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# *IAB Internet Advertising Revenue Report*

An Industry Survey Conducted by PwC and Sponsored by  
the Interactive Advertising Bureau (IAB)

2011 Full Year Results  
April 2012

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## ***Background***

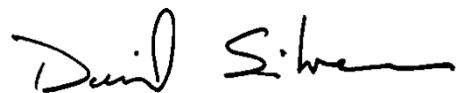
### **About the IAB Internet Advertising Revenue Report**

Conducted by PricewaterhouseCoopers LLP (“PwC”) on an ongoing basis, with results released quarterly, the “IAB Internet Advertising Revenue Report” was initiated by the Interactive Advertising Bureau (IAB) in 1996. This report utilizes data and information reported directly to PwC, publicly available online corporate data and information provided by online ad selling companies.

The results reported are considered the most accurate measurement of internet/online/mobile advertising revenues because much of the data is compiled directly from information supplied by companies selling advertising online. All-inclusive, the report includes data reflecting online advertising revenues from Web sites, commercial online services, ad networks, mobile devices, and e-mail providers, as well as other companies selling online advertising.

The report is conducted independently by PwC on behalf of the IAB. PwC does not audit the information and provides no opinion or other form of assurance with respect to the information. Only aggregate results are published and individual company information is held in strict confidence with PwC. Further details regarding scope and methodology are provided in the appendix to this report.

David Silverman  
PwC



## Executive summary

### IAB Internet Advertising Revenue Report 2011 Full Year Highlights

Internet advertising revenues (“revenues”) in the United States totaled \$31.7 billion for the full year of 2011, with Q3 2011 accounting for approximately \$7.8 billion and Q4 2011 totaling approximately \$9.0 billion. Internet advertising revenues for the full year of 2011 increased 22 percent over 2010.

#### Key trends underlying 2011 results

**Revenues increased 22% in 2011** — Internet advertising revenues in the U.S. totaled \$8.97 billion in the fourth quarter of 2011, an increase of 15 percent from the 2011 third quarter total of \$7.82 billion, and an increase of 20 percent from the 2010 fourth quarter total of \$7.45 billion. 2010 full year internet advertising revenues totaled \$31.74 billion, up 22 percent from the \$26.04 billion reported in 2010.

“This historic moment, with an especially impressive achievement in mobile, is indicative of an increased awareness from advertisers that they need to reach consumers where they are spending their time--in digital media. Pushing past the \$30 billion barrier, the interactive advertising industry confirms its central place in media. Across search, display, digital video, digital provides a wealth of opportunity for brands and consumers. With the proliferation of smartphones and tablets, it is likely that the tremendous growth in mobile will continue as these screens become even more crucial to the marketing mix.”

- Randall Rothenberg, President and CEO, IAB

**Mobile advertising increased 149% in 2011** - Mobile advertising in the US totaled \$1.60 billion during the full year 2011, a 149% increase from the prior year total of \$0.64 billion.

*“The year 2011 saw mobile advertising become a meaningful category. By combining some of the best features of the internet, along with portability and location-based technology, mobile advertising is enabling marketers to deliver timely, targeted, relevant, and local advertisements in a manner that was not previously possible. It is for these reasons that we expect strong growth to continue with mobile advertising.”*

- David Silverman, Partner, PwC

## *Annual revenues show strong growth*

**Annual revenues for 2011 totaled \$31.7 billion, \$5.7 billion or 21.9% higher than 2010.**

**2010 vs. 2011, In billions**

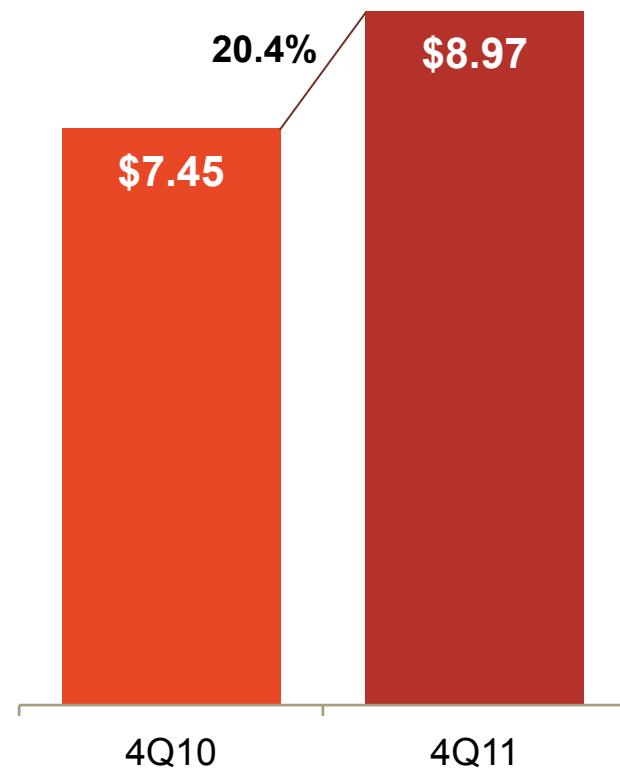


## *Detailed findings*

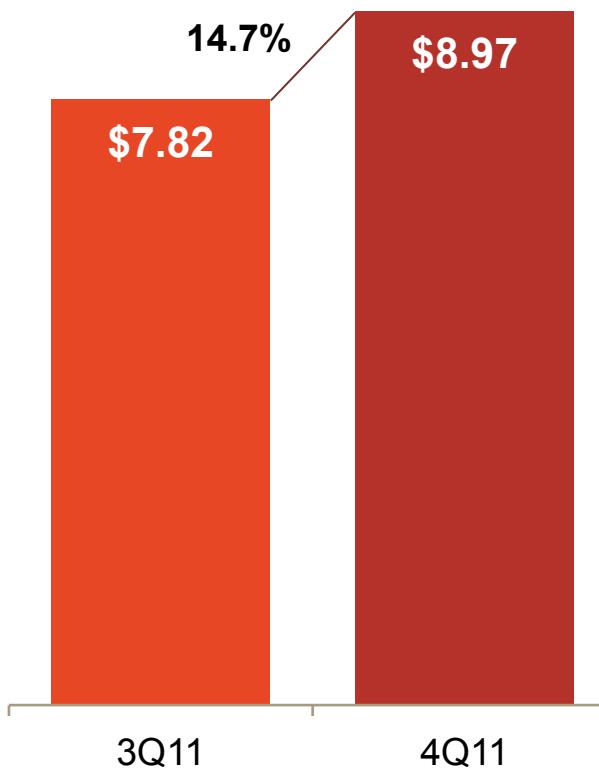
### **Revenues totaled a record \$8.97 billion in the Q4 11**

Total 2011 fourth quarter revenues were \$1.52 billion (20.4%) higher than the fourth quarter of 2010, and \$1.15 billion (14.7 %) higher than the third quarter of 2011.

