

IAB South Africa Internet advertising revenue report

2016 study • An industry survey conducted by PwC and sponsored by the IAB South Africa.



About the IAB Internet advertising revenue report

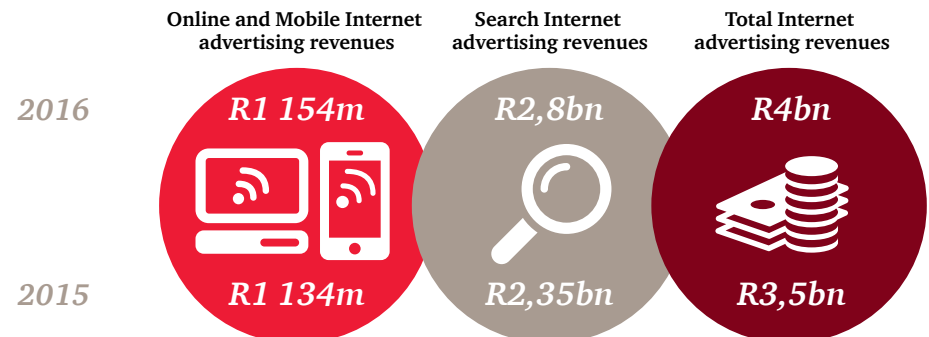
“The IAB SA’s objective for this report is to afford the South African digital industry and the advertising market more accurate insights into Internet advertising spend by South African advertising clients, while ensuring uncompromised confidentiality throughout the entire process.

In consultation with our IAB SA members, other industry bodies such as Mobile Marketing Association and Advertising Media Forum, the industry at large and PwC, the historic methodology (2014 report and earlier) relying primarily on local publishers to submit their numbers to PwC, was revised as from the 2015 report to draw on the buy-side (advertising agencies and clients) as the primary input. PwC cross references this primary input with local publisher numbers for validation purposes.

The 2016 report follows this revised methodology and therefore the validity of the numbers reflected

in this report is dependent on the participation of advertising agencies and/or alternative media buying channels or platforms utilised by South African advertisers. Whilst PwC has seen some increased participation levels from the buy-side, we continue to call on South African Advertising Agencies and Clients to lift participation levels and urgency to ensure this report becomes even more beneficial to the industry and allow us to focus on further improvements to the report scope, says Gustav Goosen, Head of the IAB’s Research Council. We trust you’ll find the IAB South Africa Internet advertising revenue report for the year ended 31 December 2016, conducted by PwC and sponsored by the IAB SA, a helpful resource and reference point.”

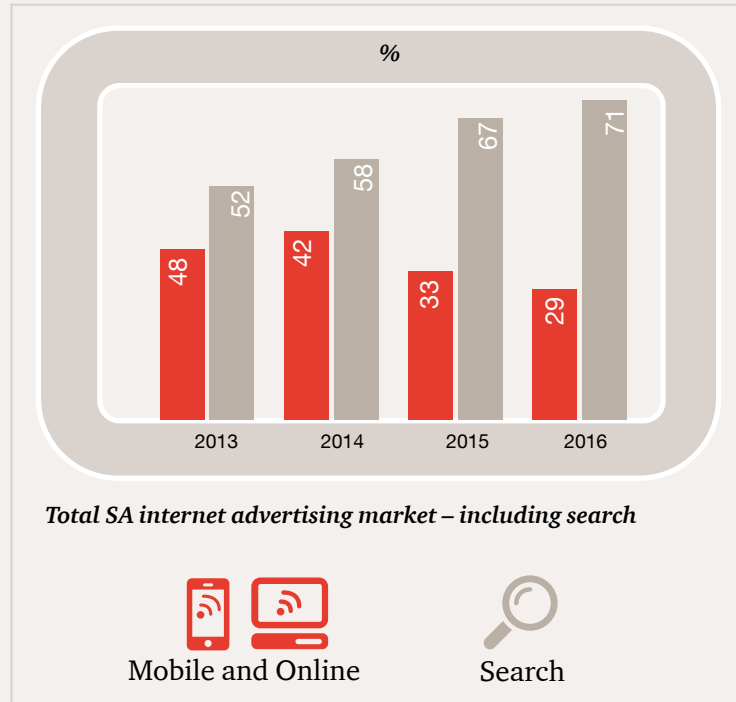
This report utilises data and information reported directly to PwC, publicly available online corporate data, and information from research provider Ovum, also the research provider for the *PwC Entertainment and Media Outlook*.



