eMarketer™

Online Advertising:

Statistics, Strategies, Projections & Trends

March 2002

e-telligence for business.™

www.emarketer.com

	Methodology	**7**
	The eMarketer Difference	**8**
	The Benefits of eMarketer's Aggregation Approach	**9**
	"Benchmarking" and Future-Based Projections	**9**
I	**Online Advertising Report: Update**	**11**
	A. Uncertainty's Results	**12**
	B. Online Advertising Issues	**14**
II	**US Online Ad Market Size and Growth**	**17**
	A. eMarketer Estimates: US Online Advertising Spending	**18**
	B. The Near Past: 2000 and 2001	**20**
	C. Today to the Future: 2002 to 2005	**29**
	D. Seasonality: Quarter by Quarter	**36**
III	**Perspective: Interactive Vs. Traditional Media**	**39**
	A. Ad Spending: All Media	**43**
	B. Ad Spending: Online vs. Offline	**48**
	C. Media Pros and Cons	**55**
	D. Time Spent and Penetration Rates	**58**
	E. Television	**64**
	F. Radio	**66**
	G. Newspapers	**67**
	H. Magazines	**69**
	I. Yellow Pages	**71**
	J. Outdoor and Local Media	**73**
IV	**Formats Galore: The Online Ad Cornucopia**	**75**
	A. Spending by Ad Formats	**77**
	B. The Big Three: Banners, Sponsorships, Classifieds	**81**
	Banners	81
	Sponsorships	87

	Classifieds	91
	C. Up and Comers: E-Mail, Rich Media, and Interstitials	**94**
	E-Mail	94
	Rich Media	100
	Mind-Share Over Matter: Interstitials, Pop-Ups, and Pop-Unders	106
	D. Other Formats: Keyword Searches, Slotting Fees, Referrals	**110**
V	**Direct Response vs. Branding**	**119**
	A. Direct Response	**124**
	The Importance of Targeting	129
	B. Branding	**132**
VI	**Online Ad Pricing**	**141**
	A. Pricing Models: Impression vs. Performance	**142**
	B. Cost Comparisons	**146**
	Rate Cards vs. Reality	150
	C. Future for Pricing Models	**151**
	D. Evolving Standards and Measurements	**153**
VII	**Web Publishers (Where Ads Go)**	**157**
	A. Universe of Websites	**159**
	B. Top Online Ad Publishers	**161**
VIII	**Web Advertisers (Who Runs Ads)**	**165**
	A. Spending Overview	**167**
	B. Spending by Industry	**168**
	C. Spending by Company	**174**
	D. Agencies and Networks	**176**
IX	**Trend Watcher: Tools and Techniques**	**181**
	A. Interactive TV and Personal Video Recorders	**182**
	Personal Video Recorders	182
	B. Internet Radio	**184**

	C. Wireless Advertising	**188**
	D. Instant Messaging	**194**
X	**Market Fundamentals: Supporting the Growth of Online Advertising**	**195**
	A. Number of Internet Users Growing	**196**
	B. Increased Broadband Penetration	**199**
	C. More People Shopping and Buying Online	**202**
	D. Heavy Internet Use by Upper Income Professionals and Other "Attractive" Target Groups	**204**
	Corporate-Level Executives	212
XI	**Global Market Size and Growth**	**215**
	A. The Total Advertising Market	**219**
	Regional Estimates	223
	B. Online Advertising Worldwide	**227**
	C. Advertising Growth: By Nation & Region	**232**
	Canada	232
	Europe	235
	Asia Pacific	247
	Latin America	250
	Middle East/Africa	252
	Appendices	**255**
	A. Glossary of Terms	**256**
	B. Index of Charts	**258**

David Hallerman
Senior Analyst, eMarketer
dhallerman@emarketer.com

eMarketer, inc.
821 Broadway
New York, NY 10003
T: 212.677.6300
F: 212.777.1172

March 2002

Welcome to eMarketer

Dear Reader:

Welcome to the latest edition of eMarketer's *Online Advertising: Statistics, Strategies, Projections & Trends*™. This compendium of data and analysis is designed as an invaluable reference tool for tracking and forecasting the entire interactive advertising market—its size and growth trends, as well as strategic issues, key players, and industry best practices.

The report will help you develop business and marketing plans, create presentations, answer questions from clients or management, and make critical decisions about interactive ventures.

Like all eMarketer reports, *Online Advertising: Statistics, Strategies, Projections & Trends*™ presents statistical information aggregated from a broad range of authoritative research sources. The pages ahead provide business, marketing, media and advertising agency professionals with the answers they need, in an easy-to-search format.

If you have any questions or comments concerning eMarketer or any of the material in this report, please call, fax, or e-mail us.

David Hallerman
Senior Analyst

Written by David Hallerman

Also contributing to this report:
Yael Marmon, *researcher*
Andrew Raff, *researcher*
Tracy Tang, *researcher*
Allison Smith, *senior editor*
Dana Hill, *production artist*
James Ku, *chart production*

	Methodology	**7**
	The eMarketer Difference	**8**
	The Benefits of eMarketer's Aggregation Approach	**9**
	"Benchmarking" and Future-Based Projections	**9**
I	Online Advertising Report: Update	
II	US Online Ad Market Size and Growth	
III	Perspective: Interactive Vs. Traditional Media	
IV	Formats Galore: The Online Ad Cornucopia	
V	Direct Response vs. Branding	
VI	Online Ad Pricing	
VII	Web Publishers (Where Ads Go)	
VIII	Web Advertisers (Who Runs Ads)	
IX	Trend Watcher: Tools and Techniques	
X	Market Fundamentals: Supporting the Growth of Online Advertising	
XI	Global Market Size and Growth	
	Appendices	

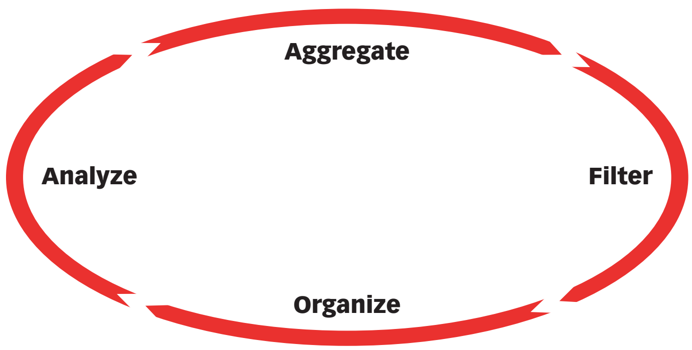
Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

eMarketer's approach to market research is founded on a philosophy of aggregating data from as many different sources as possible. Why? Because there is no such thing as a perfect research study and no single research source can have all the answers. Moreover, a careful evaluation and weighting of multiple sources will inevitably yield a more accurate picture than any single source could possibly provide.

The eMarketer Difference

eMarketer does not conduct primary research. Neither a research firm nor a consultancy, eMarketer has no testing technique to defend, no research bias and no client contracts to protect.

eMarketer prepares each market report using a four-step process of aggregating, filtering, organizing and analyzing data from leading research sources worldwide.



©2001 eMarketer, Inc. www.**eMarketer**.com

Using the internet and accessing a library of electronically-filed research reports and studies, the eMarketer research team first aggregates publicly available e-business data from hundreds of global research and consultancy firms. This comparative source information is then filtered and organized into tables, charts and graphs. Finally, eMarketer analysts provide concise and insightful analysis of the facts and figures along with their own estimates and projections. As a result, each set of findings reflects the collected wisdom of numerous research firms and industry analysts.

> **"I think eMarketer reports are extremely useful and set the highest standards for high quality, objective compilation of often wildly disparate sources of data. I rely on eMarketer's research reports as a solid and trusted source."**
> *— Professor Donna L. Hoffman, Co-Director, eLab, Vanderbilt University*

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

The Benefits of eMarketer's Aggregation Approach

Objective: information is more objective than that provided by any single research source

Comprehensive: gathered from the world's leading research firms, consultancies and news organizations

Authoritative: quoted in leading news publications, academic studies and government reports

All in one place: easy to locate, evaluate and compare

Readily accessible: so you can make quick, better-informed business decisions

Above the hype: accurate projections that business people can use with confidence

Time saving: there's no faster way to find internet and e-business stats, online or off

Money saving: more information, for less, than any other source in the world

"Benchmarking" and Future-Based Projections

Until recently, anyone trying to determine which researcher was most accurate in predicting the future of any particular aspect of the internet did not have a definitive source with which to do this. For instance, over 10 firms predicted e-commerce revenues for the fourth quarter 1998 online holiday shopping season, and yet no single source could be identified after the fact as having the "correct" number. In the Spring of 1999, however, the US Commerce Department finally began measuring e-commerce B2C activity so business people and others could have a benchmark with which they could compare and evaluate projections.

eMarketer has adapted its methodology to recognize that certain government and other respected, impartial sources are beginning to provide reliable numbers that can be consistently tracked over time. Most of these established sources, however, only measure past results; typically, they do not make future-based predictions.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Today, eMarketer formulates its Essential E-Business Numbers by first identifying the most established, reputable source for a given sector being measured and then adopting that organization's figures as *benchmarks* for the historical/current period. For instance, eMarketer's US internet user figures will be based on a combination of the most recent data from the US Census Bureau (August, 2000 survey) and the International Telecommunication Union (ITU). Using this data as the benchmark for 2000, eMarketer will make projections for subsequent years based on the following factors:

- a comparative analysis of user growth rates compiled from other research firms
- additional benchmark data from internet rating firms, e.g., Nielsen//NetRatings and Jupiter Media Metrix, which use panels to measure internet user activity on a weekly and monthly basis
- an analysis of broader economic, cultural and technological trends in the US

Similarly, US e-commerce revenues are being "benchmarked" using historical data from the US Department of Commerce, and broadband household and penetration rate forecasts are being built off baseline data from the Organization for Economic Cooperation and Development (OECD).

Through this benchmarking process, eMarketer will be holding itself – and our projections – accountable.

"When I need the latest trends and stats on e-business, I turn to eMarketer. eMarketer cuts through the hype and turns an overabundance of data into concise information that is sound and dependable."

— Mark Selleck, Business Unit Executive, DISU e-business Solutions, IBM

	Methodology	
I	**Online Advertising Report: Update**	**11**
	A. Uncertainty's Results	**12**
	B. Online Advertising Issues	**14**
II	US Online Ad Market Size and Growth	
III	Perspective: Interactive Vs. Traditional Media	
IV	Formats Galore: The Online Ad Cornucopia	
V	Direct Response vs. Branding	
VI	Online Ad Pricing	
VII	Web Publishers (Where Ads Go)	
VIII	Web Advertisers (Who Runs Ads)	
IX	Trend Watcher: Tools and Techniques	
X	Market Fundamentals: Supporting the Growth of Online Advertising	
XI	Global Market Size and Growth	
	Appendices	

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

In the six months since the last eMarketer Online Advertising report, the online ad industry—along with all advertising and the economy as a whole—hit bottom in the wake of September 11th. For technology-based industries and the media, the revenue trajectory was on a downward track even before the attacks, due to the dot-com bust; and advertising in particular was suffering. Continuing jitters about where the economy was going—exacerbated by market downturns—pushed most advertisers into a waiting game.

Factors Affecting Revised Growth Projections for US Online Advertising Spending

Lingering economic recession
Declining consumer confidence index
Widespread erosion of company profits
General consumer and business fears stemming from September 11th terrorist attacks and the war in Afghanistan
Depressed US media market in 2001 and 2002
Uncertainty about the value of online advertising, as both a branding and direct response vehicle
Lack of measurements and standards for online advertising

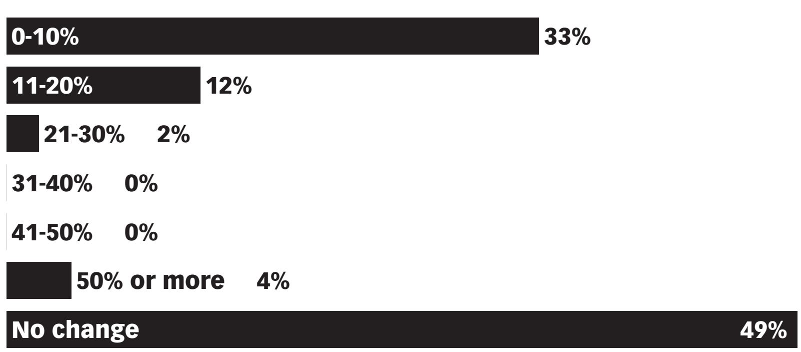
Source: eMarketer, December 2001

034928 ©2001 eMarketer, Inc. www.eMarketer.com

A. Uncertainty's Results

From the fourth quarter of 2001 through the first quarter of 2002, the combination of political and economic uncertainty contributed to ad spending cuts—but perhaps not as severe as some accounts speculate. According to research from the Myers Group, 49% of companies said they anticipated no change in ad spending due to the war. And 33% expected only moderate cuts of 10% or less.

Ad Spending Cuts Attributable to War on Terrorism, Q4 2001-Q1 2002 (as a % of companies interviewed)



Source: Myers Group, September 2001

033487 ©2001 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

"Consumer adoption of the internet is not likely to go down as a result of this [September 11th]. Mainstreaming of the internet has been a by-product of this event—and as long as consumer adoption of the Internet remains strong, there's reason to hold out hope for online advertising."

– Rudy Grahn, analyst, Jupiter Media Metrix

The end of the dot-com hysteria has been a (perhaps-not-so) hidden blessing for the online advertising industry. In the early days of the commercial web, the boom in dot-coms—and the inordinate attention the media gave them and the internet as a whole—made marketing executives believe that online ads should be the "magic bullet," unlike any ads or ad medium ever before.

With the collapse of those illusions, it's important to see the internet as merely one element in an overall marketing strategy. As advertisers now have learned, online advertising is advertising, with its own pros and cons like any other media. Advertisers looking to spend their money productively need to ask how interactive ads can help with their overall marketing goals. They need to employ the same standards for effective branding, direct response, and driving sales as they do for other ad buys.

So the downfall of the dot-coms has relieved the online ad industry of the burden of being unique. At the same time, the internet lets advertisers interact with customers and prospects in ways not possible with other media. For example, such rich media as near-broadcast quality streaming video is revolutionizing the direct-mail industry. Moving away from paper, direct-response advertising can now deliver directly to a user's online mailbox the emotional, branding-focused messages that rich media e-mail offers. That has brought consumer-oriented companies such as Charles Schwab, BMG Music, eTrade, Lexus, Saab, Pontiac, MSNBC, and First USA into the fold, according to *MediaPost*. These companies "send a variety of rich media e-mails, including Flash movies with sound and animation, re-purposed TV commercials, and customized video spots, which were created for the email campaigns."

Furthermore, according to Nielsen//NetRatings in its March 2001 paper, "A Report Card for Web Advertising Points to Promise," the period of decline in online advertising revenue can be seen as one of re-invention. When business is slower, there's both time and impetus to try new approaches, new technologies, new channels.

"A lot of people want to have online be seen as different because they're like, 'this is so special, we're so special.' A lot of that is the hubris that permeated the industry in the beginning."

– Nick Nyhan, president, Dynamic Logic

Methodology

Online Advertising Report: Update

US Online Ad Market Size and Growth

Perspective: Interactive Vs. Traditional Media

Formats Galore: The Online Ad Cornucopia

Direct Response vs. Branding

Online Ad Pricing

Web Publishers (Where Ads Go)

Web Advertisers (Who Runs Ads)

Trend Watcher: Tools and Techniques

Market Fundamentals: Supporting the Growth of Online Advertising

Global Market Size and Growth

Appendices

B. Online Advertising Issues

Issues that continue to baffle, bewitch, and block the interactive advertising industry include:

- **Other media**—competition vs. cooperation. Will interactive advertising steal dollars from traditional media, such as television, print, and radio? Or will cross-media advertising and multi-channel marketing play off each other to swell the coffers of all advertisers and publishers?
- **Proliferating ad formats**—promises vs. problems. Will the ever-increasing choices among online ad formats, including the glitz of rich media, deliver a dazzling new palette for interactive ad creatives and buyers? Or will the proliferation of 4,000-plus online ad units, coupled with new streaming video and audio choices, overwhelm marketers familiar with the relative simplicity of TV and radio ad formats?
- **Marketing goals**—direct response vs. branding. Will interactive media remain as a low-rent direct-response niche, at least in the eyes of some traditional marketers? Or will the touchy-feely side of branding find its way fully into the online world?
- **Pricing models**—impression vs. performance. Will cost-per-thousand pricing, based on ad impressions, continue to dominate the market? Or will the interactivity of digital media allow the fuller accountability that makes performance-based pricing, such as cost-per-action, feasible for both advertiser and publisher alike?

"The advertisement is the most truthful part of a newspaper." *– Thomas Jefferson*

Perhaps setting up the key issues as one versus the other is not the best way to look at changes within online advertising. For instance, while different media certainly can, and do, compete for the advertiser's dollar, more and more advertisers find a blend of online and offline ads suit their purposes best. Take Pepsi. Early during this January's Super Bowl, Pepsi aired a 90-second commercial with a "Now and Then" theme. Starring Britney Spears, the ad took viewers for a stroll down nostalgia lane, with Spears reproducing spots from the 1950's, 60's, 70's, 80's, along with one from today. Then, thanks to a cross-marketing deal with Yahoo!, viewers could go online to watch behind-the-scenes videos and vote for their favorite "Pepsi Generation," which would appear on the tube later in the game. While the special pepsi.yahoo.com site reported no traffic on the day before the game, it garnered 135,000 unique visitors on Super Bowl Sunday. (Oh, yes, the 1950's Britney spot was the top vote-getter.)

That major consumer package goods (CPG) companies such as PepsiCo see the web as a vital part of their marketing campaigns is just one sign that online advertising is part of mainstream advertising. Growth follows growth. The media rule-of-thumb is that advertising follows audience.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

But with all these audience hours spent on the web, and with high internet penetration and usage by the well-to-do, US advertisers, in aggregate, spend only about 3% of their ad budgets on interactive media. This discrepancy hints at the possibilities for online ad growth, as more and more traditional advertisers and their agencies seek to reach the expanding market of web surfers.

And while growth in US online advertising is expected, barriers remain that hold back the rate of growth. In fact, most of the barriers might be just as much in people's minds as in reality. Take the argument that the internet is not one of the mass media. According to Rex Briggs, principal of Marketing Evolution, a consulting company, there are no mass media anymore—at least as defined 20 years ago.

"I'd argue that unless you're dealing with a major prime-time show or the Super Bowl, there really isn't a mass medium anymore. Even network television only gets you a fraction of what you used to get."

