

An introduction to...

European advertising spend and audiences

Forrester research - a strategic partner of IAB Europe

IAB Seminar

Presented to IAB Europe

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Our thanks go to...

Rebecca Jennings, Forrester Research

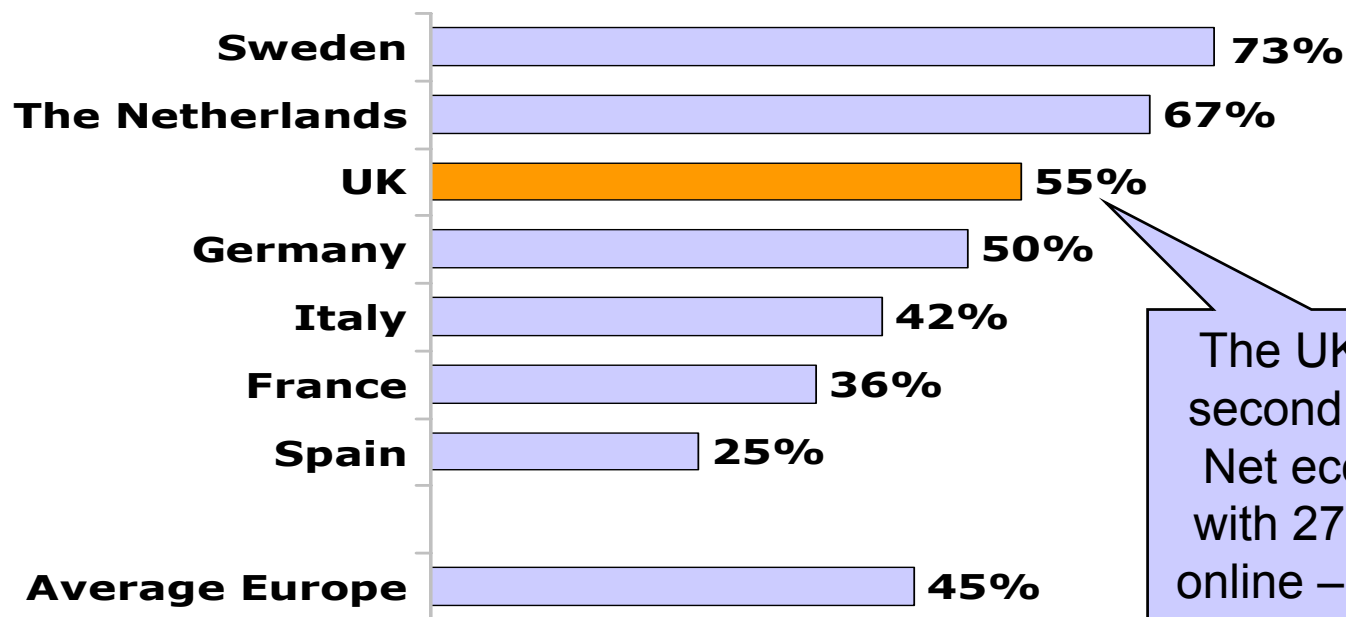
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1 European Internet penetration

In Europe, 45% of adults have access

% adults with Net access and online at least once a month



The UK is the second largest Net economy with 27 million online – against 33 million in Germany

Source: Forrester Consumer Technographics 2003 Q2 (n= 23,511)

Base: online adults

Around 86m households will be online in Europe at the end of 2008

Number of households online at end of year

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Austria	893	1,376	1,528	1,588	1,626	1,647	1,663	1,676	1,688
Belgium	1,152	1,456	1,773	2,027	2,188	2,289	2,354	2,399	2,433
Denmark	1,238	1,694	1,873	1,947	1,992	2,018	2,036	2,050	2,062
Finland	631	1,050	1,289	1,484	1,527	1,551	1,565	1,575	1,583
France	3,552	5,553	6,933	8,449	9,789	10,735	11,357	11,751	12,001
Germany	10,166	16,085	16,297	18,905	19,625	19,964	20,134	20,231	20,297
Greece	239	395	370	459	542	620	691	756	814
Ireland	253	388	503	561	603	628	643	653	659
Italy	3,079	6,500	7,578	8,449	9,187	9,555	9,743	9,851	9,925
Luxembourg	55	71	91	102	110	115	119	122	124
Netherlands	2,568	3,383	4,111	4,632	4,890	5,035	5,126	5,193	5,250
Norway	817	1,083	1,237	1,368	1,437	1,477	1,502	1,518	1,530
Portugal	319	890	1,057	1,227	1,317	1,365	1,391	1,408	1,420
Spain	1,510	2,056	2,310	3,008	3,598	4,022	4,301	4,477	4,590
Sweden	2,332	2,808	3,140	3,213	3,266	3,296	3,317	3,333	3,348
Switzerland	1,061	1,322	1,398	1,402	1,514	1,604	1,675	1,732	1,779
UK	7,990	11,470	12,612	13,515	14,998	15,900	16,441	16,782	17,016
Western Europe	37,855	57,579	64,100	72,338	78,210	81,823	84,058	85,506	86,519

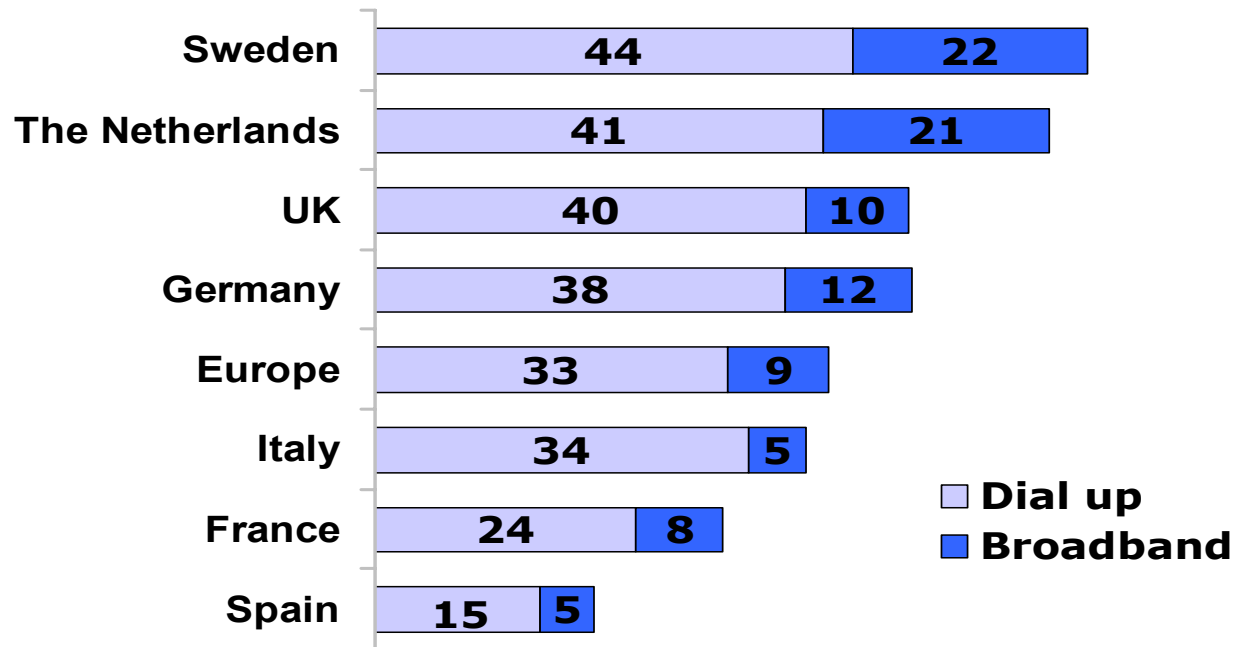
That is over half of European households

Percent of households online at end of year

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Austria	27.3%	41.7%	46.0%	47.5%	48.3%	48.6%	48.7%	48.8%	48.8%
Belgium	27.1%	33.9%	40.9%	46.3%	49.6%	51.4%	52.3%	52.8%	53.1%
Denmark	43.0%	58.6%	64.5%	66.7%	67.9%	68.5%	68.8%	68.9%	68.9%
Finland	26.5%	43.9%	53.7%	61.6%	63.1%	63.7%	64.0%	64.2%	64.2%
France	14.6%	22.7%	28.2%	34.3%	39.5%	43.2%	45.5%	46.9%	47.7%
Germany	27.2%	42.9%	43.4%	50.2%	52.0%	52.8%	53.1%	53.3%	53.3%
Greece	6.0%	9.9%	9.2%	11.3%	13.2%	15.0%	16.6%	18.0%	19.2%
Ireland	17.3%	26.4%	34.0%	37.7%	40.3%	41.8%	42.5%	42.9%	43.1%
Italy	14.3%	30.0%	34.8%	38.6%	41.8%	43.3%	43.9%	44.2%	44.3%
Luxembourg	34.2%	43.0%	55.0%	60.7%	64.5%	66.8%	68.1%	68.9%	69.4%
Netherlands	37.8%	49.4%	59.5%	66.4%	69.5%	70.9%	71.5%	71.8%	71.9%
Norway	42.0%	55.4%	63.0%	69.3%	72.5%	74.1%	75.0%	75.5%	75.7%
Portugal	9.4%	26.1%	30.8%	35.6%	37.9%	39.1%	39.6%	39.8%	39.9%
Spain	11.5%	15.6%	17.4%	22.5%	26.8%	29.7%	31.6%	32.7%	33.3%
Sweden	49.9%	59.8%	66.6%	67.9%	68.8%	69.1%	69.3%	69.3%	69.3%
Switzerland	35.7%	44.0%	46.0%	45.7%	48.8%	51.1%	52.8%	54.0%	54.9%
UK	31.2%	44.4%	48.5%	51.6%	56.8%	59.8%	61.4%	62.2%	62.6%
Western Europe	23.6%	35.8%	39.6%	44.5%	47.8%	49.8%	50.9%	51.5%	51.8%

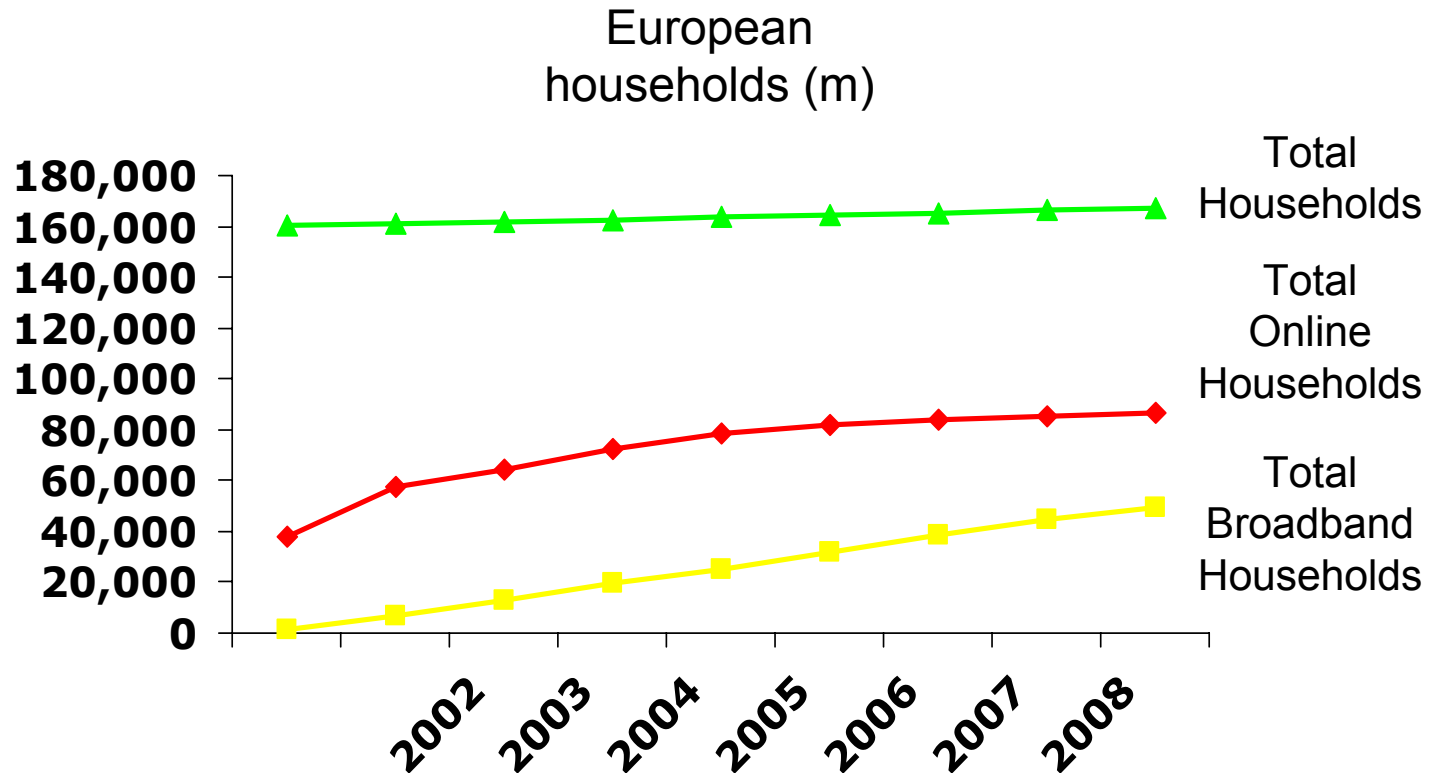
Almost 10% of online Europeans has a broadband connection at home

"Which of the following connections do you have to the Internet at home?"



