Internet advertising

Key insights at a glance

1. Internet advertising is closing in on TV advertising to become the largest entertainment and media advertising segment. In 2013, total Internet advertising revenue was US$117.2bn. The figure will increase to US$194.5bn in 2018, a 10.7% CAGR meaning that it is closing in on TV advertising revenue as the largest advertising segment. This is a significant advance from 2009, when total TV advertising revenue was US$132.0bn and total Internet advertising revenue just US$58.7bn.

2. Mobile advertising will overtake classifieds in 2014. Global mobile Internet advertising revenue is forecast to leapfrog classified advertising to become the third-largest Internet advertising channel. But after four particularly strong years between 2010 and 2013 driven by the launch of the iPad, annual mobile revenue growth is falling back to the levels seen before the iPad’s introduction and advertisers must do more than simply migrating large-screen banners to handhelds.

3. Search will retain its dominant position. Global paid search Internet advertising has the largest share of total Internet advertising revenue, at US$48.4bn in 2013. While its overall share of the market will diminish as video and mobile advertising become increasingly important, continued growth will see search pull further ahead of the other categories of Internet advertising in terms of revenue generated, hitting US$73.8bn in 2018.

4. Within Internet advertising, video will see the sharpest growth. Global video Internet advertising revenue will rise at a 23.8% CAGR to 2018, ahead of mobile’s 21.5% CAGR. The largest video service, YouTube, spent years perfecting its pre-roll ad format. Now TrueView ads are deployed widely, and new consumer devices are multiplying distribution.

5. Advertisers are looking to programmatic and native advertising to improve display ad performance. While search offers spend and targeting efficiencies, advertisers have grown frustrated with the worsening performance of online display ads. In response, many are moving toward programmatic ad-trading platforms that offer greater planning control, while others are adopting native advertising formats, so named because they match the form and function of the user experience.

6. Tracking users in a multi-device world presents new challenges. Targeting users of the first generation of Internet devices was relatively straightforward, thanks to desktop Web browser cookies. But many new mobile devices lack cookie tracking, while the use of multiple devices by individual consumers further complicates targeting. In a more splintered world, efforts are under way to help advertisers improve their targeting of consumers.