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OVK ONLINE-REPORT 2011/02

Overview of figures and trends

AGOF

OVK Online-Vermarkterkreis im BVDW

CONTENTS

DEAR READERS,

Paul Mudter,
Chairman of the OVK

A look at online advertising investment in the first six months of 2011 shows that the willingness to invest of the advertising industry in this segment continues unabated. The Internet established itself as the second strongest advertising medium in the media mix for the first time in 2010 and has extended this lead still further in the first six months of 2011. The Internet share is now more than a fifth of the advertising cake, which underlines just how important online advertising is in brand communication.

At the same time, positive trends in the first six months of the year are confirming the gross growth rate of 16% forecast by the Circle of Online Marketers (OVK) for this year. This means that in 2011, the gross advertising volume will probably exceed the 6 billion euro mark for the first time. The largest share, as well as the highest growth rate, is taken up by conventional online advertising, followed by search engine marketing and affiliate networks.

The greatly increased popularity of large-scale, eye-catching advertising formats encourages the consistently high demand for conventional online advertising, with moving image adverts in particular being a primary driver. With annual growth rates sometimes exceeding 100%, video ads have established themselves as an integral part of online communication.

Online advertising is also crucially important in the UK. The UK Internet Advertising Bureau was able to use its specifically developed method for determining branding's share of online spending for the first time in 2010. The results show that this has virtually trebled in recent years – an indication of just how important the Internet is in brand management. As the assumption of market partners is that the trend will be similar in Germany, setting up a comparable system of investigation for the German online advertising market could deliver important insights into the importance of online advertising for branding.

We hope you enjoy reading the OVK Online Report 2011/02.

Paul Mudter
Chairman of the Circle of Online Marketers (OVK)

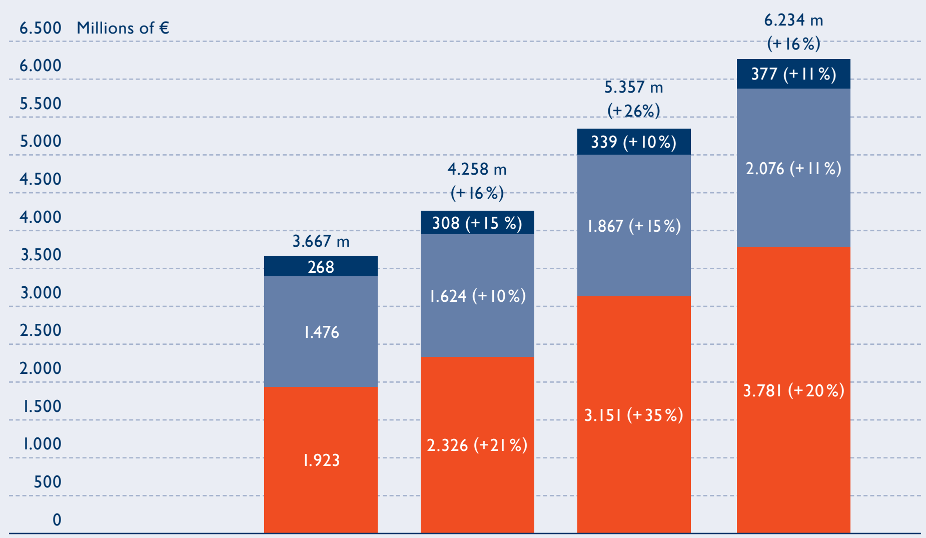
ONLINE ADVERTISING CONTINUES TO SHOW DOUBLE-FIGURE GROWTH

Online advertising investments in 2011 will exceed the 6 billion euro mark.

An unparalleled maximum of 5.35 billion euro for gross online advertising investment was achieved in 2010 and thanks to the continued concentration on online advertising activities, this trend also extends into the first six months of 2011. Consequently, the Online Marketers Circle (OVL) is now predicting that total spending on conventional online advertising, affiliate networks and search engine marketing in 2011 will exceed last year's figure by 16% and will pass the 6 billion euro mark for the first time in this year. This means that the gross online advertising volume has increased by 70% since 2008 and will reach a new high of 6.23 billion euro in 2011. The main driver continues to be conventional online advertising, where the gross advertising investment over the last three years has virtually doubled, at around 97%. In search engine marketing and affiliate networks, the growth rate over the last three years is somewhat more modest, at 40% in each case. Overall, the continuous double-digit growth of gross advertising volume in online advertising in recent years can be seen as proof of just how important a media channel the Internet is in target audience communication.

As in previous years, conventional online advertising once again assumes the leading role in OVK advertising statistics in their forecast for 2011. With an investment volume of 3.78 billion euro and a growth rate of 20% compared to the previous year, this will account for most of the gross investment. Search engine marketing is in second place, with a probable growth rate of 11%, representing an advertising investment volume totalling 2.07 billion euro. Affiliate networks are the third pillar of online communication and according to the forecast, could attract 377 million euro, which also corresponds to 11% growth.

OVK advertising statistics 2008 to 2010 with forecast for 2011



	OVK statistics 2008	OVK statistics 2009	OVK statistics 2010	OVK statistics 2011	
Affiliate networks	268	308	339	377	m
Search engine marketing	1.476	1.624	1.867	2.076	m
Conventional online advertising	1.923	2.326	3.151	3.781	m

Sources: OVK (extrapolation of figures for conventional online advertising from 75 to 100% and total market for online advertising, forecasts), Nielsen (data as of July 2011, collection of data for conventional online advertising at advertising slot level, adjusted by a proportion from search engine marketing; as of 2009 some changes to the methodology of how this proportion is allocated) /// Data for the German market

ONLINE ADVERTISING WILL ACCOUNT FOR MORE THAN A FIFTH OF THE PREDICTED MEDIA MIX

According to the forecast, the Internet will continue to develop its share of the advertising cake and strengthen its position as the second strongest advertising medium.

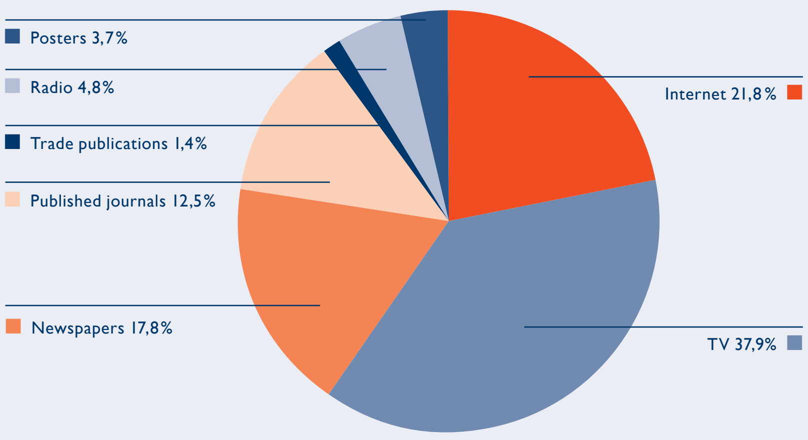
Last year, the Internet outstripped newspaper advertising for the first time and took its place behind TV advertising as the second strongest advertising medium in the media mix and the current OVK forecast is for it to further consolidate this position in 2011. With the assumed 21.8%, the Internet will take up more than a fifth of the advertising cake and thus play an increasingly dominant role in the mix of communication channels.

As a result of this steady online shift, the trends for conventional types of media advertising are either stagnating or continuing downward. Although TV advertising remains at No. 1 in the OVK forecast, its lead over the Internet will probably decrease from 20 to 16 percentage points. Conversely, the gap between the Internet, in second place and the third and fourth-ranked newspaper and consumer publication advertising will further increase, to 4 and 9 percentage points respectively.

This means that as the years have progressed, online advertising has developed into an indispensable component of an integrated communication strategy and become an important aspect of enhanced dialogue with the target audience. With so many different possible ways to contact their customers, advertisers on the Internet can enter into direct dialogue with their consumers – without any kind of format mismatch. New technologies, increasing bandwidth and the next generation of large-scale advertising formats make it easier to devise innovative multimedia campaign concepts for sustained brand communication. This can be further refined by using targeting or frequency capping to tailor the online campaigns individually. Added to this are a wide range of options for analysis and control while the campaign is underway, something that cannot be achieved in any other type of media.