Forrester's Consumer Technographics Q2 2003 Europe Study (n=23,511)
Base: European online consumers with a home connection

Broadband grows to 30% of all households in 2008



Forrester Report "Broadband's Focus Shifts To Profit"

Broadband grows to 30% of all households in 2008

Total broadband households per country (thousands)								% of households 2008
	2002	2003	2004	2005	2006	2007	2008	
Austria	432	519	621	717	843	949	1,039	30%
Belgium	676	855	964	1,131	1,283	1,419	1,538	34%
Denmark	465	581	695	876	1,030	1,161	1,271	43%
Finland	206	281	384	484	635	762	869	35%
France	1,405	2,873	3,335	4,257	5,157	5,992	6,741	27%
Germany	3,756	4,826	6,411	8,272	9,864	11,209	12,340	32%
Greece	1	1	2	23	79	136	219	5%
Ireland	4	4	25	79	137	196	261	17%
Italy	1,023	1,792	2,365	3,156	3,786	4,606	5,302	24%
Luxembourg	5	9	22	33	43	53	63	35%
Netherlands	1,113	1,663	1,904	2,191	2,575	2,908	3,194	44%
Norway	191	321	439	581	704	810	900	45%
Portugal	256	344	385	439	517	626	731	21%
Spain	664	1,156	1,282	1,580	1,885	2,214	2,512	18%
Sweden	707	973	1,188	1,477	1,721	1,926	2,099	43%
Switzerland	386	574	650	732	850	958	1,056	33%
UK	1,691	3,035	4,242	5,790	7,202	8,451	9,537	35%
Europe	12,979	19,808	24,915	31,816	38,311	44,376	49,671	30%
Total online households	64,100	72,338	78,210	81,823	84,058	85,506	86,519	52%

(numbers have been rounded)

Forrester Report "Broadband's Focus Shifts To Profit"

2

Display advertising

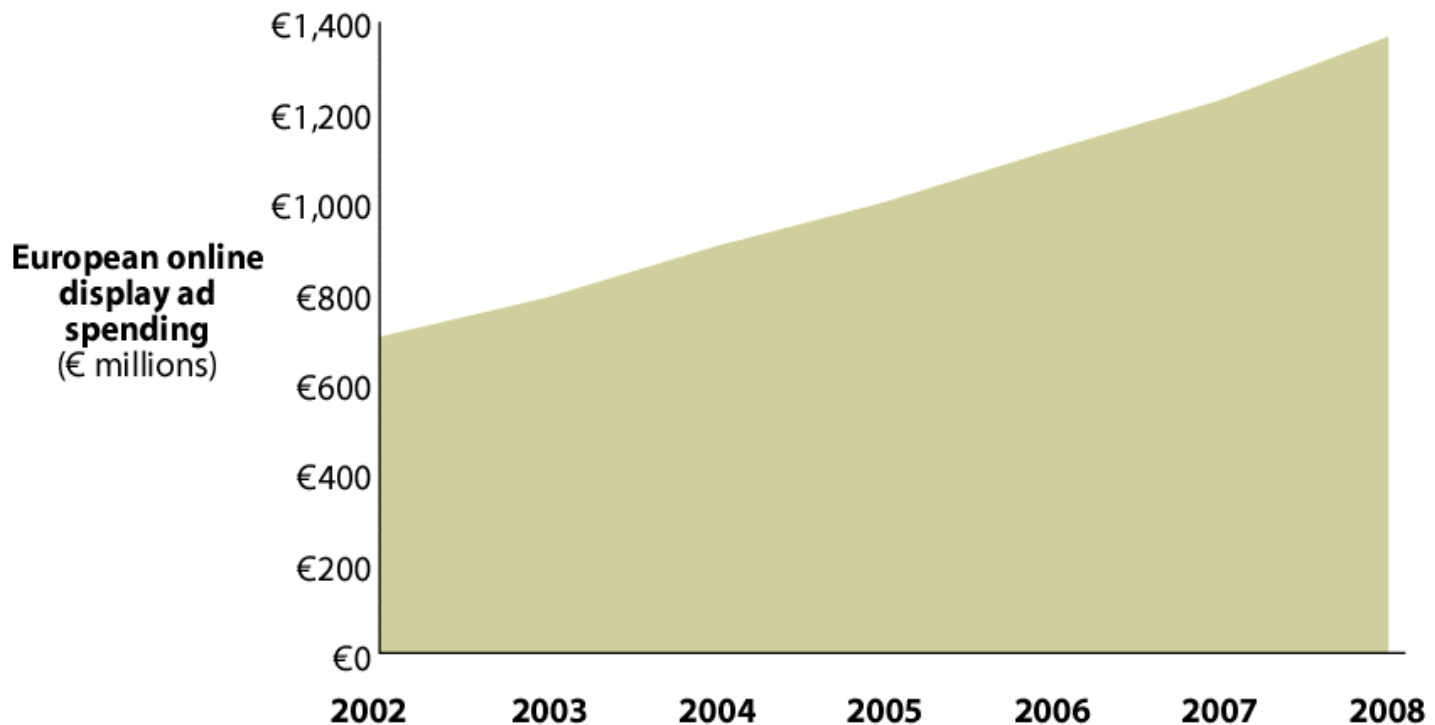
This forecast looks at display ads

banner ads,
sponsorships, slotting
fees, interstitials, and
rich media

What are the broad drivers of growth?

- The majority of British adults are online
- Broadband access is growing steadily
- More are shopping online
- They are spending more than ever
- Media fragmentation reduces the impact of other channels

European display ads to reach €1.4 billion in 2008

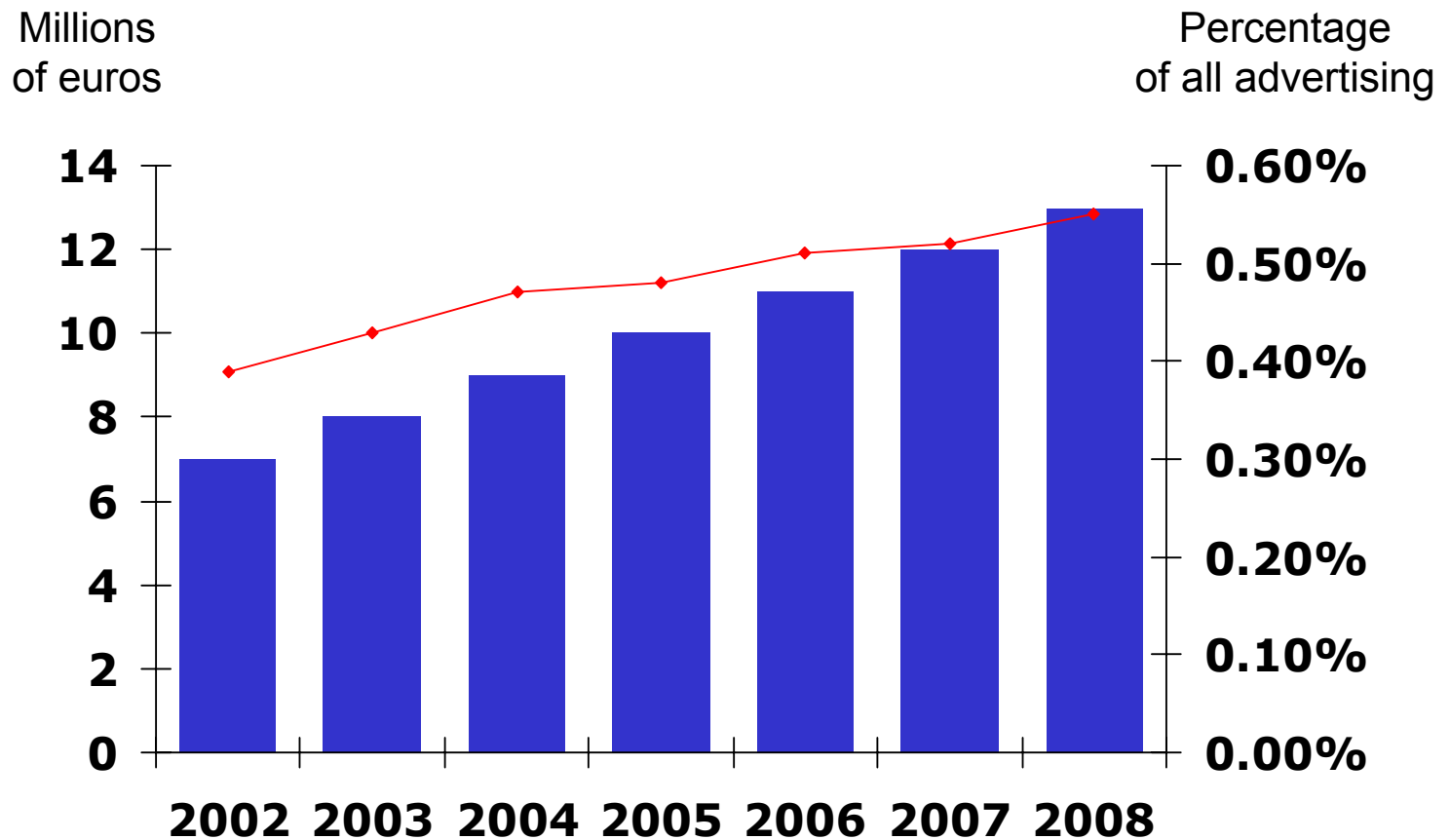


The UK remains the largest market

	2002	2003	2004	2005	2006	2007	2008
Austria	7	8	9	10	11	12	13
Belgium	7	8	9	10	10	11	12
Denmark	13	15	17	18	20	22	24
Finland	8	9	10	11	13	15	17
France	150	169	191	208	229	248	273
Germany	154	173	199	222	247	270	297
Greece	1	1	1	4	10	15	25
Ireland	2	2	3	5	6	8	10
Italy	60	67	75	84	94	107	122
Luxembourg	1	1	1	2	2	2	3
Netherlands	23	26	29	30	34	37	40
Norway	17	19	22	25	28	31	35
Portugal	6	6	7	8	8	10	11
Spain	24	27	30	33	37	41	48
Sweden	40	45	52	57	62	68	74
Switzerland	20	22	25	27	29	32	35
United Kingdom	174	196	227	253	281	306	336
Total (€ millions)	705	793	907	1,005	1,122	1,233	1,375

