Press Release

Online business reports record investment in advertising: 34 billion in 2019

Prague, 20th February 2020 – **In 2019 the volume of internet advertising exceeded CZK 34 billion. Compared to 2018, this represents growth of 20 per cent caused, in absolute figures, primarily by display advertising (+20 %) and search advertising (+23 %). From the viewpoint of the manner of advertising space purchase the programmatic purchase of display advertising increased by 25 per cent. Expectations for the coming year are also optimistic; the survey participants assume that online advertising will continue to grow by 11 per cent in 2020. Out of the total advertising expenditures, online advertising accounts for a 27,5 per cent share. The data come from the annual survey of Internet advertising performance conducted for SPIR by Median. Data for other media types come from Nielsen-Admosphere.**

Development of Total Expenditures in Internet Advertising

In 2019 advertisers used online advertising in the volume of CZK 34,4 billion. This is by 20 per cent more than in the previous year and confirms the ongoing growing trend in the use of online forms of advertising). This year's growth is expected to reach 11 per cent, i.e. CZK 38,1 billion spent on internet advertising.

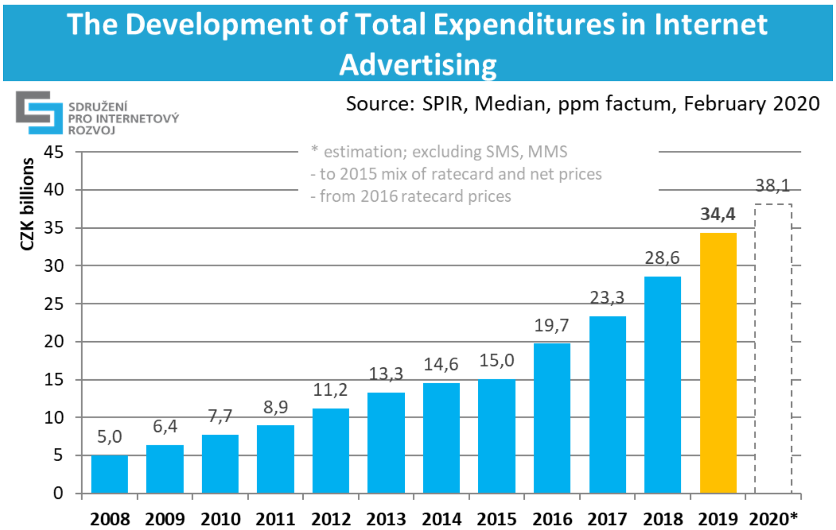

chart 1: The Development of Total Expenditures in Internet Advertising

The largest part of advertising expenditures is attributable to display advertising (CZK 24,2 billion in ratecard prices). Display advertising includes also advertising in content networks (in particular Seznam Sklik, Google Ads and Facebook), and RTB. **The second most frequently used advertising form is paid search with expenditures of CZK 9 billion in real prices**. The sales in respect of classifieds and directories were declared in the amount of CZK 1,15 billion in ratecard prices.