Overall, the Internet as an advertising medium has now achieved great transparency and efficiency, not least thanks to the detail of the planning data and the research into advertising impact that accompanies a campaign. Research approaches such as the advertising impact study presented by OVK at the start of the year, enable a valid cost-benefit analysis of actual budgets to be made, ensuring their optimum utilisation over the long term. The combination of all these USPs will help the Internet to consolidate still further its position as the second strongest advertising medium in Germany in the future and will play a crucial role in integrated approaches to communication.

Forecast for how the advertising cake will divide up in 2011



Source: OVK (OVK forecast for 2011 including the search engine marketing and affiliate networks segments) and Nielsen Media Research (trends in the various media types, data as of July 2011; the extrapolation of the figures for the above advertising media for the whole of 2011 was based on the first six months of 2011 and the average increase between the first and second halves of the year for the last three years.) /// Data for the German market

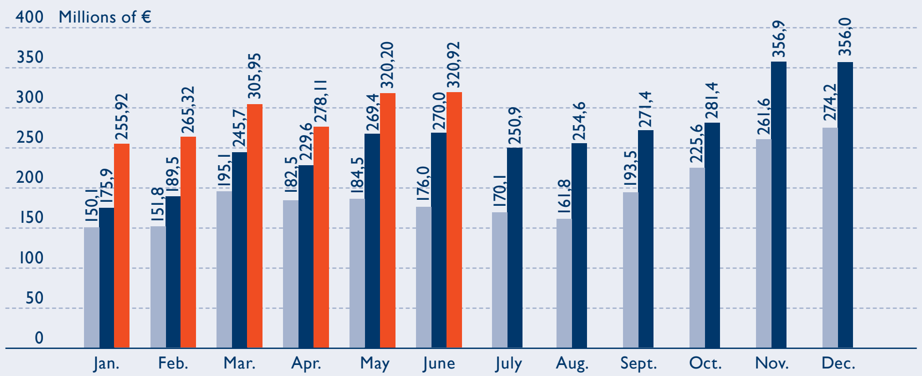
UNBROKEN MONTHLY GROWTH

Investment in conventional online advertising continues to increase.

As it did last year, gross advertising investment in conventional online advertising in the first six months of 2011 could also generally exceed the already high level of the corresponding months in previous years. The 300 million euro mark was again passed in the months of March, May and June, corresponding to an absolute increase of 50 million euro in monthly gross advertising investment compared to the respective previous year‘s 2010 figures, an impressive way to highlight the increasing emphasis advertisers are placing on conventional online advertising.

At 1.74 billion euro, half the assumed gross advertising investment for this year has already been realised in the first six months. In view of the predicted annual growth figure of 20% for conventional online advertising, it can be assumed that this positive spending behaviour will continue into the second half of the year, especially as this will include the traditionally busy Christmas period.

Monthly trend in gross advertising investment
in conventional online advertising



	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	
2009	150,1	151,8	195,1	182,5	184,5	176,0	170,1	161,8	193,5	225,6	261,6	274,2	m
2010	175,9	189,5	245,7	229,6	269,4	270,0	250,9	254,6	271,4	281,4	356,9	356,0	m
2011	255,92	265,32	305,95	278,11	320,20	320,92							m

Sources: OVK (extrapolation of figures from 75 to 100%), Nielsen (data as of July 2011, collection of data for conventional online advertising at advertising slot level, adjusted by a proportion from search engine marketing; as of 2009 some changes to the methodology of how this proportion is allocated) /// Data for the German market

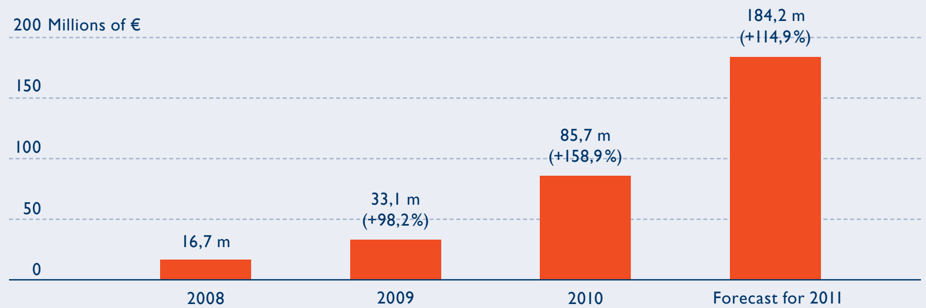
MOVING IMAGES CONTINUE TO GAIN GROUND

In 2011, spending in moving image advertising will more than double once again, reaching a new high of 184.2 million euro.

Of all the advertising formats, moving image advertising was the one to benefit most in recent years from the growing demand for large-scale and eye-catching forms of advertising. A key factor here must surely be the wide range of multimedia options for advert design in video ads, that allow even very complex marketing messages to be conveyed.

A look at absolute spending in moving image advertising makes it clear just how important these forms of advertising have become. Advertising expenditure in this area in 2011 is eleven times higher than it was three years ago and is now 184.2 million euro. Some remarkable growth rates form the basis for this trend: virtually 100% from 2008 to 2009 and as much as 160% in 2010. Spending in the current year for these forms of advertising will probably more than double once again. These figures highlight the undiminished interest in these advertising formats and show that moving image advertising, with its freedom to be creative and inventive when conveying information, has now become established as an integral part of online communication.

Trends in m for moving image forms of advertising from 2008 to 2010, with the forecast for 2011.



Source: OVK (data valid as of July 2011) /// The following forms of advertising are included in the evaluation: in-stream branded player, in-stream video ad, in-stream interactive video ad, in-stream overlay ad, in-stream post-roll, in-stream pre-roll, in-stream mid-roll, in-page video ad, in-page medium rectangle video ad, in-page superbanner video ad, in-page tandem video ad /// Used as the basis for the extrapolation of the given forms of advertising for the overall year of 2011 were the first six months of 2011 and the average growth rates from the first six months to the second six months of the last three years, divided in each case into in-stream and in-page forms of advertising, /// Data for the German market

ONLINE ADVERTISING IS INCREASINGLY BECOMING A MATTER OF COURSE IN ALL SECTORS

Online advertising is in demand as a component of the communication mix in all industries.

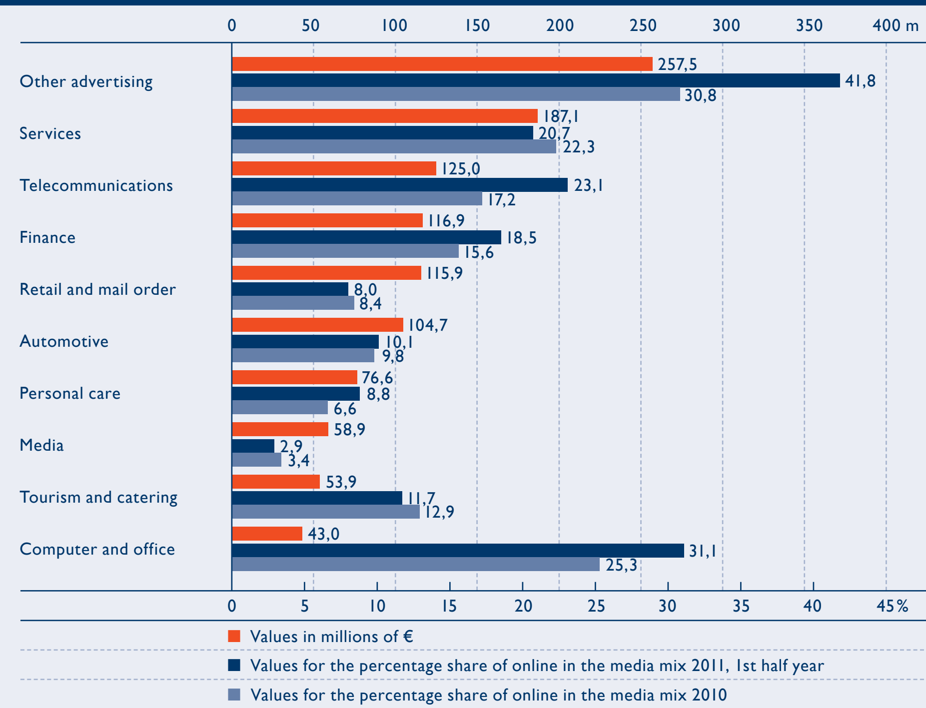
Its attractive target audience potential for advertisers from quite different industries (also see page 18 of this report) makes the Internet an important communication channel for contacting customers – whether urging them to buy or firmly establishing a brand in the relevant consumer set. Accordingly, online advertising is now part of the media mix in all industries – and its importance is steadily increasing. So far in 2011, the majority of business areas represented are again showing clear growth in absolute advertising investment in traditional online advertising. This particularly applies to the other advertising, finance, telecommunications, automobile and personal care industries. Consequently, more than half the industries shown have increased the online share of the media mix in the first six months of 2011, compared to the previous year.