**Q4 10 vs. Q4 11, In billions**



**Q3 11 vs. Q4 11, In billions**

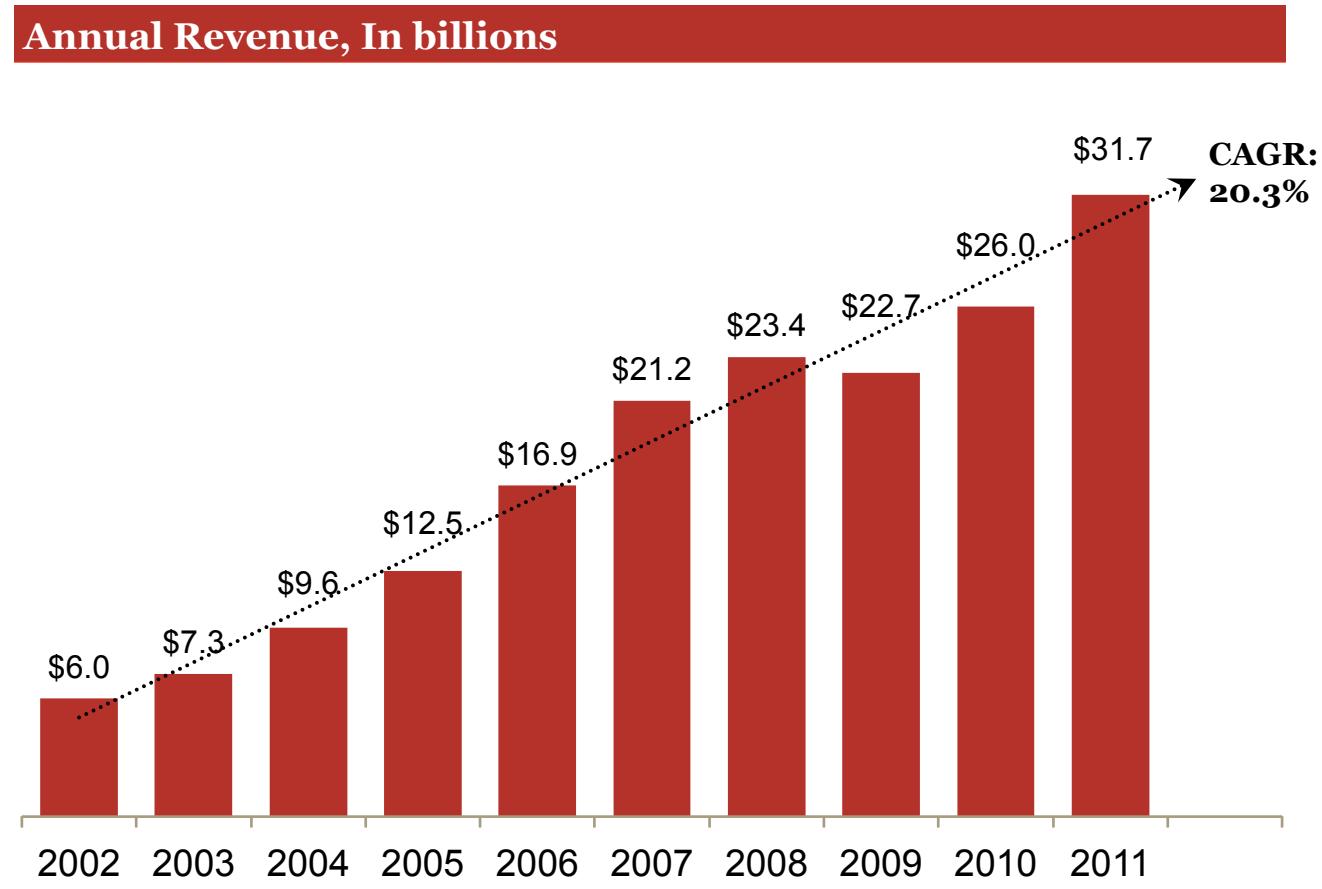


## Historical annual revenue trends

### Revenue continues strong growth in 2011

2011 annual revenues increased on both a year-over-year percentage and dollar basis, surpassing \$30 billion for the first time as the industry recovered from the recession and resumed its historically strong growth rate.

Over the past ten years, revenues have increased \$25.7 billion, at a compound annual growth rate (CAGR) of 20.3%.



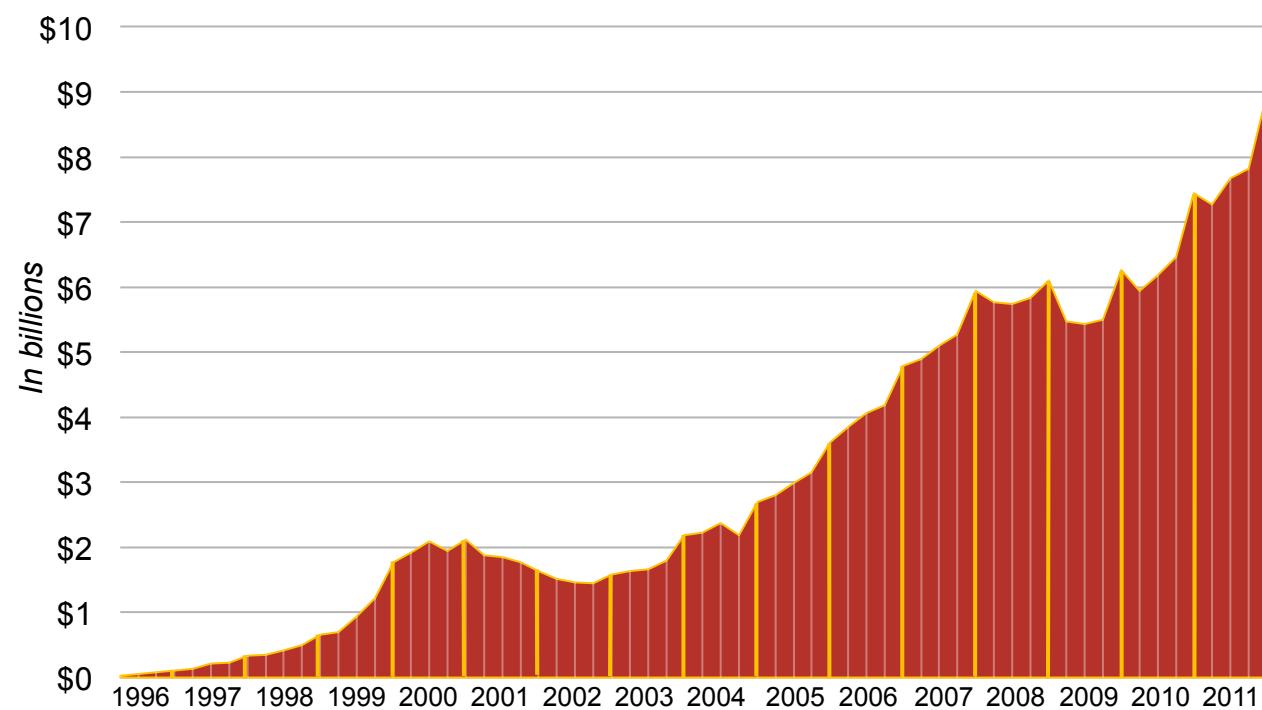
## ***Historical quarterly revenue trends***

### **Quarterly growth recovers, continuing upward trend**

The rebound from the economic related decline in 2009 continued in 2011. 2011 followed a similar pattern as 2010, whereby following a slight seasonal dip in Q1, subsequent quarterly increases were punctuated by the largest quarterly dollar increase of revenue in Internet advertising history in Q4 (\$1.15B).

Since 2003, 81% of quarters (29 out of 36) have experienced positive growth in internet advertising.

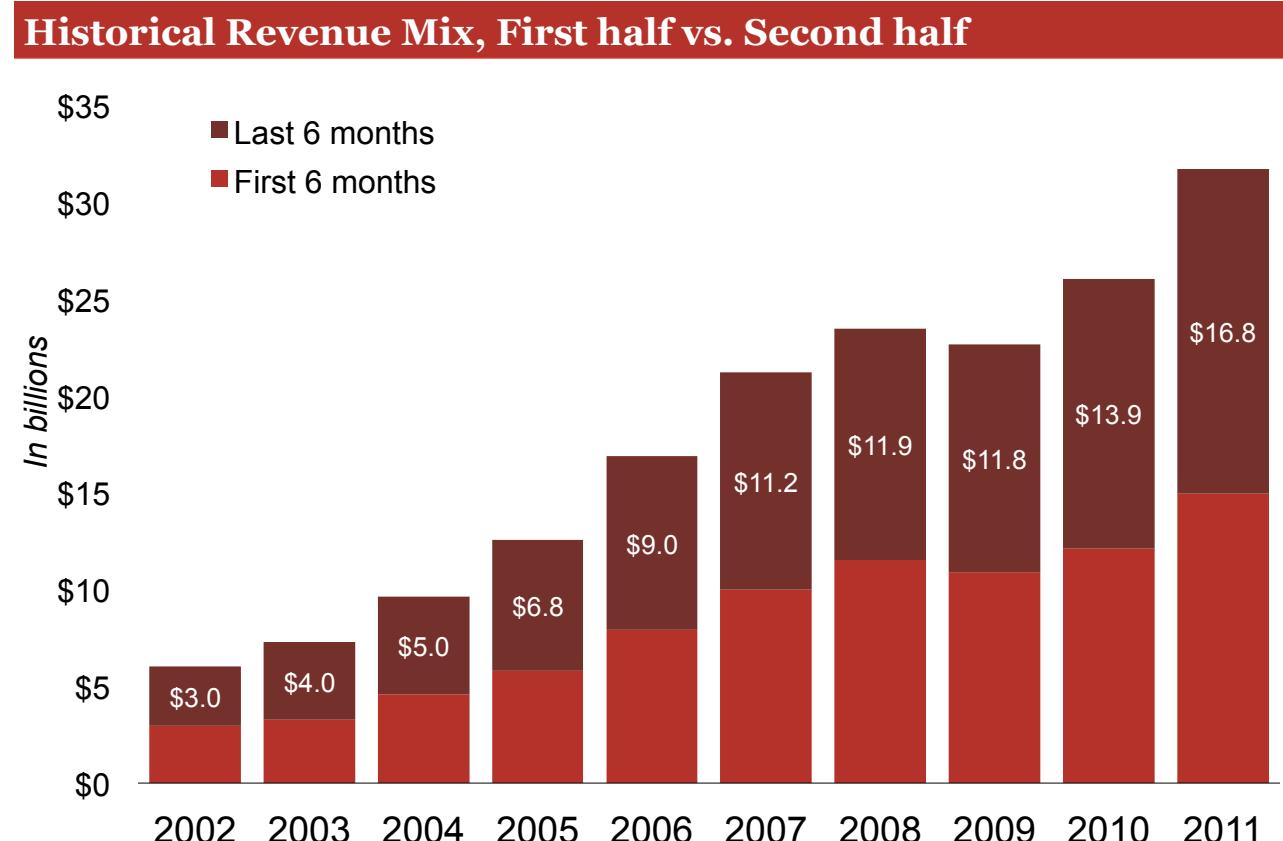
#### **Quarterly Revenue Growth Trends, In billions – 1996-2011**



## ***Historical revenue mix – First half vs. Second half***

### **Second half revenues reach \$16.8 billion**

Continuing the trend of a greater percentage of revenue spent in the latter half of the year, 2011 witnessed 53% of its revenue booked in the second half, compared to 53% in 2010 and 52% in 2009.