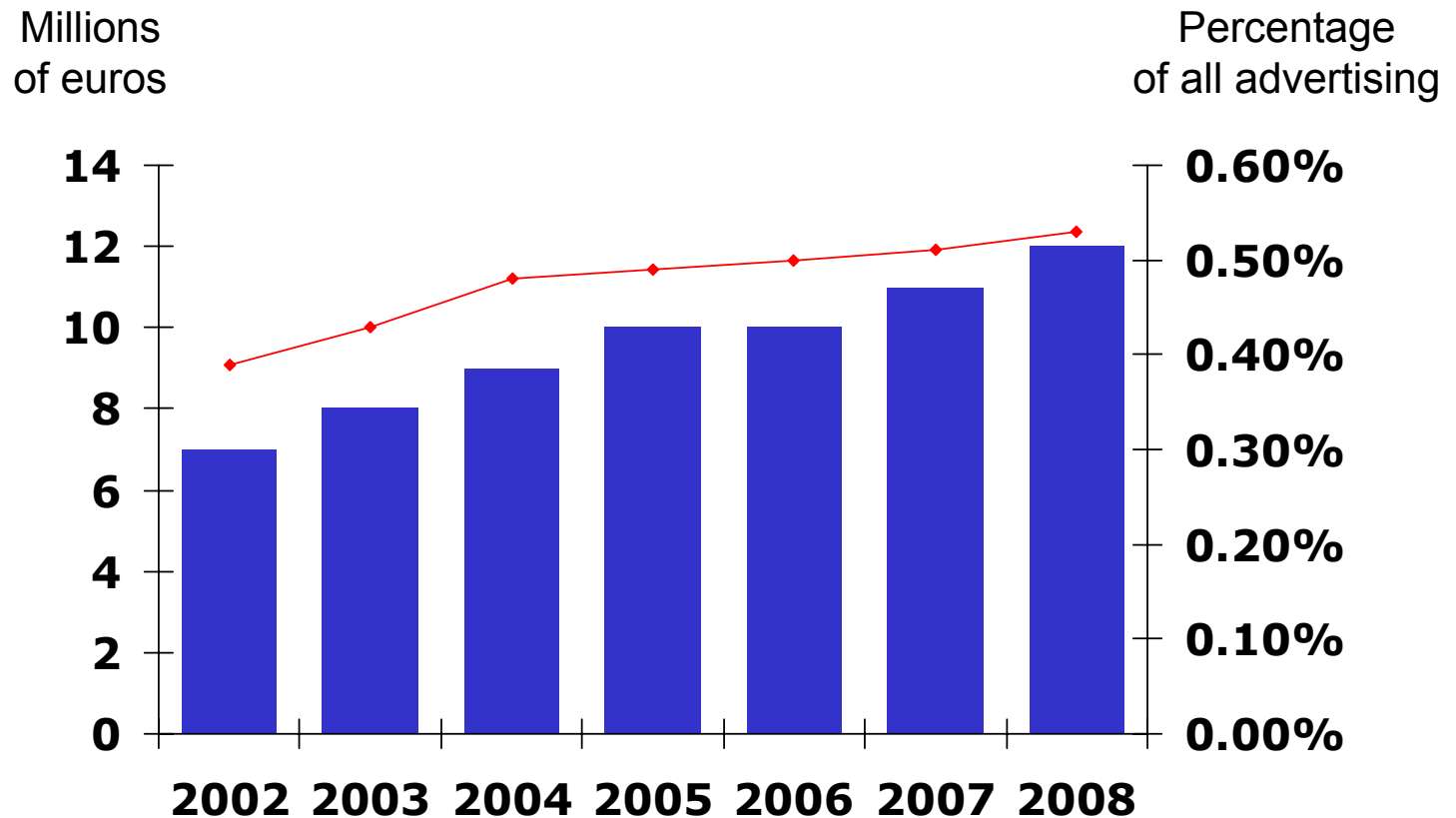
(numbers have been rounded)

Austria: Online display ads



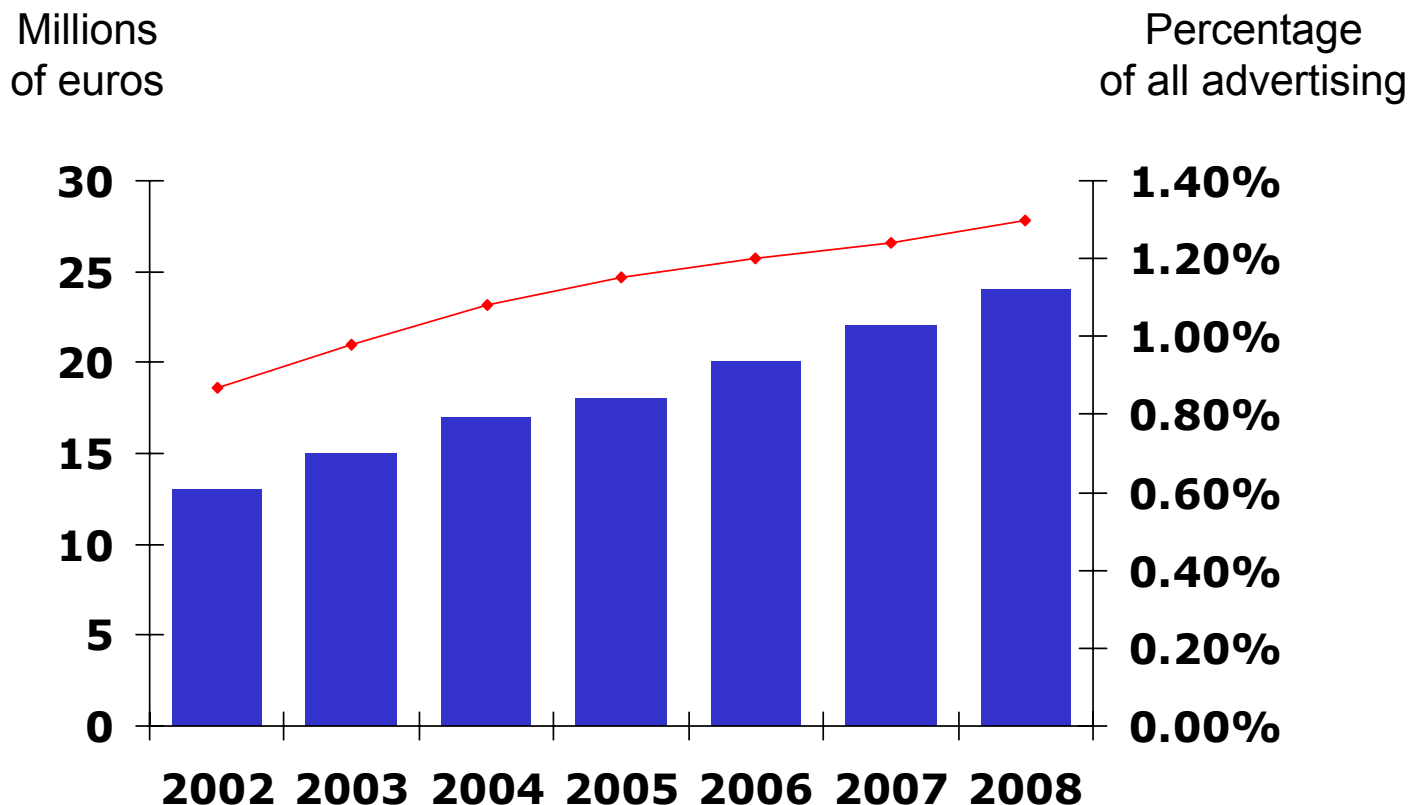
Forrester Report "Choosing The Right Retail Strategy"

Belgium: Online display ads



Forrester Report "Choosing The Right Retail Strategy"

Denmark: Online display ads

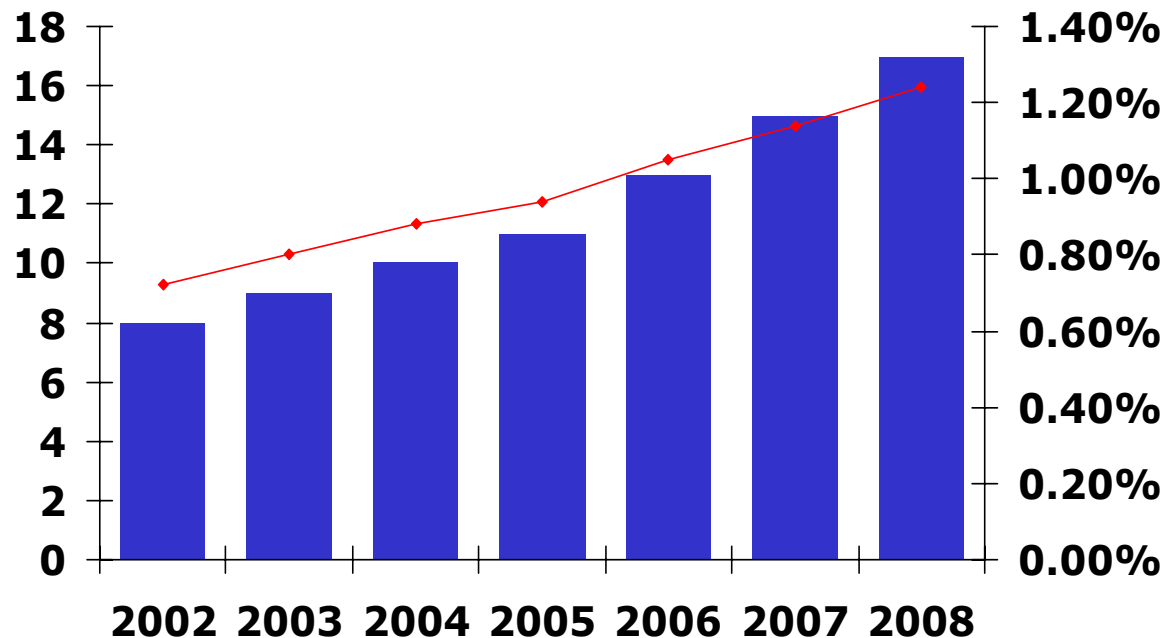


Forrester Report "Choosing The Right Retail Strategy"

Finland: Online display ads

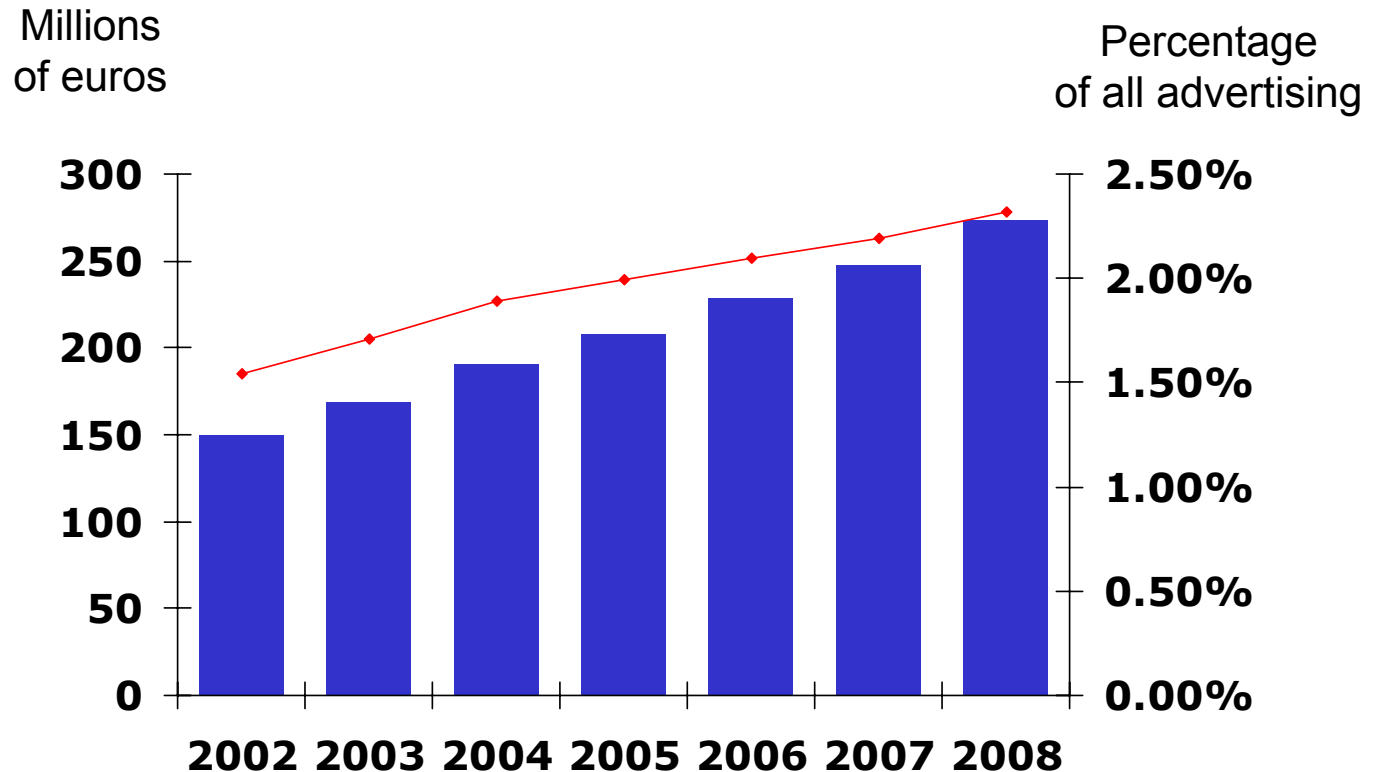
Millions
of euros

Percentage
of all advertising



Forrester Report "Choosing The Right Retail Strategy"