–Rex Briggs, principal, Marketing Evolution

Eight Barriers to US Online Advertising, 2002

Barrier	Upside development
Not all target audiences are wired (at least not to the same degree)	The internet continues to expand, attracting new users and approaching the penetration of a "mass media"
The online audience is highly fragmented	Vertical sites are creating markets of web surfers with common interests
Branding is questionable on the web	New data reveals the web can positively affect traditional branding measures
Bandwidth problems limit creative options	DSL, cable and convergent technologies are progressing (though more slowly than many expected)
Internet users tend to be goal-directed, so anything that gets in their way, including ads, is perceived as an intrusion	Web marketers are getting better at targeting and communicating with specific groups of online consumers; users are increasingly interested in using the web for entertainment
Advertisers have not cracked the problem of integrating online and offline advertising	Advertisers are aware of the need for integration, and a few pioneers are already leading the way
Online ad buying is far too complex	The IAB, working with a group of leading advertisers and publishers, is simplifying the process of measuring and purchasing online ads
Personalization technology raises issues about privacy and the use of personal information	Consumers, government authorities, marketers and other interested parties are pursuing discussions that will spell out guidelines and quell fears

Source: eMarketer, 2002

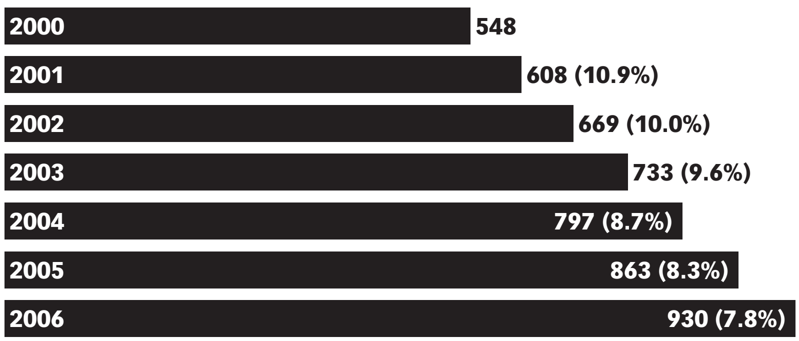
036961 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Finally, as online ad spending increases and the internet fully approaches mass-media penetration among consumers, the pervasive advertising problem of clutter will rear its head. The more ads consumers see, no matter what the media, the more difficult it is for marketers to reach them.

According to an online advertising report from Jupiter Media Metrix, US consumers in 2000 were exposed to 548 marketing messages each day they went online. That exposure is expected to reach 930 messages by 2006, which translates to a 69.7% increase during that time.

US Consumer Exposure to Online Marketing Messages, 2000-2006 (in impressions per user per usage day and as % increase vs. prior year)



Source: Jupiter Media Metrix, July 2001

037003 ©2002 eMarketer, Inc. www.eMarketer.com

	Methodology	
I	Online Advertising Report: Update	
II	**US Online Ad Market Size and Growth**	**17**
	A. eMarketer Estimates: US Online Advertising Spending	**18**
	B. The Near Past: 2000 and 2001	**20**
	C. Today to the Future: 2002 to 2005	**29**
	D. Seasonality: Quarter by Quarter	**36**
III	Perspective: Interactive Vs. Traditional Media	
IV	Formats Galore: The Online Ad Cornucopia	
V	Direct Response vs. Branding	
VI	Online Ad Pricing	
VII	Web Publishers (Where Ads Go)	
VIII	Web Advertisers (Who Runs Ads)	
IX	Trend Watcher: Tools and Techniques	
X	Market Fundamentals: Supporting the Growth of Online Advertising	
XI	Global Market Size and Growth	
	Appendices	

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

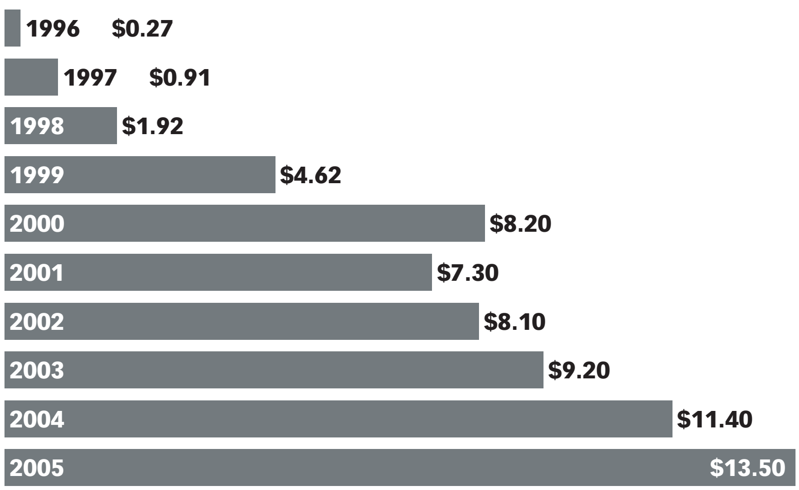
The year 2001 challenged the entire US advertising industry, and online advertising took its share of licks. The depressed economy, compounded by the after effects of September 11th, created a retraction in media spending not seen in 30 or 40 years.

A. eMarketer Estimates: US Online Advertising Spending

Yet the worst, we believe, is behind us. In absolute dollars, the US online ad market is due for an expansion in 2002 and beyond. eMarketer foresees an 11.0% bounce-back in 2002, to counter the 11.0% drop seen in 2001.

Between 2000 spending at $8.20 billion and the forecasted $13.50 billion for 2005, eMarketer expects a 64% growth rate over that six-year span.

US Online Advertising Spending, 1996-2005 (in billions)



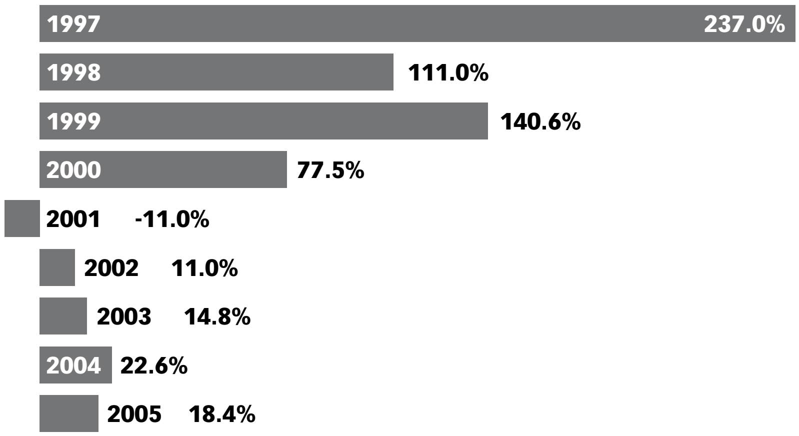
Note: eMarketer figures for future forecasts (2001-2004); Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers figures for historical period (1996-2000)
Source: eMarketer, February 2002; Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers, 2001

036859 ©2002 eMarketer, Inc. www.eMarketer.com

When seen as a percentage change from each prior year, the early years (1996 through 1999) show the spectacular growth of a very young medium. The mid years (2000 through 2001) describe the shakeout due to a mix of the changing economy and the reaction to over expectations. The next generation (2002 through 2005) is a picture of steady, but not outlandish, growth—the kinds of steps seen in an evolving yet maturing industry.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

US Online Advertising Spending, 1997-2005 (as a % increase/decrease vs. prior year)



Note: 1997-2000 -- Interactive Advertising Bureau/PricewarhouseCoopers (PwC); 2001-2005 -- eMarketer
Source: eMarketer, February 2002; Interactive Advertising Bureau/PricewaterhouseCoopers (PwC), December 2001

036590 ©2002 eMarketer, Inc. www.eMarketer.com

Note that eMarketer benchmarks its online ad spending projections against the Interactive Advertising Bureau's quarterly surveys, which are conducted independently by auditing firm PricewaterhouseCoopers.

"Nothing except the mint can make money without advertising." *– Thomas B. Macaulay, 19th century English author, historian, and statesman*

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

B. The Near Past: 2000 and 2001

Measured both objectively by statistics and subjectively in articles by pundits, online advertising—along with the rest of the ad industry—took a big hit in 2001. Well, that's the standard wisdom according to many analysts and industry observers, but far from all.

Nearly two dozen research companies, ad agencies, and investment banking firms make predictions about online ad spending. But, as shown below, there is little consensus among them, due to differing definitions, methodologies, and biases. For 2001, the range is from a low of $4.1 billion to a high of $12.6 billion. (There also was the Ad Zone Research estimate of $19.0 billion, but since that firm's figure doesn't account for publishers' near-standard rate-card discounts, we left it off the chart.)

Note that most of the estimates came post-September 11th, so the year's further economic drop-off was factored into the projections.

Comparative Estimates: US Online Advertising Spending, 2001 (in billions)

continued on page 21

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

*Note: *eMarketer benchmarks its online advertising spending figures against the Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers (PwC) data, for which the last full year measured was 2000*
Source: eMarketer, February 2002; various, as noted, 2001

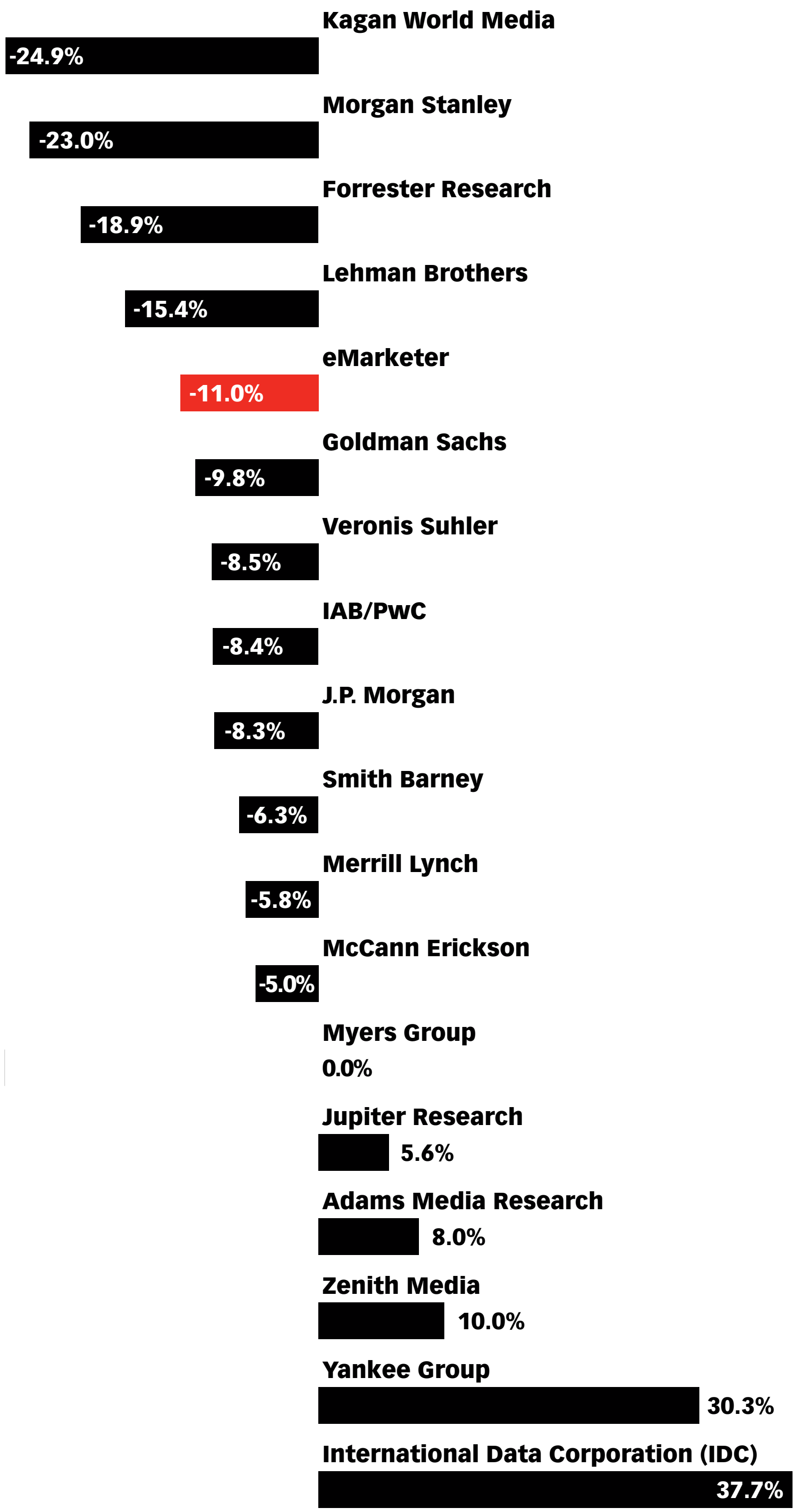
036471 ©2002 eMarketer, Inc. www.eMarketer.com

Setting absolute dollar figures aside, another way to measure online advertising is by growth rates. For example, while eMarketer estimated an 11.0% revenue drop-off from 2000 to 2001, Zenith Media spotted an 10.0% jump in the same span. Another notable negative-positive juxtaposition includes the 9.8% decrease from Goldman Sachs matched against Zenith Media's 10.0% increase.

In fact, the 18 research estimates shown below divide online advertising growth for 2000-2001 into 5 up, 12 down, and one even. With such diversity among estimates, what is reality?

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Comparative Estimates: US Online Advertising Spending, 2001 (as % increase/decrease vs. prior year)



Source: eMarketer, February 2002; various, as noted, 2001

036243 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Reality starts with a two-part question: What is measured? And how is it measured?

eMarketer—having adopted the Interactive Advertising Bureau/PricewaterhouseCoopers as its benchmark source for interactive advertising spending—includes the full suite of tools available to i-marketers: banners, sponsorships, classifieds, slotting fees, keyword searches, interstitials, e-mail, rich media, and referrals. Other companies that track the same set of ad formats include Goldman Sachs, J.P. Morgan, Merrill Lynch, Morgan Stanley, Veronis Suhler, and Zenith Media.

But Forrester Research, McCann-Erickson, and Adams Media Research, for instance, do not include classifieds or e-mail ads in their estimates. And classifieds, a strong gainer on the internet, made up 16% of all online ad revenue for the first nine months of 2001, according to IAB/PwC data. Or take Jupiter Research, which strips out 10% of revenues for what it deems barter deals, and doesn't count referral ads as well. In short, there is no perfect agreement about what ad formats to measure when counting up interactive ad revenues.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Online Ad Spending: What Is Measured? How Is It Measured?

	What is measured (ad formats)	How it is measured (methodology)
Adams Media Research	No classifieds or e-mail	"Complicated model"; talks with companies that do online advertising
Ad Zone Research	No e-mail	Uses computer technology to measure ad activity on 4,000 websites. Calculates spending by multiplying the number of ad units by published rate card prices. No attempt is made to factor out bartering or discounting. Does not make projections, only monitors past activity
CMR	No classifieds or e-mail	Monitors 15,000 URLs. Black box (will not reveal methodology)
eMarketer	**Same as IAB/PwC**	**Aggregates and analyzes information from all sources. Normalizes and weighs data. Develops projections based on the best fit with all the available data. Identify IAB/PwC as the benchmark for historical periods**
Forrester Research	No classifieds or e-mail	Interviews media companies and adjusts their numbers off of 10Q's. Also applies best guesses based on speaking with marketers
Gartner G2	Same as IAB/PwC	Uses public records (SEC filings) with adjustments; determined in conjunction with data collected from Nielsen//NetRatings, Evaliant, and interviews with online media and advertisers
Goldman Sachs	Same as IAB/PwC	Looks at trends, particularly by tracking revenues from the largest publishers, such as AOL, Yahoo, etc. Not projecting beyond 2002
Interactive Advertising Bureau(IAB)/ Pricewater-house-Coopers (PwC)	• Banners • Sponsorships • Classifieds • Slotting Fees • Keyword Search • Interstitials • E-mail • Rich Media • Referrals	Confidential mailed survey to interactive media companies; validated via public records and PwC audit records. Compile data from over 100 companies, including non-public firms (data only shown in aggregate, no incentive to boost)
International Data Corpo-ration (IDC)	Unknown	Black box (will not reveal methodology)
J.P. Morgan	Same as IAB/PwC	Uses IAB/PwC for historical purposes

continued on page 25

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Jupiter Research	No barter or referral fees	Historical estimates based on aggregating revenue data from 30 of the top public online publisher websites and ad networks. Extrapolate based on other data from AdRelevance and Media Metrix. Strips out 10% for barter, 2% for referral fees
Kagan World Media	No rich media	Historical numbers derived by looking at reported revenues from public companies, calculating their market share, then extrapolating to reach a total
Lehman Brothers	Include everything the top 10 site publishers include when they report revenues in SEC filings	Examine the top 10 public online publishers' revenues (on the assumption that this group accounted for 85% of total dollars in 2000 and 90% in 2001); extrapolate to get the remaining dollars
McCann-Erickson	No classifieds or e-mail	Extrapolates from US Census data (most recent Census data is 2000). Formulates projections by looking at industry trend data, including other media
Merrill Lynch	Same as IAB/PwC	Up until mid-2001, was using IAB/PwC data. Now pull the data themselves, mostly by reviewing public SEC filings from the major players (who represent "90%" of total spending)
Morgan Stanley	No barter, cash/barter, e-mail	Tracks impressions and uses a blend of effective CPMs from public company reports. Strips out 6% for barter, 1% for cash/barter deals, and 3% for e-mail
Myers Group	No barter, equity deals, slotting fees, referrals	Interviews and self-administered questionnaires (mailed), completed by advertisers and buying representatives; conducted quarterly. Plus confirming interviews with online media companies and public data. Strips out 8% for slotting fees and 2% for referrals
Salomon Smith Barney	Unknown	Black box (will not reveal methodology)
Veronis Suhler	Same as IAB/PwC	Based on anticipated economic trends; general advertising trends; national advertising trends as impacted by the economy; and anticipated consumer use of the internet

continued on page 26

Methodology

Online Advertising Report: Update

US Online Ad Market Size and Growth

Perspective: Interactive Vs. Traditional Media

Formats Galore: The Online Ad Cornucopia

Direct Response vs. Branding

Online Ad Pricing

Web Publishers (Where Ads Go)

Web Advertisers (Who Runs Ads)

Trend Watcher: Tools and Techniques

Market Fundamentals: Supporting the Growth of Online Advertising

Global Market Size and Growth

Appendices

Yankee Group	No e-mail	Based on a combination of primary consumer usage research, as well as interviews with online ad buyers and sellers actively involved in the advertising marketplace
Zenith Media	Same as IAB/PwC	Through interviews, look at IAB/PwC numbers (not from financial filings or surveys)

Source: eMarketer, March 2002; various, as noted, 2002

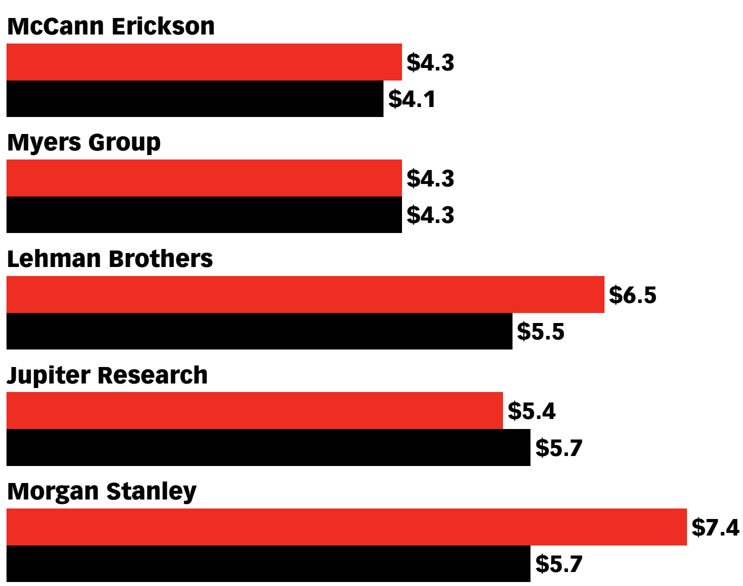
037347 ©2002 eMarketer, Inc. www.**eMarketer**.com

So the variance among firms in what is measured results in apples-to-oranges comparisons of dollar spending figures. However, by adding back those missing components, some figures begin to line up. Take Forrester's $6.0 billion revenues for 2001. If we adjust that amount by the missing 16% for classifieds and 2% for e-mail, it turns into $7.3 billion and is in line with estimates from eMarketer, Goldman Sachs, Veronis Suhler, and the IAB.