## Historical data findings

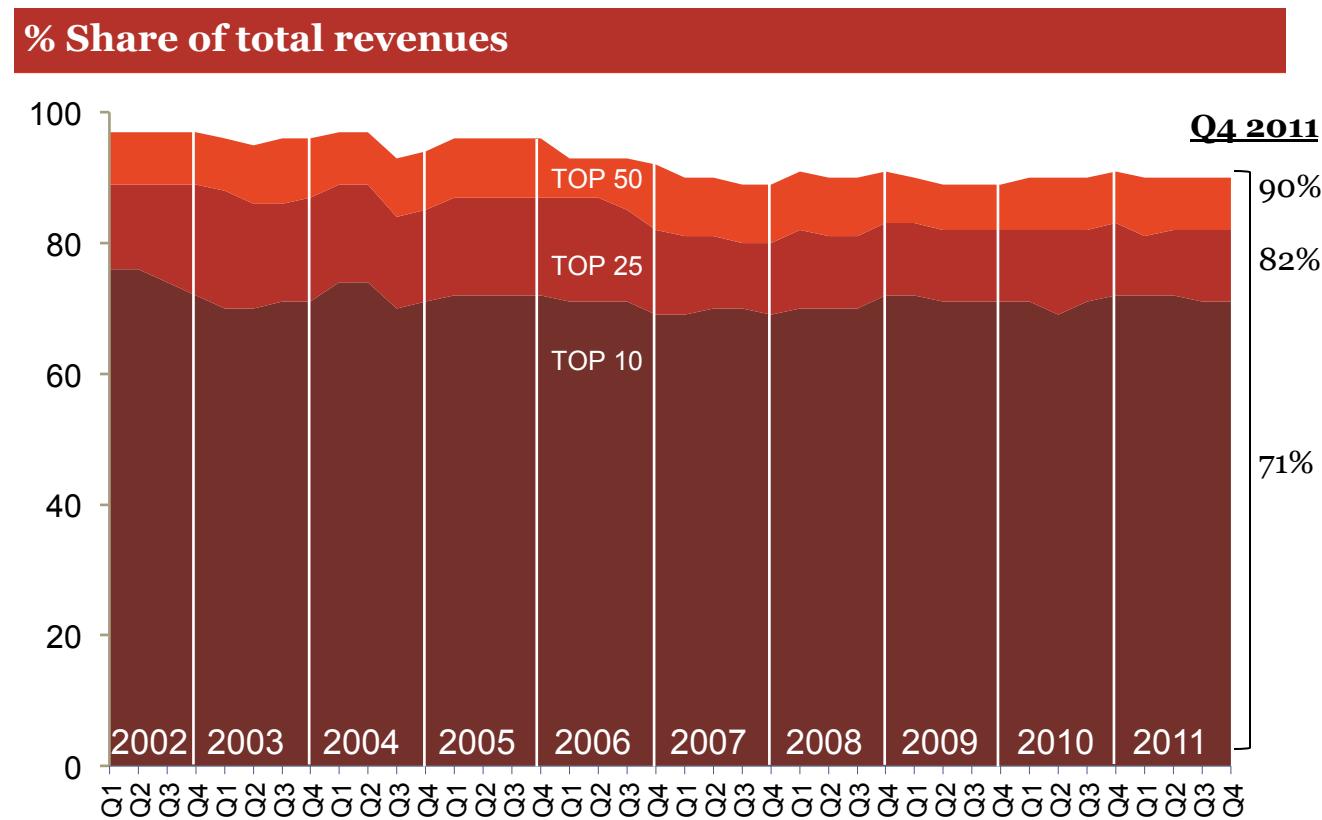
### Annual and quarterly revenue growth

	Revenue (in mil)	Q/Q Growth	Y/Y Growth		Revenue (in mil)	Q/Q Growth	Y/Y Growth
Q1 2000	\$1,922	8%	177%	Q1 2006	\$3,848	7%	37%
Q2 2000	\$2,091	9%	123%	Q2 2006	\$4,061	6%	36%
Q3 2000	\$1,951	-7%	60%	Q3 2006	\$4,186	3%	33%
<u>Q4 2000</u>	<u>\$2,123</u>	<u>9%</u>	<u>19%</u>	<u>Q4 2006</u>	<u>\$4,784</u>	<u>14%</u>	<u>33%</u>
<b>Total 2000</b>	<b>\$8,087</b>		<b>75%</b>	<b>Total 2006</b>	<b>\$16,879</b>		<b>35%</b>
Q1 2001	\$1,872	-12%	-3%	Q1 2007	\$4,899	2%	27%
Q2 2001	\$1,848	-1%	-12%	Q2 2007	\$5,094	4%	25%
Q3 2001	\$1,773	-4%	-10%	Q3 2007	\$5,267	3%	26%
<u>Q4 2001</u>	<u>\$1,641</u>	<u>-7%</u>	<u>-23%</u>	<u>Q4 2007</u>	<u>\$5,946</u>	<u>13%</u>	<u>24%</u>
<b>Total 2001</b>	<b>\$7,134</b>		<b>-12%</b>	<b>Total 2007</b>	<b>\$21,206</b>		<b>26%</b>
Q1 2002	\$1,520	-7%	-19%	Q1 2008	\$5,765	-3%	18%
Q2 2002	\$1,458	-4%	-21%	Q2 2008	\$5,745	0%	13%
Q3 2002	\$1,452	-1%	-18%	Q3 2008	\$5,838	2%	11%
<u>Q4 2002</u>	<u>\$1,580</u>	<u>9%</u>	<u>-4%</u>	<u>Q4 2008</u>	<u>\$6,100</u>	<u>4%</u>	<u>2%</u>
<b>Total 2002</b>	<b>\$6,010</b>		<b>-16%</b>	<b>Total 2008</b>	<b>\$23,448</b>		<b>11%</b>
Q1 2003	\$1,632	3%	7%	Q1 2009	\$5,468	-10%	-5%
Q2 2003	\$1,660	2%	14%	Q2 2009	\$5,432	-1%	-5%
Q3 2003	\$1,793	8%	24%	Q3 2009	\$5,500	1%	-6%
<u>Q4 2003</u>	<u>\$2,182</u>	<u>22%</u>	<u>38%</u>	<u>Q4 2009</u>	<u>\$6,261</u>	<u>14%</u>	<u>3%</u>
<b>Total 2003</b>	<b>\$7,267</b>		<b>21%</b>	<b>Total 2009</b>	<b>\$22,661</b>		<b>-3%</b>
Q1 2004	\$2,230	2%	37%	Q1 2010	\$5,942	-5%	9%
Q2 2004	\$2,369	6%	43%	Q2 2010	\$6,185	4%	14%
Q3 2004	\$2,333	-2%	30%	Q3 2010	\$6,465	5%	18%
<u>Q4 2004</u>	<u>\$2,694</u>	<u>15%</u>	<u>24%</u>	<u>Q4 2010</u>	<u>\$7,449</u>	<u>15%</u>	<u>19%</u>
<b>Total 2004</b>	<b>\$9,626</b>		<b>33%</b>	<b>Total 2010</b>	<b>\$26,041</b>		<b>15%</b>
Q1 2005	\$2,802	4%	25%	Q1 2011	\$7,264	-2%	22%
Q2 2005	\$2,985	7%	26%	Q2 2011	\$7,678	6%	24%
Q3 2005	\$3,147	5%	35%	Q3 2011	\$7,824	2%	21%
<u>Q4 2005</u>	<u>\$3,608</u>	<u>15%</u>	<u>34%</u>	<u>Q4 2011</u>	<u>\$8,970</u>	<u>15%</u>	<u>20%</u>
<b>Total 2005</b>	<b>\$12,542</b>		<b>30%</b>	<b>Total 2011</b>	<b>\$31,735</b>		<b>22%</b>