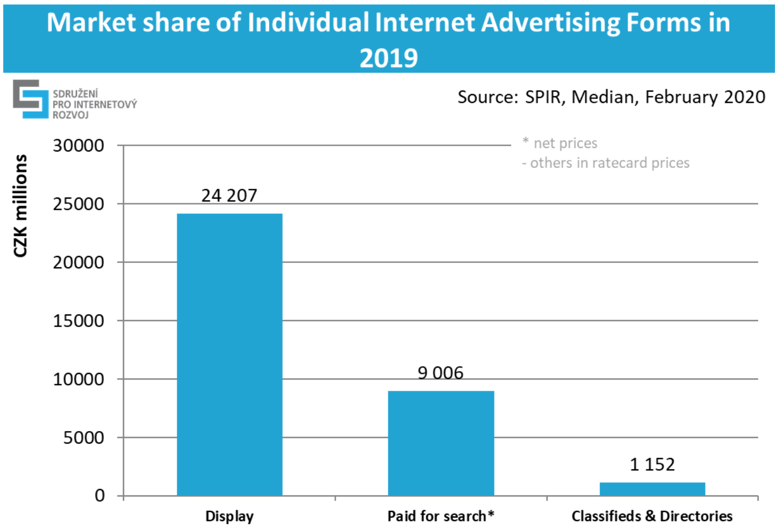

chart 2: Market share of Individual Internet Advertising Forms in 2019

Video advertising represented a 29 per cent share of the overall display advertising (CZK 6,95 billion), i.e. a 37 per cent year-to-year increase, and is expected to grow by 11 per cent in 2020. Native advertising had a 11 per cent share (CZK 2,67 billion). In this year's survey, native advertising was also identified from programmatic advertising, not from directly sold display ads, so the value of native advertising for 2019 is so much higher than for 2018 (CZK 622 million). It is therefore not an organic growth.
The share of mobile advertising out of the overall display advertising was 34 per cent (CZK 8,25 billion), i.e. a 39 per cent year-to-year increase, and is expected to grow by 13 per cent in 2020.

Programmatic forms of advertising, which is related to content networks and RTB, together represented a 64 per cent share (CZK 15,58 billion in ratecard prices) and increased by 25 per cent, if compared to the last year.
Programmatic displays include the advertising performance of content networks (such as Seznam Sklik, Google Ads, Facebook, Instagram, and more) as well as the performance of advertising through DSP / SSP systems.

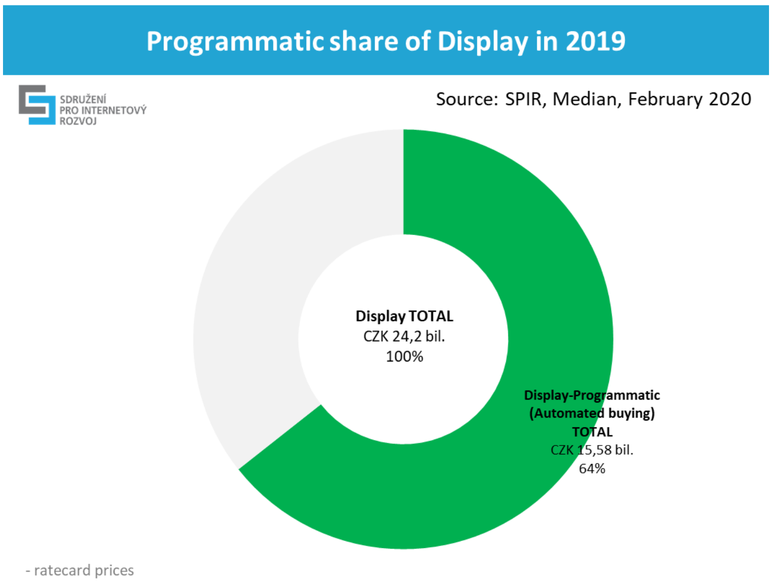

chart 3: Breakdown of display advertising according to the purchase form in 2019

Development of Individual Forms of Internet and Mobile Advertising

The long-term growth is clearly visible in the case of display and search advertising. As far as the display advertising is concerned, the growth is caused primarily by programmatic forms – content networks and RTB.

