

The case for the IAB PwC SA internet ad revenue report

 By [Leigh Andrews](#)

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Wondering why there's a need for a new internet ad revenue report if one already exists? Read on for a handful of reasons...

On Thursday, 26 March 2015, I attended the Cape Town presentation of the IAB PwC inaugural report on South African internet advertising revenue, for the year-ended December 2013.

Gustav Goosen, the IAB's Head of Research Council, described it as a long process of engaging the market and convincing it to participate, based on how much is being spent on digital ad spend in terms of industry needs. The objective of study was to gain a view of the true spend in South Africa across all digital platforms, not just based on publishers submitting rate card information, especially as there is lots of disproportionate reporting. To get this right they needed to canvas both sides of the fence - on the selling side, which is used to sharing this information, as well as on the buying side, with agencies and clients now providing their ad spend figures too. By including both, the report shows the local market the true value of the media, particularly online.



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Elenor Smith of PwC, author of the well-known [PwC Entertainment and Media Outlook](#), gave background in terms of how PwC was involved, and explained the methodology used so we know what figures are based on, as well as some of the report's highlights and how South Africa's digital ad spend compares to other markets.

Feedback from other territories where PwC's run the report shows that it's become a reliable source on advertising market

size, trends, and as a base from which to compare to other territories in the world. The methodology used for the inaugural SA version is in line with that, with the results mainly publisher-based, but agency figures also used to ensure we're not missing the revenues going out of market. As a result of this, the revenues are reported on a net basis, meaning it is the actual revenue recorded in income statements without agency or rate card discounts. Only the aggregated results are reported, which should minimise any privacy concerns as PwC's business is handling confidential information. This means the IAB only sees the aggregated results too, not the raw data.

Smith adds that the search revenue figures included in the report are from the entertainment outlook as Google doesn't release this information, so it's helpful that PwC is a global firm that does the handles all the global versions and predictions across the world. Methodology explained, we moved on to the results.

The 2013 digital ad spend results are in...

The total South African internet market was approximately R1.3b for the year reported, with the lion's share going to search, as expected, then to online advertising, and then to mobile advertising. Just over 50% of the total went to search advertising, according to PwC Entertainment and Media Outlook: 2014 - 2018, South Africa - Nigeria - Kenya, survey research provider Ovum.

Smith said the most exciting thing about this finding is for the future, as most people already carry an internet-connected device with them 24/7, and in just a few years, every single person will have one, with almost 50m smartphone connections expected in South Africa by 2018. To put this mobile adoption into perspective, there were only 19.9m smartphones in the country in 2013. But it's not all good news as mobile challenges lie ahead for advertisers. For example, it's still easier to target higher income members of the population on a broadband connection, and advertisers can't just pop a display ad onto a mobile device. It has to be new, innovative and make use all mobile functionalities in order to be effective and actually see increase in mobile ad inventory prices.

So, where is the money coming from?

Almost 80% of South African internet advertising revenue is from news and media publications, most likely because while publishers have struggled to transform to digital, they have a loyal and large content audience. Big events like the Pistorius trial and breaking news stories have also changed the face of news consumption with people wanting live updates, especially on mobile where they prefer a shorter read, updated more frequently. As this takes off, so will the price of advertising. Social media is also an important advertising platform locally with Facebook at around 9.4m active accounts locally. That said, social media accounted for just 16% of net Internet ad revenue in 2013, as there is just so much Facebook inventory that display ad prices have dropped, as have click-through rates. Also keep in mind that search and social media agency spend won't be reflected by the publishers' spend.

Financial services and consumer goods spend the most online

Looking into industry spend, business-to-business, industrial and FMCG get the largest slice for online advertising, with financial services, retail and FMCG again topping the list for mobile advertising per industry category in 2013.

Louis de Jager then spoke of the best way to charge for ads. The study found that cost per mile or CPM was the most effective method for both online and mobile, with cost per click or CPC also doing well. This doesn't mean that what works on the traditional web will necessarily translate across to mobile though. Take cookie tracking as an example - it's simply not a feature of many new mobile devices. So, as mobile accelerates, advertisers need to find new ways to understand how users consume ads. This could include charging models like cost per view or cost per hour, which have already been launched by leading publishers as a new way of measuring user engagement.

In summary, De Jager said it's an interesting field to be in but if you don't shift to how your audience is consuming content, you simply can't optimise ad prices for your services. For example, while static used to be the most popular form of advertising, now rich media content is better tailored to the mobile and tablet audience, always on the go.

Looking further afield at the global results, South Africa's findings are by no means alone. Even in the US and UK, search is the biggest category of online advertising. Even with these being 2013 results the impact of smartphone penetration for South Africa is obvious, and as it's still on the rise, it's a huge market to delve into. Although it may seem to be a small base, this is definitely where South African ad spend is going; we need to tap into market and harness the opportunities.



Attendees were surprised that just 11 agencies participated in the inaugural study

Call to action: Participate and increase accuracy of future survey findings

In closing, Goosen said the data is very rich and worth delving into, and will become all the more accurate as more agencies take part. The internet advertising revenue report is a landmark for the maturing South African digital industry, which has a growing need for reliable market intelligence in order to position itself as globally competitive.

Going forward, as participants get used to having this level of information available, it will become more valuable and credible with increased participation, with the aim of releasing this information twice a year, with the next study launching in April 2015 on second reporting period ending 31 December 2014. By making the results as well as the questionnaire used made freely available, we also make it more credible and transparent. That's why he said you're welcome to request a copy of the initial questionnaire as well as the methodology used, and of course, the report in PDF format. All you need to do is contact Theresa Vitale on 011 454 3534 or email info@iabsa.net.

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