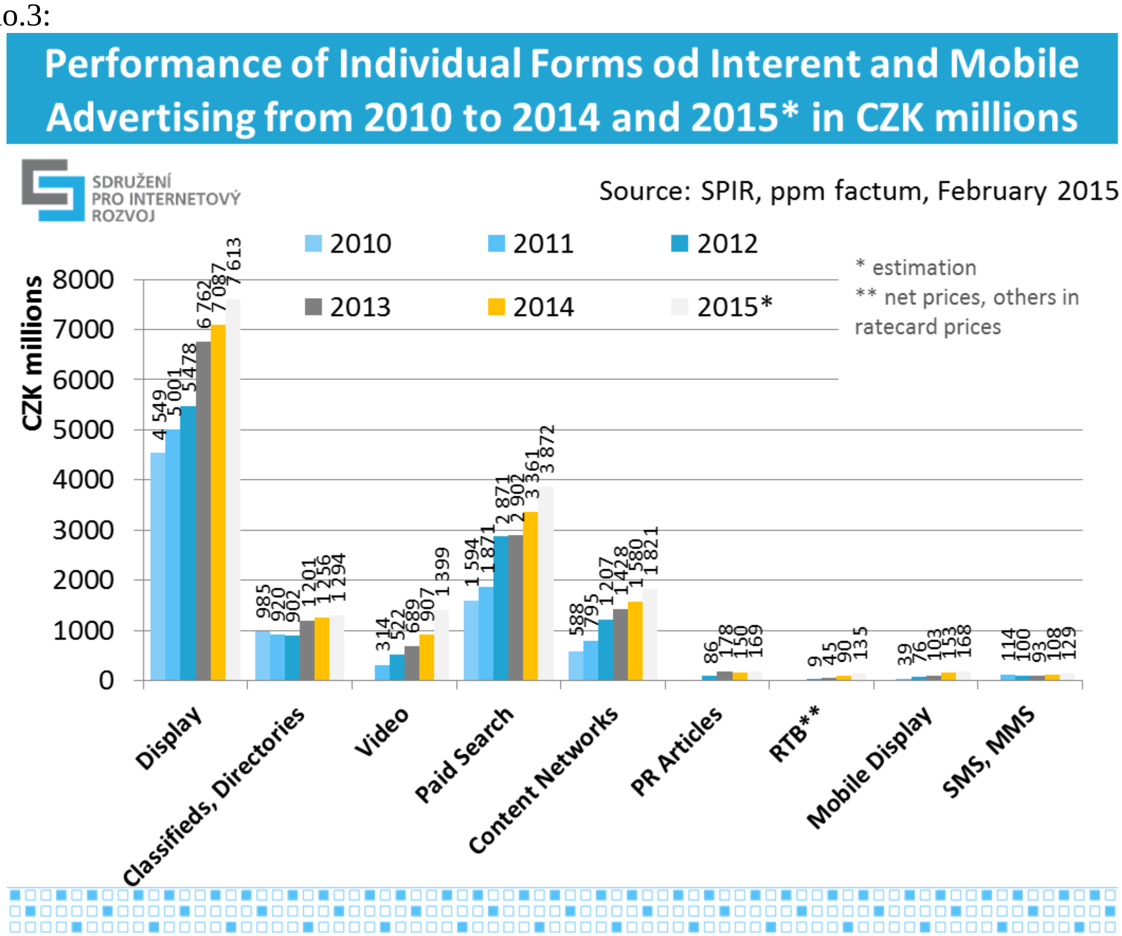
Apart from the mentioned forms of internet advertising the above Graph no. 2 shows paid advertisements in content and PR articles (CZK 150 million), mobile advertising and RTB. PR articles expenditures decreased slightly (from CZK 178 mil. to 150 mil.), however, it is possible that this figure does not reflect the reality because some articles with advertising content are not registered as advertisements.

The mobile advertising volume is coming from the participating media and shows the volume of advertisements placed on websites and accessed from mobile phones and applications. Agencies estimate that the total advertising expenditures in search and content networks targeted on mobile devices reach a 6% share, i.e. more CZK 300 million in real prices. These, however, are included in the "Search and Content networks" category.

Graph no. 3 shows the development of various forms of online advertising. Apart from that the research also includes advertising in SMS and MMS messages in operator networks, which reached the amount of CZK 108 million in the last year.