In the first six months of this year, the greatest absolute rise is in other advertising – which includes charitable organisations, image and classified advertising and corporate and institutional advertising. The companies behind this have already invested 129.5 million euro more in online advertising in the first six months of 2011 than in the first six months of 2010, an indication of the central role played by the Internet in brand communication. This means that the companies summarised under other advertising, with a total of 257.5 million euro, are top spenders for the first time, pushing the service industry sector, with 187.1 million euro, down into second place. In third place for absolute online spending is the telecommunications sector, with 125 million euro.

A look at the proportion of online spending in the respective media mixes shows the sectors of industry in which online advertising is already extremely important. The leader here once more is other advertising, with a 41.8% share. In the computer and office sector, online advertising still makes up almost a third (31.1%) of the media mix; in telecommunications, it is about a quarter (23.1%) and in both the service industry and financial sectors, a fifth each (20.7% and 18.5%).

In the tourism and catering segment, as well as in the automobile sector, the online advertising percentages in the media mix, at 11.7% and 10.1% respectively, are already in the double-digit range, whereas despite a noticeable increase in their commitment to online advertising, the Internet still plays a secondary role in the media mix for other sectors. In these industries, expenditure on online advertising is still in the single-digit percentage range, relative to the total media budget available. So there is still significant potential for growth for advertisers of the affected industries to exploit, which will have a positive effect on the overall trend of online advertising investment.

Advertising investment in conventional online adverts analysed by area of business for the first half of 2011



Source: Nielsen (Data valid as of July 2011) /// Basis: Top 10 areas of business /// Data for the German market

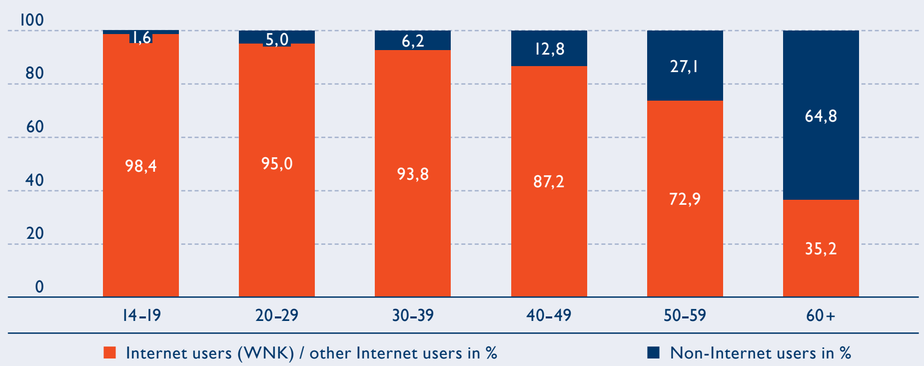
ALMOST THREE-QUARTERS OF THE GERMAN-SPEAKING RESIDENT GERMAN POPULATION OVER THE AGE OF 14 ARE ONLINE

More than 50 million people can be found on the Internet in an average month.

The results in „internet facts 2011-05“ show that the Internet in Germany has a reach of 72.8%, or in other words, 51.23 million people used the Internet during the reporting period. The basic population is the German-speaking resident population in Germany over 14 years of age; this equates to 70.33 million people. The widest group of users (WNK; people who used the Internet within the last three months constitutes 71.3% of the population, which is 50.15 million people.

The widespread establishment of the Internet is also apparent in the fact that all generations can now be found online. A comparison of the age brackets represented among Internet users and non-Internet users indicates that virtually the entire 14 to 39 age group is online, with proportions way above the 90% mark, whereas the figure for 40 to 49-year olds is 87.2%. In the upper age groups as well, people are increasingly taking Internet use for granted. At 72.9%, almost three-quarters of the 50 to 59 age group are Internet users; the figure of 35.2% for the over-sixties represents more than a third.

Online penetration by age group



Basis/Source: 98.4% of 14- to 19-year olds are Internet users (WNK and other Internet users) and 1.6% of 14- to 19-year olds are non-Internet users, /// Basis: 101,207 cases (Internet users in the last three months) / 598 cases (other Internet users) / 10,638 cases (non-Internet users) / Data in % /// Source: AGOF e.V. / internet facts 2011-05 /// Data for the German market

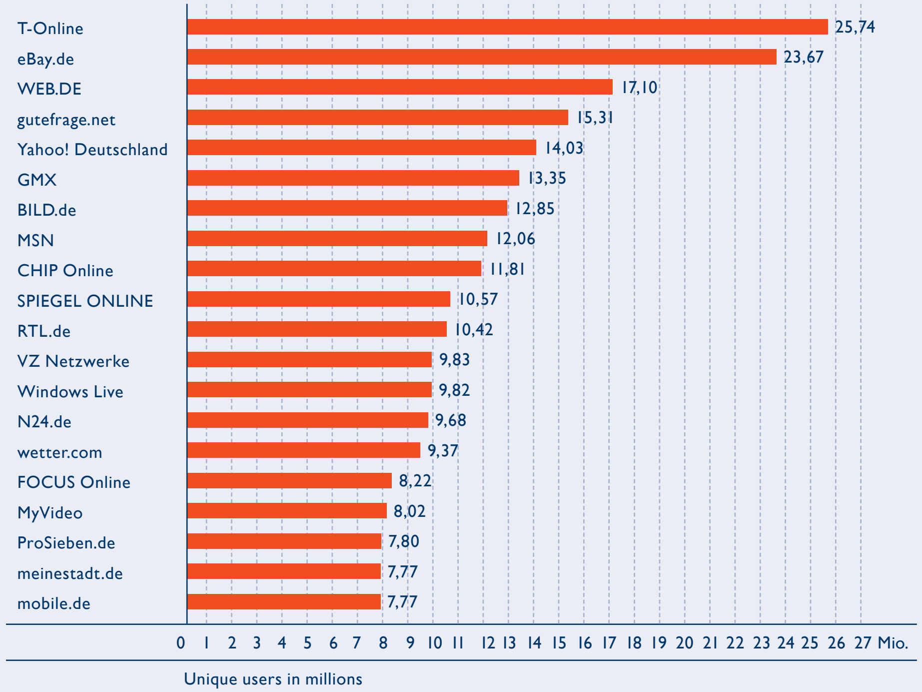
AVERAGE MONTHLY REACH OF THE TOP 20 ONLINE ADVERTISERS

Included in „internet facts 2011-05“ are the planning data for 735 online advertising media on a website basis and 3,848 advertising slots, over an average month.

internet facts 2011-05 includes data on reach and structure for 735 online sites.

In the ranking of online sites by reach in an average month, first place is taken by T-Online, with 25.74 million unique users (51.3%), followed by eBay.de (23.67 m and 47.2“) and WEB.DE (17.10 m and 34.1%), with gutefrage.net (15.31 m and 30.5%) and Yahoo! Deutschland (14.03 m and 28.0%) occupying fourth and fifth place.

AGOF ranking of the top twenty online advertising media in an average month



Number of unique users (in millions) for an average month in the period under investigation – March to May 2011 ///Basis: 101,207 cases (Internet users from the last three months) /// Source: AGOF e.V. / internet facts 2011-05 /// Data for the German market

REACH OF THE OVK MARKETERS

Included in „internet facts 2011-05“ is data from a total of 77 marketers.

The Internet facts report the net reach of the marketers operating together in the AGOF. The table shows the net reach of the marketers organised in the OVK, based on the advertising media products compiled in „internet facts 2011-05“. A marketer‘s net reach does not always include their entire portfolio.