France: Online display ads

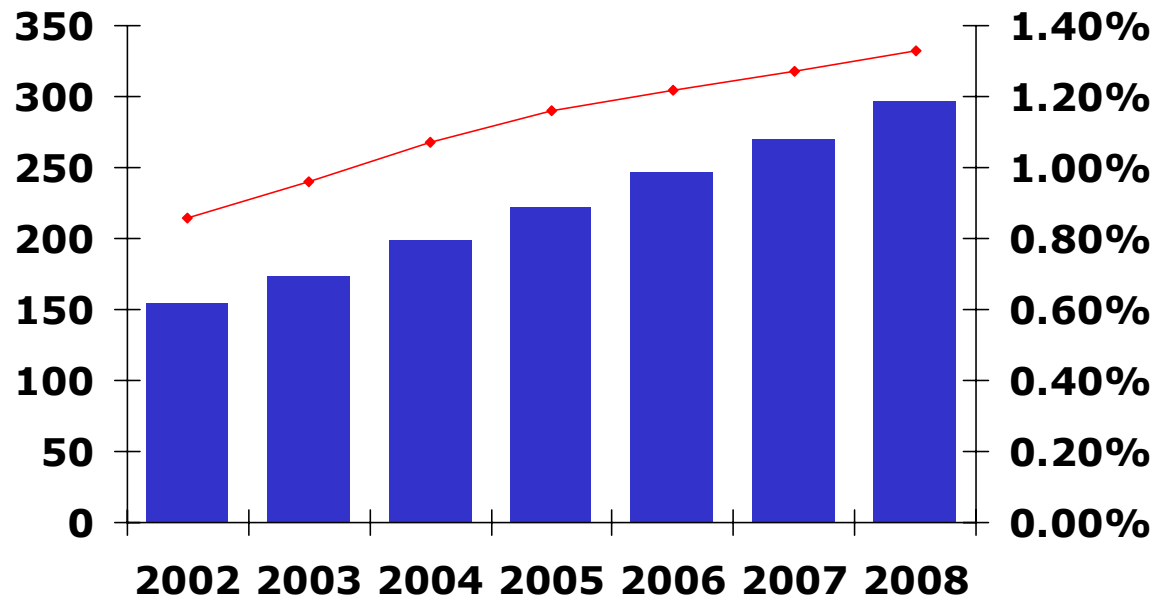


Forrester Report "Choosing The Right Retail Strategy"

Germany: Online display ads

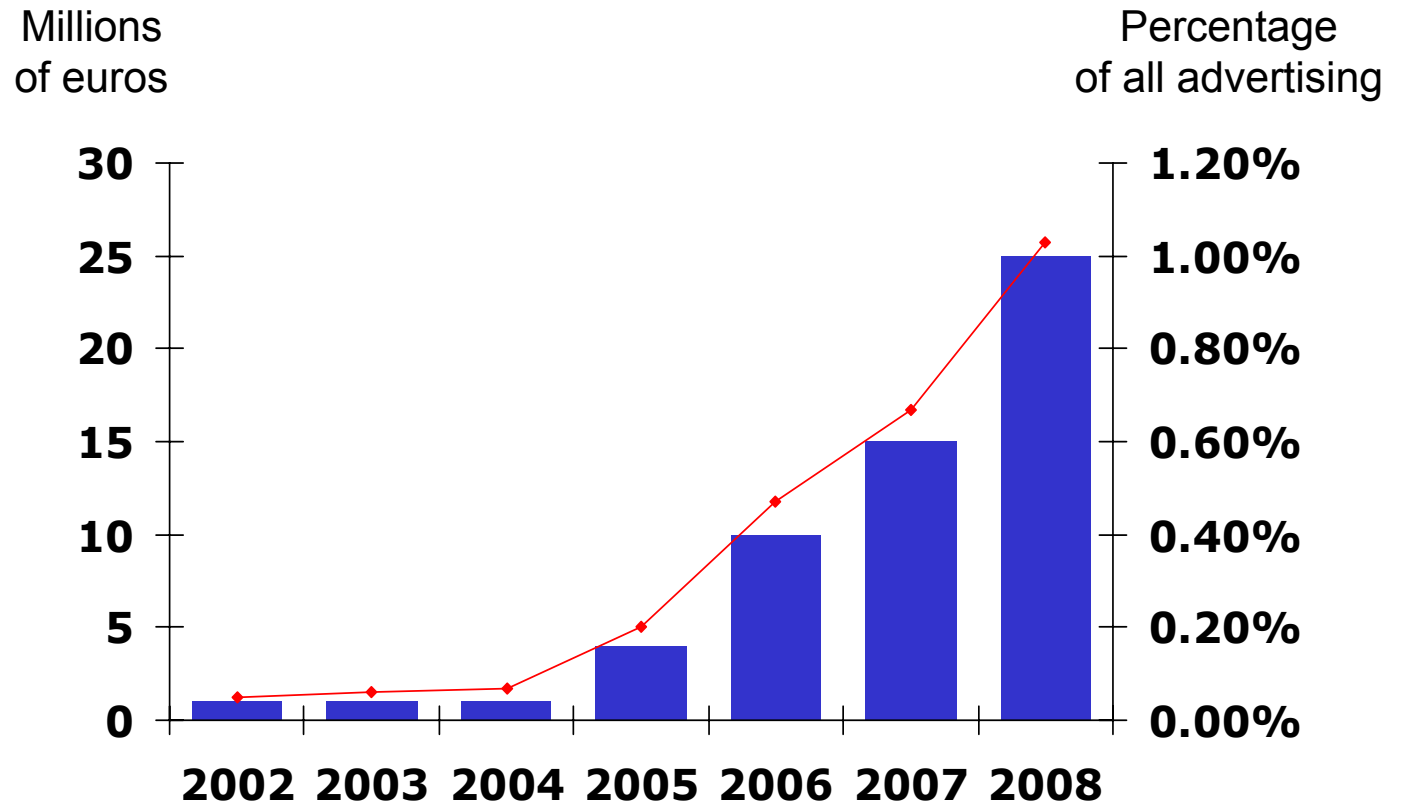
Millions
of euros

Percentage
of all advertising



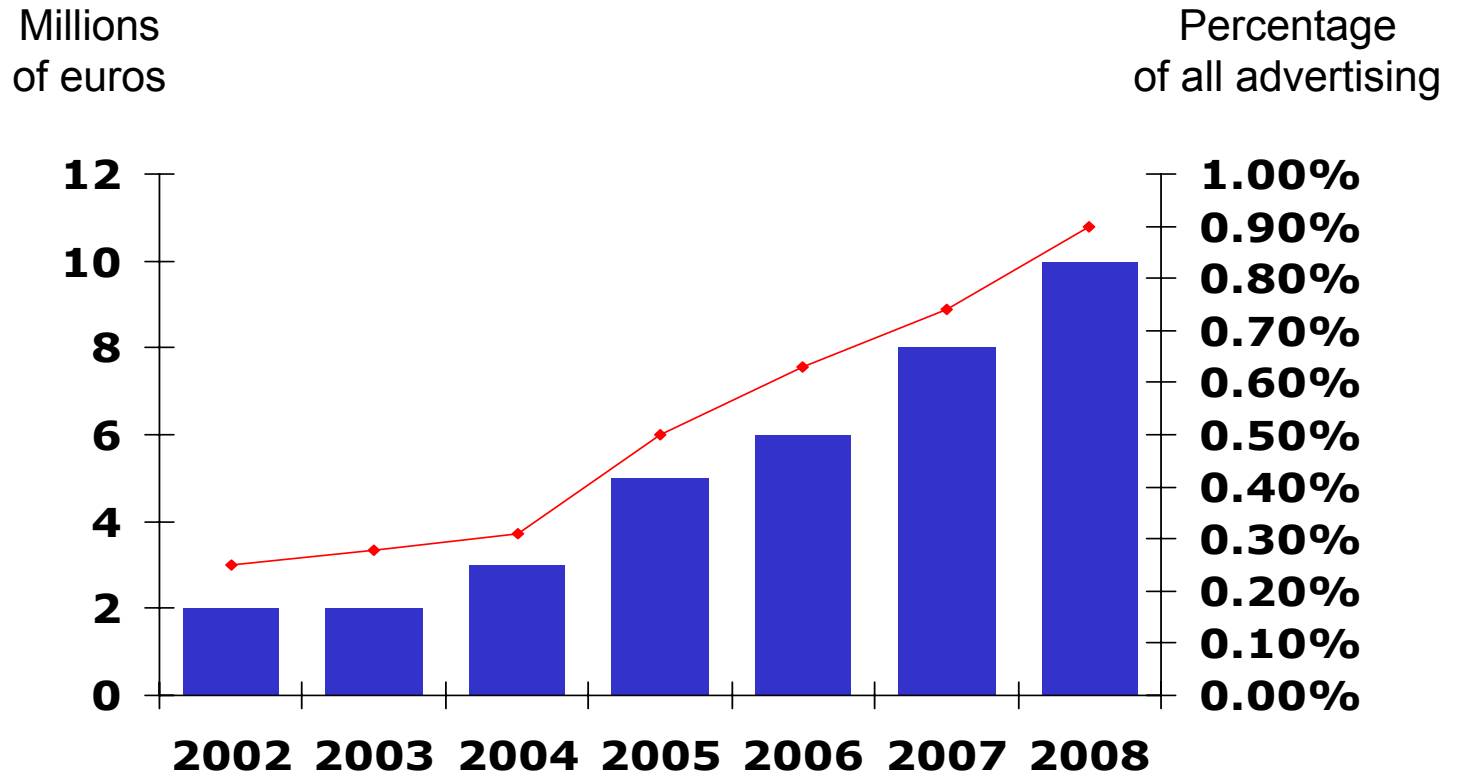
Forrester Report "Choosing The Right Retail Strategy"

Greece: Online display ads



Forrester Report "Choosing The Right Retail Strategy"

Ireland: Online display ads

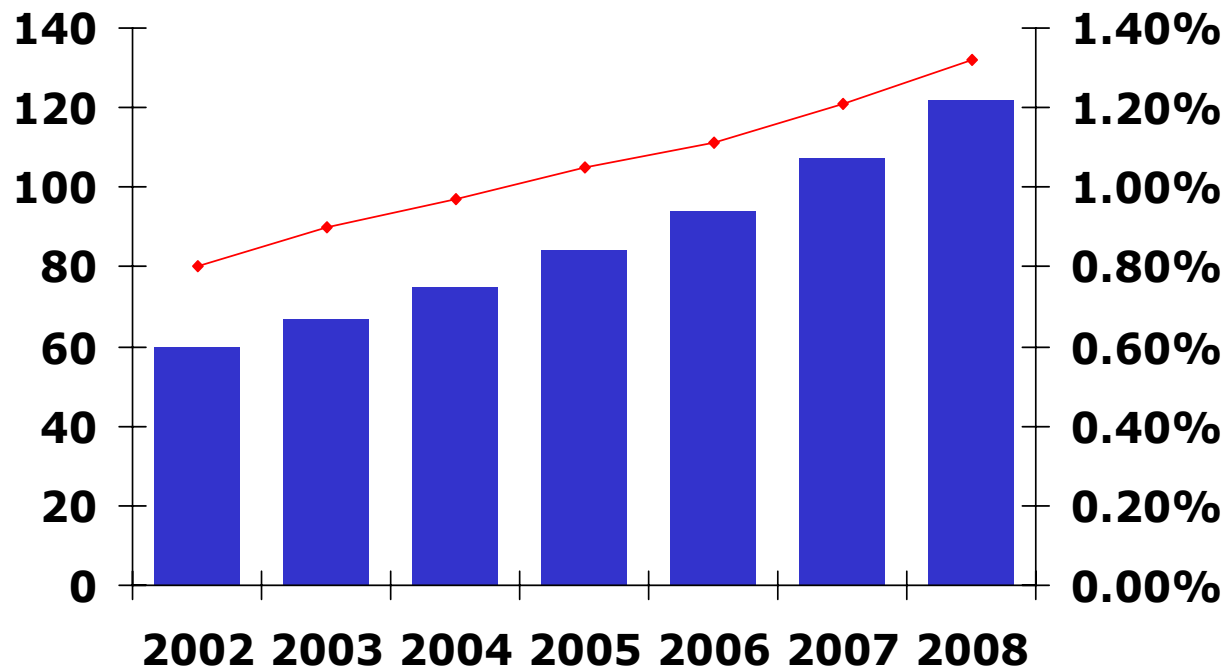


Forrester Report "Choosing The Right Retail Strategy"