Graph no.3:



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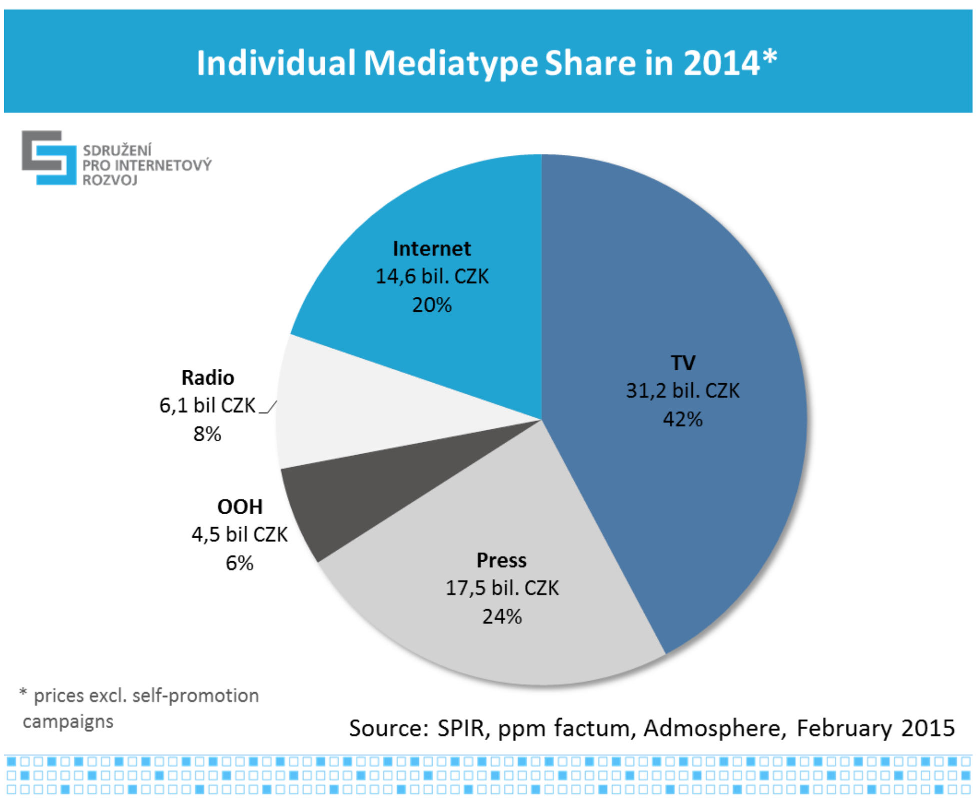
With a double increase the RTB model advertising recorded the highest growth of all the monitored forms of advertising. The amount of CZK 90 million in ratecard prices for the last year is based on the estimates of media, i.e. the advertising space offer. Agencies representing the advertisers estimate the volume of advertisement expenditures in this area to be CZK 110 million. In order to maintain continuity with previous waves the respective Graph uses the first figure.

Because of variable media prices the data included in the Graph are not fully comparable (content, search and RTB advertising uses real prices, while other categories apply ratecard prices)[3]. Comparison of real prices estimates will be available in the summer 2015, in the all-European survey of advertisement expenditures AdEx benchmark, to which SPIR contributes its data.

Comparison of advertising volumes in individual media types is shown in the Graph no. 4. The comparison makes use of data derived from the Admosphere monitoring of advertisement expenditures. Following a slight fall in 2013, television has begun to grow again and with CZK 31.2 billion it maintains the dominant position in the advertising market (42 per cent). The press advertising reached CZK 17.5 billion in the last year and has a 24% share in the advertisement budgets. The online advertising has a one-fifth share (CZK 14,6 billion). The radio advertising reached the amount of CZK 6.1 billion (8% share) and OOH advertising generated CZK 4.5 billion (6% share) in the last year.

Graph no. 4:



[3] Explanation of ratecard prices is to be found in the Note on Terminology at the end of the article