Net reach of the OVK Online-Marketers

Marketers	Reach in % (based on Internet users from the last three months)	Net reach in millions of unique users
Axel Springer Media Impact	48,5	24,32
BAUER MEDIA	11,5	5,77
eBay Advertising Group	50,4	25,26
G+J Electronic Media Sales	38,2	19,14
Hi-media Deutschland	23,1	11,59
InteractiveMedia CCSP	61,1	30,66
IP Deutschland	53,0	26,57
iq digital	35,9	17,98
MAIRDUMONT MEDIA	12,2	6,11
Microsoft Advertising	36,4	18,24
netpoint media	10,8	5,43
OMS	39,5	19,79
SevenOne Media	53,0	26,57
SPIEGEL QC	28,3	14,19
TOMORROW FOCUS MEDIA	59,9	30,03
Unister Media	27,3	13,70
United Internet Media	51,2	25,67
Yahoo! Deutschland	44,2	22,19

Average month

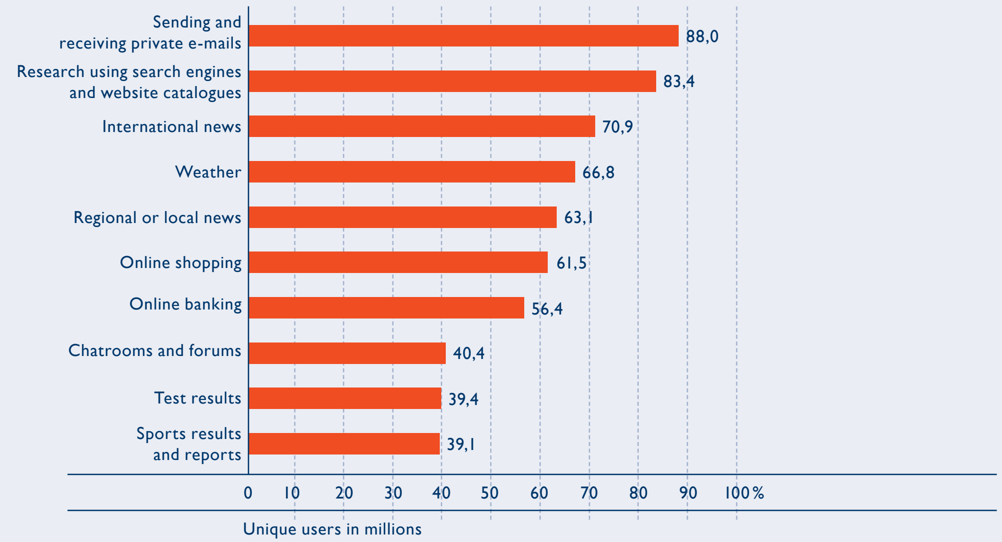
Number of unique users (in millions) and percentage for an average month in the period under investigation – March to May 2011 /// Basis: 101,207 cases (Internet users in the last three months) /// Source: AGOF e.V. / internet facts 2011-05 /// Data for the German market

ONLINE USE HAS BECOME AN ESTABLISHED PART OF ALL AREAS OF LIFE

The Internet is a communication, information and transaction medium.

Characteristic online activities are evidence of the natural integration of the Internet into people‘s everyday life. Predominantly used online applications include sending and receiving private e-mails (88.0% and 44.12 million of those online) and research using search engines or website catalogues (83.4%, 41.81 million). This is followed by use of international news services (70.9%, 35.57 million). Two-thirds of those online are online shoppers and more than 60% use weather websites and regional or local news services. More than half of the users make use of online banking. Other key uses include chatrooms and forums, looking up test or sports results and cinema listings. The use of messengers and access to employment, property or dating websites are also part of the natural range of uses.

Key usage areas – Top 10

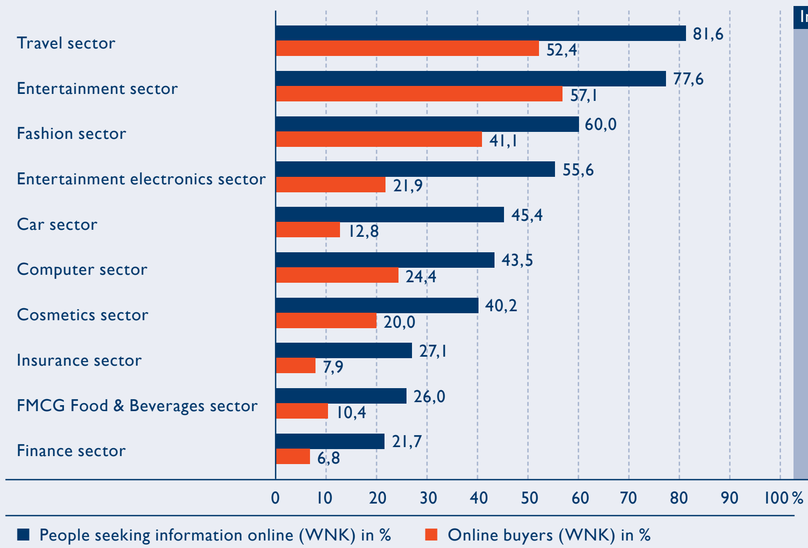


Basis/Source: 70.9% of all Internet users (WNK) use international news services at least occasionally, /// Basis: 101,207 cases (Internet users during the last three months) /“Do you use these subjects and websites: frequently, occasionally, rarely or never?“ / Top-two box is illustrated: frequent or occasional usage / values in % / the top 10 from a total of 22 subjects are shown /// Source: AGOF e.V. / internet facts 2011-05 /// Data for the German market

LATEST POTENTIAL VIEWED BY SECTOR BASED ON INTERNET FACTS 2011-05

The AGOF industry reports illustrate potential customers to be found on the internet for specific sectors.

Potential by sector for prospective customers looking for information online and for online purchasers; based on Internet users (WNK): 50.15 m unique users



Unique users in millions	Information	Shopping
Travel sector	40,91	26,28
Entertainment sector	38,92	28,63
Fashion sector	30,08	20,61
Entertainment electronics sector	27,89	10,96
Car sector	22,79	6,43
Computer sector	21,84	12,23
Cosmetics sector	20,14	10,04
Insurance sector	13,60	3,96
FMCG Food & Beverages sector	13,03	5,21
Finance sector	10,90	3,40

Basis/Source: 81.6% of Internet users, which equates to 40.91 million unique users, have gone online at least once in the past to find information on travel products, /// Basis: 101,207 cases (Internet users over the last three months) / „For which of the following products have you ever used the Internet to look for information?" and „Have you bought any of the following products over the Internet in the past twelve months?" /// Data expressed as a percentage and in millions of unique users /// Source: AGOF e.V. / internet facts 2011-05 /// Data for the German market

The products studied in the context of the relevant sector analysis can be subdivided as follows:

Travel	Rail tickets, flight tickets, hotels, hire cars, holidays/last-minute trips
Entertainment	Computer and video games, tickets, films on DVDs/videos, music CDs, music/films to down load from the Internet for a charge
Consumer electronics	Flat-screen TVs, DVD players/recorders, hard-disk recorders, home cinema/surround-sound systems, digital cameras, navigation systems
Fashion	Ladies' or gents' clothing, footwear
Automotive	Used cars, new cars, hire cars
Computers	Computer hardware or accessories, computer software excluding games
Cosmetics	Cosmetics for women/men, perfume for women/men, bodycare, haircare or dental care products
Insurance	Health insurance, life assurance and private pension schemes, other insurance such as motor, household or indemnity insurance
FMCG Food & Beverages	Non-alcoholic drinks, beer, other alcoholic drinks and spirits, frozen products and ready meals, dairy products, confectionery and savoury snacks
Finance	Investments, shares, securities, funds; credit

INTERNET USERS ARE INSPIRED BY ONLINE ADVERTISING

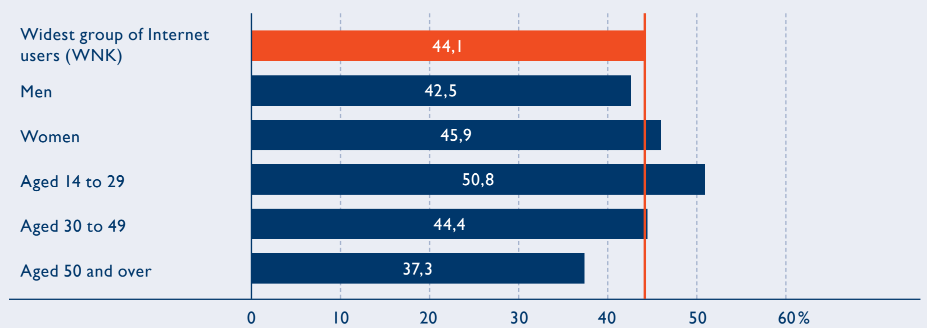
Online advertising is not only becoming increasingly popular with advertisers, consumers are also reacting positively to this form of target audience communication. This is backed up by the advertising awareness analysis included in „internet facts". At 44.1%, virtually every other person online is open to advertising and admits that their attention has frequently been drawn to interesting products or new ideas.