Similarly, Morgan Stanley, a firm which embraces the IAB/PwC methodology, reported 2000 spending of $7.4 billion. However, this figure excludes barter, e-mail, and cash deals, which constitute 10% of total spending. If these items are added back in, the resultant total is $8.2 billion, the same figure as reported by the IAB for that year.

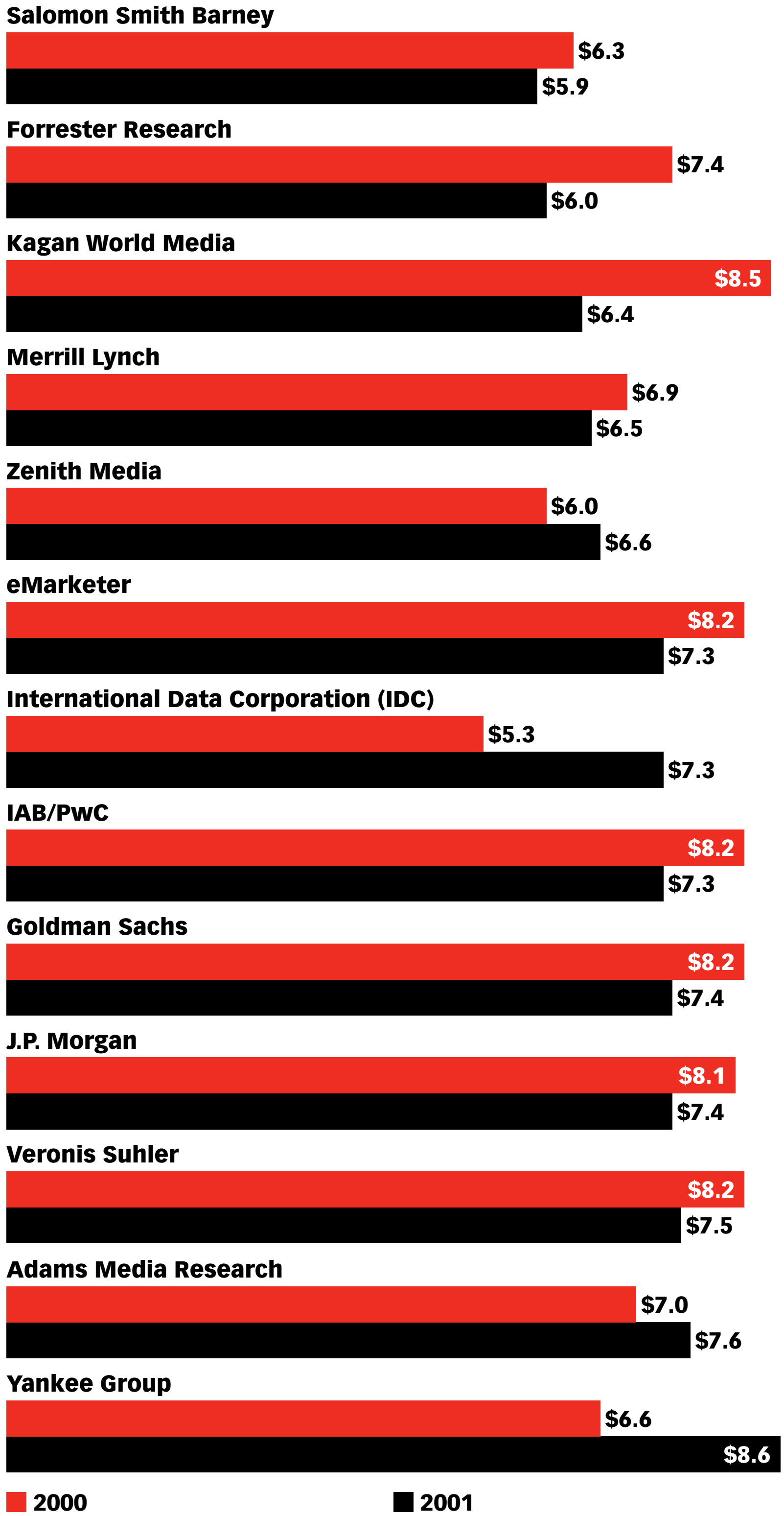
These kinds of adjustments can be done for each company that doesn't count the full universe of online ad formats.

Comparative Estimates: US Online Advertising Spending, 2000-2001 (in billions)



continued on page 27

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices



Note: IAB/PwC's estimate for 2001 is based on actual 3Q revenues with eMarketer extrapolation
Source: eMarketer, February 2002; various, as noted, 2001

036244 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

However, the second part of our quest for reality, which looks at the methodology for each company's research, is harder to adjust for. As a rough rule of thumb, there are four ways researchers measure online advertising revenues:

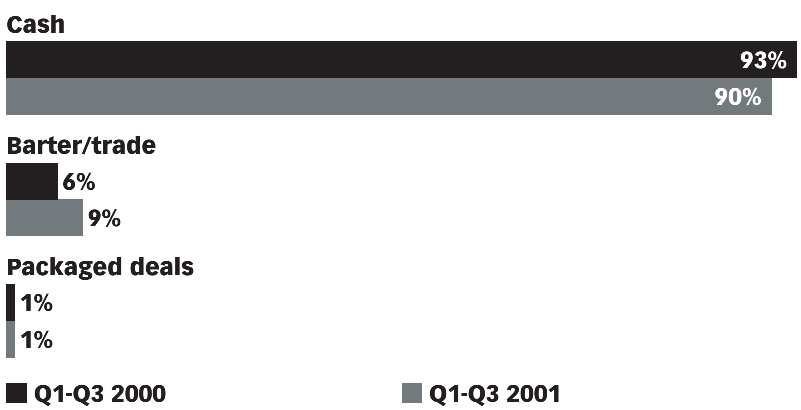
1) Auditing financial reports (through public records, an audit firm, or a blend of the two)
2) Extrapolation based on ad impressions counted
3) Interviews or surveys, mainly with online advertisers (spending) and/or publishers (revenues)
4) Black box (or, the company won't divulge)

To further complicate the methodology question, some researchers employ hybrid approaches, combining financial reports with interviews, for example. Auditing financial reports appears to be the most common methodology, used by IAB/PwC, Merrill Lynch, Gartner, and others.

McCann-Erickson, with the low estimate at $4.1 billion revenues for 2001, extrapolates from Department of Commerce data; those government figures were last updated in 2000. Or take the Myers Group, with the next lowest estimate of $4.3 billion; it puts together estimates through interviews and questionnaires with select advertisers. Or look at one of the higher estimates for 2001, the $8.6 billion figure from the Yankee Group; that comes from a combination of primary consumer usage research and interviews with online ad buyers and sellers.

The lion's share of US online ad revenue continues to come through cash deals, even though they declined by 3 percentage points from the first three quarters of 2000 to the corresponding period in 2001. Barter deals, while still small, now make up nearly 1 in 10 of all ad transactions.

US Online Advertising Revenue, by Transaction Type, Q1-Q3 2000 vs. Q1-Q3 2001 (as a % of total revenue)



Note: Total revenue for Q1-Q3 2000 was $6.06 billion and $5.55 billion for Q1-Q3 2001
Source: PricewaterhouseCoopers (PwC), Interactive Advertising Bureau (IAB), December 2001

036477 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

C. Today to the Future: 2002 to 2005

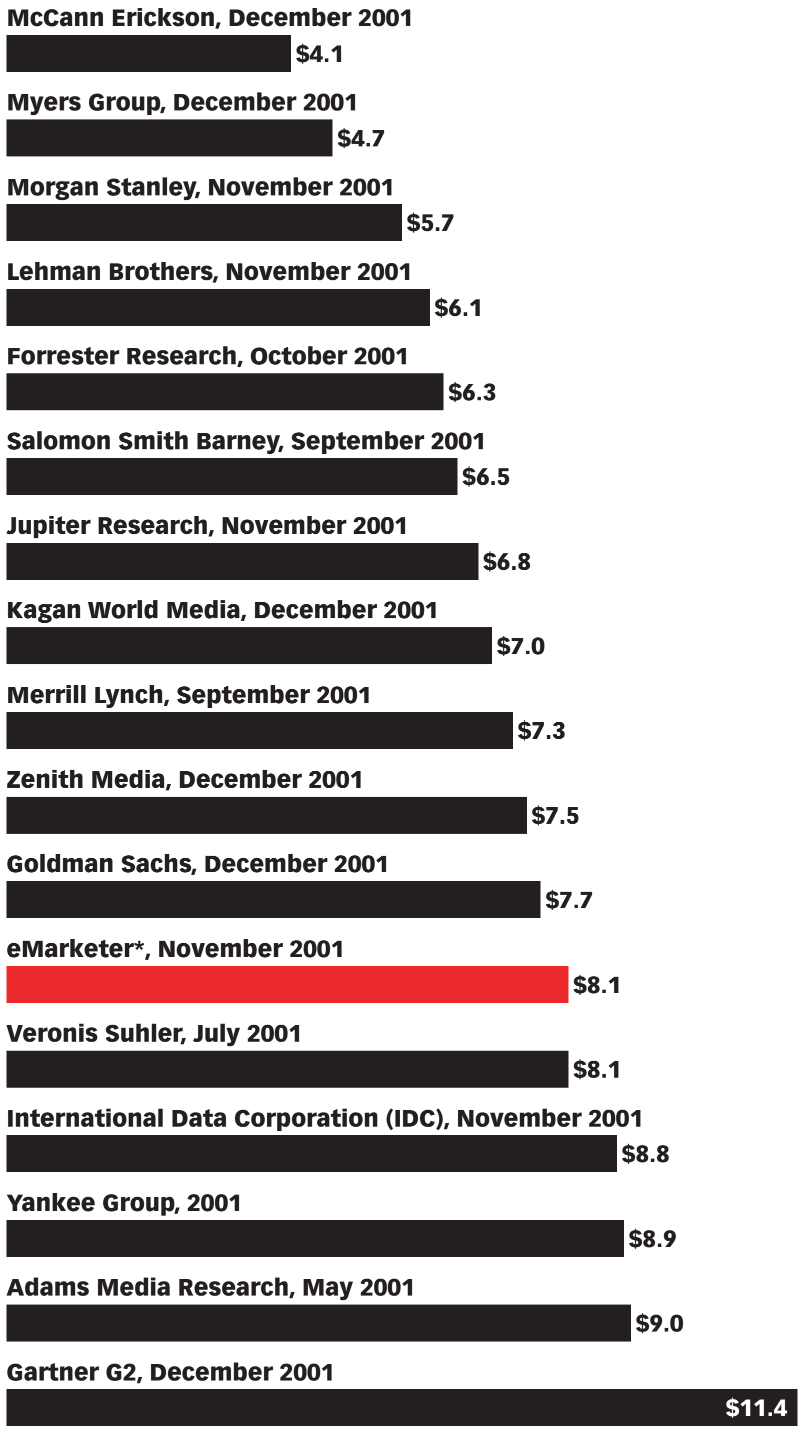
According to most observers, online advertising hit bottom in 2001 and is ready for its continued rise in 2002 and the years to follow. From last year's drop to $7.3 billion, spending will climb back to $8.1 billion this year and reach $13.5 billion in 2005.

Other research firms' projections for 2002 range from Gartner's optimistic $11.4 billion down to McCann-Erickson's $4.1 billion. However, 6 of the 17 estimates hover in the $7.0 to $8.1 billion range.

And even with cash as king, the importance of barter is illustrated by Jupiter's estimate, for example, which includes neither barter deals (counting them at 10%) nor referrals (at 2%). With those elements added back into its 2002 estimate of $6.8 billion, it becomes $7.7 billion—close to Zenith, Goldman Sachs, and eMarketer, who include all the IAB/PwC ad formats in their estimates.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Comparative Estimates: US Online Advertising Spending, 2002 (in billions)



*Note: *eMarketer benchmarks its online advertising spending figures against the Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers (PwC) data, for which the last full year measured was 2000*
Source: eMarketer, February 2002; various, as noted, 2001, 2001

036472 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Looking to the more important growth rate for 2002, most researchers see a healthy improvement for the year. With the exception of McCann-Erickson and Morgan Stanley at a flat 0.0%, most of the other 16 researchers are forecasting spending growth in the range of 8% to 20%. Note that not only do the 18 forecasts diverge greatly, they are also, as seen previously, working off widely different bases for 2001.

Comparative Estimates: Projections for US Online Ad Spending, 2002 (as % increase/decrease vs. prior year)

*Note: *November 2001 Fortune survey of ad agency executives indicated that online ad dollars will rise by no more than 10-15% in 2002*
Source: eMarketer, January 2002; various, as noted, 2001

036190 ©2002 eMarketer. Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Projecting US online ad spending out into 2004 and 2005 is an endeavor that only 8 of the 19 companies are willing to do. Gartner, for example, is consistently at the high end (with $17.2 billion and $18.8 billion), while the Myers Group is the stalwart at the low end (with $6.5 billion and $7.5 billion). eMarketer steers a middle course, with estimates for 2004 and 2005 of $11.4 billion and $13.5 billion, respectively. Jupiter is at a similar level for those years.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Comparative Estimates: US Online Advertising Spending, 2000-2005 (in billions)

	2000	2001	2002	2003	2004	2005
Adams Media Research, May 2001	$7.0	$7.6	$9.0	$10.6	$12.4	$14.1
eMarketer*, November 2001	**$8.2**	**$7.3**	**$8.1**	**$9.3**	**$11.4**	**$13.5**
Forrester Research, October 2001	$7.4	$6.0	$6.3	–	–	$30.7
Gartner G2, December 2001	–	$7.9	$11.4	$14.7	$17.2	$18.8
Goldman Sachs, December 2001	$8.2	$7.4	$7.7	–	–	–
Interactive Advertising Bureau/ PricewaterhouseCoopers (PwC)	$8.2	$7.3	–	–	–	–
International Data Corporation (IDC), November 2000	$5.3	$7.3	$8.8	$10.8	–	–
J.P. Morgan, November 2001	$8.1	$7.4	–	–	–	–
Jupiter Research, November 2001	$5.4	$5.7	$6.8	$8.6	$10.6	$12.9
Kagan World Media, December 2001	$8.5	$6.4	$7.0	$7.9	$8.9	$10.1
Lehman Brothers, November 2001	$6.5	$5.5	$6.1	$7.6	$9.5	–
McCann Erickson, December 2001	$4.3	$4.1	$4.1	–	–	–
Merrill Lynch, September 2001	$6.9	$6.5	$7.3	–	–	–
Morgan Stanley, November 2001	$7.4	$5.7	$5.7	–	–	–
Myers Group, December 2001	$4.3	$4.3	$4.7	$5.4	$6.5	$7.5
Salomon Smith Barney, September 2001	$6.3	$5.9	$6.5	–	–	–
Veronis Suhler, July 2001	$8.2	$7.5	$8.1	$8.8	$9.4	$9.9
Yankee Group, 2001	$6.6	$8.6	$8.9	–	–	–
Zenith Media, December 2001	$6.0	$6.6	$7.5	$8.6	–	–

*Note: *eMarketer benchmarks its online advertising spending figures against the Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers (PwC) data, for which the last full year measured was 2000; **IAB/PwC estimate for 2001 based on 3Q 2001 actual spending, extrapolated by eMarketer.*
Source: eMarketer, February 2002; various, as noted, 2000 & 2001

036584 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

But in nearly every case, industry observers see growth ahead. When examined as a percent increase or decrease versus the prior year, growth for 2003 ranges from 8.6% to 28.9%, with a slight drop in growth by 2005.

Comparative Estimates: US Online Advertising Spending Growth, 2001-2005 (as % increase/decrease vs. prior year)

	2001	2002	2003	2004	2005
Adams Media Research, May 2001	8.0%	18.4%	17.8%	17.0%	13.7%
eMarketer*, February 2002	**-11.0%**	**11.0%**	**14.8%**	**22.6%**	**18.4%**
Forrester Research, October 2001	-18.9%	5.0%	–	–	–
Gartner G2, December 2001	–	44.3%	28.9%	17.0%	9.3%
Goldman Sachs, December 2001	-9.8%	4.1%	–	–	–
Interactive Advertising Bureau/ PricewaterhouseCoopers (PwC)**	-11.0%	–	–	–	–
International Data Corporation (IDC), November 2000	37.7%	20.5%	22.7%	–	–
J.P. Morgan, November 2001	-8.3%	–	–	–	–
Jupiter Research, November 2001	5.6%	19.3%	26.5%	23.3%	21.7%
Kagan World Media, December 2001	-24.9%	9.0%	13.4%	12.1%	14.6%
Lehman Brothers, November 2001	-15.4%	10.9%	24.6%	25.0%	–
McCann Erickson, December 2001	11.6%	0.0%	–	–	–
Merrill Lynch, September 2001	-5.8%	12.3%	–	–	–
Morgan Stanley, November 2001	-23.0%	0.0%	–	–	–
Myers Group, December 2001	0.0%	10.0%	15.0%	20.0%	15.0%
Salomon Smith Barney, September 2001	-6.3%	10.2%	–	–	–
Veronis Suhler, July 2001	-8.5%	8.0%	8.6%	6.8%	5.3%
Yankee Group, 2001	30.3%	3.5%	–	–	–
Zenith Media, December 2001	10.0%	13.0%	15.3%	–	–

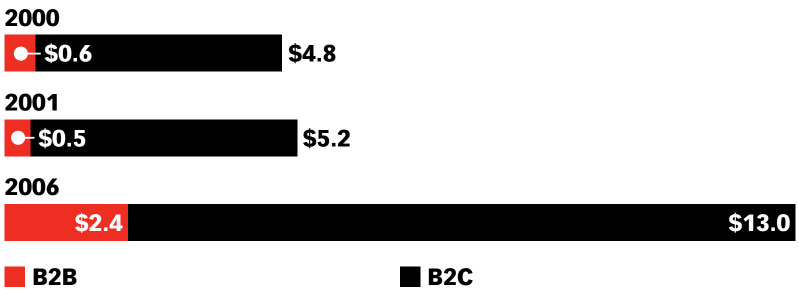
*Note: *eMarketer benchmarks its online advertising spending figures against the Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers (PwC) data, for which the last full year measured was 2000; **IAB/PwC estimate for 2001 based on Q3 2001 actual spending, extrapolated by eMarketer.*
Source: eMarketer, March 2002; various, as noted, 2000 & 2001

036586 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

While business-to-business dominates e-commerce sales, it remains the weaker sister in online advertising. For example, in 2001, B2B e-advertising was $500 million and accounted for 8.8% of total online advertising, according to Jupiter Media Metrix; by 2006, the researcher expects B2B's share to increase to 15.6%, or $2.4 billion.

B2B and B2C Online Advertising in the US, 2000, 2001 & 2006 (in billions)



Source: Jupiter Media Metrix, 2001; extrapolated by eMarketer, 2002

035888 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

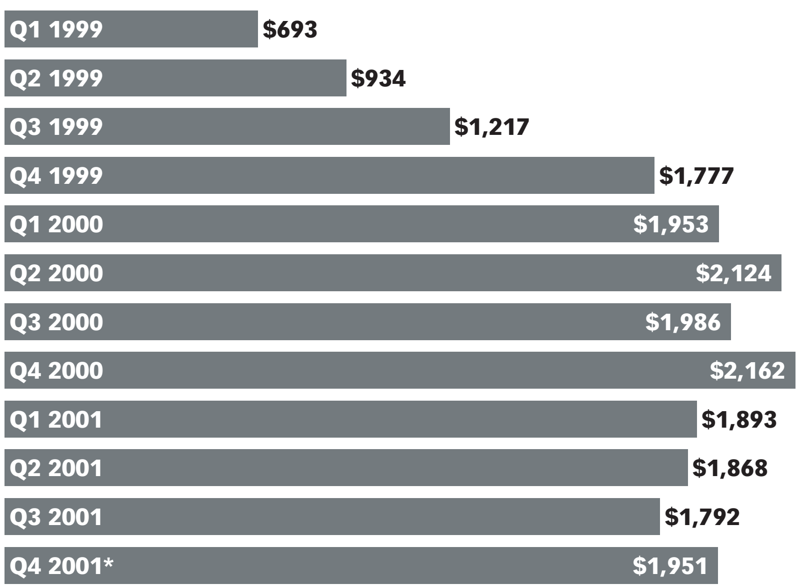
D. Seasonality: Quarter by Quarter

By narrowing the range from annual projections to quarterly results, online advertising's various ups and downs come into clearer focus.