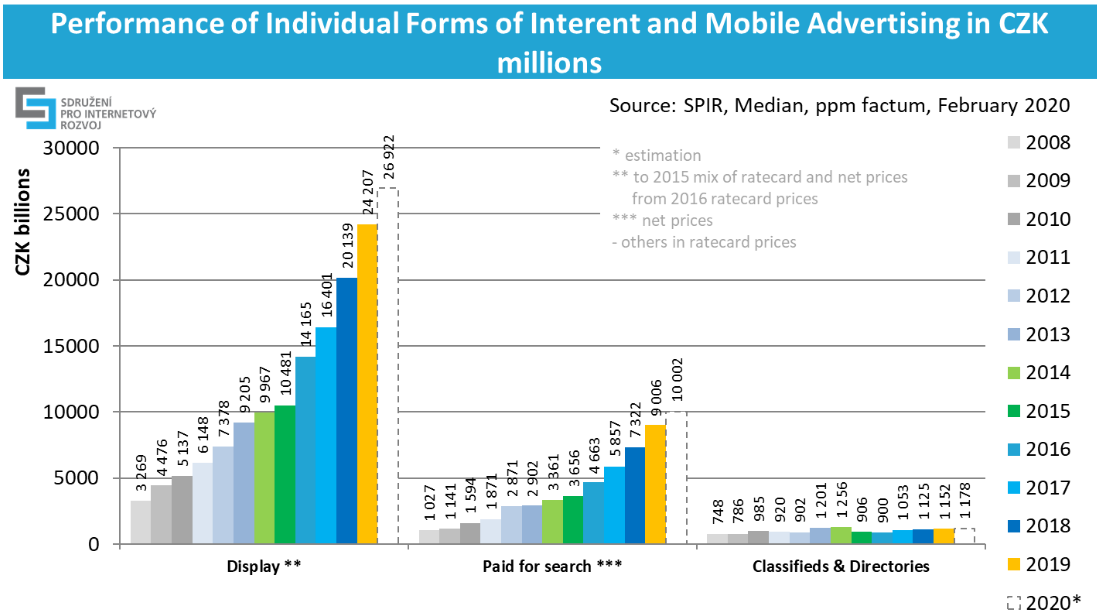

chart 4: Performance of individual forms of internet advertising

Performance of individual forms of internet and mobile advertising in CZK ths.:

in thousands of CZK	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020* (estimate)
Display **	6 148 289	7 378 185	9 204 844	9 967 379	10 481 447	14 164 675	16 400 893	20 139 248	24 207 282	26 922 162
Paid for search ***	1 871 320	2 871 428	2 901 804	3 360 886	3 656 319	4 663 124	5 857 274	7 321 593	9 005 559	10 002 475
Classifieds & Directories	919 806	901 784	1 200 788	1 256 196	906 356	899 652	1 052 715	1 124 984	1 152 238	1 178 087
TOTAL **	**8 900 469**	**11 151 399**	**13 307 435**	**14 584 460**	**15 044 122**	**19 727 451**	**23 310 883**	**28 585 825**	**34 365 080**	**38 102 723**

** estimate*
*** ratecard and real prices mix until 2015, ratecard prices since 2016*
**** real prices (net net)*
the rest in ratecard prices (gross)

table 1: Performance of individual forms of internet and mobile advertising in CZK ths.

SDRUŽENÍ PRO INTERNETOVÝ ROZVOJ

Share of Individual Mediatypes in 2019

For the purpose of comparing the volume of advertising in individual media types, data derived from the Nielsen Admosphere monitoring of advertising expenditures were used. **TV advertising with CZK 57,4 billion maintains its dominant position in the advertising market (46,0 per cent). Online advertising has a 27,5 per cent share (CZK 34,4 billion).** Press advertising reached CZK 19,8 billion and has an 15,8 per cent share in advertisement budgets. Radio advertising reached the level of CZK 7,9 billion (6,3 per cent) and OOH advertising generated CZK 5,4 billion (4,3 per cent) last year.
The prices do not include self-promotion.
Since 2008, when the SPIR online advertising performance survey started, we note a long-term growing trend of expenditures in internet advertising. During the past four years expenditures in TV advertising have also increased. Other mediatypes show insignificant growth or stagnation in absolute values.