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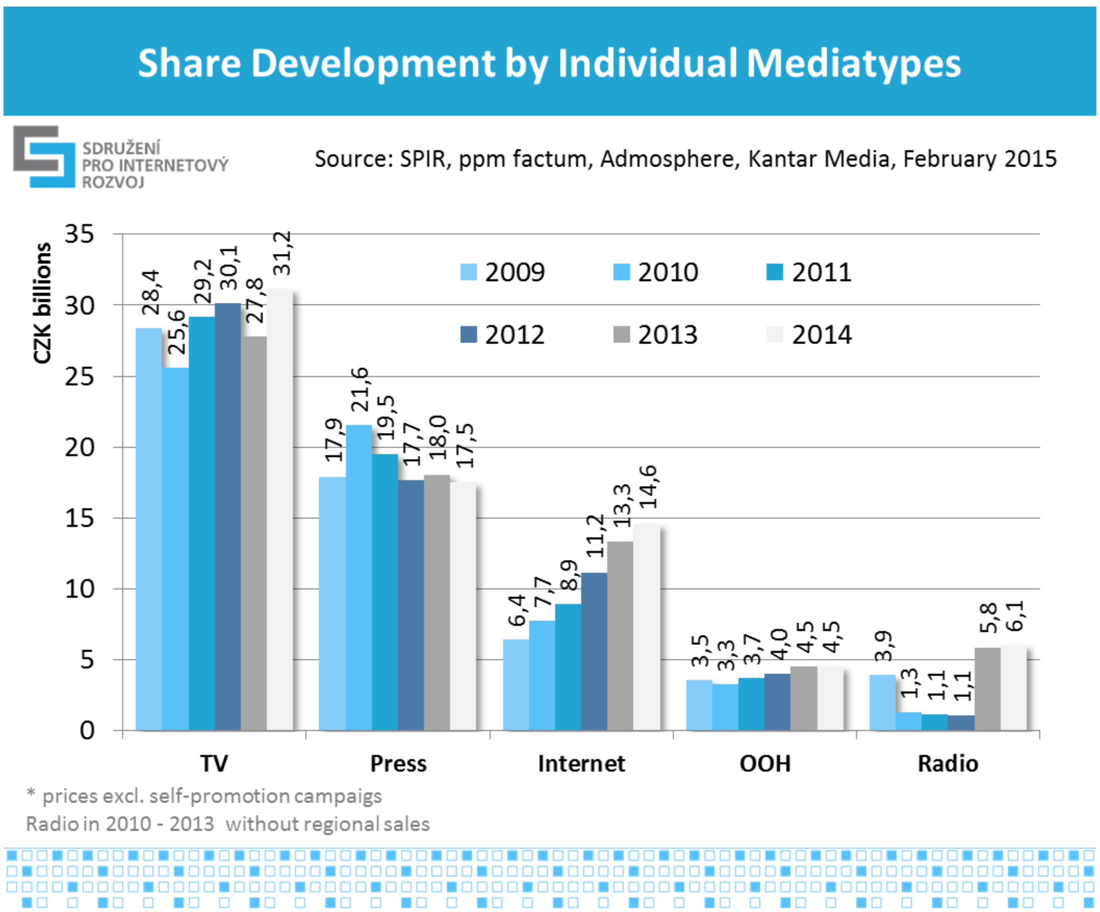
Taking into account the time-based comparison, the trend of several past years shows a rapid growth of advertising expenditures in the online advertising, a slow increase of TV, radio and OOH advertising and a slight decrease of press advertising, which has, as shown by the data for the past two years, become more stable.

Graph no. 5:



Graphic results of the research are to be found at www.inzertnivykony.cz.

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Note on 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 or premium positions.

- Content networks: Contextual advertising appearing on websites according to the content displayed to the user that is selected and served by automated systems using also classical banners display formats.

- 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. As opposed to the display advertising, its characteristic includes sale in real prices of advertising. It is used in search advertising, content networks and RTB.

- Video advertising: is sometimes considered to be a constituent part of display advertising, however, for the purpose of the research it is monitored separately and 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: advertisements displayed in the course of internet browsing via a mobile device (phones or tablets) and advertisements targeted at mobile devices in search advertising and content networks.

- RTB (real time bidding) is a type of business model for selling banner advertising targeted at 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. The main characteristic of the RTB model is the auction sale in real prices of advertising.

- Online classifieds: paid advertisements in databases of products.

- Directories: Online version of printed yellow pages (business listing paid for by advertiser).

- PR articles: Paid advertising articles placed among content articles on the media.

- SMS/MMS: paid advertising SMS and MMS distributed by the operators' networks. *The advertising performance of SMS and MMS is not included in the total volume of the internet advertising.*

Methodology Description:

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 2015, so that it was based on current closings of individual subjects.

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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 48 important internet operators, who were addressed, 23 became actively involved; their media have impact on vast majority of Czech Internet users. All 3 addressed mobile operators provided financial data related to SMS and MMS advertising messages. In order to obtain data on the performance of individual advertising networks, three operators and dozens of agencies (media, specialized SEM, web-development were addressed). One operator of an advertising network (Sklik of Seznam.czt) and 18 agencies undertook active participation. 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.

The outputs show various types of online advertising, using two various prices. 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 (no ratecard prices exist) with the ratecard prices of all forms of internet advertising Raising real prices with performance advertising by a hypothetical margin and so improve the overall Internet budget would not be correct. With respect to other media types, estimates of real prices are not available. The overall performance of the internet does not include 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 to include data from regional radio campaigns.

Description of forms of the internet display advertising is to be found here.

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SPIR is a professional association engaged in the area of internet advertising since 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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