## Industry revenue concentration

### Top 50 companies command 90% of revenues in Q4 2011

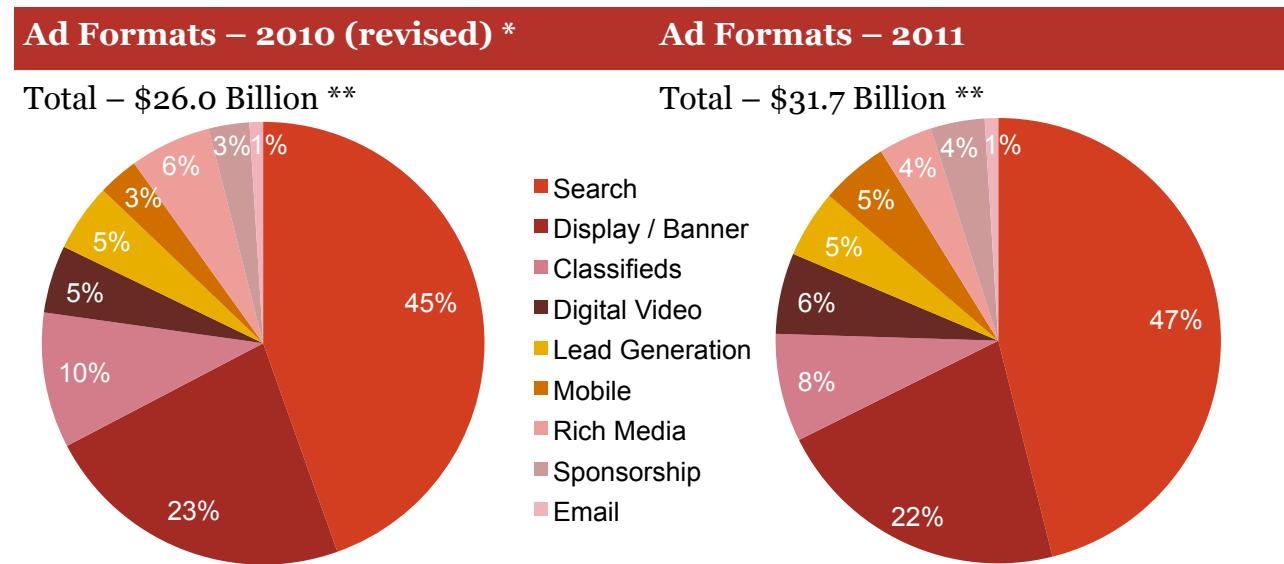
- Online advertising continues to remain concentrated with the ten leading ad-selling companies, which accounted for 71% of total revenues in Q4 2011, down slightly from the 72% reported in Q4 2010.
- Companies ranked 11th to 25th accounted for 11% of revenues in Q4 2011, consistent with the 11% reported in Q4 2010. Companies ranked 26th to 50th accounted for 8% in Q4 2011, also consistent with the 8% in Q4 2010.



## Full year 2011 results

### Search and Display continue to lead ad formats, Mobile emerges as relevant category

- Search remains the largest online advertising revenue format, accounting for 46.5% of 2011 revenues, up from 44.8% in 2010. In 2011, Search revenues totaled \$14.8 billion, up almost 27% from \$11.7 billion in 2010.
- Display-related advertising revenues totaled \$11.1 billion or 34.8% percent of 2011 revenues, up 15% from the \$9.6 billion in 2010. Display-related advertising includes Display Banner Ad (21.5% of 2011 revenues, or \$6.8 billion), Rich Media (4.1%, or \$1.3 billion), Digital Video (5.7%, or \$1.8 billion), and Sponsorship (3.5%, or \$1.1 billion).
- Classifieds revenues accounted for 8.1% of 2011 revenues or \$2.6 billion. In 2010, classified ad revenue was also \$2.6 billion (10% of total 2010 revenues).
- Mobile revenues totaled \$1.6 billion or 5.0% of 2011 revenues, up 149% from the \$641 million in 2010.
- Lead Generation revenues accounted for 4.8% of 2011 revenues or \$1.5 billion, up 15% from the \$1.3 billion (5.1% of total 2010 revenues) in 2010.
- Email revenues accounted for 0.7% of 2011 revenues or \$213 million, up 9% from the \$195 million (also 0.7% of total) in 2010.

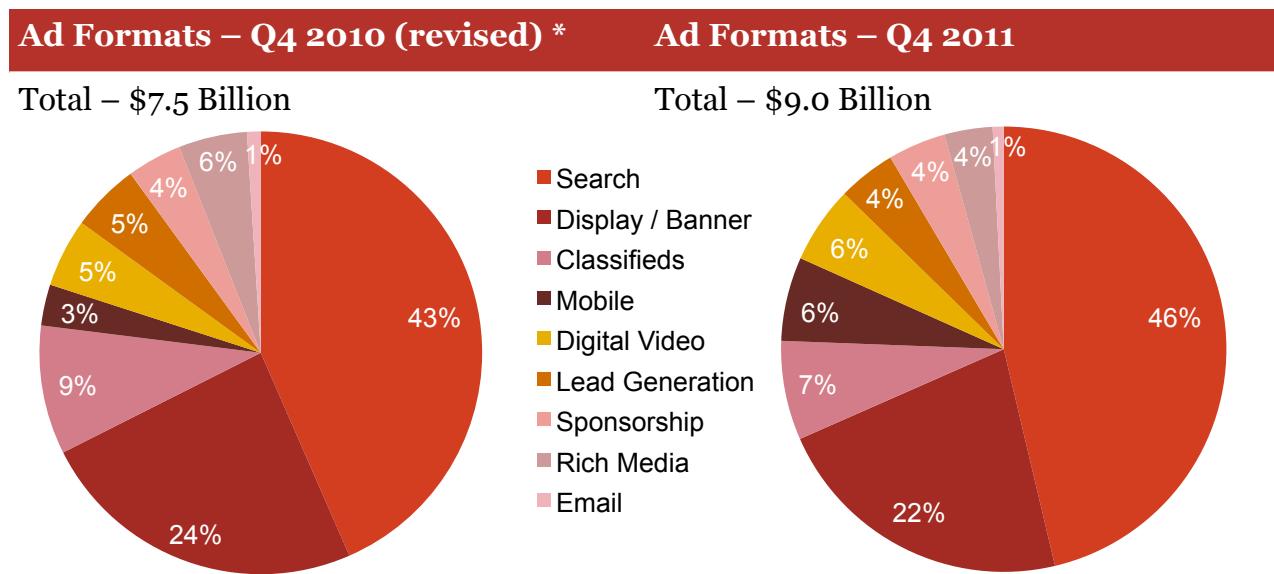


\* In 2011, mobile revenue is presented in the ad formats section of the report as a separate category for the first time. In order to provide a comparison to the prior year, we have revised 2010 revenues for ad formats to be on a consistent basis (see the Appendix on page 25 for the methodology).

## Fourth quarter 2011 results

### Search continues to gain ground in format share

- Search revenues accounted for 46% of Q4 2011 revenues, up from 43% in Q4 2010. Search revenues totaled \$4.2 billion in Q4 2011, up 29% from Q4 2010, when Search revenues were \$3.2 billion.
- Display-related advertising accounted for \$3.2 billion or 35.3% of total revenues during Q4 2011, up 10% from the \$2.9 billion in Q4 2010. Display-related advertising includes Display Banner Ads (22% of Q4 2011 revenues, or \$2.0 billion), Digital Video (5.5% or \$491 million), Sponsorship (4.2% or \$378 million), and Rich Media (3.5% or \$318 million).
- Classifieds revenues totaled \$648 million or 7.2% of Q4 2011 revenues, down 7% from the \$697 million in Q4 2010.
- Mobile revenues<sup>†</sup> totaled \$548 million or 6.1% of Q4 2011 revenues, up 128% from the \$240 million in Q4 2010.
- Lead Generation revenues accounted for 4.2% of Q4 2011 revenues, or \$377 million, up slightly from the \$375 million (5% of total) in Q4 2010.