Online advertising has frequently drawn the attention of almost 50% of Internet users to interesting products or new ideas.

This applies in particular to women and young users aged between 14 and 29, who with 45.9% and 50.8% respectively, demonstrate above-average susceptibility to Internet advertising messages. 30 to 49 year-olds, with 44.4% are at the average online user level (WNK), whereas men, with 42.5%, are slightly below. Users over fifty years of age, with 37.3%, show a below average interest in online advertising.

Open-mindedness to online advertising

„Advertising has frequently drawn my attention to interesting products or new ideas."



Basis/Source: 44.1% of all Internet users (WNK) frequently have their attention drawn to interesting products or new ideas by advertising, /// Basis: 101,207 cases (Internet users over the last three months) / „Advertising has frequently drawn my attention to interesting products or new ideas," / Top-two box is illustrated: Totally or mainly applicable. / Values in % /// Source: AGOF e.V. / internet facts 2010-05 /// Data for the German market

INTERNET USERS ARE BRAND-ORIENTED

Over than a third of Internet users consider branded products important; this applies in particular to men and the over-fifties.

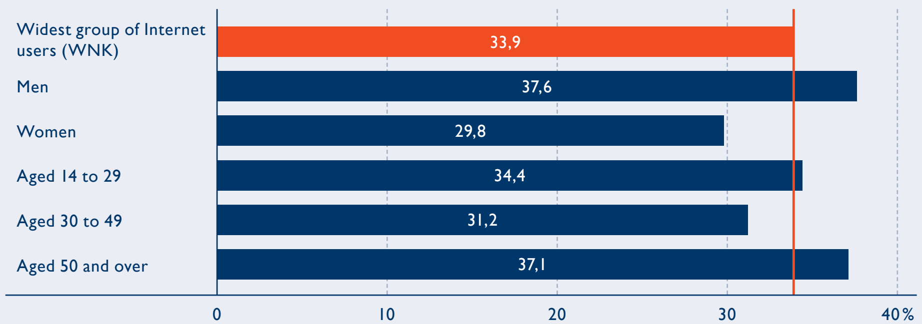
An analysis of brand awareness among Internet users shows that the increasing brand orientation of online advertising is tapping into enormous potential on the Internet. Users in general seem to be highly brand-oriented. 59.0% agree with the assertion that branded products are generally of a higher quality and 41.8% say that brands provide security when purchasing.

Furthermore, with 33.9%, more than a third of Internet users consider branded products important. A comparison by gender shows that with 37.6%, men are clearly ahead of women (29.8%). In a comparison by age bracket, the over-fifties show the greatest preference for branded products, with 37.1%, followed by 14 to 29 year-olds, who at 34.4% are just above the (WNK) Internet user level. At 31.2%, the figure for 30 to 49 year-olds is just below the average.

These figures emphasise the role of the online medium as the ideal communication channel for brand development and management, as it is possible to conduct a dialogue with an extremely brand-aware target audience.

Brand Awareness

„The brands of products are important to me.“



Basis/Source: 33.9% of all Internet users (WNK) consider branded products important, /// Basis: 101,207 cases (Internet users over the last three months) / „Advertising has frequently drawn my attention to interesting products or new ideas,“ / Top-two box is illustrated: Totally or mainly applicable. / Values in % /// Source: AGOF e.V. / internet facts 2011-05 /// Data for the German market

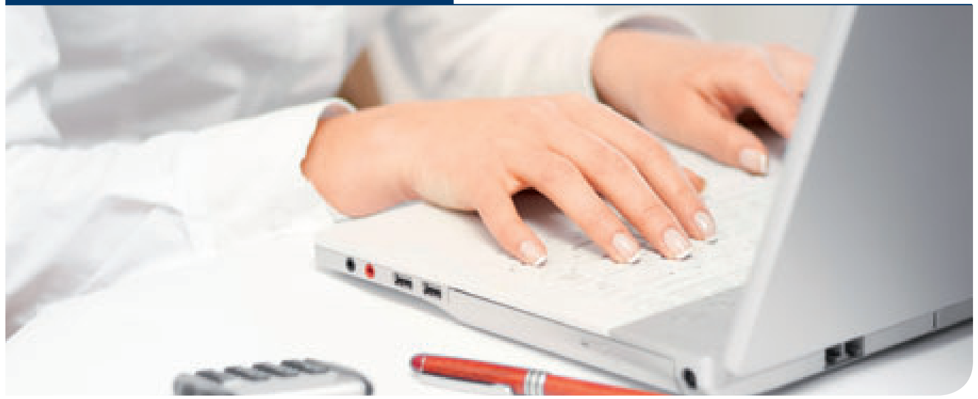
THE INTERNET IS A RESEARCH AND SHOPPING PLATFORM

Information searches and product purchasing have moved to the Internet.

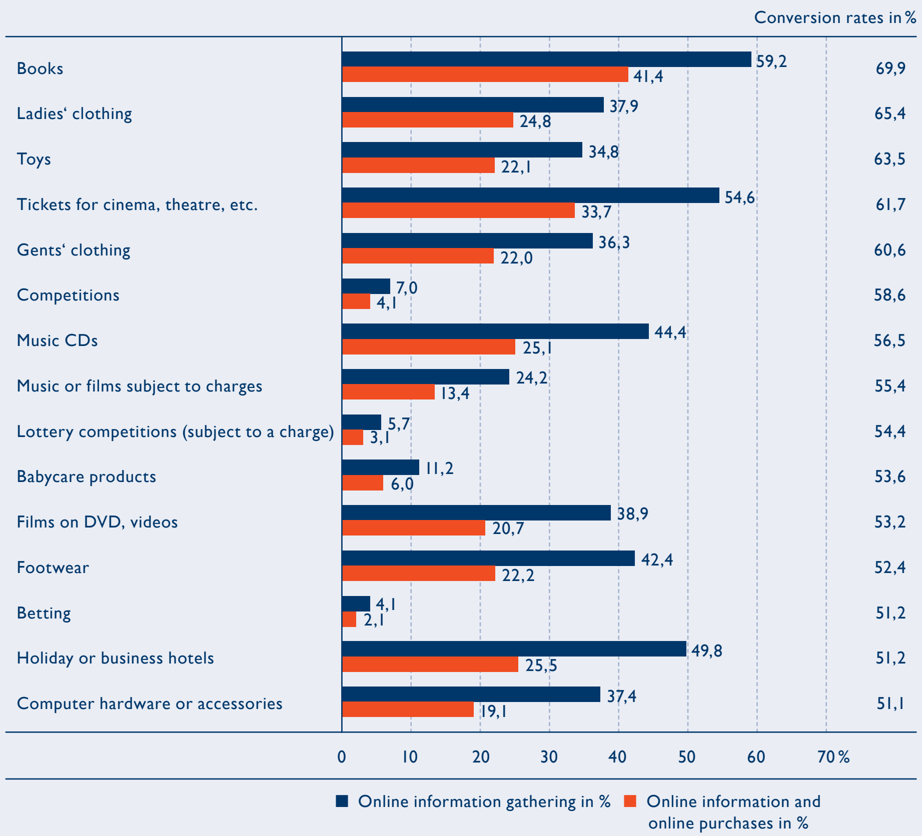
Everyday use of the Internet also affects many consumers‘ attitudes towards information in connection with products. Virtually all Internet users – 96.9%, which corresponds to 48.58 million people – have found out about products online at least once. This widespread use of the Internet as a medium for research underlines the importance of the Internet as an information platform in the orientation and decision-making phase prior to making a purchase, irrespective of whether the purchase itself is made online or offline.