Internet advertising revenue report: 2016

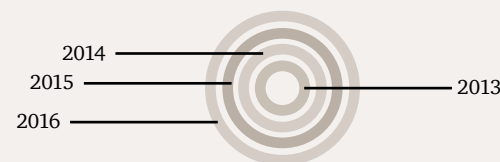
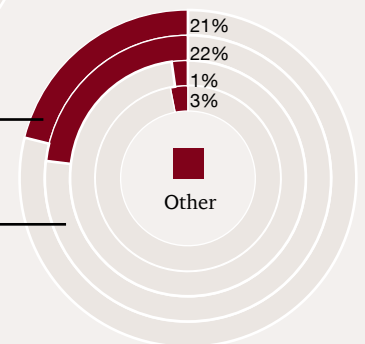
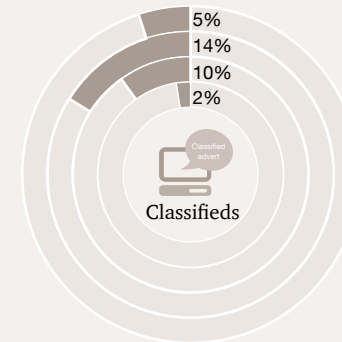
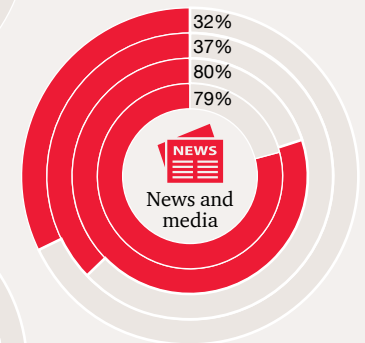
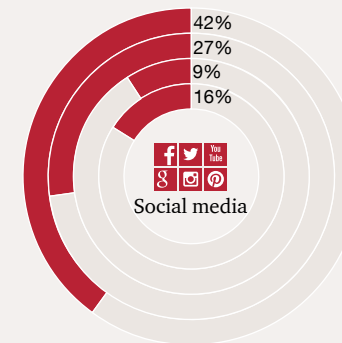
The internet advertising market is continuing to show healthy growth and grew from R3.5 billion in 2015 to almost R4 billion in 2016. Internet advertising has grown exponentially since 2013, when revenues were just R1.3 billion. Different trends are being experienced within the various segments of online advertising. Mobile and Online Internet advertising revenues combined rose fractionally on 2015, increasing by 1.8% to move from R1.13 billion to R1.15 billion. Search Internet advertising in South Africa, however, dwarfed this to total R2.8 billion in 2016, up 20.3% from 2015. Included in these figures are a few interesting trends, such as a continued shift to mobile advertising.

Key trends



Total SA internet advertising market – including search

Net advertising revenue per digital publishing type



2016	
E-commerce	12%
Blogs	4%
Gaming	3%
Other	2%

2015	
E-commerce	9%
Blogs	8%
Gaming	4%
Other	1%



Most popular digital advertising format



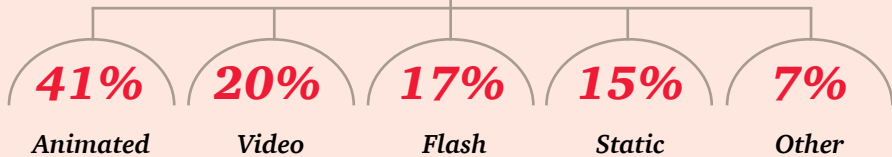
1 Search



2 Display



3 Mobile specific advertising



Search remains the most popular digital advertising format, with an estimated 98% of this spending channelled through Google.