Italy: Online display ads

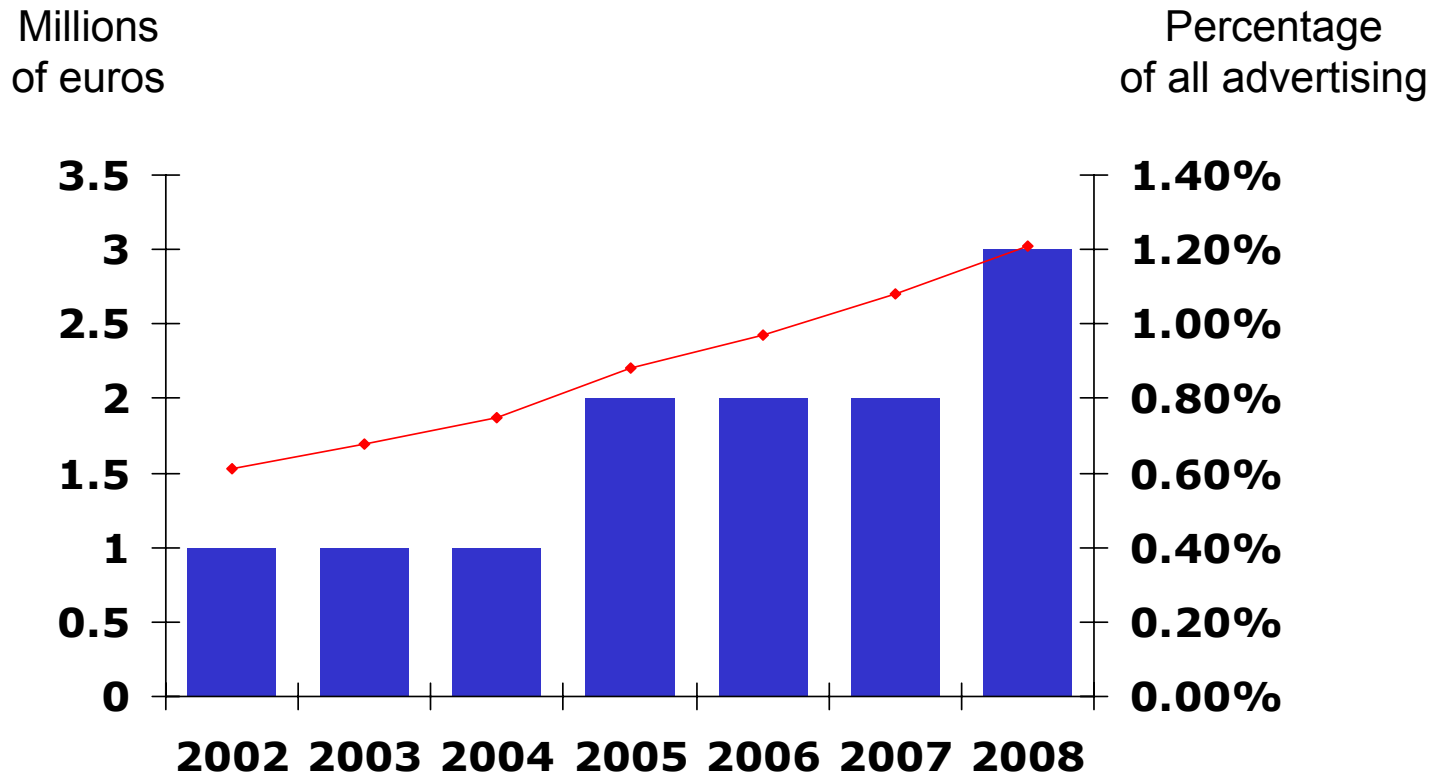
Millions
of euros

Percentage
of all advertising



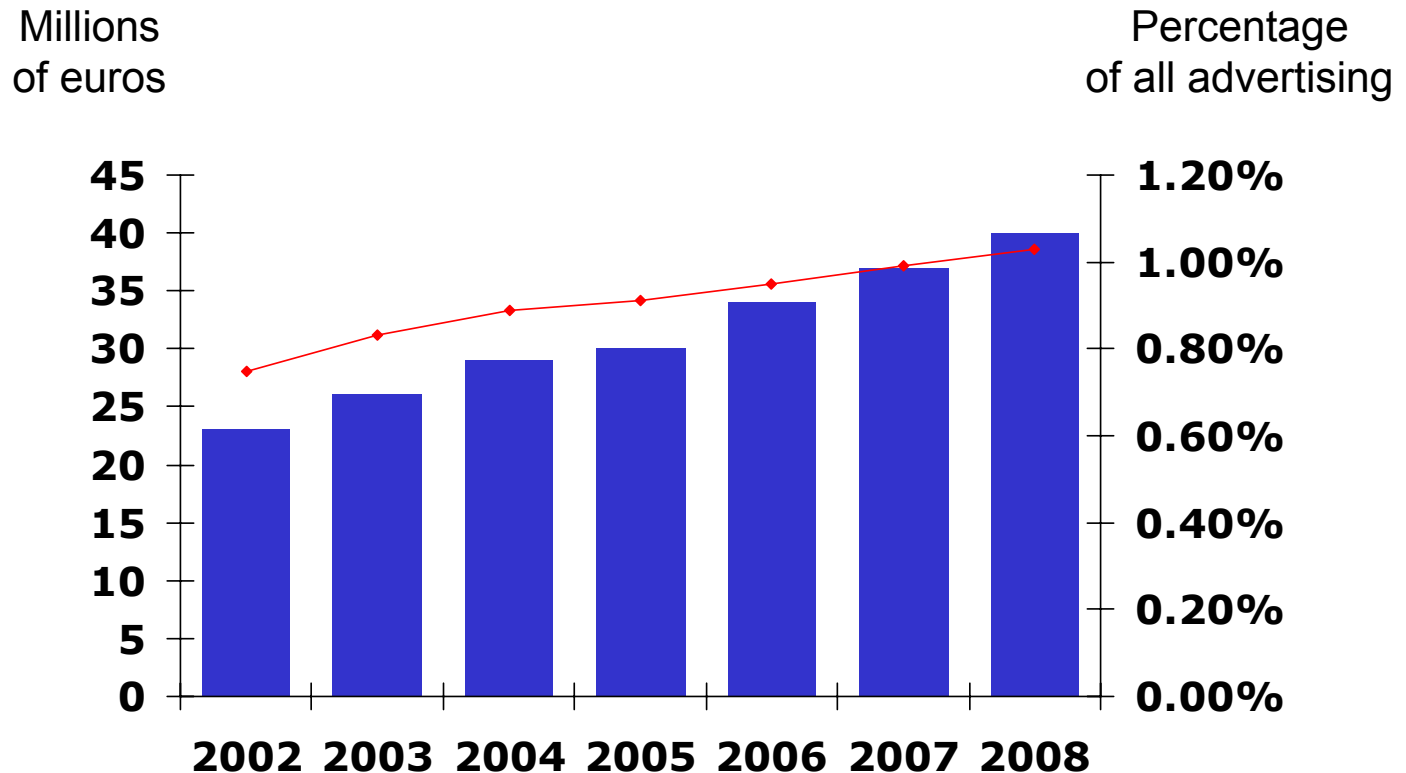
Forrester Report "Choosing The Right Retail Strategy"

Luxembourg: Online display ads



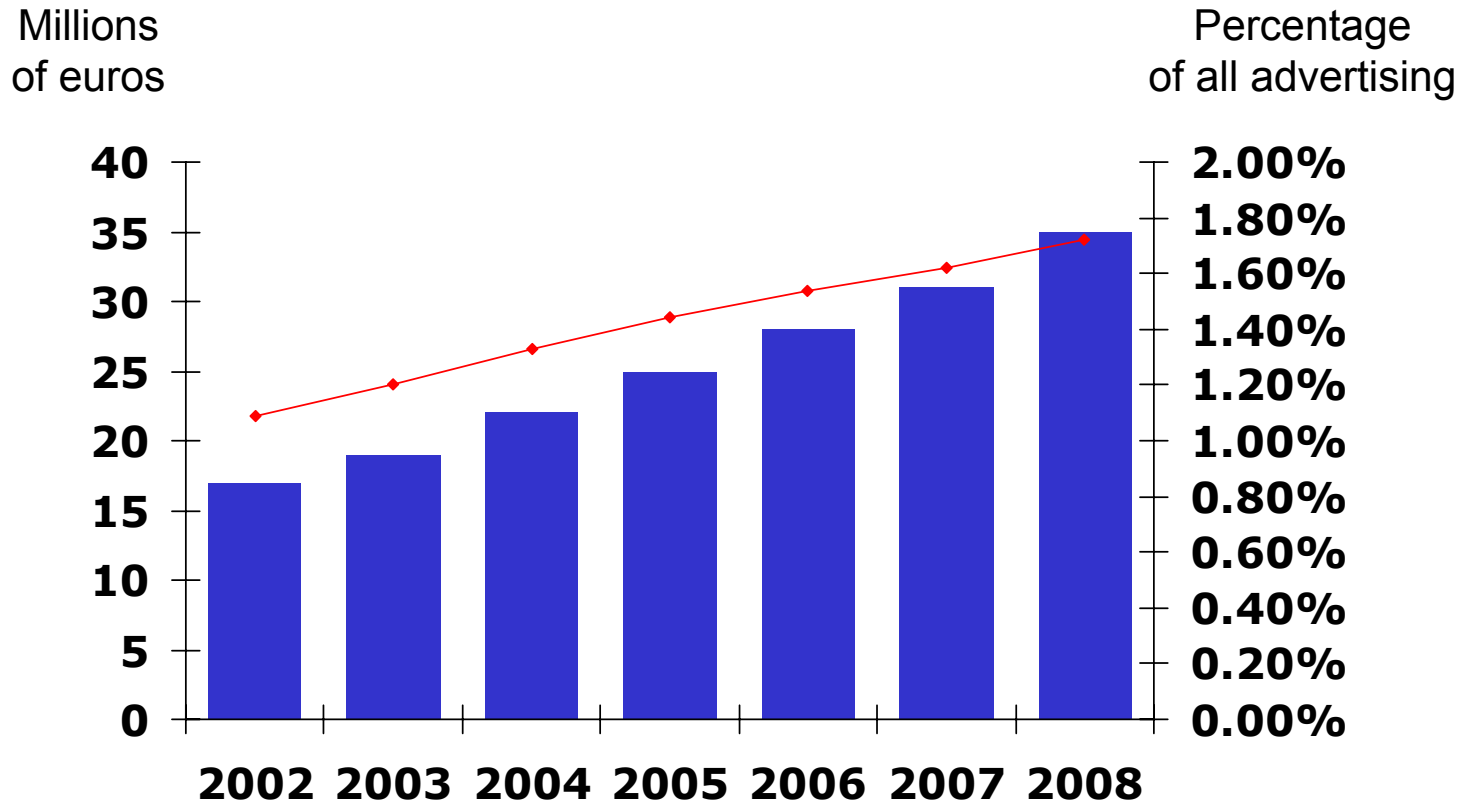
Forrester Report "Choosing The Right Retail Strategy"

Netherlands: Online display ads



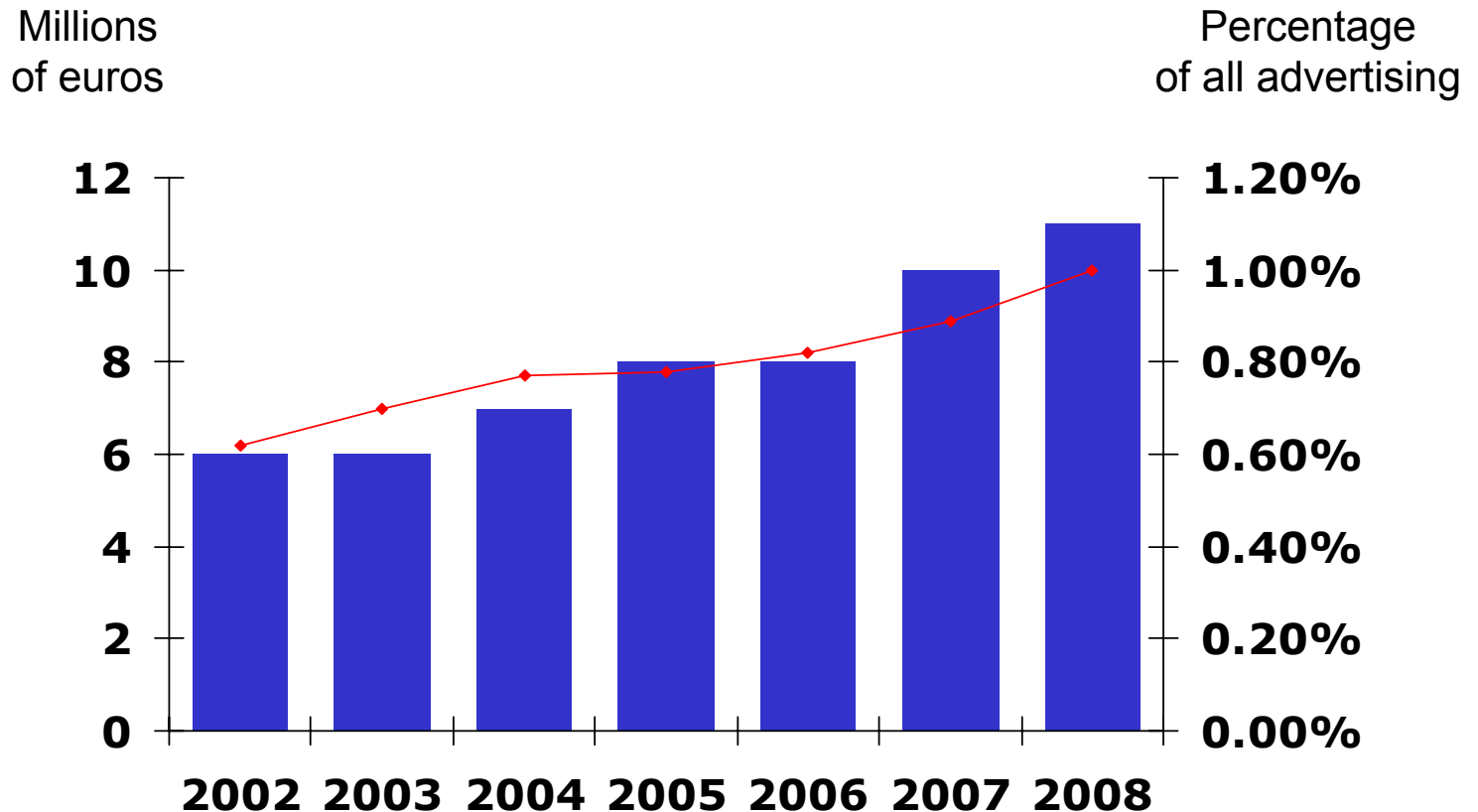
Forrester Report "Choosing The Right Retail Strategy"