But the Internet does not just act as a source of information for products, it also serves as a sourcing channel for buying products or for arranging paid services. In total, 85.4% of Internet users (42.80 million people) have purchased products online during the past twelve months. Books remain No. 1 in e-commerce, followed by tickets and hotel bookings.

The activation potential of the Internet for certain product categories is apparent from the online conversion rate – the ratio between people looking for information online and those who look for information online AND buy online. In this context, books are top of the list, with a conversion rate of 69.9%, i.e. the number of people looking for information online who ALSO buy books online amounts to over two-thirds of the people who looked for information about books online. For ladies‘ clothing, toys, tickets and gents‘ clothing, the conversion rate is also consistently over 60%. Of the remaining products ranked in the top 15 – including competitions, music CDs, chargeable music or film downloads, lottery competitions subject to a charge, babycare products, films on DVD/video, footwear, betting, hotel bookings and computer hardware or accessories – more than half the people looking for information online also went on the purchase online. The wide range of products included in online conversion emphasises the increasing importance of the Internet for consumer behaviour.



Conversion rates for the top-15 products



Basis/Source: 59.2% of Internet users (WNK) have researched books on the Internet and 41.4% have researched books online AND bought them online, equating to a conversion rate for those looking for information into those looking for information AND purchasing of 69.1% /// Basis: 101,207 cases (Internet users in the last three months) / „For which of the following products have you ever used the Internet to look for information?" / "Have you bought any of the following products over the Internet in the past 12 months?" /Data expressed as a percentage/The top 15 from a total of 59 products are shown /// Source: AGOF e.V. / internet facts 2011-05 /// Data for the German market

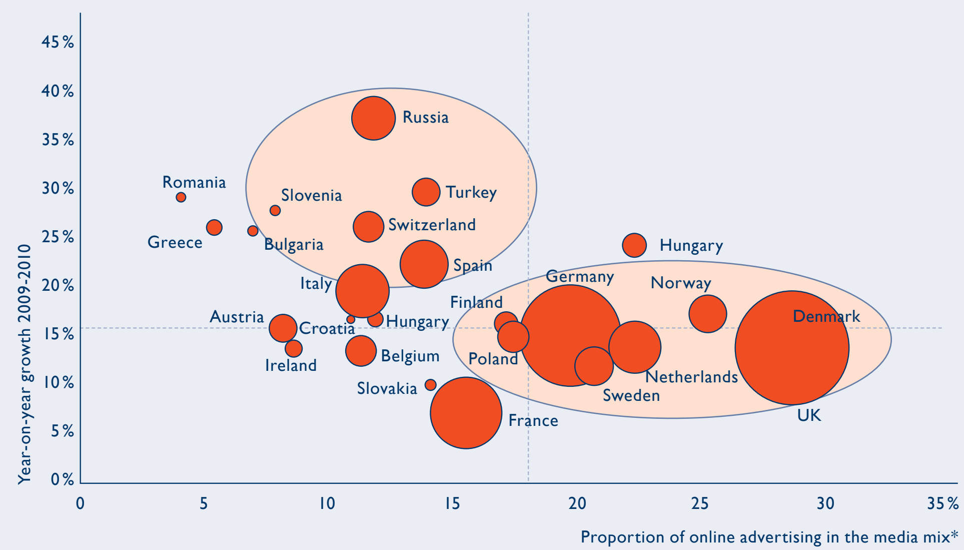
THE EUROPEAN ONLINE ADVERTISING MARKET KEEPS EXPANDING

Online advertising investment in Europe reached a new high in 2010, with a total volume of 17.7 billion euro. 74% of the spending was down to the six biggest online advertising markets of the UK, Germany, France, the Netherlands, Italy and Spain. Ireland and the Czech Republic were included in the survey for the first time, so that the data is now based on 25 countries.

In 2010, the online advertising market volume in Europe was 17.7 billion euro.

The strongest growth for online advertising overall is shown by the advertising markets in Russia, Turkey, Romania, Slovenia, Switzerland, Greece and Bulgaria. With growth rates in excess of the 25% mark, they are all way above the average European growth of 15.3%, with Russia, at around 37%, showing the strongest growth. This puts them all at the top left of the matrix shown below.

European comparison of the growth and size of online advertising markets



Source: AdEx Report 2010 (IAB Europe/Screen Digest Advertising Intelligence)

Single-digit and thus proportionately less growth is only found in France and Slovakia. The online market trend in Sweden, the UK, Belgium, Ireland, the Netherlands and Denmark is also slightly below the European average. Accordingly, these countries are located at the bottom left of the matrix. Although it must be taken into account here that in absolute terms, the levels achieved by France and in particular the UK are already significant and that the low growth rates are a natural consequence of having already largely exploited the potential.

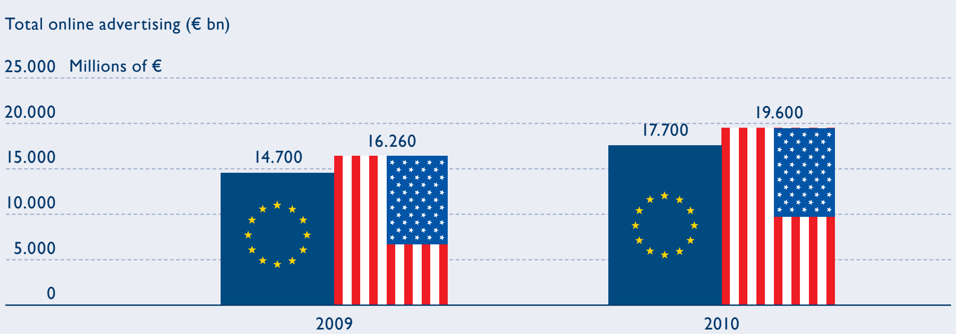
ONLINE ADVERTISING MARKET IN EUROPE ALMOST AS BIG AS IN THE USA

After single-digit growth in 2009, the European online advertising market noticeably picked up speed again in 2010, with an adjusted 15.3% signalling the resumption of a two-digit growth rate. The online advertising market volume in Europe now amounts to 17.7 billion euro, only 1.9 billion less than in the US advertising market.

A comparison of the different online segments shows that investment in online display advertising, at 21.3%, could increase the most, followed by a 16.1% rise in search engine marketing and 7.4% in classified advertising. In absolute terms however, search engine marketing remains the largest segment at 8.0 billion euro, with display advertising and classified advertising accounting for 5.8 and 3.9 billion euro respectively. However, the display proportion now already amounts to 33% of online advertising investment, therefore reducing the gap between it and search engine marketing compared to the previous year. The most important drivers in the positive display advertising trend are innovative advertising formats (such as moving images) and refined targeting options, as well as new social media and mobile platforms and also the fact that branding campaigns on the Internet have undergone a general renaissance. Online advertising in Europe, with 18%, now takes up a good fifth of the media mix, thereby establishing itself as an advertising channel that is as valid as conventional media.

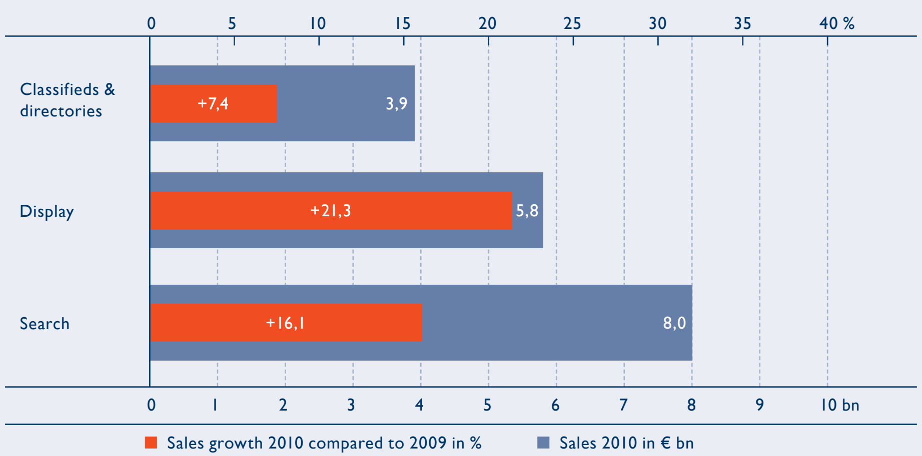
Experts are assuming that Europe will, in the foreseeable future, attain the same level as the American online advertising market.