Animated images account for 41% of display ads, making them the most popular format in 2016. Both rich media and static images are also popular, accounting for 17% and 15% respectively. These images can be rolled out across both mobile and desktop sites without limitation, making them a straightforward method of advertising which will not intrude on user experience to the same degree as video. South Africa has 11 official languages, meaning textual or video ads involving speech could alienate some communities. Images, however, are universal and thus allow for engagement across diverse groups.

CPM and CPC remains popular charging models for mobile and online

CPM accounted for 42% (2015: 48%) of the online charging models used whereas cost per click (CPC)/ Performance based tool took 36% (2015:33%) share. The use of hybrid charging models increased marginally from 19% in 2015 to 22% in 2016.



Largest industry spenders



Automotive



Retail



Financial services



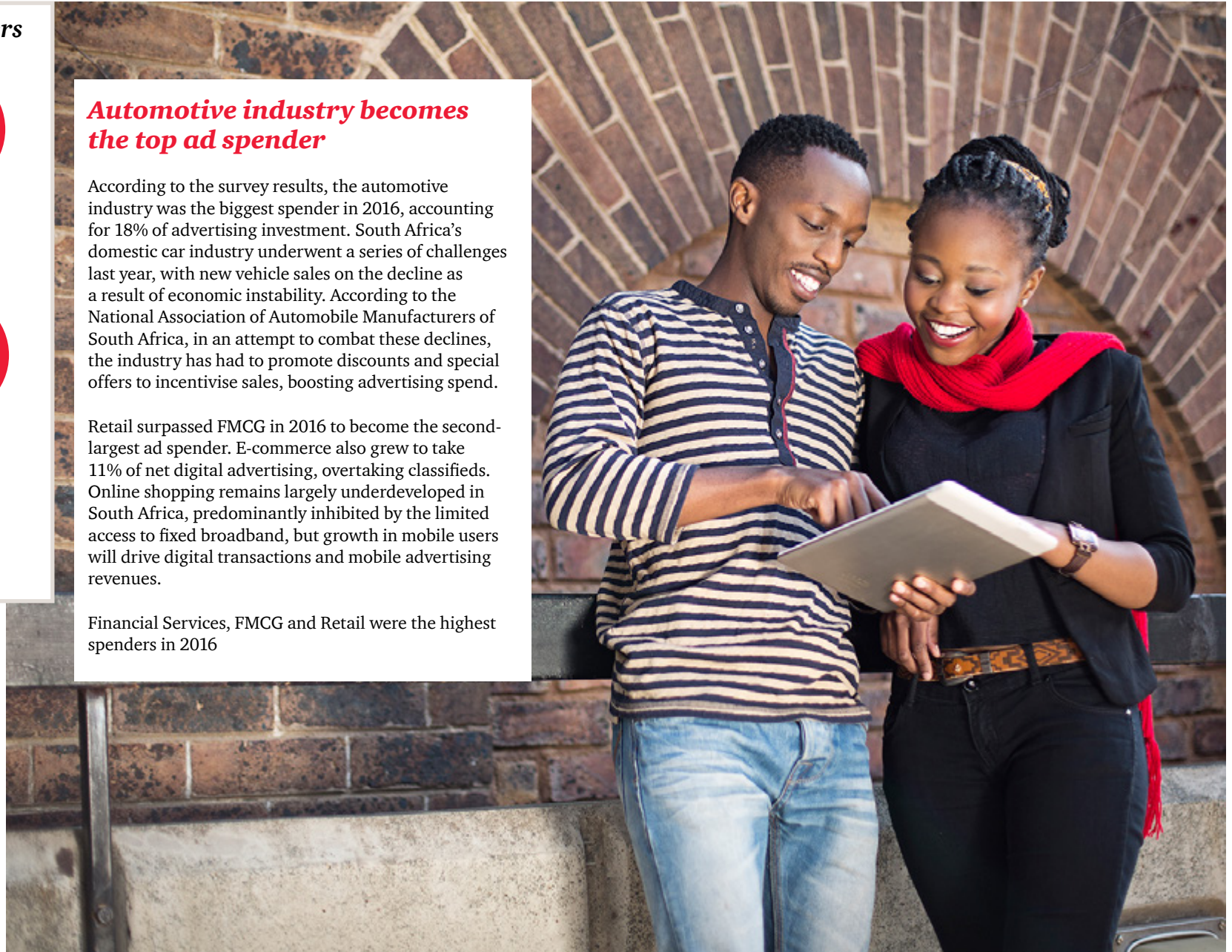
FMCG

Automotive industry becomes the top ad spender

According to the survey results, the automotive industry was the biggest spender in 2016, accounting for 18% of advertising investment. South Africa's domestic car industry underwent a series of challenges last year, with new vehicle sales on the decline as a result of economic instability. According to the National Association of Automobile Manufacturers of South Africa, in an attempt to combat these declines, the industry has had to promote discounts and special offers to incentivise sales, boosting advertising spend.

Retail surpassed FMCG in 2016 to become the second-largest ad spender. E-commerce also grew to take 11% of net digital advertising, overtaking classifieds. Online shopping remains largely underdeveloped in South Africa, predominantly inhibited by the limited access to fixed broadband, but growth in mobile users will drive digital transactions and mobile advertising revenues.

Financial Services, FMCG and Retail were the highest spenders in 2016



How do I get involved?

In order to increase the accuracy of this study, we would like to urge you to participate in our 2017 study. The study will launch early in 2018. To ensure that you are invited, please contact the IAB South Africa who will ensure that you receive the required information to participate. We are continuously seeking feedback on the information that you would like to see in our next report, as well as feedback and suggestions on how we can streamline the information gathering process.

About the IAB South Africa