For example, according to historical data from the Interactive Advertising Bureau and PricewaterhouseCoopers, even though online advertising's total revenue rose from $4.6 billion in 1999 to $8.2 billion in 2000, the 3rd quarter of 2000 showed a 6.5% decrease. More so, the first three quarters of 2001 showed drops from the previous quarters, with an anticipated increase (based on eMarketer projections) for the 4th quarter of the year.

Although eMarketer projects a $1.75 billion figure for the 4th quarter of 2001, pure extrapolation of the IAB data would yield a figure of $1.95 billion and an 8.9% growth rate for that quarter, as shown in the two charts below.

US Online Advertising Spending, Q1 1999-Q4 2001 (in millions)

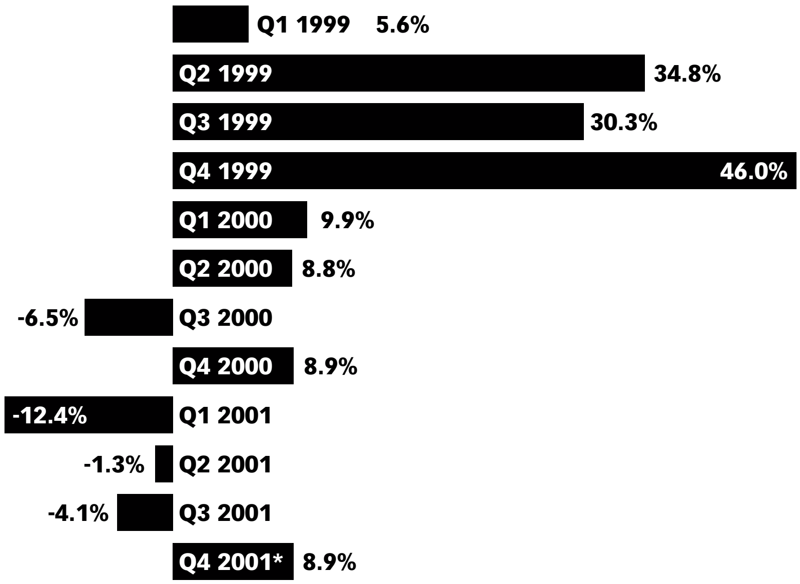


*Note: *extrapolated by eMarketer from IAB/PwC data*
Source: PricewaterhouseCoopers (PwC), Interactive Advertising Bureau (IAB), December 2001; eMarketer, February 2002

036474 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

US Online Advertising Spending, Q1 1999-Q4 2001 (as % increase/decrease vs. prior quarter)



*Note: *extrapolated by eMarketer from IAB/PwC data*
Source: Interactive Advertising Bureau (IAB), PricewaterhouseCoopers (PwC), December 2001; eMarketer, February 2002

036475 ©2002 eMarketer, Inc. www.eMarketer.com

	Methodology	
I	Online Advertising Report: Update	
II	US Online Ad Market Size and Growth	
III	**Perspective: Interactive Vs. Traditional Media**	**39**
	A. Ad Spending: All Media	**43**
	B. Ad Spending: Online vs. Offline	**48**
	C. Media Pros and Cons	**55**
	D. Time Spent and Penetration Rates	**58**
	E. Television	**64**
	F. Radio	**66**
	G. Newspapers	**67**
	H. Magazines	**69**
	I. Yellow Pages	**71**
	J. Outdoor and Local Media	**73**
IV	Formats Galore: The Online Ad Cornucopia	
V	Direct Response vs. Branding	
VI	Online Ad Pricing	
VII	Web Publishers (Where Ads Go)	
VIII	Web Advertisers (Who Runs Ads)	
IX	Trend Watcher: Tools and Techniques	
X	Market Fundamentals: Supporting the Growth of Online Advertising	
XI	Global Market Size and Growth	
	Appendices	

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Online advertising's portion of the total universe of US advertising—and the meaning of that portion—is a lot like the old fable about the blind men and the elephant, where one man places his hands on the elephant's side and thinks it's a broad and sturdy wall, while another man touches the tusk and thinks it's a spear, and so on.

Do you look at dollar share alone? In that case, you might see online advertising as a mere blip on the total US advertising screen, with its stake rising from 3.1% in 2000 up to 4.2% in 2005? Or, do you look at the relative growth rates instead? By that standard, in the seven years since online advertising took off in 1994, its market share has surpassed that of outdoor advertising by a substantial margin. Or, according to PricewaterhouseCoopers, online advertising's spending of $4.6 billion in its fifth year (1999) beat out that for television of $3.7 in its corresponding fifth year (after adjusting for inflation).

US Online Advertising Spending, 2000-2005 (as a % of total media spending)

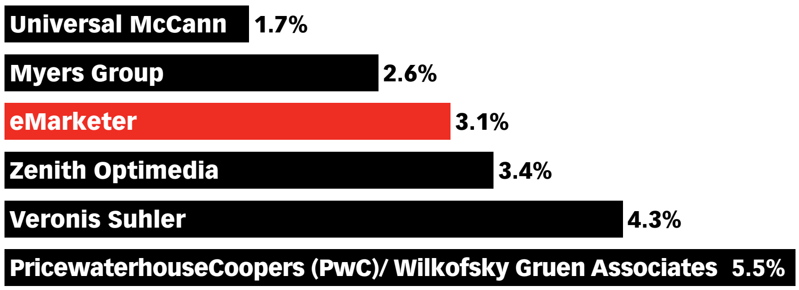
Note: Measures online advertising as a % of total US media spending, including direct mail: based on total media figures from Veronis Suhler, July 2001; other-category figures from Myers Group, December 2001; and direct-mail figures from Veronis Suhler, July 2001
Source: eMarketer, February 2002

036987 ©2002 eMarketer, Inc. www.eMarketer.com

Focusing in on 2002 alone, the comparative estimates for online advertising's percentage of total media spending come in a 3.8-point range, from Universal McCann's low of 1.7% up to PwC's 5.5%.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Comparative Estimates: US Online Advertising Spending, 2002 (as a % of total media spending)

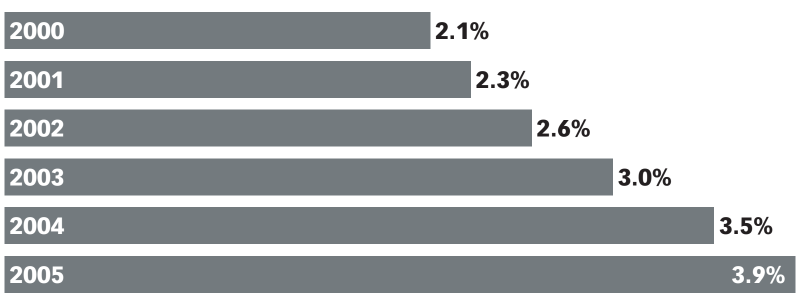


Source: eMarketer, February 2002; various, as noted, 2001

037073 ©2002 eMarketer, Inc. www.eMarketer.com

The Myers Group, Veronis Suhler, and PricewaterhouseCoopers/Wilkofsky Gruen Associates offer three further estimates of online advertising's share of total media spending for the 2000 to 2005 period. Veronis Suhler comes in at the low end, hovering from 4.7% down to 4.4% in 2005, while PwC at the high end predicts that online advertising will build to a 7.5% share by that year. Myers steers a middle course, with online's share growing from 2.1% in 2000 to 3.9% in 2005.

US Online Advertising Spending, 2000-2005 (as a % of total media spending)



Source: Myers Group, December 2001; extrapolated by eMarketer, February 2002

036980 ©2002 eMarketer, Inc. www.eMarketer.com

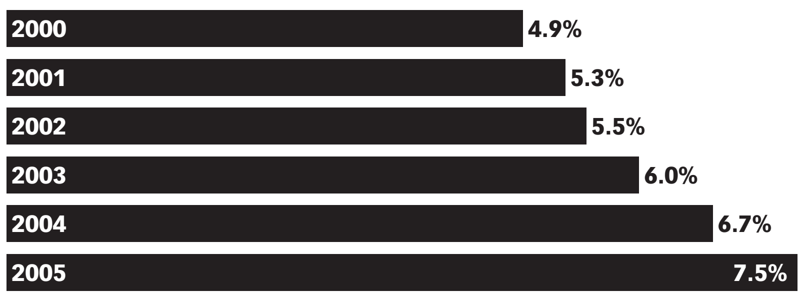
Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

US Online Advertising Spending, 2000-2005 (as a % of total media spending)

Source: Veronis Suhler, July 2001; extrapolated by eMarketer, February 2002

036962 ©2002 eMarketer, Inc. www.eMarketer.com

US Online Advertising Spending, 2000-2005 (as a % of total media spending)



Source: PricewaterhouseCoopers, Wilkofsky Gruen Associates, May 2001; extrapolated by eMarketer, February 2002

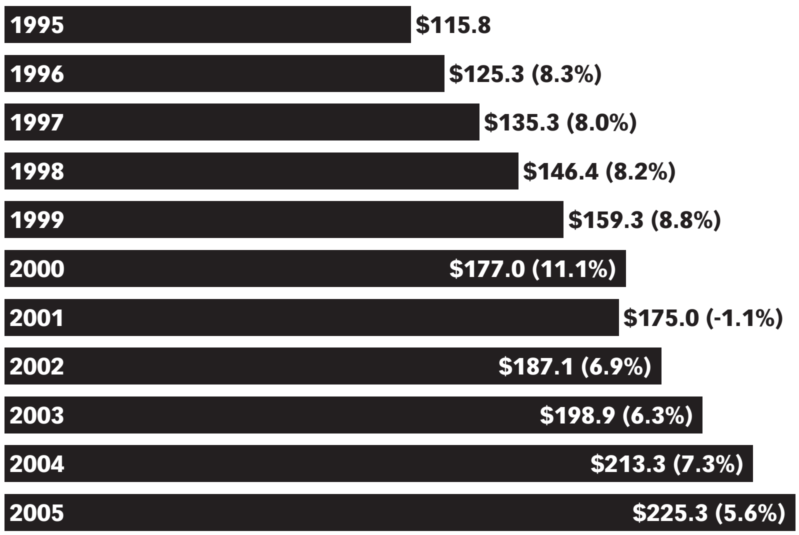
037072 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

A. Ad Spending: All Media

Virtually every researcher and banking firm saw a drop-off in 2001 for the entire US advertising market, and most predict a corresponding rebound in 2002, with increases extending through 2005. Veronis Suhler believes that overall ad spending will increase by 6.9% this year to $187.1 billion and reach $225.3 billion in 2005.

US Advertising* Spending, 1995-2005 (in billions & % change vs. previous year)



*Note: *includes TV, radio, newspapers, consumer magazines, business to business magazines, internet, yellow pages and outdoor*
Source: Veronis Suhler, July 2001; Media Life, August 2001

031118 ©2001 eMarketer, Inc. www.eMarketer.com

The economic and political uncertainty in the US, not just in advertising, helps explain why industry experts disagree about the direction the US ad market is headed in 2002. For example, while McCann-Erickson and Lehman Brothers both see a 2.4% to 2.5% gain for all media, Zenith Media expects a 3.0% drop and the Myers Group a 5.7% drop.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Comparative Estimates: Total US Measured Media Spending Growth, 2001 & 2002 (year-over-year)

	2001	2002
ABN AMRO, November 2001	-8.2%	-2.7%
Advertising Age, November 2001	-6.0%	–
CMR, March 2002	-9.8%	–
Goldman Sachs, September 2001	-4.5%	1.8%
Lehman Brothers, September 2001	-3.4%	2.5%
McCann Erickson (Robert Coen), December 2001	-4.1%	2.4%
Merrill Lynch, December 2001	-6.9%	-1.5%
Myers Group, December 2001	-6.8%	-5.7%
UBS Warburg, September 2001	-5.0%	-2.0%
Veronis Suhler*, November 2001	-4.1%	6.9%
Zenith Media**, December 2001	-6.0%	-3.0%

*Note: *Veronis Suhler figures were revised downwards from their July 2001 report; **Zenith Media figures represent their "new" forecasts, to be officially released in December 2001*
Source: eMarketer, December 2001; various, as noted, 2001 & 2002

034931 ©2001 eMarketer, Inc. www.eMarketer.com

As shown below, ad industry research from Universal McCann and Zenith Optimedia shows a slight increase (2.4%) or decrease (0.8%), respectively, in total US ad spending for 2002. Within those projections, McCann predicts zero growth for online advertising, while Zenith sees a sharp 13.0% uptick.

Zenith's positive outlook for the internet contrasts with various drop-offs for other media, such as 4.0% down for newspaper advertising and 6.0% for magazines. McCann, however, sees most media (except for magazines and national radio) increasing in ad revenue.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Comparative Estimates: Projected US Ad Spending, by Media, 2002 (in billions and as % increase/decrease vs. prior year)

	Universal McCann		Zenith Optimedia	
	Spending	**% change from 2001**	**Spending**	**% change from 2001**
Network TV	$15.87	3.5%	$15.80	1.0%
Spot TV (1)	$10.30	5.0%	$22.63	1.5%
Cable TV	$12.01	5.5%	$10.23	4.1%
Syndicated TV	$3.32	4.0%	$2.21	-5.4%
Local TV	$13.38	4.0%	–	–
National/network radio	$3.62	-1.0%	$0.98	2.1%
Local/spot radio	$14.76	2.5%	$18.05	-1.0%
Newspapers (2)	$39.06	1.5%	$43.95	-4.0%
National newspapers	$6.65	0.0%	–	–
Magazines	$10.78	-1.0%	$14.97	-6.0%
Outdoor	–	–	$4.91	2.1%
National Yellow Pages	$2.14	1.5%	–	–
Local Yellow Pages	$11.59	1.0%	–	–
Direct mail	$47.31	2.5%	$38.73	-3.0%
Internet	**$4.12**	**0.0%**	**$7.46**	**13.0%**
Other national	$29.83	2.5%	–	–
Other local	$14.62	3.7%	–	–
Miscellaneous	–	–	$39.92	1.5%
Total traditonal media (3)	–	–	$133.65	-1.5%
Total (4)	**$239.32**	**2.4%**	**$219.76**	**-0.8%**

Note: (1) Zenith's Spot TV includes Local TV; (2) Zenith's Newspapers include local and national; (3) The "Total" below minus Direct Mail, Internet, and Miscellaneous; (4) Dollar totals may not add due to rounding
Source: Universal McCann, Zenith Optimedia Group, December 2001

036108 ©2002 eMarketer, Inc. www.eMarketer.com

As shown below, McCann-Erickson expects total national ad spending (excluding local spending) to grow by 2.5% in 2002, with cable TV the growth leader at 5.5% and spot TV trailing it at 5.0%.

Methodology

Online Advertising Report: Update

US Online Ad Market Size and Growth

Perspective: Interactive Vs. Traditional Media

Formats Galore: The Online Ad Cornucopia

Direct Response vs. Branding

Online Ad Pricing

Web Publishers (Where Ads Go)

Web Advertisers (Who Runs Ads)

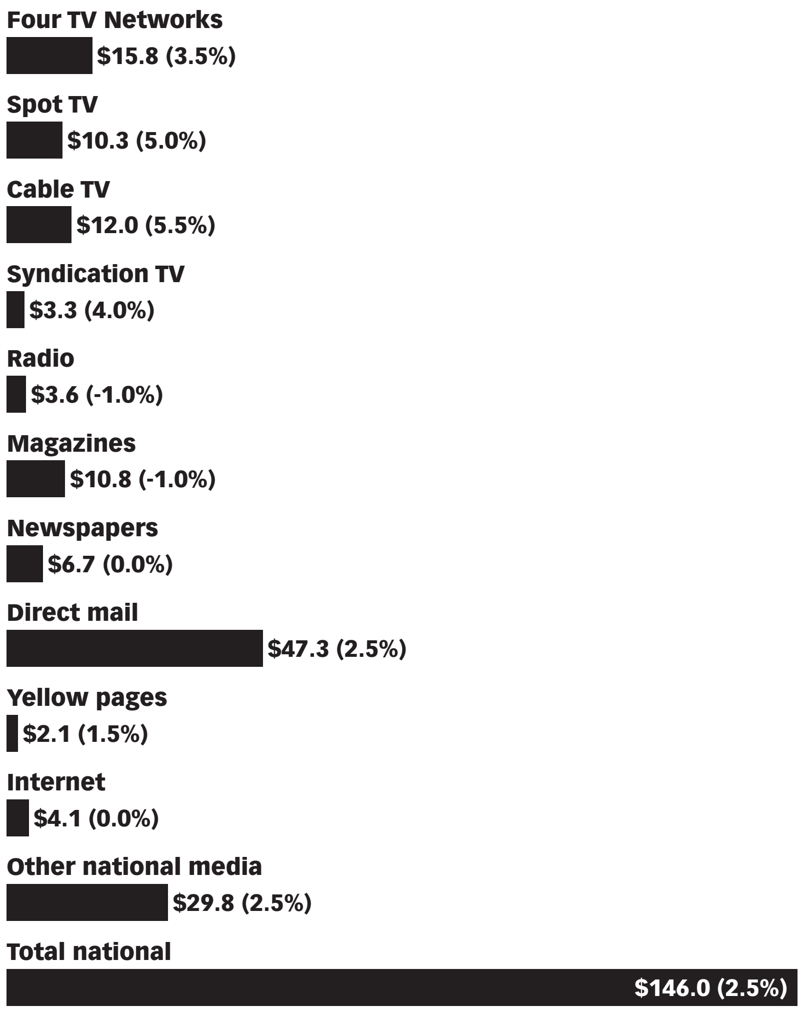
Trend Watcher: Tools and Techniques

Market Fundamentals: Supporting the Growth of Online Advertising

Global Market Size and Growth

Appendices

Projected US National Advertising Spending, by Advertising Medium, 2002 (in billions and % change over 2001)



Source: McCann-Erickson, December 2001

035908 ©2002 eMarketer, Inc. www.eMarketer.com

When will the US ad market rebound? A recent survey of over 1,100 ad executives by *Advertising Age* magazine shows that 71% of them believe it will take two or more years for ad spending to return to the levels it reached in 2000.