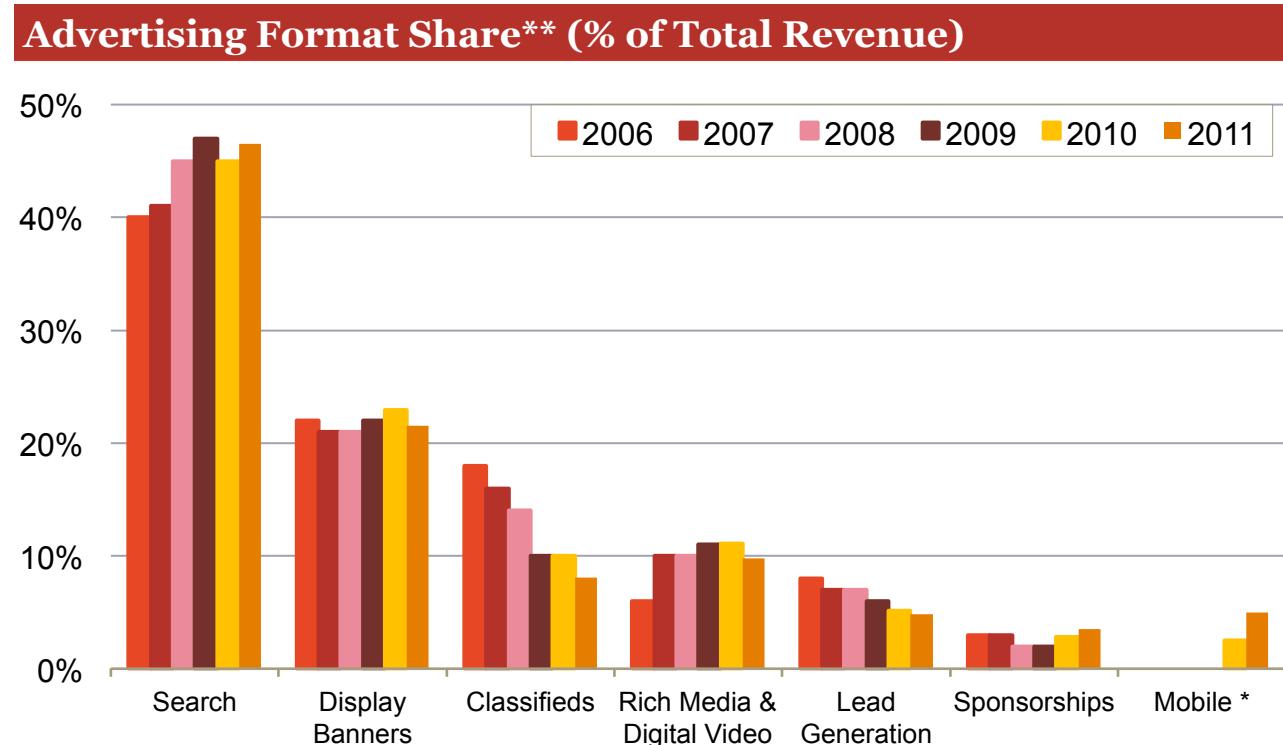


\* In 2011, mobile revenue is presented in the ad formats section of the report as a separate category for the first time. In order to provide a comparison to the prior year, we have revised 2010 revenues for ad formats to be on a consistent basis (see the Appendix on page 25 for the methodology).

## Historical format trends

### Search retains largest share of revenue, while Mobile grows fastest

- Search has remained the leading format since 2006, having strong sequential growth through this period. In 2011, Search regained some of the share that it lost to Display Banners the previous year.
- The percentage share increase in Digital Video was more than offset by the decline in Rich Media.
- With triple-digit growth from 2010 to 2011, Mobile revenues\* drove 3.7% of the 22% year-over-year internet advertising growth



\* In 2011, mobile revenue is presented in the ad formats section of the report as a separate category for the first time. In order to provide a comparison to the prior year, we have revised 2010 revenues for ad formats to be on a consistent basis (see the Appendix on page 25 for the methodology).

\*\* Format definitions may have changed over the time period depicted, both within the survey process and as interpreted by survey respondents.

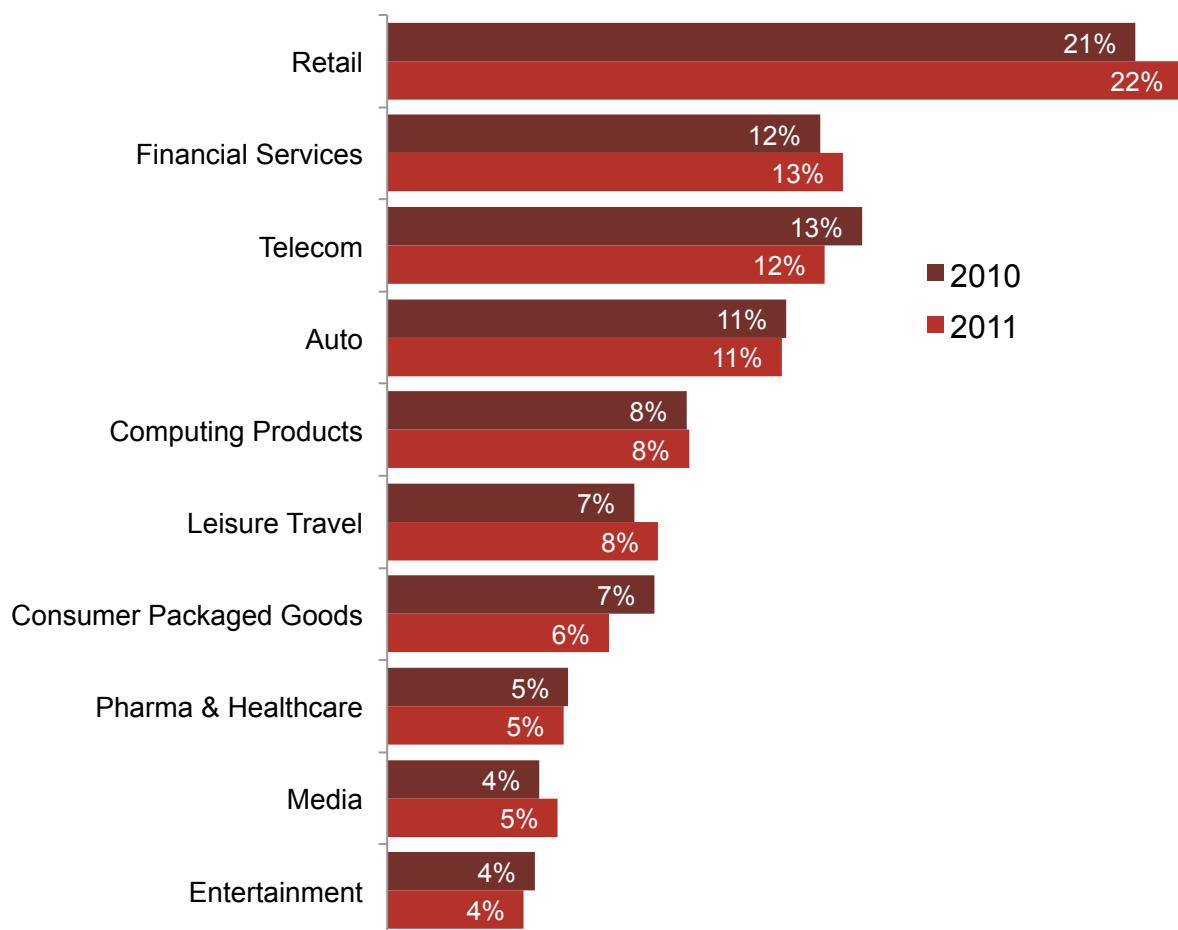
## *Ad revenues by industry category*

### **Retail drives advertising, as dollars shift to digital**

- Retail advertisers continue to represent the largest category of internet ad spending, accounting for 22% of 2011, or \$7.1 billion, up from 21% (\$5.5 billion) reported in 2010.
- Telecom companies accounted for 12% of 2011 revenues or \$3.9 billion, compared to the 13% (\$3.5 billion) reported in 2010.
- Leisure Travel (airfare, hotels & resorts) accounted for 8% of 2011 revenues (\$2.4 billion) up from the 7% (\$1.8 billion) reported in 2010.
- Financial Services advertisers accounted for 13% of 2011 revenues (\$4.1 billion), up from the 12% (\$3.2 billion) reported in 2010.
- Automotive advertisers accounted for 11% of 2011 revenues or \$3.5 billion, in line with 11% (\$2.9 billion) reported in 2010.
- Computing advertisers represented 8% of 2011 revenue or \$2.7 billion, even with 8% (\$2.2 billion) reported in 2010.
- Consumer Packaged Goods represented 6% in 2011, or \$2.0 billion, compared to \$2.0 billion (7%) reported in 2010.
- Entertainment accounted for 4% of 2011 revenues (\$1.2 billion), in line with the 4% (\$1.1 billion) reported in 2010.
- Media accounted for 5% of 2011, or \$1.5 billion, up slightly from the 4% (\$1.1 billion) it reported in 2010.