Norway: Online display ads



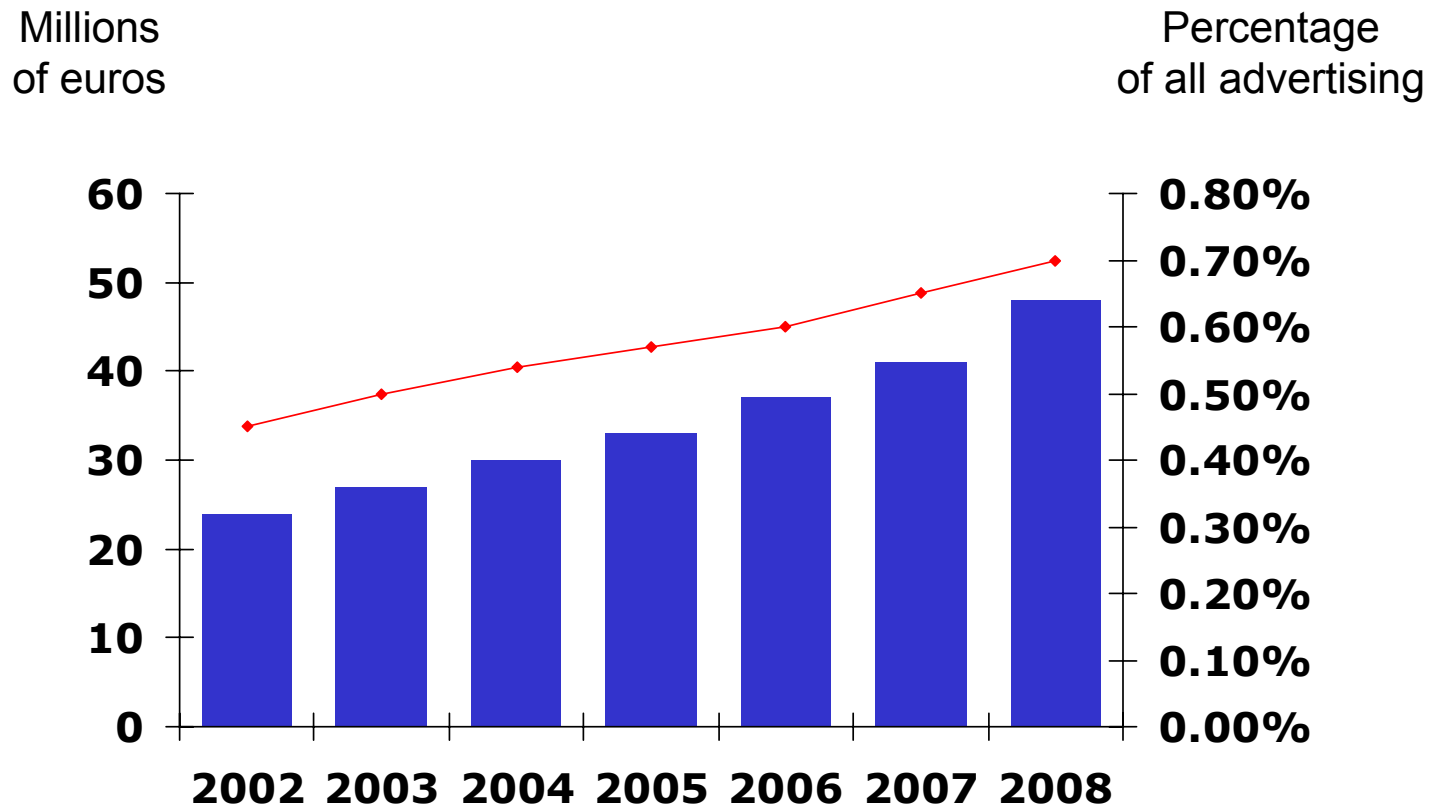
Forrester Report "Choosing The Right Retail Strategy"

Portugal: Online display ads



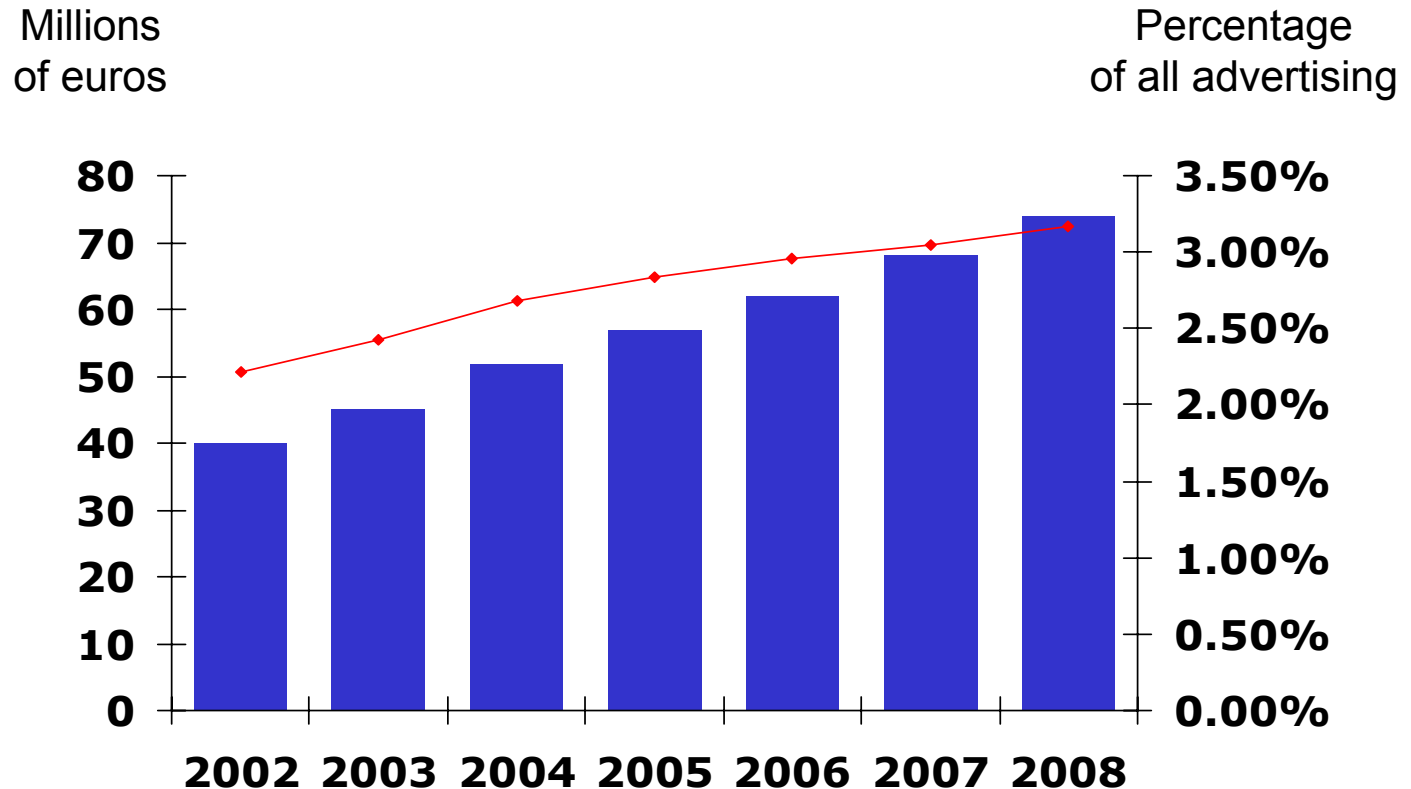
Forrester Report "Choosing The Right Retail Strategy"

Spain: Online display ads



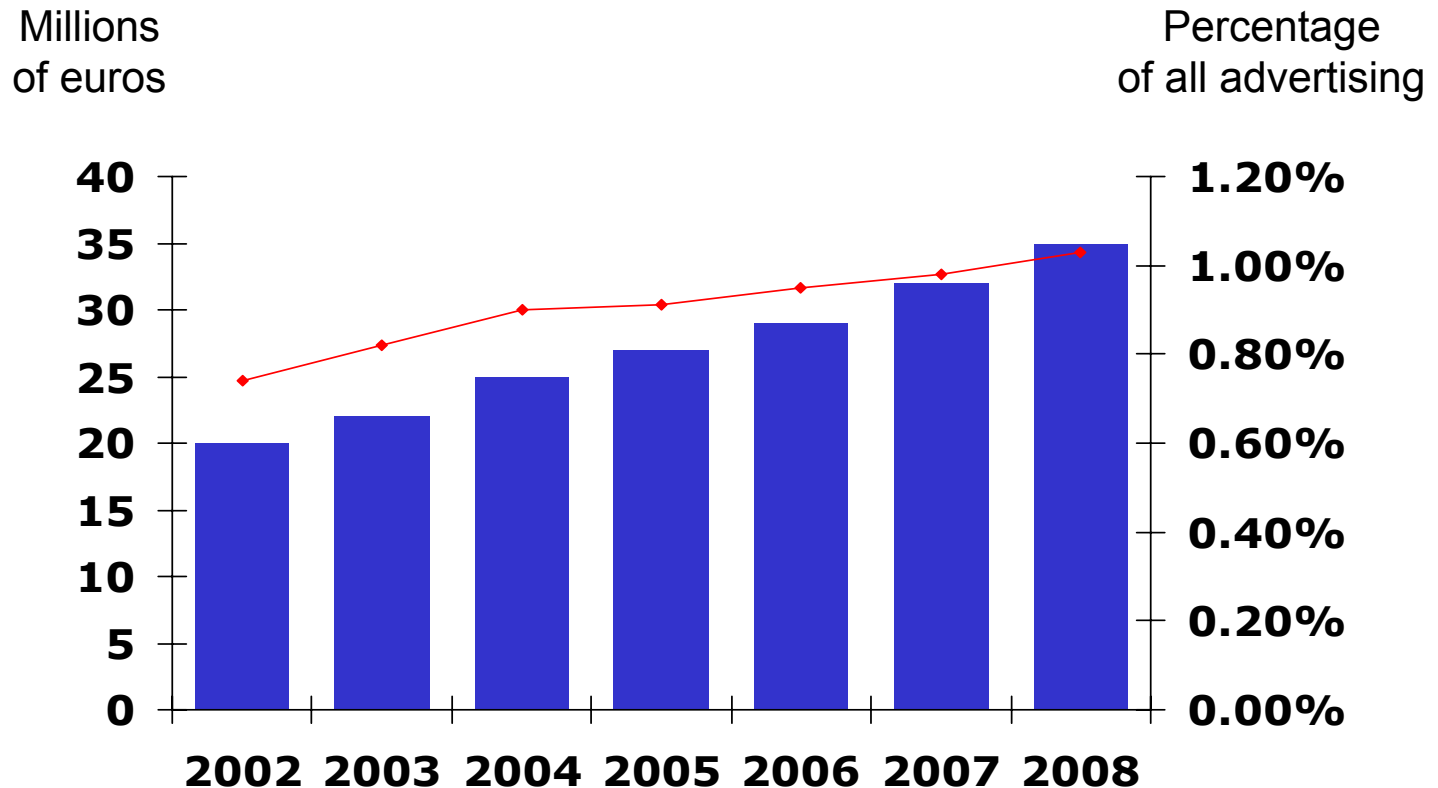
Forrester Report "Choosing The Right Retail Strategy"