Methodology

Online Advertising Report: Update

US Online Ad Market Size and Growth

Perspective: Interactive Vs. Traditional Media

Formats Galore: The Online Ad Cornucopia

Direct Response vs. Branding

Online Ad Pricing

Web Publishers (Where Ads Go)

Web Advertisers (Who Runs Ads)

Trend Watcher: Tools and Techniques

Market Fundamentals: Supporting the Growth of Online Advertising

Global Market Size and Growth

Appendices

Advertising Executives' Opinions Regarding the Amount of Time Until Overall US Ad Spending Returns to Year 2000 Levels, 2002 (as a % of respondents)

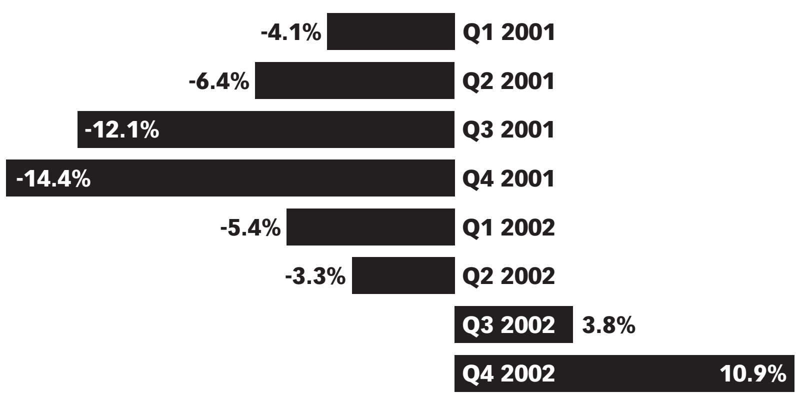
	Advertisers	Agencies	Total
One year or less	21%	19%	20%
Two years	56%	49%	50%
Three years	11%	16%	15%
Four years or more	4%	6%	6%
Not sure	8%	10%	9%

Note: Responses based on survey of 1,159 advertising executives (974 agency & 185 advertiser)
Source: Advertising Age/Research.net/Advertising Database, February 2002

036780 ©2002 eMarketer, Inc. www.**eMarketer**.com

By examining quarter-by-quarter revenues, the plunge in all US advertising in the second half of 2001 comes into greater focus. Competitive Media Reporting expects the falling trend to continue through the first half of 2002, although more slowly, with a sharp uptick for the second half of 2002.

US Advertising Industry Quarter-over-Quarter Growth Trend, Q1 2001-Q4 2002 (as % change)



Note: estimates for Q4 2001-Q4 2002
Source: CMR, a Taylor Nelson Sofres company, January 2002

036135 ©2002 eMarketer, Inc. www.**eMarketer**.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

B. Ad Spending: Online vs. Offline

Compared with traditional media, the internet is expected to show relatively strong growth in 2002. Most of the research firms which estimate ad spending for all major US media—such as television, radio, print and the internet—place online at the head of the growth curve. Veronis Suhler's 8.0% increase and CMR's 8.8% increase are at the bottom end of the growth scale. In the middle are the Myers Group at 10.0% and eMarketer at 11.0%. And PricewaterhouseCoopers and Zenith are both at the top end, with a 13.0% rise in internet ad spending. The only projected flat rate (0.0%) for internet ad spending comes from Universal McCann's media guru, Robert Coen, who has consistently reported online spending figures that are almost half the level estimated by other leading researchers, including the IAB/PricewaterhouseCoopers.

Comparative Estimates: Projected US Ad Growth, by Major Media, 2002 (as a % increase/decrease from 2001)

	TV	Radio	News-papers	Magazines	Internet
CMR*	2.0%	–	3.1%	0.6%	8.8%
eMarketer	–	–	–	–	11.0%
Myers Group	-6.3%	-4.0%	-2.0%	-7.0%	10.0%
PricewaterhouseCoopers (PwC), Wilkofsky Gruen Associates	11.1%	9.0%	5.4%	8.1%	13.0%
Universal McCann	4.4%	0.8%	0.8%	-1.0%	0.0%
Veronis Suhler	8.7%	9.5%	4.6%	5.9%	8.0%
Zenith Optimedia	0.3%	0.6%	-4.0%	-6.0%	13.0%

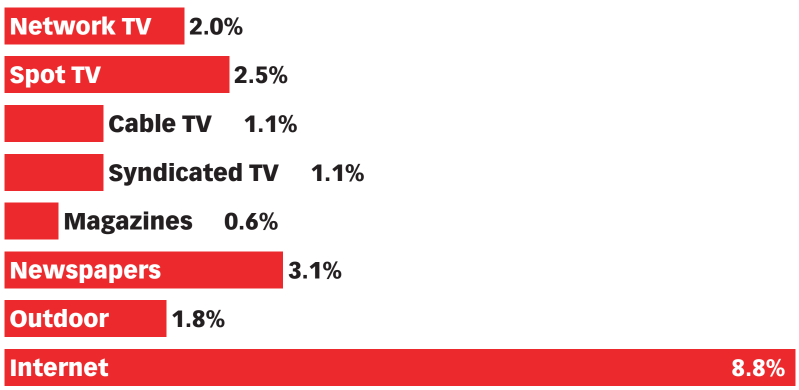
*Note: *TV figure is for network TV only*
Source: eMarketer, February 2002; various, as noted, 2001 & 2002

036967 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Competitive Media Reporting expects all major media to overcome 2001's woes in 2002. Most striking among the various ad spending growth forecasts, in this context, is the 8.8% gain for internet advertising.

US Advertising Spending, by Major Media, 2002 (as % increase vs. prior year)



Source: Taylor Nelson Sofres' CMR (Competitive Media Reporting), January 2002

036083 ©2002 eMarketer, Inc. www.eMarketer.com

The following charts detail absolute dollar spending between 2000 and 2005 for most major media categories. While their totals vary for US advertising spending—because of different definitions, methodologies, and assumptions about the future—look at the steady growth rates for interactive advertising over the six years shown below.

The Myers Group sees internet ad spending jumping by 74.6% from 2000 to 2005. Veronis Suhler is more conservative, with an increase of only 20.5% according to the New York-based media merchant bank. And the PwC/Wilkofsky Gruen estimate for online advertising growth is the highest, with a 121.3% increase predicted from 2000 to 2005.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

US Advertising Spending, by Media, 2000-2005 (in billions)

	2000	2001	2002	2003	2004	2005
Newspapers	$48.40	$47.43	$46.48	$46.02	$46.94	$46.94
TV	$59.32	$53.72	$50.32	$51.07	$53.40	$54.41
Radio	$19.09	$17.56	$16.86	$17.20	$17.88	$18.24
Yellow Pages	$12.71	$12.33	$11.96	$11.84	$11.72	$11.78
Magazines	$17.83	$17.03	$15.84	$16.47	$16.97	$17.31
Internet	$4.30	$4.30	$4.73	$5.44	$6.53	$7.51
Outdoor	$5.18	$5.07	$5.02	$5.12	$5.23	$5.28
Other	$38.23	$33.64	$28.93	$29.22	$30.10	$30.70
Total	**$205.06**	**$191.09**	**$180.14**	**$182.38**	**$188.76**	**$192.16**

Note: TV figures include broadcast and cable
Source: Myers Group, December 2001

035893 ©2002 eMarketer. Inc. www.eMarketer.com

US Advertising Spending, by Media, 2000-2005 (in billions)

	2000	2001	2002	2003	2004	2005
Newspapers	$54.96	$54.26	$56.79	$60.37	$63.41	$66.76
TV	$55.70	$55.29	$60.07	$63.42	$69.34	$72.74
Radio	$19.07	$18.94	$20.66	$22.36	$24.46	$26.48
Yellow Pages	$13.37	$13.99	$14.82	$15.64	$16.47	$17.29
Magazines*	$20.46	$19.48	$20.62	$21.81	$23.27	$24.56
Internet	$8.23	$7.49	$8.10	$8.79	$9.39	$9.91
Outdoor	$5.24	$5.54	$6.00	$6.49	$7.00	$7.55
Total	**$177.02**	**$174.99**	**$187.06**	**$198.86**	**$213.34**	**$225.29**

*Note: *Magazine figures include both consumer and B2B magazines*
Source: Veronis Suhler, July 2001

035895 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

US Advertising Spending, by Media, 2000-2005 (in billions)

	2000	2001	2002	2003	2004	2005
Newspapers	$48.67	$49.90	$52.60	$55.90	$59.40	$63.15
TV	$58.20	$59.39	$66.01	$70.66	$79.99	$85.10
Radio	$24.53	$25.80	$28.13	$30.40	$32.84	$35.47
Magazines	$23.72	$24.10	$26.05	$28.50	$30.75	$33.05
Internet	$8.23	$9.20	$10.40	$12.35	$15.00	$18.20
Outdoor	$5.20	$5.40	$6.00	$6.60	$7.00	$7.60
Total	**$168.54**	**$173.79**	**$189.19**	**$204.41**	**$224.98**	**$242.57**

Note: TV figures includes broadcast networks, cable networks, regional sports networks, television stations, cable systems, and barter syndication; radio figures include out-of-home advertising; magazine figures include both consumer and B2B magazines; figures may not add up to total due to rounding
Source: PricewaterhouseCoopers (PwC), Wilkofsky Gruen Associates, May 2001

037065 ©2002 eMarketer, Inc. www.eMarketer.com

Another set of comparative estimates for 2002 comes from Universal McCann and Zenith Optimedia. Will online advertising's share be only 1.7%, as McCann says, making it lower than nearly all other media? Or will online advertising reach 3.4% of all US ad spending, as Zenith says, making it significantly larger than syndicated TV and moving into the range of cable TV?

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Comparative Estimates: Projected US Ad Spending, by Media, 2002 (as a % of total)

Media	Universal McCann	Zenith Optimedia
Network TV	6.6%	7.2%
Spot TV*	4.3%	10.3%
Cable TV	5.0%	4.7%
Syndicated TV	1.4%	1.0%
Local TV	5.6%	–
National/network radio	1.5%	0.4%
Local/spot radio	6.2%	8.2%
Newspapers**	16.3%	20.0%
National newspapers	2.8%	–
Magazines	4.5%	6.8%
Outdoor	–	2.2%
National Yellow Pages	0.9%	–
Local Yellow Pages	4.8%	–
Direct mail	19.8%	17.6%
Internet	**1.7%**	**3.4%**
Other national	12.5%	–
Other local	6.1%	–
Miscellaneous	–	18.2%
Total (in billions)	**$239.32**	**$219.76**

*Note: *Zenith's Spot TV includes Local TV.; **Zenith's Newspapers include local and national*
Source: Universal McCann, Zenith Optimedia Group, December 2001; interpolated by eMarketer, January 2002

036086 ©2002 eMarketer, Inc. www.eMarketer.com

Finally, let's look at the total media universe as slices of the pie. All three firms expect television not only to continue as market share leader, with the greatest percent of total media spending each year shown. However, while Veronis and PwC see TV's share growing from 2000 to 2005, Myers sees it falling.

The Myers Group sees the internet share growing from 2.1% to 3.9%, along with ad share growth for newspapers, radio, magazines, and outdoor. TV's total share is expected to decrease from 28.9% in 2000 to 28.3% in 2005—underlying those figures, though, are an increase for cable from 6.5% to 9.1% share and a decrease for broadcast TV from 22.4% to 19.2%.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

US Advertising Spending, by Media, 2000-2005 (as a % of total media spending and in billions)

	2000	2001	2002	2003	2004	2005
Newspapers	23.6%	24.8%	25.8%	25.2%	24.9%	24.4%
TV	28.9%	28.1%	27.9%	28.0%	28.3%	28.3%
Radio	9.3%	9.2%	9.4%	9.4%	9.5%	9.5%
Yellow Pages	6.2%	6.5%	6.6%	6.5%	6.2%	6.1%
Magazines	8.7%	8.9%	8.8%	9.0%	9.0%	9.0%
Internet	2.1%	2.3%	2.6%	3.0%	3.5%	3.9%
Outdoor	2.5%	2.7%	2.8%	2.8%	2.8%	2.7%
Other	18.6%	17.6%	16.1%	16.0%	15.9%	16.0%
Total	**$205.06**	**$191.09**	**$180.14**	**$182.38**	**$188.76**	**$192.16**

Note: TV figures include broadcast and cable.
Source: Myers Group, December 2001; extrapolated by eMarketer, February 2002

037000 ©2002 eMarketer, Inc. www.eMarketer.com

Veronis Suhler expects newspapers to lose market share, along with the other major print media, magazines. And the internet will also drop market share, from 4.6% in 2000 to 4.4% in 2005. Meanwhile, radio, TV, yellow pages, and outdoor are all expected to show gains.

US Advertising Spending, by Media, 2000-2005 (as a % of total media spending and in billions)

	2000	2001	2002	2003	2004	2005
Newspapers	31.0%	31.0%	30.4%	30.4%	29.7%	29.6%
TV	31.5%	31.6%	32.1%	31.9%	32.5%	32.3%
Radio	10.8%	10.8%	11.0%	11.2%	11.5%	11.8%
Yellow Pages	7.6%	8.0%	7.9%	7.9%	7.7%	7.7%
Magazines	11.6%	11.1%	11.0%	11.0%	10.9%	10.9%
Internet	4.6%	4.3%	4.3%	4.4%	4.4%	4.4%
Outdoor	3.0%	3.2%	3.2%	3.3%	3.3%	3.3%
Total	**$177.02**	**$174.99**	**$187.06**	**$198.86**	**$213.34**	**$225.29**

Note: Magazine figures include both consumer and B2B magazines.
Source: Veronis Suhler, July 2001; extrapolated by eMarketer, February 2002

037001 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Finally, PricewaterhouseCoopers projects newspapers and magazines also falling in market share, with radio and outdoor steady, and the internet gaining.

US Advertising Spending, by Media, 2000-2005 (as a % of total media spending and in billions)

	2000	2001	2002	2003	2004	2005
Newspapers	28.9%	28.7%	27.8%	27.3%	26.4%	26.0%
TV	34.5%	34.2%	34.9%	34.6%	35.6%	35.1%
Radio	14.6%	14.8%	14.9%	14.9%	14.6%	14.6%
Magazines	14.1%	13.9%	13.8%	13.9%	13.7%	13.6%
Internet	4.9%	5.3%	5.5%	6.0%	6.7%	7.5%
Outdoor	3.1%	3.1%	3.2%	3.2%	3.1%	3.1%
Total	**$168.54**	**$173.79**	**$189.19**	**$204.41**	**$224.98**	**$242.57**

Note: TV figures includes broadcast networks, cable networks, regional sports networks, television stations, cable systems, and barter syndication; radio figures include out-of-home advertising; magazine figures include both consumer and B2B magazines.
Source: PricewaterhouseCoopers, Wilkofsky Gruen Associates, May 2001; extrapolated by eMarketer, February 2002

037002 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology

Online Advertising Report: Update

US Online Ad Market Size and Growth

Perspective: Interactive Vs. Traditional Media

Formats Galore: The Online Ad Cornucopia

Direct Response vs. Branding

Online Ad Pricing

Web Publishers (Where Ads Go)

Web Advertisers (Who Runs Ads)

Trend Watcher: Tools and Techniques

Market Fundamentals: Supporting the Growth of Online Advertising

Global Market Size and Growth

Appendices

C. Media Pros and Cons

In their approach to the big four media—television, radio, print, and online—industry players appear to be both creatures of habit and ready to embrace change. While more money still follows eyeballs and ears in the three older media, internet-savvy marketers and agencies continue to learn about and better appreciate online advertising's value and its unique role in various campaigns.

That said, the online ad world needs to exhibit traits common to the three older media to succeed fully in the marketplace. According to the publisher of *Slate*, Microsoft's online magazine, those characteristics include a critical mass for online's audience, standard ad specifications, and established systems within ad agencies for creating, buying, and selling ads.

5 Characteristics of Television, Radio and Print that Online Advertising Needs to Survive, 2002

1. Critical mass in terms of audience size, quality, and engagement.
2. Standard ad specifications that vary little, if at all, from vehicle to vehicle within a given medium.
3. Measurability of audience and ad effectiveness via proven, accepted third-party methodologies.
4. An established ad-agency "eco system" for creating, buying, and selling ads.
5. A historical basis for pricing norms.

Source: Scott Moore, publisher of Slate magazine (www.slate.com); Adweek, January 2002

036085 ©2002 eMarketer, Inc. www.eMarketer.com

Furthermore, the perception of internet advertising might not match its reality. As Cory Treffiletti, media director at the Freestyle Interactive agency, recently wrote in MediaPost, "The *perception* is that we have immediate access to data, and the ability to make immediate changes to campaigns to improve performance and increase ROI. The *reality* is that though we do have immediate access to data, and that media optimization is easily undertaken to improve performance, the strength of this medium lies in the correlation between media and creative and the creative process is much more difficult here than in any other form of media."

As Treffiletti went on to write, delving into the need for more-refined online advertising standards, "I was recently putting together a campaign recommendation for a client and upon analysis of the sites we were considering (all of which were top 20 sites or networks according to Media Metrix), it became apparent that 2 of the sites utilized 42 different ad sizes and more than 4 different formats for these ads (including Gif, Flash, Java, HTML and other technologies). Each of these sizes had different specifications and requirements as well as different restrictions for where and when they could run. This does not represent a 'standard' to me! Just imagine if print vehicles accepted 42 different ad sizes and you could use 4 or more different types of paper stock for each one?"

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

The change in perspective needed in the ad industry can be seen from a recent study by I/PRO, which asked 145 mostly US-based advertising executives their opinions of internet advertising relative to traditional media. Agencies made up 2/3 of the respondents, while the rest were specific advertisers. Among the respondents, the internet is certainly a preferred medium, second only to print. And only print (at 41%) beats out the internet (at 27%) for accurate audience counts.

Preferred Advertising Mediums of US Advertisers, 2001 (as a % of respondents)

Source: I/PRO, January 2002

036070 ©2002 eMarketer, Inc. www.eMarketer.com

US Advertisers' Views Regarding Which Advertising Medium Offers the Greatest Accuracy of Audience Counts, 2001 (as a % of respondents)

Source: I/PRO, January 2002

036091 ©2002 eMarketer, Inc. www.eMarketer.com

And one of the internet's key strengths, speed, is highlighted by the fact that the interviewed ad execs overwhelmingly feel that online ads offer the best speed of response.

US Advertisers' Views Regarding Which Advertising Medium Offers the Best Speed of Response, 2001 (as a % of respondents)

Source: I/PRO, January 2002

036094 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

However, for audience reach, TV is far and away the chosen one, with 71% of respondents preferring the tube. Note, though, that while the other three media all score low, the internet is the highest of the three at 13%.

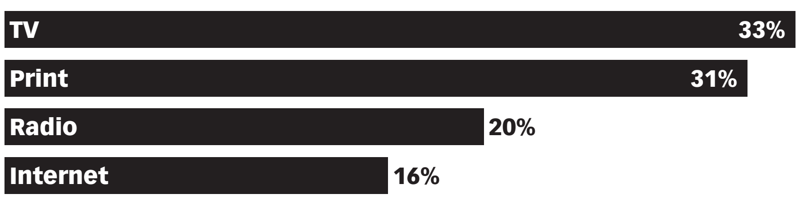
US Advertisers' Views Regarding Which Advertising Medium Offers the Best Audience Reach, 2001 (as a % of respondents)

Source: I/PRO, January 2002

036095 ©2002 eMarketer, Inc. www.eMarketer.com

Ironically, however, US advertisers tend to spend less for online ads for one simple, bottom-line reason: they view internet ads as delivering the least ROI among the four media.

US Advertisers' Views Regarding Which Advertising Medium Offers the Best Return on Investment (ROI), 2001 (as a % of respondents)



Source: I/PRO, January 2002

036097 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

D. Time Spent and Penetration Rates

Americans are exposed to more media, and more media choices, than ever before. So when an advertiser plans a campaign, one critical question to consider is: How do I get the attention of my target audience?

With increasing media fragmentation, that question becomes harder to answer. Looked it in five-year segments, the chart below from Strategic Media & Marketing shows how easily scattered time can become for Americans. For instance, the number of broadcast and cable networks should expand from 79 to 165 from 1996 to 2005, an increase of nearly 109%, with 30-second commercials jumping by 108% during the same time. And the internet, which was the province of tech-heads in 1995, with 2.0 billion pages, has mushroomed into a mass media, with 83.0 billion page views expected by 2005.