## *Industry advertising – year-over-year comparatives*

### Internet Ad revenues by Major Industry Category\*, 2010 vs. 2011



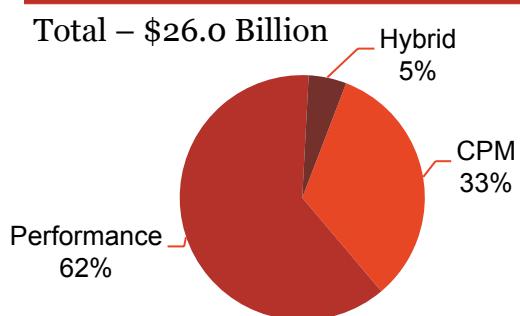
\* Industry definitions may have changed over the time period depicted, both within the survey process and as interpreted by survey respondents. Amounts do not total to 100% as minor categories are not displayed.

## Revenues by pricing model

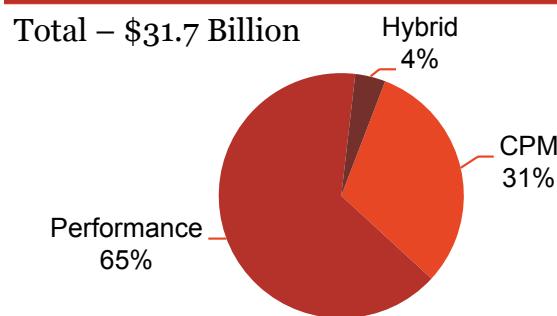
### Performance-based pricing gains interest

- Higher growth rates in Search and the emergence of performance based Mobile has led to a continued increase in the share of performance based pricing.
- Approximately 65% of full year 2011 revenues were priced on a performance basis, up from the 62% reported in 2010.
- Approximately 31% of full year 2011 revenues were priced on a CPM or impression basis, down from the 33% in 2010.
- Approximately 4% of full year 2011 revenues were priced on a hybrid basis, down slightly from the 5% reported in 2010.

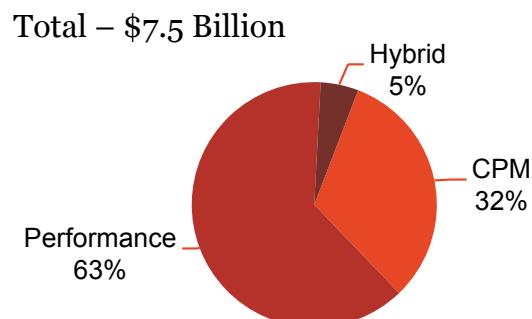
#### Pricing Models – FY 2010



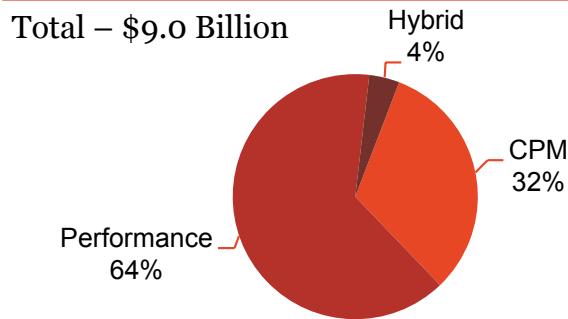
#### Pricing Models – FY 2011



#### Pricing Models – Q4 2010



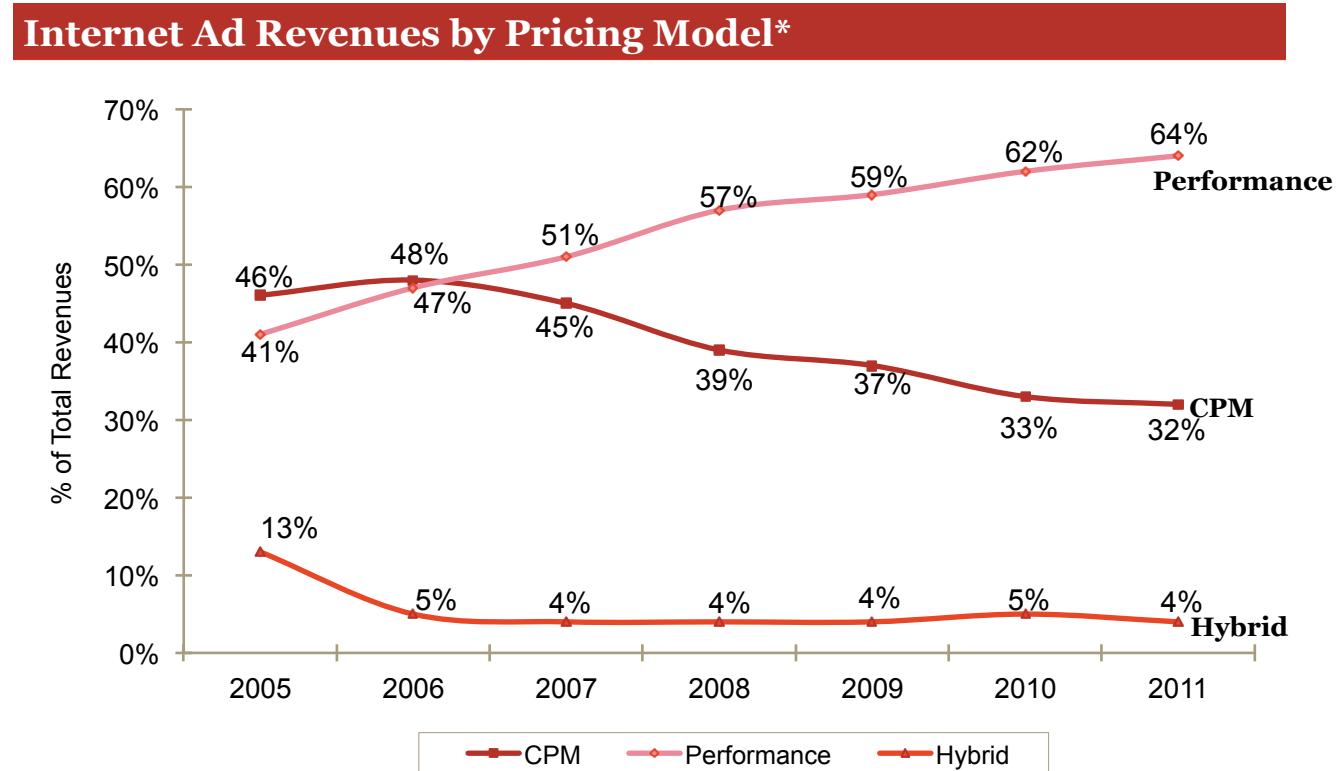
#### Pricing Models – Q4 2011



## Historical pricing model trends

### Performance-based pricing remains the preferred model

- Performance based pricing, the most prevalent pricing model since 2006, has maintained a strong sequential growth rate, reaching 65% in 2011. It is followed by CPM/Impression based pricing which has declined as a percentage of revenue over the past several years. Hybrid pricing has seen the greatest loss in percentage revenue over the period, with a sharp dip from 13% in 2005 to the roughly 4% where it hovers today.



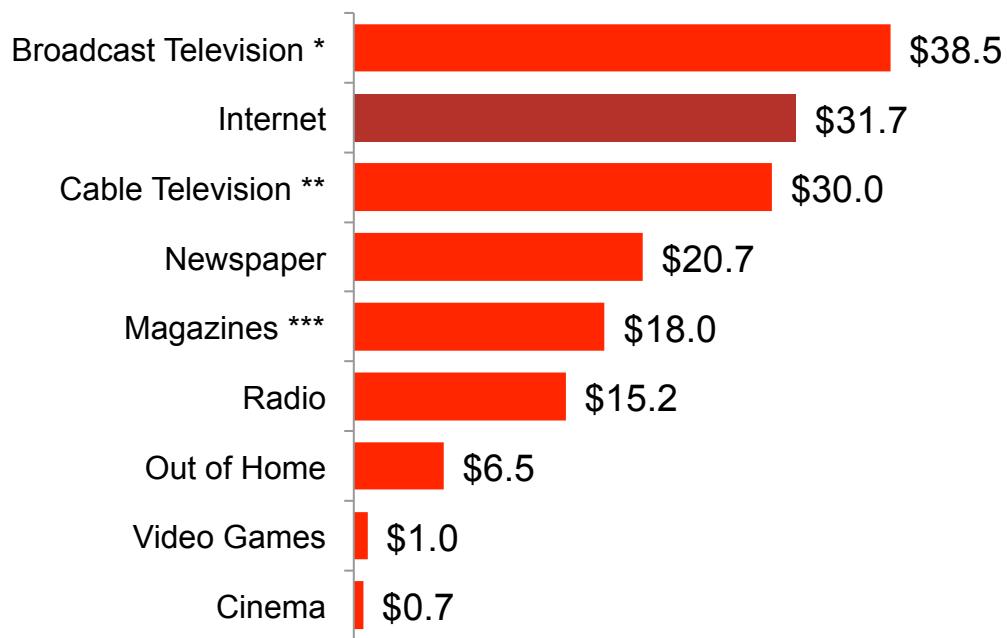
\* Pricing model definitions may have changed over time period depicted, both within the survey process as interpreted by survey respondents.