Sweden: Online display ads



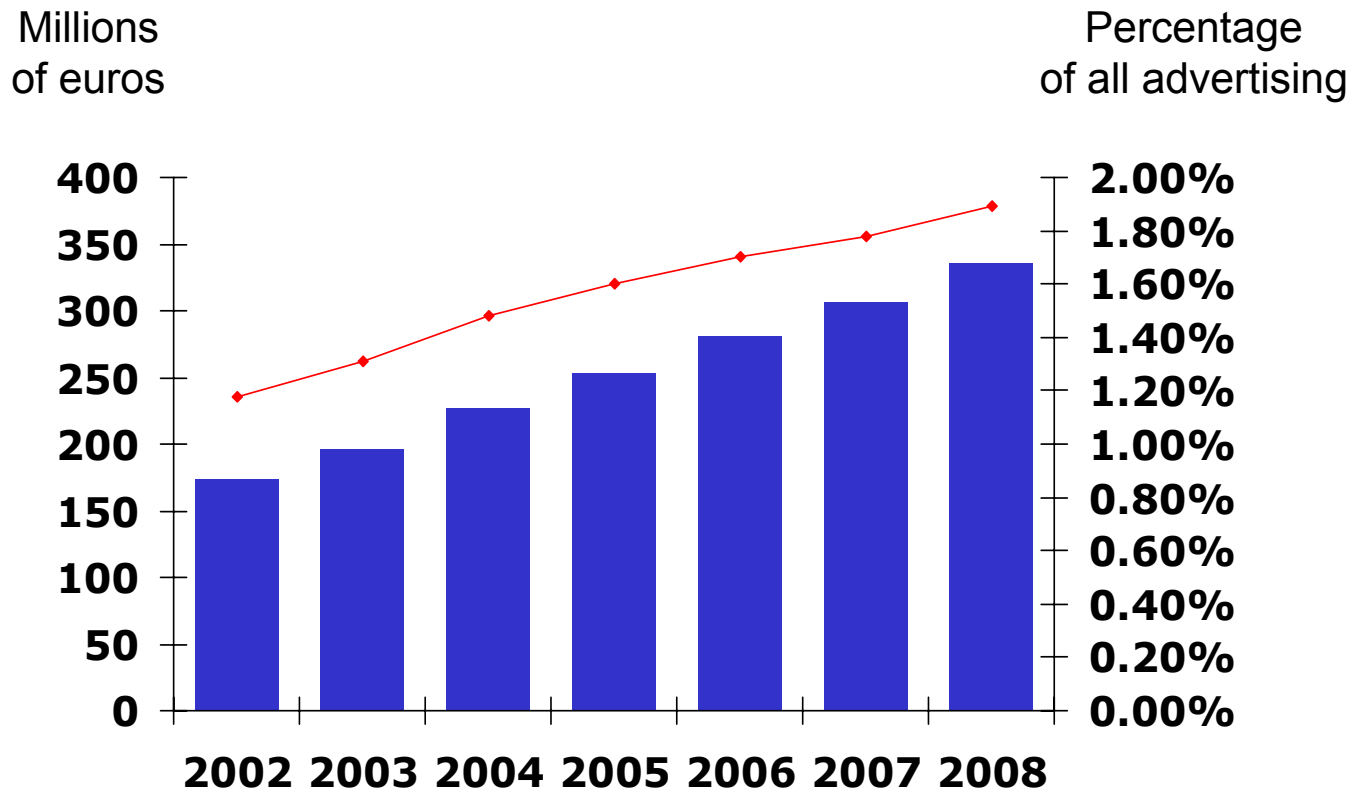
Forrester Report "Choosing The Right Retail Strategy"

Switzerland: Online display ads



Forrester Report "Choosing The Right Retail Strategy"

UK: Online display ads

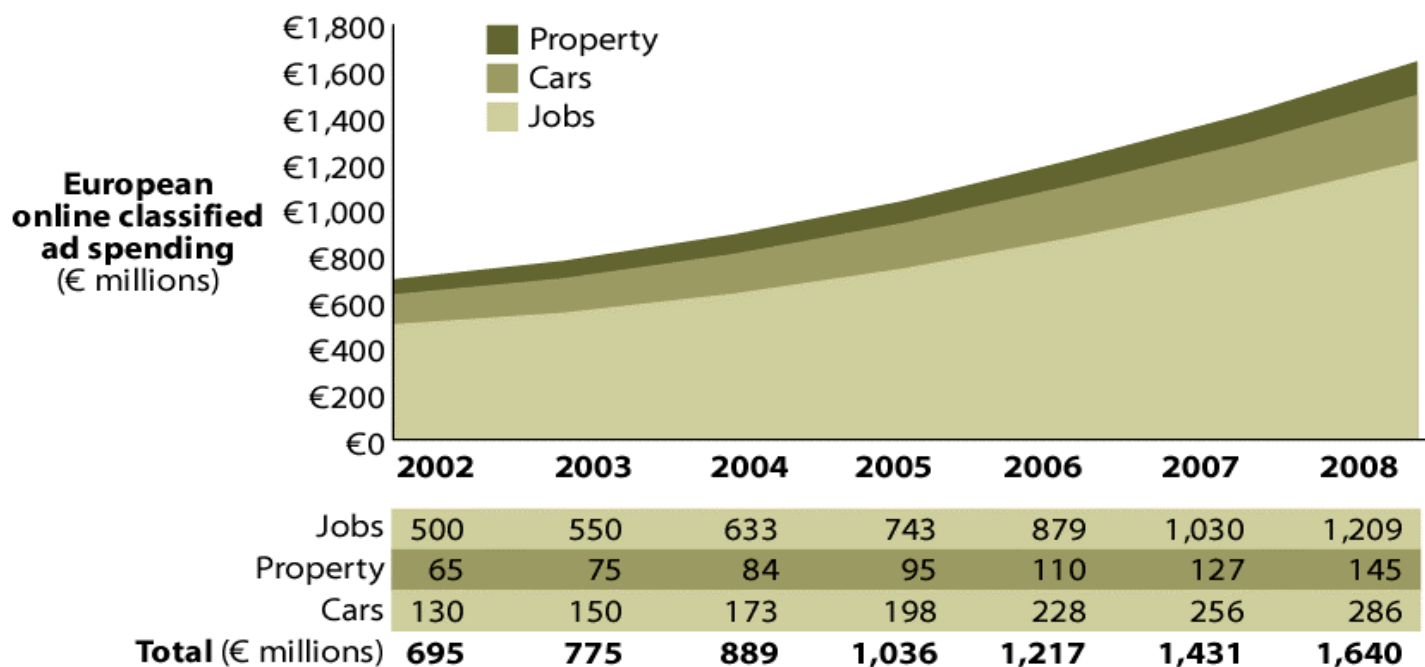


Forrester Report "Choosing The Right Retail Strategy"

3

Classified advertising

Online Classified Forecast, Europe

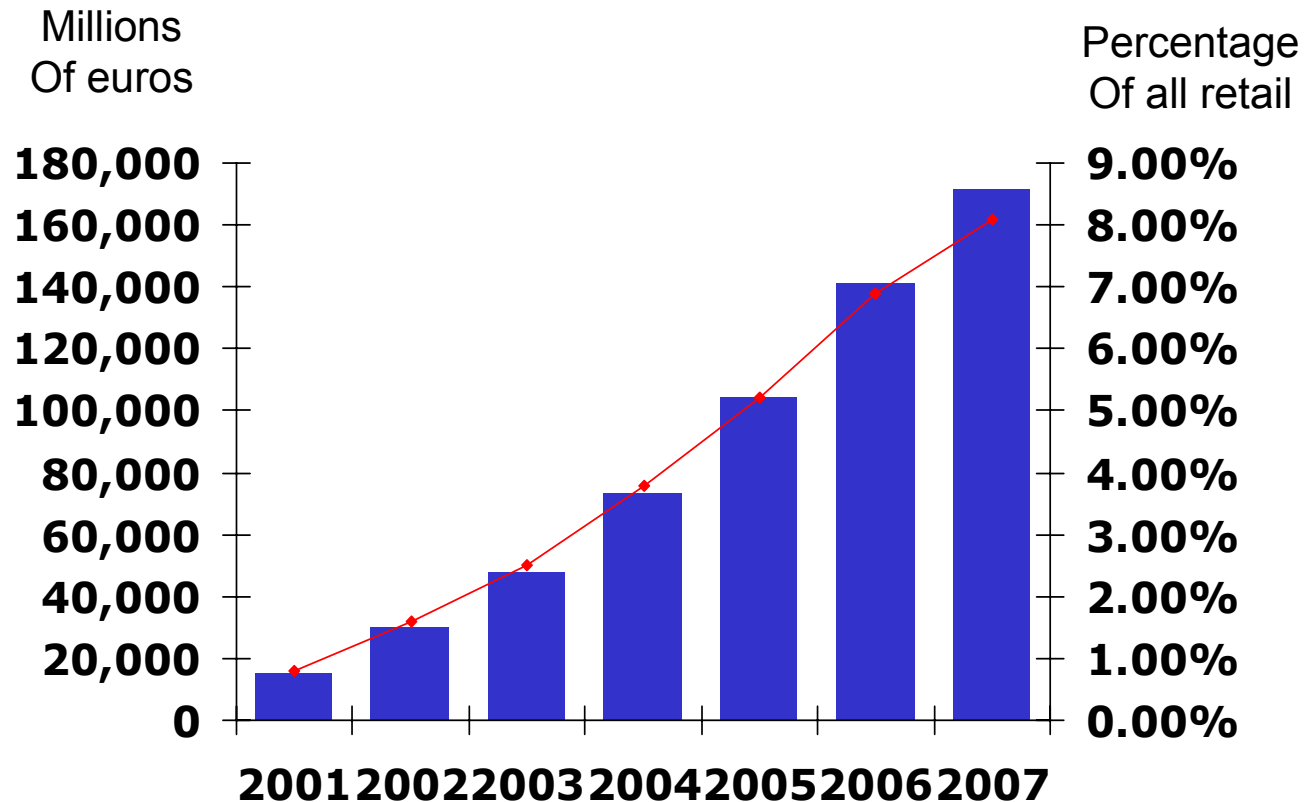


(numbers have been rounded)

4

Online retail

European online retail reaches €171bn in 2007



Forrester Report "Choosing The Right Retail Strategy"

Germany becomes the largest online retail market by value

Total online sales	2001	2002	2003	2004	2005	2006	2007
<i>(millions)</i>							
Austria	331	588	988	1,520	2,232	3,143	3,502
Belgium	354	688	1,115	1,722	2,446	3,294	4,232
Denmark	315	634	1,066	1,668	2,407	3,324	4,190
Finland	213	383	606	924	1,309	1,777	2,317
France	1,366	2,794	4,606	7,239	10,372	14,060	18,146
Germany	4,256	8,427	13,788	21,616	30,973	40,840	48,405
Greece	17	51	123	256	466	753	1,104
Ireland	59	133	253	439	684	972	1,307
Italy	634	1,496	2,782	4,762	7,337	10,333	13,707
Luxembourg	14	30	52	83	123	174	231
Netherlands	666	1,155	1,755	2,602	3,594	4,740	6,017
Norway	289	583	973	1,521	2,206	3,075	3,887
Portugal	43	115	231	429	720	1,097	1,541
Spain	273	664	1,212	2,175	3,480	5,030	6,782
Sweden	660	1,217	1,948	2,967	4,219	5,612	6,743
Switzerland	562	1,226	2,062	3,325	4,805	6,134	7,011
UK	5,446	9,946	14,561	20,298	27,137	36,729	42,266
Total	15,488	30,149	48,080	73,536	104,510	141,076	171,387

Several countries top the 10% mark by 2007

Online sales as percentage of total	2001	2002	2003	2004	2005	2006	2007
Austria	0.8%	1.5%	2.4%	3.7%	5.3%	7.4%	8.1%
Belgium	0.6%	1.2%	1.8%	2.8%	3.8%	5.1%	6.4%
Denmark	0.9%	1.8%	2.9%	4.5%	6.4%	8.6%	10.6%
Finland	0.7%	1.3%	2.0%	3.0%	4.1%	5.5%	7.0%
France	0.5%	1.0%	1.6%	2.5%	3.5%	4.6%	5.8%
Germany	1.1%	2.2%	3.5%	5.3%	7.5%	9.7%	11.2%
Greece	0.0%	0.1%	0.3%	0.6%	1.0%	1.6%	2.3%
Ireland	0.4%	0.8%	1.5%	2.4%	3.6%	5.0%	6.5%
Italy	0.2%	0.6%	1.0%	1.7%	2.5%	3.5%	4.5%
Luxembourg	0.6%	1.2%	2.1%	3.2%	4.6%	6.3%	8.1%
Netherlands	1.0%	1.7%	2.5%	3.7%	4.9%	6.4%	7.9%
Norway	0.9%	1.9%	3.0%	4.5%	6.4%	8.8%	10.9%
Portugal	0.1%	0.3%	0.6%	1.1%	1.8%	2.7%	3.7%
Spain	0.2%	0.5%	0.9%	1.6%	2.6%	3.6%	4.7%
Sweden	1.2%	2.2%	3.5%	5.2%	7.3%	9.5%	11.2%
Switzerland	1.0%	2.2%	3.7%	5.8%	8.3%	10.4%	11.7%
UK	1.6%	3.0%	4.3%	5.8%	7.6%	9.8%	10.8%
Total	0.8%	1.6%	2.5%	3.8%	5.2%	6.9%	8.1%