Media Fragmentation, 1975-2005

	1975-80	1981-85	1986-90	1991-95	1996-00	2001-05
Number of broadcast & cable networks	14	27	39	62	79	165
30-second TV units (millions)	3.5	6.8	9.4	15.6	20.0	41.6
Number of magazines	–	–	13,000	14,000	16,000	18,000
Number of radio stations	–	–	–	10,257	10,779	11,300
Internet page views (billions)	–	–	–	2.0	51.0	83.0
Broadband households (millions)	–	–	–	–	4.3	21.3

Source: Strategic Media & Marketing Group, 2001

030607 ©2001 eMarketer, Inc. www.eMarketer.com

Research from Veronis Suhler and the Myers Group show that TV and radio are far and away the most used media among US consumers. Veronis shows various entertainment media a distant second, while print media (including newspapers, magazines, and books) trails in third place. However, according to Myers, by 2005, Americans will spend more time each year with the internet (245 hours) than with newspapers and magazines combined (232 hours).

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Annual Use of Major Media among US Consumers, 2001-2005 (in hours)

	2001	2002	2003	2004	2005
TV	1,643	1,654	1,649	1,673	1,679
Radio	981	985	990	995	998
Newspapers*	149	148	146	145	144
Magazines	106	104	103	101	100
Books	89	88	88	86	84
Internet	149	164	182	187	194
Entertainment**	403	416	425	433	451
Total	**3,520**	**3,559**	**3,583**	**3,620**	**3,650**

*Note: *includes daily only; **includes movies, home video, recorded music and video games*
Source: Veronis Suhler , July 2001

037335 ©2002 eMarketer, Inc. www.eMarketer.com

Annual Use of Major Media among US Consumers, 2000-2005 (in hours)

	2000	2001	2002	2003	2004	2005
TV	1,600	1,600	1,605	1,610	1,615	1,620
Radio	980	990	995	1,000	1,005	1,010
Newspapers	150	150	150	150	150	150
Magazines	80	80	80	81	81	82
Internet	135	165	190	210	230	245
Telephone	31	33	35	36	37	37
Total	**2,976**	**3,018**	**3,055**	**3,087**	**3,118**	**3,144**

Note: Measured in hours per capita, per year; telephone combines residential and wireless data from Federal Communications Commission (FCC)
Source: Myers Group, March 2001

037019 ©2002 eMarketer, Inc. www.eMarketer.com

Of the major media, the internet will show significant growth, according to both studies. Veronis Suhler predicts US consumers will increase annual use of the internet by 10.1% and 11.0% over the next two years, while the Myers Group predicts 22.2% and 15.2% growth. Overall, time spent with broadcast and cable media will remain flat. And Veronis sees a drop in all three print media—newspapers, magazines, and books—during the five-year period shown.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Annual Hourly Use of Major Media among US Consumers, 2002-2005 (as % increase/decrease vs. prior year)

	2002	2003	2004	2005	Growth 2001-2005
TV	0.7%	-0.3%	1.5%	0.4%	2.2%
Radio	0.4%	0.5%	0.5%	0.3%	1.7%
Newspapers*	-0.7%	-1.4%	-0.7%	-0.7%	-3.4%
Magazines	-1.9%	-1.0%	-1.9%	-1.0%	-5.7%
Books	-1.1%	0.0%	-2.3%	-2.3%	-5.6%
Internet	10.1%	11.0%	2.7%	3.7%	30.2%
Entertainment**	3.2%	2.2%	1.9%	4.2%	11.9%
Total	**1.1%**	**0.7%**	**1.0%**	**0.8%**	**3.7%**

*Note: *includes daily only; **includes movies, home video, recorded music and video games*
Source: Veronis Suhler , July 2001

037334 ©2002 eMarketer, Inc. www.eMarketer.com

Annual Use of Major Media among US Consumers, 2001-2005 (as % increase/decrease vs. prior year)

	2001	2002	2003	2004	2005	Growth 2000-2005
TV	0.0%	0.3%	0.3%	0.3%	0.3%	1.3%
Radio	1.0%	0.5%	0.5%	0.5%	0.5%	3.1%
Newspapers	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Magazines	0.0%	0.0%	1.3%	0.0%	1.2%	2.5%
Internet	22.2%	15.2%	10.5%	9.5%	6.5%	81.5%
Telephone	6.5%	6.1%	2.9%	2.8%	0.0%	19.4%
Total	**1.4%**	**1.2%**	**1.0%**	**1.0%**	**0.8%**	**5.6%**

Note: Measured in hours per capita, per year; telephone combines residential and wireless data from FCC.
Source: Myers Group, March 2001; extrapolated by eMarketer, February 2002

037020 ©2002 eMarketer, Inc. www.eMarketer.com

There are only so many hours in a day. Projections from Veronis and Myers indicate that while television, radio, newspapers, and magazines should all consume a smaller share of US consumer hours by 2005 than they do today, media penetration of the internet will increase. Veronis says 5.3% of annual hours spent with media will be online by 2005, and Myers says 7.8%; both are jumps from 2000 and 2001 figures.

Media Penetration among US Consumers, 2001-2005 (as % of annual usage hours)

	2001	2002	2003	2004	2005
TV	46.7%	46.5%	46.0%	46.2%	46.0%
Radio	27.9%	27.7%	27.6%	27.5%	27.3%
Newspapers*	4.2%	4.2%	4.1%	4.0%	3.9%
Magazines	3.0%	2.9%	2.9%	2.8%	2.7%
Books	2.5%	2.5%	2.5%	2.4%	2.3%
Internet	4.2%	4.6%	5.1%	5.2%	5.3%
Entertainment**	11.4%	11.7%	11.9%	12.0%	12.4%

*Note: *includes daily only; **includes movies, home video, recorded music and video games*
Source: Veronis Suhler , July 2001

037333 ©2002 eMarketer, Inc. www.eMarketer.com

Media Penetration among US Consumers, by Major Media, 2000-2005 (as a % of annual hours used)

	2000	2001	2002	2003	2004	2005
TV	53.8%	53.0%	52.5%	52.2%	51.8%	51.5%
Radio	32.9%	32.8%	32.6%	32.4%	32.2%	32.1%
Newspapers	5.0%	5.0%	4.9%	4.9%	4.8%	4.8%
Magazines	2.7%	2.7%	2.6%	2.6%	2.6%	2.6%
Internet	4.5%	5.5%	6.2%	6.8%	7.4%	7.8%
Telephone	1.0%	1.1%	1.1%	1.2%	1.2%	1.2%

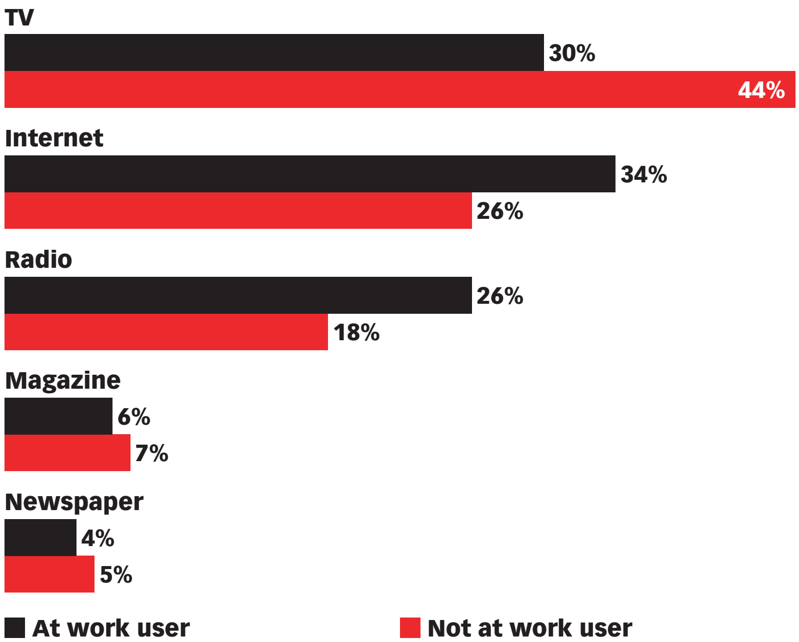
Note: Measured in hours per capita, per year; telephone combines residential and wireless data from Federal Communications Commission (FCC)
Source: Myers Group, March 2001; extrapolated by eMarketer, February 2002

037026 ©2002 eMarketer, Inc. www.eMarketer.com

Even though TV generally dominates US consumer media time, those accessing the internet at work are the exception to that rule. As you might know from your own office experience, more time is spent with the internet at work, at 34%, then with TV, at 30%, or radio, at 26%, according to an Online Publishers Association media consumption survey.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Time Spent with Major Media Categories in a Day - At-Work Internet User vs. Non-Work User, 2001 (% of media minutes in a 24 hour day)



Source: Online Publishers Association/ MBIQ Media Consumption Study, November 2001

035783 ©2002 eMarketer, Inc. www.eMarketer.com

As the number of internet users grows, the use of most other major media will shrink, according to Scarborough Research. TV suffers the most, with 23% of users decreasing their TV time after they started to go online and only 7% increasing TV time. Radio was the only medium to show increased use among new internet users, with an 11% gain and a 9% drop-off.

These media-usage trends may change media advertising patterns, if the trends become entrenched over time and as internet penetration rises.

Changes in Media Consumption Since Internet Users in the US Started Going Online, March-September 2000 (as a % of users who have increased, decreased or not changed their consumption)

	Usage increase	Usage decrease	No change in usage/don't know
Viewing TV/cable	7%	23%	70%
Magazine reading	8%	20%	72%
Newspaper reading	9%	15%	75%
Radio listening	11%	9%	81%

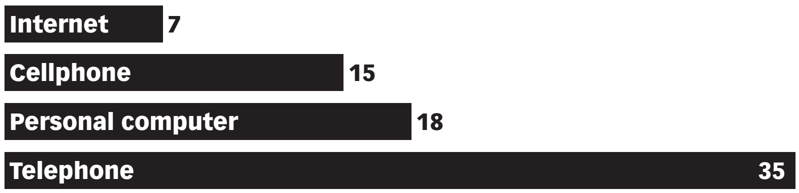
Source: Scarborough Research, 2001

025894 ©2001 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

In fact, Americans have taken to the internet more than twice as quickly as they did to cell phones: 7 years to reach a 25% penetration for the internet and 15 years for cell phones.

Number of Years Each Device Has Taken to Reach 25% Home Penetration in the US



Source: Commonwealth Associates, 2001

037028 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

E. Television

Whether delivered through broadcast, cable, or satellite, television is the most popular of the mass media and the acknowledged leader for branding-focused advertising.

All five estimates of total US TV ad spending for 2001 are comparable, a $7 billion spread from Universal McCann's figure of $52.42 to PricewaterhouseCoopers's $59.39. But starting in 2002, the range more than doubles to nearly $16 billion—from the Myers Group's $50.32 billion up to PwC's $66.01 billion. And by 2005, the forecasts diverge by more than $30 billion, again with Myers at the low end and PwC at the high end.

The variance among estimates for 2005 likely reflects the degree to which each researcher predicts how much (or little) interactive television will drive growth in TV ad spending.

Comparative Estimates: US TV Advertising Spending, 2000-2005 (in billions)

	2000	2001	2002	2003	2004	2005
Universal McCann	$59.23	$52.42	$54.70	–	–	–
Myers Group	$59.32	$53.72	$50.32	$51.07	$53.40	$54.41
ABN AMRO	–	$54.94	$58.21	$61.92	$66.09	$72.77
Veronis Suhler	$55.70	$55.29	$60.07	$63.42	$69.34	$72.74
PricewaterhouseCoopers (PwC), Wilkofsky Gruen Associates	$58.20	$59.39	$66.01	$70.66	$79.99	$85.10

Source: eMarketer, February 2002; various, as noted, 2001

037029 ©2002 eMarketer, Inc. www.eMarketer.com

When compared as a percent of spending growth, the TV spending outlook is for steady growth this year and next—at least from Veronis, PwC, and ABN-AMRO, which project 8.6%, 11.1%, and 6.0% gains, respectively, for 2002, continuing to 5.6%, 7.0%, and 6.4% in 2003. Myers takes the most negative view of TV ad growth, saying it will decrease again in 2002 by 6.3% and barely grow in 2003.

Veronis, PwC, and ABN AMRO again come together for longer-term growth rates, with Veronis at 30.6% and PwC at 46.2% from 2000 to 2005, and ABN AMRO at 32.5% from 2001 to 2005. Myers expects an 8.3% decrease for the six-year span, however.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Comparative Estimates: US TV Advertising Spending Growth, 2001-2005 (as a % increase/decrease vs. prior year)

	2001	2002	2003	2004	2005	Growth 2000-2005
ABN AMRO	–	6.0%	6.4%	6.7%	10.1%	32.5%*
Universal McCann	-11.5%	4.3%	–	–	–	-7.6%**
Myers Group	-9.4%	-6.3%	1.5%	4.6%	1.9%	-8.3%
Veronis Suhler	-0.7%	8.6%	5.6%	9.3%	4.9%	30.6%
PricewaterhouseCoopers (PwC), Wilkofsky Gruen Associates	2.0%	11.1%	7.0%	13.2%	6.4%	46.2%

*Note: *ABN AMRO growth rate for 2001-2005 period; **Universal McCann growth rate for 2000-2002 period*
Source: eMarketer, February 2002; various, as noted, 2001

037030 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

F. Radio

According to the Myers Group, radio advertising in the US hit a peak of $19.09 billion in 2000 and is expected to drop by 2005, when it will be a $18.24 billion business. If true, that translates to a 4.4% decrease over that six-year period. While not looking as far into the future, Universal McCann expects a similar decrease, 4.7%, from 2000 to 2002.

But, just as with TV advertising, Veronis Suhler and PricewaterhouseCoopers project regular increases for US radio advertising, with 38.8% and 44.6% growth, respectively, from 2000 to 2005.

Comparative Estimates: US Radio Advertising Spending, 2000-2005 (in billions)

	2000	2001	2002	2003	2004	2005
Veronis Suhler	$19.07	$18.94	$20.66	$22.36	$24.46	$26.48
Myers Group	$19.09	$17.56	$16.86	$17.20	$17.88	$18.24
PricewaterhouseCoopers (PwC)*, Wilkofsky Gruen Associates	$24.53	$25.80	$28.13	$30.40	$32.84	$35.47
Universal McCann	$19.30	$18.08	$18.40	–	–	–

*Note: *PwC radio figures include out-of-home advertising*
Source: eMarketer, February 2002; various, as noted, 2001

037035 ©2002 eMarketer, Inc. www.eMarketer.com

Comparative Estimates: US Radio Advertising Spending Growth, 2001-2005 (as % increase/decrease vs. prior year)

	2001	2002	2003	2004	2005	Growth 2000-2005
Veronis Suhler	-0.7%	9.1%	8.3%	9.4%	8.2%	38.8%
Myers Group	-8.0%	-4.0%	2.0%	4.0%	2.0%	-4.4%
PricewaterhouseCoopers (PwC)*, Wilkofsky Gruen Associates	5.2%	9.0%	8.1%	8.0%	8.0%	44.6%
Universal McCann	-6.3%	1.8%	–	–	–	-4.7%**

*Note: *PwC radio figures include out-of-home advertising; **Universal McCann growth rate for 2000-2002 period*
Source: eMarketer, February 2002; various, as noted, 2001

037036 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

G. Newspapers

According to preliminary estimates from the Newspaper Association of America, ad spending for the 4th quarter of 2001 reached $12.3 billion, an 11.9% drop from the same quarter in 2000. And total newspaper ad spending for 2001 fell by 9%, down to $44.3 billion. The NAA total for 2001 is less than the four figures in the comparative estimate chart below.

While Veronis Suhler and PricewaterhouseCoopers don't see as sharp an upswing for newspaper advertising (below) as for radio advertising (above), both expect growth. By 2005, according to Veronis, newspaper advertising should reach $66.76 billion; and PwC says it will be $63.15 billion. The projection from Myers trails far behind, at $46.94 billion for 2005.

Just sticking to 2002, Universal McCann projects the lowest estimate of the four, $45.70 billion, for newspaper ad spending.

And growth rates from the three firms follow the patterns set by radio advertising. Veronis and PwC indicate steady increases of 21.5% and 29.8%, respectively; while Myers sees a decline of 3.0% and McCann of 6.8% (in the shorter time span).

Comparative Estimates: US Newspaper Advertising Spending, 2000-2005 (in billions)

	2000	2001	2002	2003	2004	2005
Veronis Suhler	$54.96	$54.26	$56.79	$60.37	$63.41	$66.76
Myers Group	$48.40	$47.43	$46.48	$46.02	$46.94	$46.94
PricewaterhouseCoopers (PwC), Wilkofsky Gruen Associates	$48.67	$49.90	$52.60	$55.90	$59.40	$63.15
Universal McCann	$49.50	$45.12	$45.70	–	–	–

Source: eMarketer, February 2002; various, as noted, 2001

037031 ©2002 eMarketer, Inc. www.eMarketer.com

Comparative Estimates: US Newspaper Advertising Spending Growth, 2001-2005 (as a % increase/decrease vs. prior year)

	2001	2002	2003	2004	2005	Growth 2000-2005
Veronis Suhler	-1.3%	4.7%	6.3%	5.0%	5.3%	21.5%
Myers Group	-2.0%	-2.0%	-1.0%	2.0%	0.0%	-3.0%
PricewaterhouseCoopers, Wilkofsky Gruen Associates	2.5%	5.4%	6.3%	6.3%	6.3%	29.8%
Universal McCann	-8.0%	1.3%	–	–	–	-6.8%*

*Note: *Universal McCann growth rate for 2000-2002 period*
Source: eMarketer, February 2002; various, as noted, 2001

037033 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology

Online Advertising Report: Update

US Online Ad Market Size and Growth

Perspective: Interactive Vs. Traditional Media

Formats Galore: The Online Ad Cornucopia

Direct Response vs. Branding

Online Ad Pricing

Web Publishers (Where Ads Go)

Web Advertisers (Who Runs Ads)

Trend Watcher: Tools and Techniques

Market Fundamentals: Supporting the Growth of Online Advertising

Global Market Size and Growth

Appendices

One possible reason for slower growth in newspaper advertising is the decline among readers of classified ads, a strong advertising category for newspapers. The Media Audit shows that while 13.2% of newspaper readers read classifieds in 1998, that figure dropped to 11.7% in 2000.

Newspaper Classified Ad Readers in the US, 1998-2000 (as a % of respondents)

Note: Based on percentage of survey respondents in 67 metropolitan markets who regularly read newspaper classified ads
Source: The Media Audit, International Demographics, Inc., January 2002

036612 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

H. Magazines

When it comes to magazines, the comparative source estimates diverge once again. By 2005, $17.31 billion of ad spending will go to magazines, according to Myers. But Veronis says $24.56 billion, and PwC reports $33.05 billion. Those differences reflect in the growth rates as well, with a 42.4-point spread between Myers and PwC estimates.