## Advertising market share by media

### Internet advertising surpasses Cable TV in ad revenue

- Internet has continued to grow in significance when compared to other U.S. ad-supported media<sup>†</sup>.
- In 2011, Internet advertising revenues surpassed those of Cable Television (as defined below, including both National Cable Networks and Local Cable television).

### Advertising Revenue Market Share by Media - 2011 (In Billions)



<sup>†</sup> The total U.S. advertising market includes other segments not charted here.

\* Broadcast Television includes Network, Syndicated and Spot television advertising revenue.

\*\* Cable Television includes National Cable Networks and Local Cable television advertising revenue.

\*\*\* Magazine includes Consumer and Trade magazines.

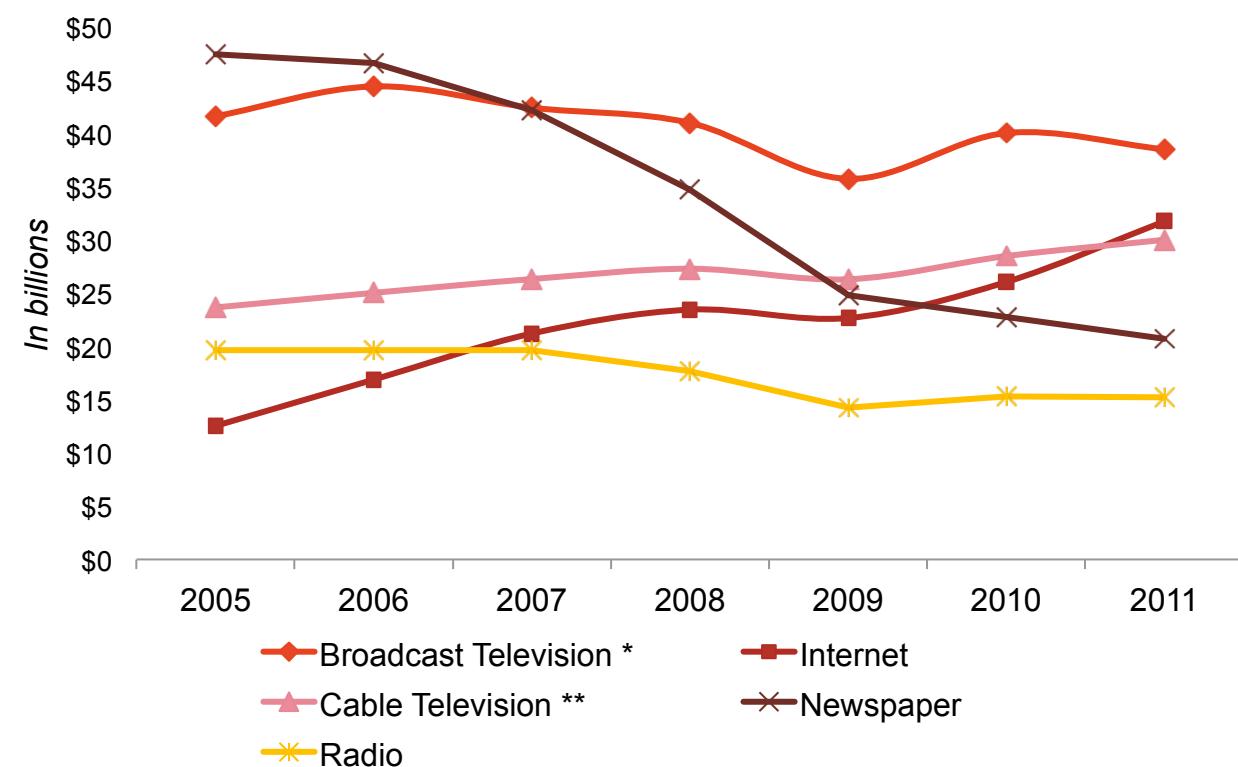
Sources: IAB Internet Advertising Revenue Report; PwC

## Historical advertising market share

### Internet advertising revenue growth outpaces other media outlets over the past seven years

- Two forms of media have positive compound annual growth rates (CAGR) between 2005 through 2011: Cable Television at 4.0% and Internet at 16.7%.
- In every year since 2005, the annual growth rates of Internet advertising have exceeded those of other advertising media.

### Advertising Revenue Market Share by Media, 2005-2011 (In \$B)



\* Broadcast Television includes Network, Syndicated and Spot television advertising revenue.

\*\* Cable Television includes National Cable Networks and Local Cable television advertising revenue.

Sources: IAB Internet Advertising Revenue Report; PwC

# Appendix

## Definitions of leading industry categories

The industry categories used in the IAB Internet Advertising Revenue Report were sourced from the North American Standard Industrial Classification (SIC) Manual.<sup>†</sup>

<b>Retail</b>	Includes mail order/catalog, apparel, restaurants/fast food, home furnishings/textiles, toys, pet food/supplies, appliances, jewelry, drug stores, retail stores and cosmetics stores.
<b>Automotive</b>	Includes all automotive-related categories including sale/purchase of vehicles and parts and maintenance.
<b>Entertainment</b>	Includes film, music, TV, box office, video games and amusement & recreation.
<b>Consumer packaged goods</b>	Includes packaged goods, food products, household products and tobacco.
<b>Leisure travel</b>	Includes travel, hotel, airlines and resorts.
<b>Computing products</b>	Includes hardware (computers, computer storage devices, and computer peripheral equipment), consumer electronics, prepackaged software (operating, utility and applications programs), local area network systems and network systems integration, computer processing and data preparation and data processing services.
<b>Financial Services</b>	Includes commercial banks, credit agencies, personal credit institutions, consumer finance companies, loan companies, business credit institutions and credit card agencies. Also includes companies engaged in the underwriting, purchase, sale or brokerage of securities and other financial contracts.
<b>Telecommunications</b>	Includes point-to-point communications services, including telephone voice and data communications, two-way mobile/cellular communications services and other non-vocal message communications services (e.g., cablegram, electronic mail and facsimile). Includes multi-channel video providers on a subscription fee basis (e.g., cable television, wireless cable television and direct broadcast satellite services).
<b>Pharma &amp; Healthcare</b>	Includes pharmaceutical products, facilities, services, researches and biological products. Also comprises establishments providing health care and social assistance for individuals as well as personal care, toiletries, and cosmetic products.
<b>Media</b>	Includes establishments primarily engaged in radio and television broadcasting (network and station) including commercial, religious, educational and other radio or television stations. Also includes establishments primarily engaged in publishing newspapers, periodicals and books.

<sup>†</sup>Survey participants reported results based on the 20 industry categories listed on page 24, which were used specifically for the IAB Internet Advertising Revenue Report. This is consistent with other relevant industry categorization sources that measure advertising spending by industry. For purposes of this report, PwC classified a number of individual categories under “Retail.”