Annual comparison of the online advertising market in Europe versus the USA



Constant exchange rate: average 2010: 1 EUR = 1.3279 USD///Source: AdEx Report 2010 (IAB Europe/PwC)

Sales trends for online advertising in Europe



Source: IAB Europe

AN IAB STUDY TO EXAMINE THE PROPORTION OF ONLINE INVESTMENT TAKEN UP BY BRANDING ADVERTISING

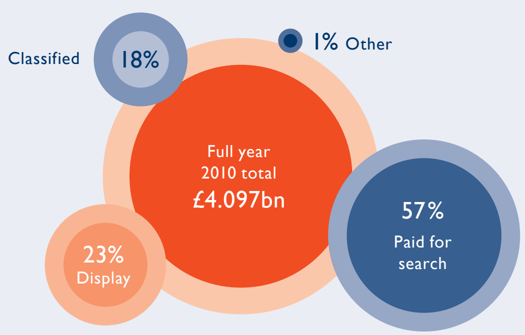
The innovative approach used in the study allows the branding percentage of online advertising expenditure in the UK to be determined for the first time.

Once the different studies carried out in Germany and the UK proved that online advertising has a lasting impact and that its effects on image and brand image are positive, an increasing number of market partners began asking how much of current online spending is actually used for image and brand advertising.

The Internet Advertising Bureau (IAB) in the UK has developed an investigative approach that we would like to present in detail at this point, in the hope that by looking at one of the most important European advertising markets, we can provide the impetus for developing a similar system in the German online advertising market.

The starting point for the calculation model was the IAB/PwC Ad Spend Report 2010. The online advertising investment identified here for 2010 amounted to a net total of 4.09 billion £, with 57% on search engine marketing, 23% on display advertising, 18% on classified advertising and 1% on other. The basis for determining the expenditure on branding-oriented advertising was the online spending of the second six months of 2010, which amounted to a net 2.08 billion £.

Allocation of online advertising spending in the UK for 2010



Source: PwC / Advertising Association / IAB / WARC

INVESTIGATION APPROACH FOR DETERMINING BRANDING EXPENDITURE

In an initial step, advertisers in the display sector were divided into industries and classified according to their assumed percentages for branding advertising. The six points on the scale ranged from „very high“ (i.e. 100% of the advertising budget for display advertising is branding-oriented) to „very low“ (10% of advertising investment is branding-oriented). This allowed around three-quarters of advertisers to be included by sector, with their profile then transferred to non-classifiable advertisers, as a similar spending pattern was assumed here.

Analysis of advertising activities within the different sectors for display advertisers to determine branding activities.

The FMCG sector, with 100%, was the most branding-oriented, followed by consumer goods, with 75%. In entertainment, gardening & agriculture, government, social and political organisations and motors, half the advertising expenditure went on branding. In leisure equipment, retail, technology and telecommunications, the proportion was a third, whereas for business and industrial, property and travel & transport, it was a quarter. Finance revealed the lowest proportion for branding, with 10%.

Branding advertising percentages per online advertising sector

Sector	% that is brand
FMCG	100
Consumer goods	75
Entertainment & the Media	50
Gardening & Agriculture	50
Government, social, political organisations	50
Motors	50
Leisure Equipment	33
Retail	33
Technology	33
Telecoms	33
Business and Industrial	25
Property	25
Travel & Transport	25
Finance	10

Type	Value H2 2010	% that is brand	Value of brand spend
Display	£ 505,420,000	40	£ 203,901,591
Search	£ 1,181,760,000	5	£ 59,088,000
Classified	£ 371,250,000	5	£ 18,562,500
Other	£ 27,320,000	0	£ -
Total	£ 2,085,750,000		£ 281,552,091

Source: IAB UK

In the next step, these percentages were applied to the absolute display spending of the respective sectors and amounted to 40% of the total. As branding-oriented advertising is also involved in search engine marketing and classified advertising, a branding percentage of 5% was assumed for each of the two segments, whereas this was set to zero for other advertising.

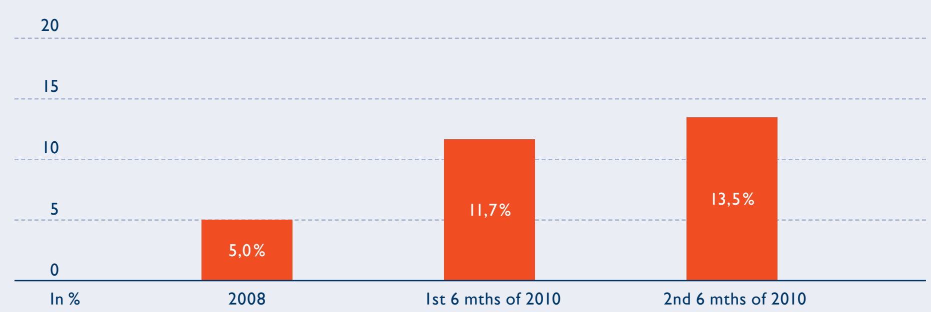
These percentages were then applied to the actual online investment in these three segments in the second six months of 2010, to determine the absolute expenditure on branding.

THE BRANDING ORIENTATION OF ONLINE ADVERTISING INVESTMENT KEEPS ON RISING

The result of these calculations showed that a total of 282 million £ was spent on branding, which corresponds to 13.5% of all online advertising spending in the second six months of 2010. In the first six months, the branding proportion was still 11.7% and two years ago, the IPA Digital Group even assumed a branding proportion of 5% in their estimate. So the current figures show that the branding percentage has virtually trebled in less than two years. IAB UK is planning to use the method for determining branding expenditure in the future, as well. The changes in display orientation should be highlighted, as this will probably continue to undergo a great deal of variation in view of the increasing use of moving image advertising for brand communication, for example. The model for the search engine marketing and classified ad segments should be refined still further, to obtain more details about branding orientation. The display segment in the German online advertising market is also subject to change, thanks to the increasing spread of multimedia advertising formats such as video ads (also see page 11). If notified sales from online advertising can be more accurately classified with regard to the objectives pursued, the IAB method developed in the UK could also be applied in Germany and provide valuable information about actual spending on branding.

Between 2008 and 2010, the branding percentage of online advertising virtually trebled – an indication of the growing importance of online advertising in connection with brand development and management.

Development of the branding percentage in online advertising



Source: IPA Digital Group estimate / IAB estimate

CIRCLE OF ONLINE MARKETERS (OVK)

The OVK creates standards and transparency.

The OVK (Online-Vermarkterkreis or Circle of Online Marketers) is the central body of online marketers in Germany. Nineteen of the largest German online marketers have come together under the umbrella of the BVDW (Bundesverband Digitale Wirtschaft e.V. or German Association for the Digital Economy) to steadily raise the profile of online advertising. The Association's primary aims are to increase market transparency and planning reliability as well as to draw up standardisation and quality assurance measures for the online marketing industry as a whole.

To this end, the OVK works continuously to standardise advertising formats and the processes which can help to make the production, delivery and monitoring of online campaigns easier. These standards are constantly being extended in due consideration of changing market requirements.

The OVK also implements key projects such as conferences, studies and development measures. The organisation is involved with national and international bodies for the further development of the industry.

UNITS AND LABS IN THE OVK

Four units make up the OVK: the Ad Technology Standards unit, the Market Figures unit, the Targeting unit and the Market Research unit The units have experts from the relevant specialist areas working with them.

Continuous optimisation of market development

The Ad Technology Standards unit is the main body for developing the standards for promotional products. These standards are used by all members of the OVK and serve as a guide for the whole online advertising sector. The aim is to make the production and delivery of online campaigns easier and to make the going-live run smoothly. These standards are constantly being extended and adapted to the needs of the market and are published on the www.werbeformen.org website. The unit is also concerned with optimising business processes relevant to booking, monitoring ad servers and assessing new technologies.