Comparative Estimates: US Magazine Advertising Spending, 2000-2005 (in billions)

	2000	2001	2002	2003	2004	2005
Veronis Suhler	$20.46	$19.48	$20.62	$21.81	$23.27	$24.56
Myers Group	$17.83	$17.03	$15.84	$16.47	$16.97	$17.31
PricewaterhouseCoopers (PwC), Wilkofsky Gruen Associates	$23.72	$24.10	$26.50	$28.50	$30.75	$33.05

Note: Veronis Suhler and PwC magazine figures include both consumer and B2B magazines.
Source: eMarketer, February 2002; various, as noted, 2001

037037 ©2002 eMarketer, Inc. www.eMarketer.com

Comparative Estimates: US Magazine Advertising Spending Growth, 2001-2005 (as % increase/decrease vs. prior year)

	2001	2002	2003	2004	2005	Growth 2000-2005
Veronis Suhler*	-4.8%	5.9%	5.7%	6.7%	5.5%	20.0%
Myers Group	-4.5%	-7.0%	4.0%	3.0%	2.0%	-3.0%
PricewaterhouseCoopers (PwC)*, Wilkofsky Gruen Associates	1.6%	8.1%	9.4%	7.9%	7.5%	39.4%

*Note: *Veronis Suhler and PwC magazine figures include both consumer and B2B magazines*
Source: eMarketer, February 2002; various, as noted, 2001

037038 ©2002 eMarketer, Inc. www.eMarketer.com

Focusing in on specific categories, magazine ad revenues are dominated by the auto industry, with $646.3 million in 2001. However, that represents a 3.1% drop from 2000's revenues. The number two category, technology, saw an even greater drop of 15%. The big gainer is toiletries and cosmetics, category number three, with a 21.1% increase from 2000 to 2001.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Magazine Advertising Revenues, January-May 2001 vs. January-May 2000 (in millions)

Category	2001	2000	% change
Automotive	$646.3	$666.7	-3.1%
Technology	$571.9	$673.0	-15%
Toiletries & Cosmetics	$567.7	$468.9	+21.1%
Apparel & Accessories	$523.1	$457.7	+14.3%
Drugs & Remedies	$523.1	$467.0	+12.0%
Food & Food Products	$490.6	$438.4	+11.9%
Direct Response Companies	$465.5	$448.9	+3.7%
Home Furnishings & Supplies	$452.7	$447.2	+1.2%
Financial, Ins. & Real Estate	$425.6	$467.9	-9.0%
Media & Advertising	$397.1	$454.4	-12.6%
Transportation, Hotels, Resorts	$369.7	$343.0	+7.8%
Retail	$341.0	$446.2	-23.6%

Source: Publishers Information Bureau, 2001

030612 ©2001 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

I. Yellow Pages

According to figures announced by the Yellow Pages Research Institute (YPRI), the research unit of the Yellow Pages Publishers Association (YPPA), total domestic yellow page advertising reached a record $13.60 billion in 2001. Universal McCann and Veronis Suhler offered similar figures of $13.45 billion and $13.99 billion, respectively. Meanwhile, as in most of the media ad estimates, the Myers Group—at $12.33 billion—came in on the low side.

Projecting to 2005, Veronis expects a strong 29.3% growth rate, while Myers sees a 7.3% decrease. Estimates from both the YPPA and McCann only go up to 2002, and the industry association expects a spending increase of approximately 3.7% this year, while McCann sees a 1.1% gain.

Comparative Estimates: US Yellow Pages Advertising Spending, 2000-2005 (in billions)

	2000	2001	2002	2003	2004	2005
Veronis Suhler	$13.37	$13.99	$14.82	$15.64	$16.47	$17.29
Myers Group	$12.71	$12.33	$11.96	$11.84	$11.72	$11.78
Universal McCann	$13.23	$13.45	$13.60	–	–	–
Yellow Pages Publishers Association	$13.20	$13.60	$14.10	–	–	–

Source: eMarketer, February 2002; various, as noted, 2001

037039 ©2002 eMarketer, Inc. www.eMarketer.com

Comparative Estimates: US Yellow Pages Advertising Spending Growth, 2001-2005 (as % increase/decrease vs. prior year)

	2001	2002	2003	2004	2005	Growth 2000-2005
Veronis Suhler	4.7%	6.0%	5.5%	5.3%	5.0%	29.3%
Myers Group	-3.0%	-3.0%	-1.0%	-1.0%	0.5%	-7.3%
Universal McCann	1.7%	1.1%	–	–	–	2.8%*
Yellow Pages Publishers Association	3.0%	3.7%	–	–	–	6.8%*

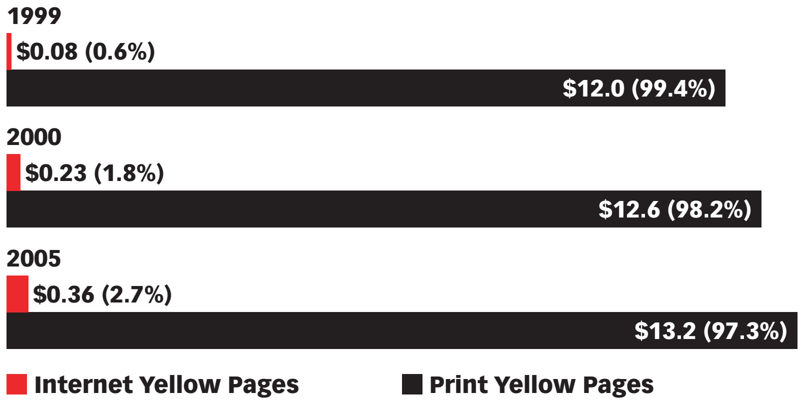
*Note: *Universal McCann and YPPA growth rates for 2000-2002 period.*
Source: eMarketer, February 2002; various, as noted, 2001

037040 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Slowly but steadily, the internet will increase its share of all yellow pages advertising spending, rising from 0.6% in 1999 to 2.7% in 2005, according to the YPPA. Of course, that's still a mere fraction of the whole.

US Print and Internet Yellow Pages Advertising Spending, 1999, 2000 & 2005 (in billions and as a % of total)



Source: Yellow Pages Publishers Association, 2000

024313 ©2001 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

J. Outdoor and Local Media

Even though internet advertising has outpaced outdoor ads (billboards and other out-of-home media) in total dollars spent, the outdoor category is expected to see solid growth. Paul Kagan Associates say outdoor ad revenue will jump by 75.0% from 2000 to 2005, while both Veronis Suhler and PricewaterhouseCoopers are in the mid-40% range. Only the Myers Group projects small growth, of 2.0%.

Comparative Estimates: US Outdoor Advertising Spending, 2000-2005 (in billions)

	2000	2001	2002	2003	2004	2005
Veronis Suhler	$5.24	$5.54	$6.00	$6.49	$7.00	$7.55
Myers Group	$5.18	$5.07	$5.02	$5.12	$5.23	$5.28
PricewaterhouseCoopers (PwC), Wilkofsky Gruen Associates	$5.20	$5.40	$6.00	$6.60	$7.00	$7.60
Paul Kagan Associates	$2.80	$3.10	$3.60	$4.00	$4.60	$4.90

Source: eMarketer, February 2002; various, as noted, 2001

037042 ©2002 eMarketer, Inc. www.eMarketer.com

Comparative Estimates: US Outdoor Advertising Spending Growth, 2001-2005 (as % increase/decrease vs. prior year)

	2001	2002	2003	2004	2005	Growth 2000-2005
Veronis Suhler	5.8%	8.4%	8.0%	8.0%	7.8%	44.2%
Myers Group	-2.0%	-1.0%	2.0%	2.0%	1.0%	2.0%
PricewaterhouseCoopers (PwC), Wilkofsky Gruen Associates	3.8%	11.1%	10.0%	6.1%	8.6%	46.2%
Paul Kagan Associates	10.7%	16.1%	11.1%	15.0%	6.5%	75.0%

Source: eMarketer, February 2002; various, as noted, 2001

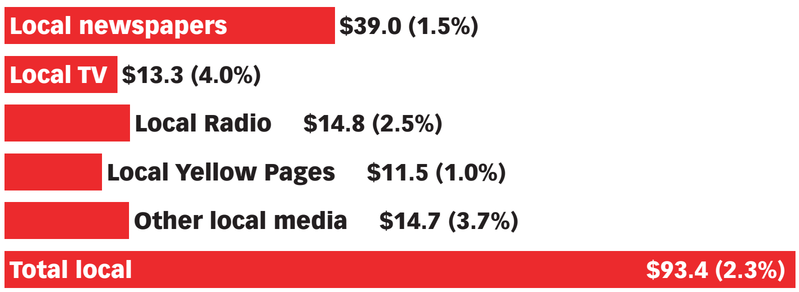
037043 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

According to McCann-Erickson, newspapers rule the local ad spending game in the US, with $39.0 billion projected for 2002. Local radio beats out local TV, too, with a $14.8 billion figure for radio and $13.3 for TV.

However, on a growth basis, TV is the winner, with an expected 4.0% gain from 2001 to 2002.

Projected US Local Advertising Spending, by Advertising Medium, 2002 (in billions and % change over 2001)



Source: McCann-Erickson, December 2001

035909 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology

I Online Advertising Report: Update

II US Online Ad Market Size and Growth

III Perspective: Interactive Vs. Traditional Media

IV Formats Galore: The Online Ad Cornucopia 75

A. Spending by Ad Formats 77

B. The Big Three: Banners, Sponsorships, Classifieds 81

C. Up and Comers: E-Mail, Rich Media, and Interstitials 94

D. Other Formats: Keyword Searches, Slotting Fees, Referrals 110

V Direct Response vs. Branding

VI Online Ad Pricing

VII Web Publishers (Where Ads Go)

VIII Web Advertisers (Who Runs Ads)

IX Trend Watcher: Tools and Techniques

X Market Fundamentals: Supporting the Growth of Online Advertising

XI Global Market Size and Growth

Appendices

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

One of the implicit strengths of online advertising is the variety of creative options available. Diversity is strength for any ecosystem, and with online advertising, that strength comes from both the wide range of ad formats and the ability to mix-and-match them.

But the flip side to diversity is complexity; if taken too far, a variety of choices turns into too many choices. With about 4,000 sizes and shapes for banner ads and their many derivatives—such as pop-ups, interstitials, and skyscrapers—online advertising can be a logistical, creative, and administrative headache for agencies and advertisers used to the relative simplicity of a 60-, 30-, or 15-second television spot.

A good example of ad format growth that demonstrates both its promise and problems is the interstitial. Take the version from Unicast, a New York-based rich-media ad firm. Called the "Superstitial," this format has recently been enlarged to allow ads up to 30 seconds in length, with room for interactive elements within the ad such as video, forms, printing, micro-sites, click-to-video, audio clips, and more. One benefit for advertisers and agencies, according to Unicast, is that the larger Superstitial makes it easier to reuse existing elements from television campaigns—even digitize full 30- and 60-second commercials—potentially reducing the cost of creative. However, only a handful of the larger sites offer this format, according to InternetNews.com. Rival interstitial formats make for increased complexity, but Unicast says it will not license its latest Superstitial format. Competition without standards equals complexity.

"All advertisers are looking for a way to use online advertising better. Banner advertising isn't as effective as we thought. The point is to make that online ad entertaining." – *Meg Seiler, director of public relations, Team One Advertising (a division of Saatchi & Saatchi)*

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

A. Spending by Ad Formats

Among the diverse online formats, some are altering the ad-industry ecosystem more than others. At the recent American Association of Advertising Agencies' (AAAA) Media Conference in February, an online advertising panel of experts said that the internet is about to transform two advertising sectors: classifieds and the yellow pages. As reported by MediaPost, "At a time when newspaper classified sections are bemoaning revenue decreases, online classifieds are boasting increases of up to 50%. And, once internet penetration and usage issues are resolved, people will probably turn away from bulky telephone books to easy-to-use online yellow pages, [Salomon Smith Barney's Lanny] Baker said, citing the success of Overture—the online search engine solution provider she likened to an online yellow pages service—which she thinks will probably outpace Yahoo! in revenues in the next year."

Backing up that prediction, based on dollars spent by online advertising format, research from the IAB/PwC shows a quarter-by-quarter growth in classified ad dollar spending, from $78.1 million in the 1st quarter of 2000 to $304.6 million in the 3rd quarter of 2001, a gain from a 4% share to a 17% share of the total online ad market.

In contrast, banner ad spending has dropped dramatically, plunging from $1.01 billion down to $0.63 billion in the same period. That translates to a 52% share of the total market in the 1st quarter of 2000, dropping to a 35% share by the 3rd quarter of 2001.

Online Ad Spending in the US, by Format, Q1 2000-Q3 2001 (in millions)

	Q1 2000	Q2 2000	Q3 2000	Q4 2000	Q1 2001	Q2 2001	Q3 2001
Banners	$1,015.6	$1,062.0	$913.6	$864.8	$681.5	$672.5	$627.2
Sponsor-ships	$527.3	$573.5	$556.1	$670.2	$530.0	$523.0	$448.0
Classifieds	$78.1	$148.7	$178.7	$216.2	$284.0	$298.9	$304.6
E-mail	$58.6	$42.5	$39.7	$86.5	$56.8	$37.4	$53.8
Rich media	$39.1	$42.5	$39.7	$43.2	$37.9	$37.4	$53.8
Interstitials	$58.6	$63.7	$79.4	$108.1	$56.8	$56.0	$53.8

Source: Interactive Advertising Bureau/PricewaterhouseCoopers, 2000 & 2001

036974 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Online Ad Spending in the US, by Format, Q1 2000-Q3 2001 (as a % of total dollars spent)

	Q1 2000	Q2 2000	Q3 2000	Q4 2000	Q1 2001	Q2 2001	Q3 2001
Banners	52%	50%	46%	40%	36%	36%	35%
Sponsorships	27%	27%	28%	31%	28%	28%	25%
Classifieds	4%	7%	9%	10%	15%	16%	17%
E-mail	3%	2%	2%	4%	3%	2%	3%
Rich media	2%	2%	2%	2%	2%	2%	3%
Interstitials	3%	3%	4%	5%	3%	3%	3%

Source: Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers (PwC), 2000 & 2001

036950 ©2002 eMarketer, Inc. www.eMarketer.com

Spending by online ad format shows clear contrasts between the first three quarters of 2000 and 2001. In absolute dollars, banner ads have declined the most, by more than 35%; while classifieds, as we have seen, increased significantly, by more than 106%. On a percentage basis, keyword searches have also gained big-time, by more than 261% (although that represents only $22 million).

Methodology

Online Advertising Report: Update

US Online Ad Market Size and Growth

Perspective: Interactive Vs. Traditional Media

Formats Galore: The Online Ad Cornucopia

Direct Response vs. Branding

Online Ad Pricing

Web Publishers (Where Ads Go)

Web Advertisers (Who Runs Ads)

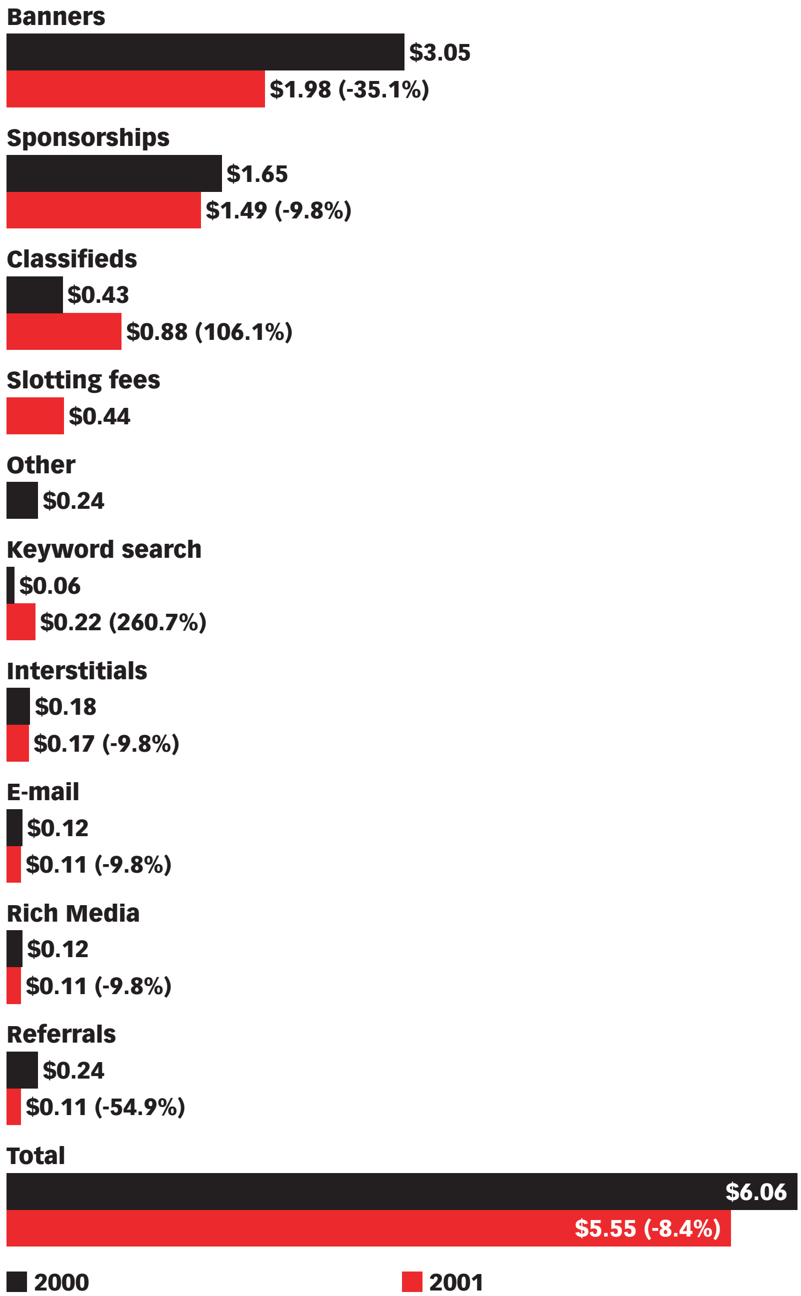
Trend Watcher: Tools and Techniques

Market Fundamentals: Supporting the Growth of Online Advertising

Global Market Size and Growth

Appendices

US Internet Advertising Revenue, by Ad Vehicle, First Nine Months, 2000 & 2001 (in billions and as a % change)



Source: PricewaterhouseCoopers (PwC), Interactive Advertising Bureau (IAB), December 2001; interpolated by eMarketer, January 2002

036078 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

In projections for spending by online ad vehicle, Forrester says that e-mail advertising should grow from 29% of the total in 2000 to 34% in 2005, while banner ads should fall from 43% to 22% in the same period. Sponsorship is also expected to grow, ranging from 7% in 2000 to 14% in 2005.

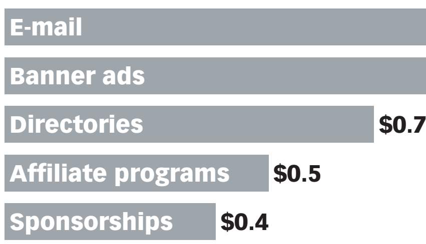
US Online Advertising Spending, by Format, 2000-2005 (in billions)

	2000	2001	2002	2003	2004	2005	% of 2005
E-mail	$0.4	$0.8	$1.5	$2.3	$2.8	$3.2	34%
Banner ads	$0.6	$1.1	$1.5	$1.9	$2.2	$2.1	22%
Directories	$0.2	$0.4	$0.7	$1.0	$1.2	$1.5	16%
Sponsorships	$0.1	$0.2	$0.4	$0.7	$1.0	$1.3	14%
Affiliate programs	$0.1	$0.3	$0.5	$0.8	$1.0	$1.3	14%

Source: Forrester Research/MediaBrains, February 2001

032854 ©2001 eMarketer, Inc. www.eMarketer.com

US Online Advertising Spending, by Format, 2002 (in billions)



Source: Forrester Research/MediaBrains, February 2001

037069 ©2002 eMarketer, Inc. www.eMarketer.com

Research from the Association of National Advertisers, however, indicates that banners continue to rule among online ad formats, with 92% of ANA member companies using them in 2000.