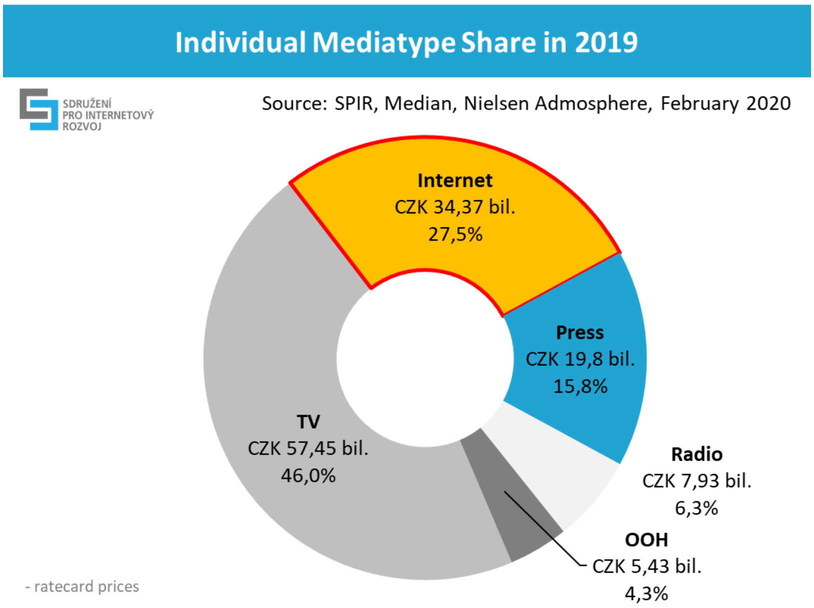

chart 5: Individual Mediatype Share in 2019

The full version of the internet advertising performance is to be found at: http://www.inzertnivykony.cz/en.
The used types of internet advertising are to be found at: http://www.inzertnivykony.cz/en/terminology-methodology.
More detailed description of advertising forms are to be found at: http://www.spir.cz/reklamni-formaty-a-html-5.

Below you will find selected terms that might be incorrectly understood from the viewpoint of terminology. A more detailed version is to be found at the above specified links.
Internet display advertising: Banner advertising in standard (banners, skyscrapers, leaderboards...) and non-standard formats (overlays, interstitials) and video banners. Now the display advertising also includes content network and RTB.
Paid search advertising: Advertising appearing on specific word requests on search engines or premium positions.
Programmatic: automated process of purchase and sale of digital advertising space. Display programmatic includes content network and RTB.
RTB (real-time-bidding) is a type of business model for selling banner advertising targeted at desired audience, 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 behavioural 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. Now RTB advertising is included within display advertising.

Methodology Description

For the purpose of surveying and processing the results, in the interest of objectivity and the protection of sensitive data, the Median agency was commissioned. The survey was conducted during January and February 2020 and 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 43 important internet operators, who were addressed, 22 became actively involved; their media have impact on vast majority of Czech Internet users. In order to obtain data on the performance of individual advertising networks, three operators, 39 media, digital and specialized agencies, as well as 146 direct advertisers were addressed. One operator of an advertising network (Sklik of Seznam.cz), 20 agencies and 7 direct advertisers 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. This year, search ad performance was adjusted based on an expert SPIR estimate. Due to the historical absence of DSP system operators, DSP systems were not asked this year. Therefore, the performance of programmatic display advertising through DSP / SSP systems cannot be calculated on the whole market. The size of advertising through DSP / SSP systems (RTB advertising) was determined by the size of 2018 (the sum of declared absolute performances from agencies and direct advertisers), promoted by the 2019/2018 trend of this advertising from the media side.
Data up to 2016 include partial correction of prices in the case of those internet display advertising, which are obtained in real (net net) prices, because they have no ratecard prices.
For the purpose of comparison with the volume of other advertising, which is indicated in ratecard prices, as well as other media types, the prices of programmatic forms (content networks and RTB) were increased by 15 per cent. The difference between a ratecard and real price is, undoubtedly, higher but because of insufficient support the minimal value was finally used.
For the purpose of transparency, volumes of programmatic forms of display advertising are indicated in real (net net) prices. Search advertising remains in real prices, and since it is not display advertising, the subsequent calculation is not necessary. The remaining media types use ratecard prices; estimates of real prices are not available.
Description of forms of the internet display advertising is to be found here.

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