5

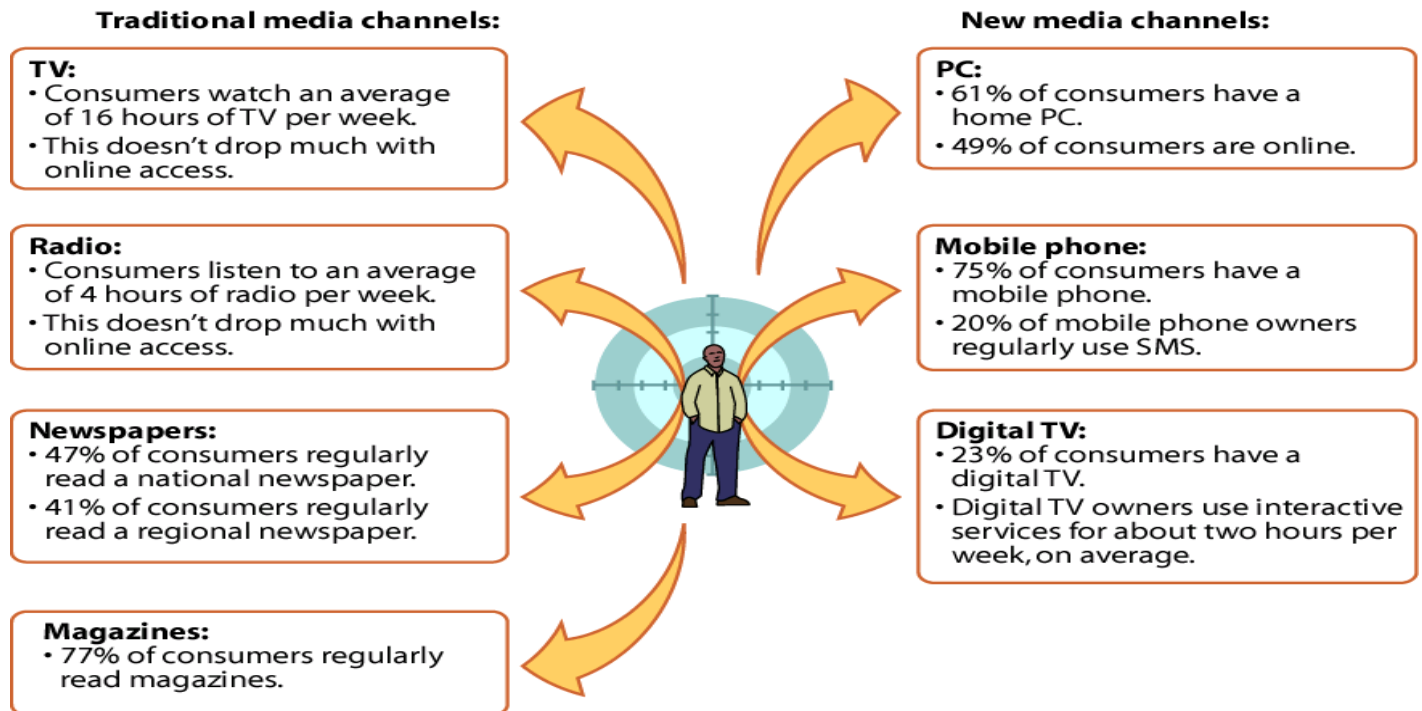
Media fragmentation

Consumers don't restrict their media choices

- Consumers are using more information channels
 - Compared with three years ago, a revolution has taken place -- magazines have lost two-thirds of their audience for sports and news
 - Around 20% of European consumers use the Net for job and property research, twice as many as in 2000
- New communication channels keep growing
 - Nine percent of Europeans now have broadband, doubling the time they spend online to 12 hours per week
- Technology is transforming old media
 - US PVR owners admit to skipping 20% of all TV ads.
 - Some 24% of US online households and 29% of online European adults download music to their PCs

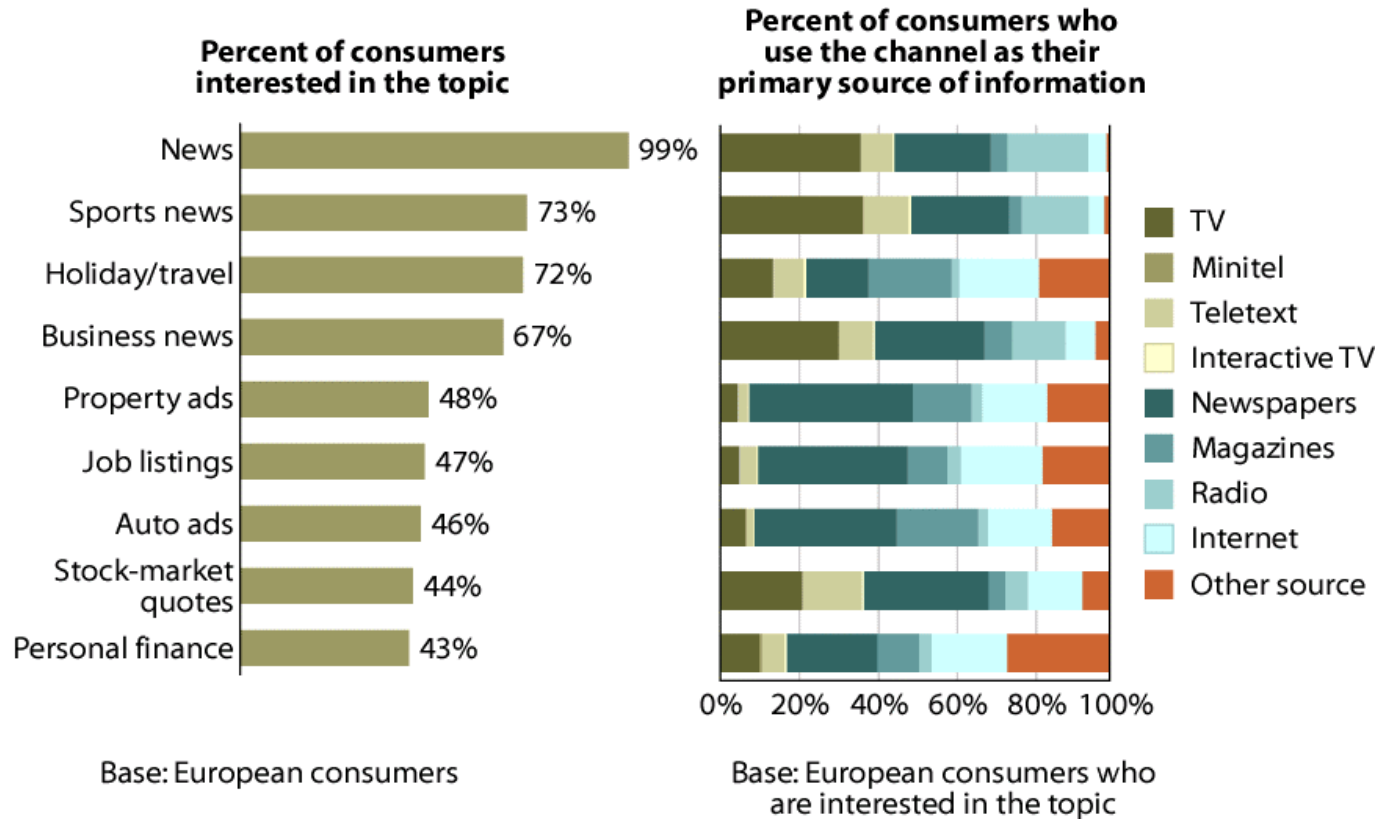
Media fragmentation drives attention from traditional media

European consumers' multichannel lives



With the internet gaining traction

Profiling European consumers' media channel mix



Data behind the graphic: e.g. 21% of Europeans who are interested in job listings say the Internet is their primary research source for these

Percent of consumers
interested in the topic

Percent of consumers who use the channel as their primary information source

		TV	Minitel	Teletext	IdTV	Newspapers	Magazines	Radio	Internet	Other source
99%	News	36%	0%	8%	1%	25%	4%	21%	5%	1%
73%	Sports news	37%	0%	12%	1%	25%	3%	17%	4%	1%
72%	Holiday information	13%	0%	8%	1%	16%	21%	2%	20%	18%
67%	Business news	30%	0%	9%	0%	28%	7%	14%	8%	4%
48%	Property ads	4%	0%	3%	0%	42%	15%	3%	17%	16%
47%	Job listings	5%	0%	4%	0%	38%	10%	4%	21%	17%
46%	Automobile ads	6%	0%	2%	0%	37%	21%	3%	16%	15%
44%	Stock-market quotes	21%	0%	15%	1%	32%	4%	6%	14%	7%
43%	Personal finance	10%	1%	6%	1%	23%	11%	3%	19%	26%

Base: European consumers

Base: European consumers who are interested in the topic.

6

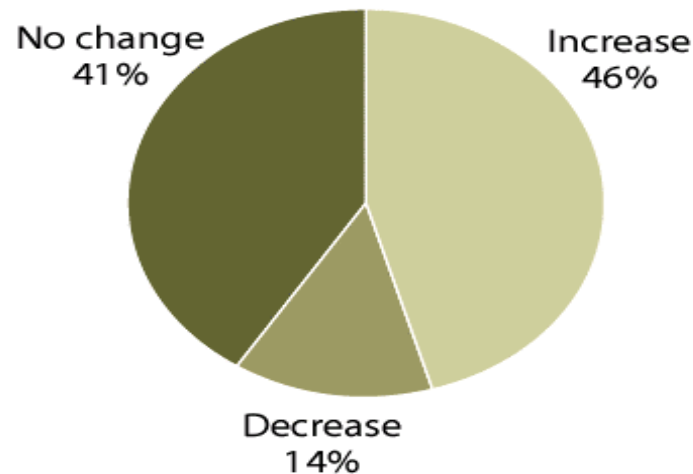
Looking to the future

Green shoots are starting to show

- Industry vibes are positive
 - IPA's Q3 2003 Bellwether Report stated that Net marketing budgets rose in Q3 at a faster rate than for any other category; the growth was significantly greater than that in Q2
 - MSN's Online Pulse in September 2003 revealed that 40% of UK media buyers and brand managers intend to increase online budgets in the coming six months
- Marketers are starting to concentrate more online
 - More than 80% of Forrester interviewees say that they intend to maintain or increase spend on online ads in the next year
- Revenues are beginning to recover

87% of interviewees say they will increase or maintain spend

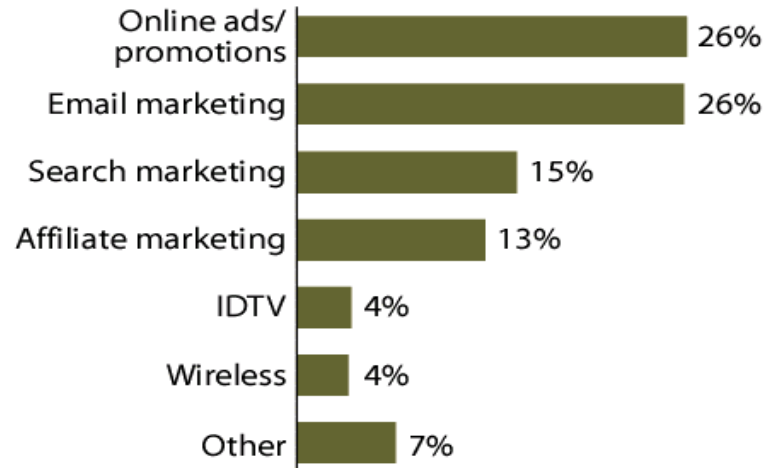
"How do you think your spending on online ads will change in the next year?"



Base: 22 marketers
(percentages do not total 100 because of rounding)

Online ads take around a quarter of their overall digital budget

“What proportion of your digital marketing budget will be spent on the following types of marketing in 2004?”



Base: 22 marketers
(percentages do not total 100 because of rounding)

For marketers, education and experience pays off

- Search marketing introduces the concept
- Education raises acceptance
- Improved understanding of metrics

Summary

- **European display advertising** is predicted to reach **1.4bn Euros by 2008**
- **European online retail** is expected to reach **171bn by 2008**
- **Technology** is **revolutionizing** the way people **consume media**
- There is a **real feeling of confidence** in the online medium with a majority of marketers surveyed saying they intend to **maintain or increase their budgets for online advertising**

Thanks for your time...

European advertising spend and audiences

Forrester research - a strategic partner of IAB Europe

2004

IAB Seminar

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