# Appendix

## Definitions of advertising formats

<b>Display Advertising</b>	Advertiser pays an internet company for space to display a static or hyper-linked banner or logo on one or more of the internet company's pages.
<b>Sponsorship</b>	<p>Represents custom content and/or experiences created for an advertiser which may or may not include ad elements such as display advertising, brand logos, advertorial or pre-roll video. Sponsorships fall into several categories:</p> <ul style="list-style-type: none"> <li>• Spotlights are custom built pages incorporating an advertiser's brand and housing a collection of content usually around a theme;</li> <li>• Advergaming can range from an advertiser buying all the ad units around a game or a "sponsored by" link to creating a custom branded game experience;</li> <li>• Content &amp; Section Sponsorship is when an advertiser exclusively sponsors a particular section of the site or email (usually existing content) re-skinne with the advertiser's branding;</li> <li>• Sweepstakes &amp; Contests can range from branded sweepstakes on the site to a full-fledge branded contest with submissions and judging</li> </ul>
<b>Email</b>	Banner ads, links or advertiser sponsorships that appear in email newsletters, email marketing campaigns and other commercial email communications. Includes all types of electronic mail (e.g., basic text or HTML-enabled).
<b>Search</b>	<p>Fees advertisers pay internet companies to list and/or link their company site domain name to a specific search word or phrase (includes paid search revenues). Search categories include:</p> <ul style="list-style-type: none"> <li>• <b>Paid listings</b>—text links appear at the top or side of search results for specific keywords. The more a marketer pays, the higher the position it gets. Marketers only pay when a user clicks on the text link.</li> <li>• <b>Contextual search</b>—text links appear in an article based on the context of the content, instead of a user-submitted keyword. Payment only occurs when the link is clicked.</li> <li>• <b>Paid inclusion</b>—guarantees that a marketer's URL is indexed by a search engine. The listing is determined by the engine's search algorithms.</li> <li>• <b>Site optimization</b>—modifies a site to make it easier for search engines to automatically index the site and hopefully result in better placement in results.</li> </ul>
<b>Lead generation</b>	Fees advertisers pay to internet advertising companies that refer qualified purchase inquiries (e.g., auto dealers which pay a fee in exchange for receiving a qualified purchase inquiry online) or provide consumer information (demographic, contact, behavioral) where the consumer opts into being contacted by a marketer (email, postal, telephone, fax). These processes are priced on a performance basis (e.g., cost-per-action, -lead or -inquiry), and can include user applications (e.g., for a credit card), surveys, contests (e.g., sweepstakes) or registrations.
<b>Classifieds and auctions</b>	Fees advertisers pay internet companies to list specific products or services (e.g., online job boards and employment listings, real estate listings, automotive listings, auction-based listings, yellow pages).
<b>Rich media</b>	Advertisements that incorporate animation, sound, and/or interactivity in any format. It can be used either singularly or in combination with the following technologies: sound, Flash, and with programming languages such as Java, JavaScript, and DHTML. It is deployed via standard Web and wireless applications including e-mail, static (e.g., .html) and dynamic (e.g., .asp) Web pages, and may appear in ad formats such as banners, buttons and interstitials. Interstitials are included in the rich media category and represent full- or partial-page text and image server-push advertisements which appear in the transition between two pages of content. Forms of interstitials can include splash screens, page takeovers and pop-up windows.
<b>Digital Video Commercials</b>	TV-like advertisements that may appear as in-page video commercials or before, during, and/or after a variety of content in a player environment including but not limited to, streaming video, animation, gaming, and music video content. This definition includes digital video commercials that appear in live, archived and downloadable streaming content.
<b>Mobile Advertising</b>	Advertising tailored to and delivered through wireless mobile devices such as smartphones (e.g. Blackberry, iPhone, Android), feature phones (e.g. lower-end mobile phones capable of accessing mobile content), and media tablets (e.g. iPad, Samsung Galaxy Tab). Typically taking the form of static or rich media display ads, text messaging ads, search ads, or audio/video spots, such advertising generally appears within mobile websites (e.g. websites optimized for viewing on mobile devices), mobile applications (e.g. applications for smartphones running iOS, Android, or other operating systems, or Java or BREW applications), text messaging services (i.e. SMS, MMS) or within mobile search results (i.e., 411 listings, directories, mobile-optimized search engines). Mobile advertising revenues are currently reported within the above pre-existing advertising formats, but have been estimated and identified individually within this report.

# Appendix

## Survey scope and methodology

### Survey scope

The Interactive Advertising Bureau (IAB) retained PwC to establish a comprehensive standard for measuring the growth of internet/online/mobile advertising revenues.

- The IAB Internet Advertising Revenue Report is part of an ongoing IAB mission to provide an accurate barometer of internet advertising growth.
- To achieve differentiation from existing estimates and accomplish industry-wide acceptance, key aspects of the survey include:
  - Obtaining historical data directly from companies generating internet/online/mobile advertising revenues;
  - Making the survey as inclusive as possible, encompassing all forms of internet/online/mobile advertising, including Web sites, consumer online services, ad networks, mobile devices and e-mail providers; and
  - Ensuring and maintaining a confidential process, only releasing aggregate data.

### Methodology

- PwC:
  - Compiles a database of industry participants selling internet/online and mobile advertising revenues.
  - Conducts a quantitative mailing survey with leading industry players, including Web publishers, ad networks, commercial online service providers, mobile providers, e-mail providers and other online media companies.
  - Supplemental Data is acquired through the use of publicly disclosed information
  - Requests and compiles several specific data items, including monthly gross commissionable advertising revenue by industry category and transaction.
  - Identifies non-participating companies and applies a conservative revenue estimate based on available public sources.
  - Analyzes the findings, identifies and reports key trends.

# Appendix

## Survey industry categories

Automotive	Financial Services (Banks, Insurance, Securities, Mortgages)	Restaurants/ Fast food
Beer/Wine/Liquor	Personal Care, Toiletries and Cosmetics	Retail, Mail Order, Catalogs and Apparel
Business Products/Services	Drugs and Remedies	Telecommunications: Telephony, Cable/Satellite TV Services, ISPs
Computers (Hardware/Software) and Consumer Electronics	Manufacturing	Toys/Games
Consumer Packaged Goods, Food, Non-Alcoholic Beverages and Candy	Media	Leisure Travel (Airfare, Hotels, Resorts)
Educational Services	Professional Sports and Sporting & Athletic Goods	Business Travel (Airfare, Hotels, Resorts)
Entertainment (Film, Music, TV, Box Office, Video Games, Amusement/Recreational)	Real Estate	

## Appendix

### 2010 revisions to advertising formats for Mobile

#### Updates to 2010 full year results for advertising formats

In 2010 PwC began collecting Mobile advertising information. While an aggregate annual amount was disclosed in the 2010 report, it was not broken out as a separate category within the advertising format section due to a lack of comparable information in 2009. In 2011, with comparable information now available for the prior year, PwC revised the format revenues previously reported in 2010 in order to provide comparability between 2010 and 2011 data. Revenues for 2010 advertising format were revised on pages 12-14 (note: no change was made to the total, industry, or pricing model revenues).

#### Methodology to revise 2010 advertising formats

PwC:

- Incorporated the 2010 mobile estimate (derived from direct submissions, publicly available information, and industry research) into the new Mobile format.
- Reduced non-Mobile formats in a manner consistent with allocation used in 2010 to allocate reported Mobile to the historical formats.
- Calculated revised 2010 formats and analyzed to correct any anomalies.

#### 2010 format reallocation for Mobile

	Fourth Quarter 2010			Full Year 2010		
	4Q 2010 Original	Revised Amount	4Q 2010 Revised	2010 Original	Revised Amount	2010 Revised
Search	44.7%	-1.5%	43.2%	46.1%	-1.3%	44.8%
Classifieds and Directories	9.4%	-	9.4%	10.0%	-	10.0%
Lead Generation	5.0%	-	5.0%	5.1%	-0.1%	5.1%
E-mail	0.5%	-	0.5%	0.7%	-	0.7%
Mobile	0.0%	3.2%	3.2%	0.0%	2.5%	2.5%
Display-related						
Digital Video Commercials	5.5%	-0.1%	5.4%	5.5%	-0.1%	5.4%
Ad banners / display ads	25.7%	-1.6%	24.1%	23.9%	-1.0%	22.9%
Sponsorships	3.6%	-	3.6%	2.8%	-	2.8%
Rich media	5.6%	-	5.6%	5.9%	-	5.9%
Total display-related	40.3%	-1.7%	38.6%	38.0%	-1.1%	37.0%
Total	100.0%	0.0%	100.0%	100.0%	0.0%	100.0%

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## Appendix

### About the Interactive Advertising Bureau

The Interactive Advertising Bureau (IAB) is comprised of more than 500 leading media and technology companies that are responsible for selling 86% of online advertising in the United States. On behalf of its members, the IAB is dedicated to the growth of the interactive advertising marketplace, of interactive's share of total marketing spend, and of its members' share of total marketing spend. The IAB educates marketers, agencies, media companies and the wider business community about the value of interactive advertising. Working with its member companies, the IAB evaluates and recommends standards and practices and fields critical research on interactive advertising. Founded in 1996, the IAB is headquartered in New York City with a Public Policy office in Washington, D.C. For more information, please visit [www.iab.net](http://www.iab.net).

# Appendix

## Overall Report Guidance Provided by IAB Leadership

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**Bill Todd**  
ValueClick Media

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# **PwC New Media Group with the Entertainment, Media, and Communications Practice**

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PwC's New Media Group was the first practice of its kind at a Big Four firm. Currently located in New York, Los Angeles, Boston, Seattle and the Bay Area, our New Media Group includes accounting, tax and consulting professionals who have broad and deep experience in the three areas that converge to form new media: advanced telecommunications, enabling software and content development/distribution.

## **Our services include:**

- Business assurance services
- Web audience measurement and advertising delivery auditing and advisory
- IAB Measurement Certification Compliance auditing
- Privacy policy structuring, attestation and compliance advisory
- Mergers & Acquisition assistance
- Tax planning and compliance
- Capital sourcing and IPO assistance

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