The Interactive Advertising Bureau (IAB) South Africa, formerly the DMMA, is an independent, voluntary, non-profit association focussed on growing and sustaining a vibrant and profitable digital industry in South Africa. The IAB South Africa represents the digital industry across all sectors including the media, the marketing community, government, and the public, and also acts as the channel through which international bodies can enter the South African digital market. The IAB South Africa currently represents over 200 members including online publishers, creative, media and digital agencies, brands, and educators, between them accounting for more than 39 million local unique browsers. The IAB South Africa strives to provide members with a platform through which they can engage, interact, and address digital issues of common interest, thereby stimulating learning and commerce within the South African digital space. To find out more about the IAB South Africa, visit its website, like its Facebook page and follow @iab_sa on Twitter.

About PwC SA

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with more than 223,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

IAB SA Media Contacts:

Yvette van Rooyen • IAB South Africa
yvette@iabsa.net

PwC SA Media Contact:

Sanchia Temkin • Head of Media Relations, PwC
sanchia.temkin@za.pwc.com • + 27 11 797 4470

Survey Participants

Bizcommunity, ATKV, Caxton, Creamer Media, Daily Maverick, Gumtree, Healthspas, Independent Online, Moneyweb, RamsayMedia, CT Media, Vodacom, CreativeSpark, Trudon, SpaceStation, Nestle, SparkMedia, NativeVML, Mark1 Media, Mirum Agency, Ogilvy, Saatchi Synergize, the Mediashop, Dentsu AEGIS Network, Initiative Media, Group M, Lighthouse.

Methodology and disclaimer

All revenues included in the information are on a net basis (after rate card discounts and agency commissions). Information is prepared based on survey responses received from the participants. Figures are based on the information submitted and have not been verified. Search revenues were obtained from the *PwC Entertainment and Media Outlook*. Both Publishers and Agencies have participated in the survey. The revenue figures included above for online and mobile advertising are based on the responses from agencies. The research 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 by PwC.

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, neither the Interactive Advertising Bureau SA ("the IAB"), PwC nor any of the IAB's contributors/subcontractors accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

©2017 PricewaterhouseCoopers ("PwC"), the South African firm. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers in South Africa, which is a member firm of PricewaterhouseCoopers International Limited (PwCIL), each member firm of which is a separate legal entity and does not act as an agent of PwCIL.