The main tasks of the Market Figures unit include collecting market figures and analysing them. The data can be used for orientation purposes and also indicates trends and areas with potential. Representatives from OVK also work together in this unit with Nielsen Media Research, recording advertising statistics.

The core aim of the Targeting unit is to work actively on awareness and transparency. Terms and models are defined, users are kept informed about methodology on the common „www.meine-cookies.org" platform and selection options are created for users.

The Market Research unit was brought into being to develop cross-marketer studies that could be evaluated jointly. The experts in this circle also work on models for qualitative performance indicators and on ideas for standards in cross-marketer studies.

GERMAN ASSOCIATION FOR THE DIGITAL ECONOMY (BVDW)

Wir sind das Netz

The BVDW is the organisation that represents the interests of companies in the field of interactive marketing, digital content and interactive added value.

The BVDW has interdisciplinary roots, and therefore has an excellent overview of the issues facing the digital industry.

It has taken on the task of making the efficiency and the benefits of digital media transparent, thus promoting their use in the economy as a whole, in society, and in government.

BVDW is engaged in continuous dialogue with politicians, the media and other interest groups, and supports the dynamic development of the sector in a results-oriented, practical and effective way.

The BVDW sees its role as being to bring together the skills of all its members, and combine them with the defined values and principles of the Association.

We are the net

WITH „INTERNET FACTS“ AND „MOBILE FACTS“, AGOF DELIVERS DIGITAL CURRENCY

The function and purpose of AGOF is to ensure transparency and practical standards in online advertising media research, irrespective of individual interests. The required performance indicators are worked out in close collaboration with the market and are made available in relevant studies – not just for the conventional Internet, but also for the additional segments of digital media. The leading German marketers represented in AGOF are organised into sections for this purpose and together with their market partners, they forge ahead in their respective segments with the planning, provision and further development of market reach research and planning parameters.

The AGOF market media studies enable market-oriented planning of digital media based on conventional standards.

With the „internet facts“ market media study and the „unique user“ (UU) parameter introduced here, AGOF has established the market's standard currency for measuring online reach as the basis for high-quality online media planning, by moving the market reach section to the methodological umbrella of ag.ma. The study itself, whose section on reach also appears as ma Online on ag.ma, is published by the Internet section of AGOF. Revealed in „internet facts“ for the study participant are data on structure and reach for more than 700 Internet advertising media.

The Mobile section in AGOF is responsible for and publishes the „mobile facts“ market media study. This study collects data on reach and structure for mobile advertising media in Germany in order to make it available for high-quality mobile media planning. The objective is to work together with market planners to establish in the medium term the study and the „unique mobile user“ (UMU) market reach parameter introduced here as the currency for online reach in mobile media planning.

COMPREHENSIVE SERVICES FOR ONLINE MEDIA PLANNING AND ONLINE MARKETING

Practical support ensures your use of the Internet as an advertising platform is effective and successful.

The AGOF Academy offers all kinds of training opportunities with its wide range of seminars. As well as the training courses on using the TOP tool for online media planning – at beginner, advanced and professional level – there are various seminars on handling the „internet facts“ data in your daily work and on the basic principles for joining AGOF. The seminars, for which a fee is charged, are held at AGOF‘s premises in Frankfurt, but can be requested as in-house training seminars if required.

Since the Academy was established in March 2008, 261 seminars have been held and 1,235 seminar places assigned. An average of eight seminars are currently held every month. High demand throughout Germany has induced AGOF to offer local training opportunities. From now on, open seminars can be not only be booked at head office in Frankfurt, but also in Hamburg and Munich. This saves costs and travel time for those taking part.

The current seminar programme be downloaded from www.agof.de/akademie.

The AGOF evaluation and planning tool TOP allows market planners to access different editions of the „internet facts“ survey, as well as AGOF‘s „mobile facts“. Different licensing variants are available to ensure that there are combinations to suit every individual, whatever the actual requirements for media planning. Two users can licence „internet facts“ and „mobile facts“ as a package, or alternatively, order the „internet facts“ or „mobile facts“ data exclusively. Further details and options for ordering can be found at http://www.agof.de/index.1023.de.html.

In addition to this, there is a free AGOF app, so that smartphone users also have mobile access to AGOF data. The app, relaunched in September 2011, is available from the Apple App Store, Android Market and the BlackBerry App World.

THE AGOF THREE-PILLAR MODEL

There are basically three different methods used to collect data for „internet facts“ – electronic measurement of usage, on-site surveys and telephone surveys of representative samples of the population – which is where the name „three-pillar model“ comes from. The three different methods of collection guarantee that the complexity of online use is taken sufficiently into account and at the same time, also ensure that all the data required for the subsequent planning record is collected.

AGOF uses the three-pillar model to gather data on reach and structure for Internet advertising media. With its market media study internet facts and the performance indicator Unique Users identified therein, AGOF has established the de-facto currency for online reach as the basis for online planning in the market.

The AGOF three-pillar model obtains the requisite information step by step, and then links it together. Electronic means are used to measure and study the usage of individual computers (unique clients). In the next step, the on-site survey provides information about the users working the computers. And the representative sample of the resident German population questioned in the telephone survey establishes the relationship between Internet users and the population as a whole. Only by combining all three pillars is it possible to determine data on reach and structure of online advertising media and their advertising slots reliably and in detail. The unique clients are converted into unique users and then enriched by additional structure and market data, before being given a representative weighting.

The multi-method approach adopted by AGOF allows the reach and structures for online sites and their advertising slots to be identified, and the combination of technical values and survey data, as well as flexibility in adapting them to the dynamic changes of the online market, meets all the requirements of a market standard.

The data of the three pillars is finally brought together in the so-called „internet facts“evaluation record. This can be counted and is available for online media planning under the auspices of the AGOF TOP evaluation and planning tool. Because the studies are adapted (e.g. extending the basic population), after „internet facts“ 2010-I, the data can only be compared with subsequent issues, but not with previous rounds of statistics.

CALCULATION OF GROSS ADVERTISING EXPENDITURE

Qualitative features instead of crawler statistics

Unlike other data acquisition methods, the OVK's online advertising statistics do not rely on so-called ‚crawler statistics', so the qualitative properties in particular of online advertising campaigns, such as targeting, CPC dealings or advertising in password-protected areas, can be illustrated more accurately. The calculation of gross advertising volume in conventional online advertising is based on the online advertising statistics from Nielsen Media Research. These in turn are based on postings from a group of marketers (currently 24) who report on a monthly basis their gross advertising expenditure as recorded in accounts systems and ad servers.

All the data is evaluated with reference to the applicable price lists and the media performance achieved. This approach enables direct comparisons to be made with printed adverts in other types of media that are covered by the Nielsen advertising statistics; the printed adverts are likewise evaluated gross. Altogether, around 75 percent of the conventional online advertising market is covered by the Nielsen online advertising statistics. To enable a picture to be formed of the entire online advertising market, the data is extrapolated and the volume of advertising from other sectors is added in.

In cooperation with leading providers, BVDW determines the sales figures in the areas of search engine marketing and affiliate networks. Search engine marketing is viewed here in the simplified form of „net equals gross," since remuneration is calculated on an individual basis dependent on results, and no general gross price lists exist. For the affiliate networks, gross sales are quoted and include publisher provisions, network charges and agency discounts.

DEFINITION OF THE SEGMENTS

Display ads, special advertising formats, search engine marketing and affiliate marketing

Conventional online advertising includes what are referred to as display ads, which are made up of banner, skyscraper, rectangle or wallpaper ads. On the other hand, it also includes all moving image advertising within conventional online advertising and the integration of advertisers' content on online advertising media. Sponsorship, microsites and multimedia content are all examples. Charges for advertising are generally based on the Cost Per Lead (CPL).

Search engine marketing refers to search words, to which a charge applies. Here, advertisers pay for a specified position to include their link in the display area of popular search engines. The advertiser decides on the search words and corresponding links. Charges apply based on the number of clicks (CPC).

There are many websites – numbers often run into the hundreds – with a less robust reach (so-called affiliates), on which advertising is also included and these are called affiliate networks. Unlike conventional online advertising, but in line with search engine marketing, charges are generally levied based on the number of clicks. Charges may also be based on the number of sales achieved as a result of (and definitively attributable to) online advertising.

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