Internet Advertising Formats Used by US Companies, 2000 (as a % of respondents*)

Source: Association of National Advertisers (ANA), October 2001

033352 ©2001 eMarketer, Inc. www.eMarketer.com

Methodology

Online Advertising Report: Update

US Online Ad Market Size and Growth

Perspective: Interactive Vs. Traditional Media

Formats Galore: The Online Ad Cornucopia

Direct Response vs. Branding

Online Ad Pricing

Web Publishers (Where Ads Go)

Web Advertisers (Who Runs Ads)

Trend Watcher: Tools and Techniques

Market Fundamentals: Supporting the Growth of Online Advertising

Global Market Size and Growth

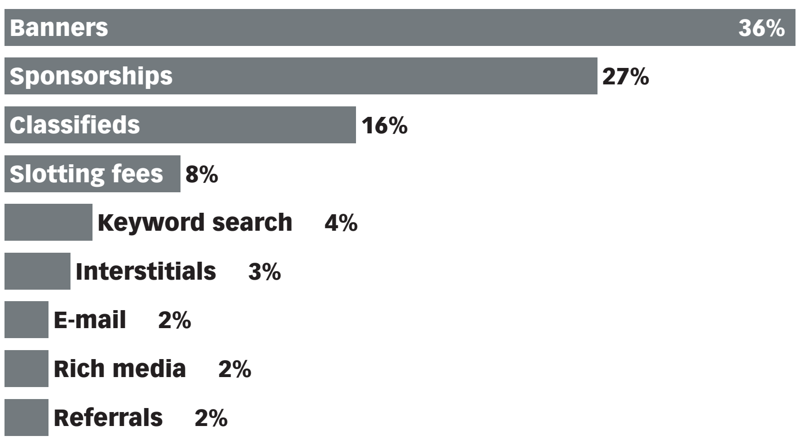
Appendices

B. The Big Three: Banners, Sponsorships, Classifieds

Because of the great decrease in click-through rates over the past three years, some experts believe that banner ads are a dead issue. But when the actual numbers come into play, banners continue to live on, accounting for 36% of total revenues for the first three quarters of 2001.

Sponsorship deals, which typically include banners, took a strong second place at 27%. And classified ads, at a growing 16% of total revenue, round out the top three. Collectively, the top 3 ad formats take 79% of all online ad dollars.

US Online Advertising Revenues, by Format, Q1-Q3 2001 (as a % of total revenues)



Note: Total revenue for Q1-Q3 2001 was $5.55 billion
Source: Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers (PwC), December 2001

037332 ©2002 eMarketer, Inc. www.eMarketer.com

Banners

Over the past year or so, banners have gotten a bad rep, with stats that would suggest they aren't terribly effective.

The Case Against Online Advertising Banners

Over 99.7% of all ad banners don't get clicked on
52% of web surfers never click on banners
80% of users "usually ignore web ads" (Wirthlin Worldwide)
25% of web surfers can't recall any specific online ad (Active Research)

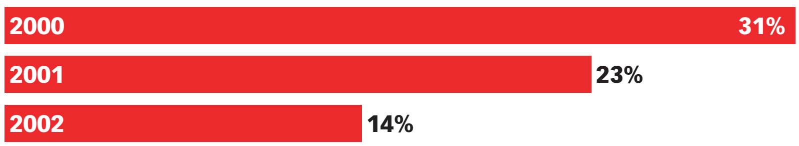
Source: eMarketer, 2001

030987 ©2001 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Not only has the average click-through rate on banner ads fallen from year to year, the percentage of internet users who profess to click on them has dropped as well.

US Internet Users Who Click On Banner Ads, 2000-2002



Note: Figures as of January, each year
Source: Arbitron/Edison Media Research, February 2002

037214 ©2002 eMarketer, Inc. www.eMarketer.com

That said, banners continue to thrive through a mix of familiarity, adaptability, and cost-effectiveness. The creative is easy to update in real time, and its cost is negligible compared to TV, radio, or print ads. And whether it's branding or direct response you want, banners can answer to both marketing goals.

The Case for Online Advertising Banners

Banners are still the predominant web ad vehicle. Sponsorships and interstitials trail behind
Creative is easy to update and change in real time
Online consumers can click-through to an advertiser's website
Branding and direct response (including transaction) are achievable within a single creative unit
Cost of production is negligible compared with television commercials, radio spots or even print ads
Banners are much less expensive than direct mail, at least 60-65% cheaper

Source: eMarketer, 2002

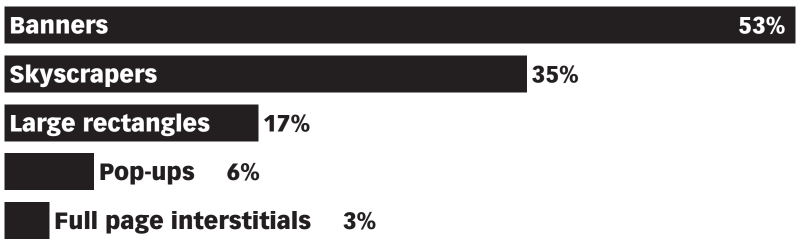
036973 ©2002 eMarketer, Inc. www.eMarketer.com

- **Familiarity:** As the first major online ad format, banners are like a warm scarf on a cold day to advertisers, publishers, and internet users alike. A recent survey, from the Dynamic Logic report "Beyond the Click/Ad Reaction Study," shows 53% of US consumers like banner ads, and 35% approve of skyscraper-size banners.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

In contrast, this group was less than enthralled with pop-ups—only 6% said they have positive feelings toward this ad format. When it comes to consumer reactions to online ad formats, it would appear that bigger—or more intrusive—is not necessarily better.

US Consumer Attitudes Regarding Online Ad Formats, 2001 (as a % of respondents who have positive feelings towards the ad format)



Source: Dynamic Logic, November 2001

035435 ©2002 eMarketer, Inc. www.**eMarketer**.com

- **Adaptability:** Last year's revised additions to banner standards show how the online ad industry can modify banner sizes, and therefore their uses. Once again, diversity shows both sides of its face—creative variety and complexity.

Online Banner Ad Formats: Old and New, 2001

Older interactive marketing units	Revised interactive marketing units
468 X 60 IMU full banner	120 X 600 IMU skyscraper
234 X 60 IMU half banner	160 X 600 IMU wide skyscraper
120 X 240 IMU vertical banner	180 X 150 IMU rectangle
120 X 90 IMU button #1	300 X 250 IMU medium rectangle
120 X 60 IMU button #2	336 X 280 IMU large rectangle
125 X 125 IMU square button	240 X400 IMU vertical rectangle
88 X 31 IMU micro bar	250 X 250 IMU square pop-up

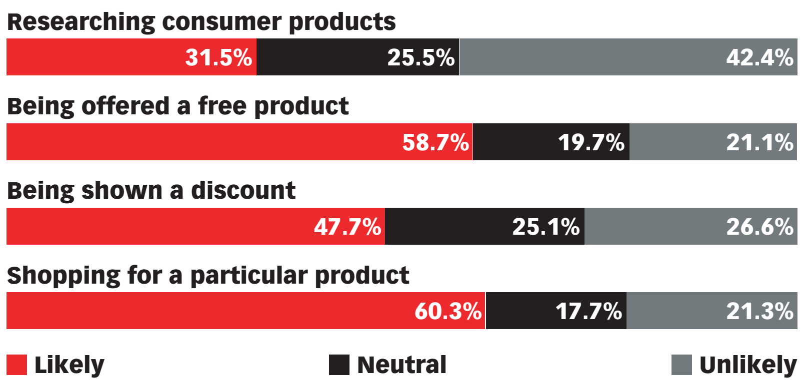
Source: Interactive Advertising Bureau (IAB), 2001

036758 ©2002 eMarketer, Inc. www.**eMarketer**.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

- **Effectiveness:** Despite the gradual decline in click-throughs, people still click on banner ads. The most likely factor to cause a click is when shopping for a particular product, mentioned by 60.3% of the 50 marketing manager respondents in a Forrester Research study conducted in March 2001.

Factors that Draw US Consumers to Click on Banner Ads, 2001



Note: Percentages do not total 100 because of rounding
Source: Forrester Research, March 2001

036133 ©2002 eMarketer, Inc. www.eMarketer.com

Even so, as the interactive ad industry becomes more sophisticated, campaigns include not only banners but other formats as well. But the adaptable, inexpensive banner will probably remain part of the mix for the foreseeable future.

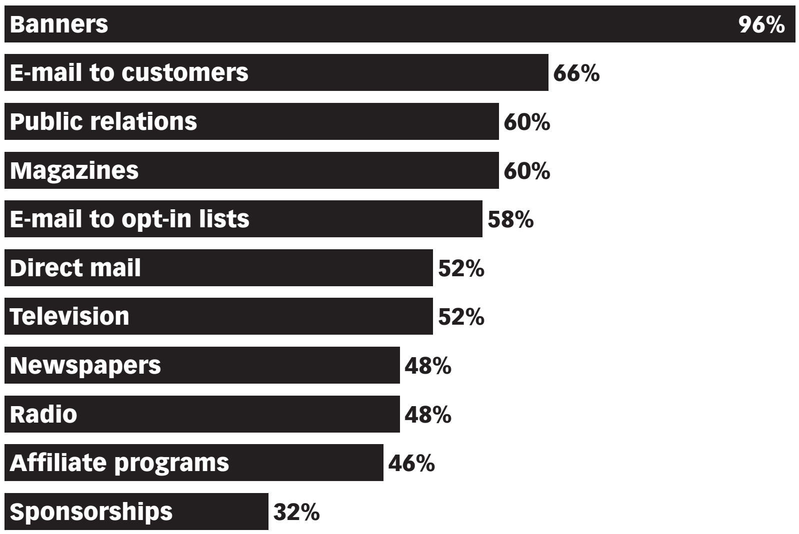
"Nine times out of 10, we'd incorporate a plan with multiple ad units at the same time, never just banner ads."

– Seana Mulcahy, vice president and director of interactive media, Mullen

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

The Forrester poll also revealed that 96% of the managers use banners to drive web traffic to their sites. (No wonder it's still the online ad format with the highest spending.)

Marketing Techniques Used by US Marketers to Drive Traffic to Their Sites, 2001 (as a % of respondents*)



*Note: *50 marketing managers interviewed in 2001*
Source: Forrester Research, March 2001

035897 ©2002 eMarketer, Inc. www.eMarketer.com

However, size matters when it comes to banners. As we saw in the chart above, the IAB has standardized 14 different banner sizes, from tiny buttons to traditional banners to towering skyscrapers. But data released by Jupiter Media Metrix in early March 2002 points to the growing effectiveness of larger banners, such as skyscrapers.

While banners and smaller formats continue to dominate, garnering 83.5% of online ad impressions in January 2002, for example, skyscrapers have been catching on more and more—especially since April 2001, when the IAB standardized the larger ad formats.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Number of Paid Online Ad Impressions in the US, by Ad Format, January 2001-January 2002 (in billions)

Month	Small formats*	Banners	Squares and rectangles	Sky-scrapers	Large ads**	Total
January 2001	16.9	18.9	0.7	0.2	0.9	37.6
February 2001	17.0	20.7	0.8	0.2	1.0	39.7
March 2001	21.8	25.3	1.1	0.4	1.5	50.1
April 2001 (IAB standardizes large ad formats)	20.6	23.6	1.4	0.6	2.0	48.2
May 2001	21.5	26.3	1.1	0.9	2.0	51.8
June 2001	23.3	26.8	1.6	1.3	2.9	55.9
July 2001	21.1	27.1	1.7	1.5	3.1	54.5
August 2001	21.5	28.0	2.0	1.9	3.9	57.3
September 2001	24.4	28.8	2.1	2.2	4.3	61.8
October 2001	24.1	29.8	1.6	2.8	4.4	62.7
November 2001	24.6	32.2	1.8	2.8	4.6	66.0
December 2001	26.4	35.4	3.1	2.8	5.9	73.6
January 2002	23.7	32.9	2.5	3.1	5.6	67.8

*Note: *bars and buttons; **squares, rectangles, skyscrapers combined*
Source: AdRelevance, March 2002

037266 www.eMarketer.com

Share of Online Ad Impressions, by Ad Format, 2001-2002 (as a % of monthly total)

Month	Small formats*	Banners	Squares and rectangles	Sky-scrapers	Large ads**
January 2001	44.9%	50.3%	1.9%	0.5%	2.4%
February 2001	42.8%	52.1%	2.0%	0.5%	2.5%
March 2001	43.5%	50.5%	2.2%	0.8%	3.0%
April 2001 (IAB standardizes large ad formats)	42.7%	49.0%	2.9%	1.2%	4.1%
May 2001	41.5%	50.8%	2.1%	1.7%	3.9%
June 2001	41.7%	47.9%	2.9%	2.3%	5.2%
July 2001	38.7%	49.7%	3.1%	2.8%	5.7%
August 2001	37.5%	48.9%	3.5%	3.3%	6.8%
September 2001	39.5%	46.6%	3.4%	3.6%	7.0%
October 2001	38.4%	47.5%	2.6%	4.5%	7.0%
November 2001	37.3%	48.8%	2.7%	4.2%	7.0%
December 2001	35.9%	48.1%	4.2%	3.8%	8.0%
January 2002	35.0%	48.5%	3.7%	4.6%	8.3%

*Note: *bars and buttons; **squares, rectangles, skyscrapers combined*
Source: AdRelevance, eMarketer calculations, March 2002

037342 www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

That uptake of skyscrapers becomes more pronounced when growth rates are compared among the various banner formats. Whether measured for the full year or since April 2001's standardization, skyscrapers and other large ads saw the largest growth in total impressions.

Online Ad Impression Growth in the US, by Ad Format, 2001 & 2002

	Small formats*	Banners	Squares and rectangles	Sky-scrapers	Large ads**
Jan. 2001 vs. Jan. 2002	40%	74%	251%	1,835%	542%
Apr. 2001 vs. Jan. 2002	15%	39%	80%	436%	185%

*Note: April 2001 was when the Interactive Advertising Bureau (IAB) standarized large-size ad formats; *bars and buttons; **squares, rectangles, skyscrapers combined*
Source: AdRelevance, March 2002

037344 ©2002 eMarketer, Inc. www.eMarketer.com

Sponsorships

As the number two ad format by spending dollars, sponsorships allow the advertiser to make a more intimate connection with the website than a standard, randomly placed banner. In terms of creative, sponsorships can include not only banners, but rich media, e-mail and other formats. Sponsorships are different in both space and time. They are integrated closely with editorial content, and typically run over a longer period of time—at least a month, 6 months, or up to a year.

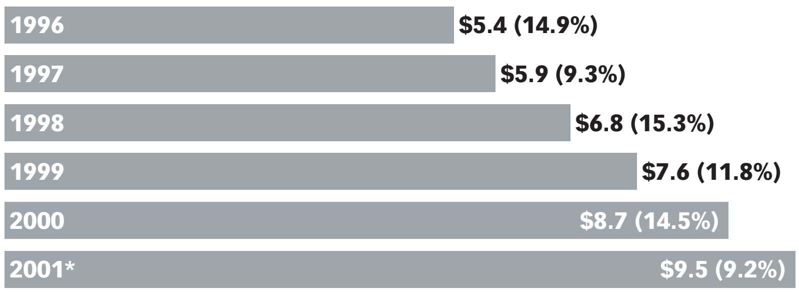
During the recent Winter Olympic Games in Salt Lake City, Microsoft's MSN internet network put together sponsorship deals with 10 companies, including AT&T, Kimberly-Clark's Kleenex brand, Kodak, and McDonald's. According to *Advertising Age*, "MSN signed the sponsors to digital marketing and media packages, the most comprehensive of which sold for $2 million apiece.... MSN sold packages on olympics.com, which also served as a gateway to the nbcolympics.com and saltlake2002.org home pages. Olympics.com racked up 788,815 unique visitors (including traffic to saltlake2002.org) who logged on from home for the week ending Feb. 10; nbcolympics.com brought in 1,006,064 unique visitors, according to Nielsen//NetRatings."

The form the digital marketing took included AT&T enhancing its Olympic sponsorship with a cross-media TV/Web promotion and Kleenex's sponsorship of a slide show of each day's high and low points. *Advertising Age* reported that marketers could target online ads and sponsorships based on the sport and time of day.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

The appeal of online sponsorships to mainstream consumer goods companies is one reason that—both online and offline—sponsorship spending in North America increased from $5.4 billion in 1996 to $9.5 billion in 2001.

Sponsorship Spending in North America, 1996-2001 (in billions and as a % increase/decrease vs. prior year)



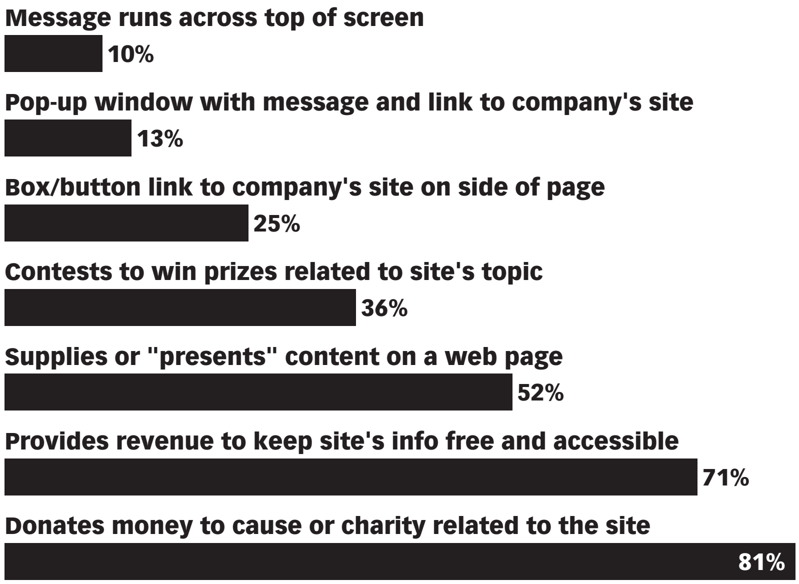
*Note: *projected*
Source: IEG Sponsorship Report/Performance Research, 2001

But do consumers understand what makes a sponsorship? A survey last year from Performance Research, a sponsorship research firm, asked web users to judge whether an online ad was plain advertising or part of a site sponsorship. Typical banner-type ads, such as a message that runs across the top of the screen, were seen as a sponsorship by only 10% of the respondents.

However, a more active role indicates sponsorship to the web users. If the advertiser supplies or presents content, 52% of the users saw that as a sponsorship. And a strong 81% of the respondents saw the act of donating money to a cause related to the site as indication of sponsorship.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Characteristics of Online Ads that Are Seen As Sponsorship in the US, 2001 (as a % of respondents)



Note: Based on survey of 522 web users (defined as going online for 1+ hour per week, with a mean of 13 hours per week; 50/50 male/female; 50/50 over 35/under 35) who were asked when ads were seen as sponsorship or advertising
Source: Performance Research, March 2001

036613 ©2002 eMarketer, Inc. www.eMarketer.com

Further results from the same survey show that users tend to feel that sponsors are to be more trusted and tend to enhance a website more than plain advertisers do.

Percent of US Web Users Who Trust Sponsors vs. Advertisers, 2001 (as a % of respondents)

Note: Based on survey of 522 web users (defined as going online for 1+ hour per week, with a mean of 13 hours per week; 50/50 male/female; 50/50 over 35/under 35) who were asked how they feel about a company's involvement with a website in terms of trustworthiness
Source: Performance Research, March 2001

036615 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

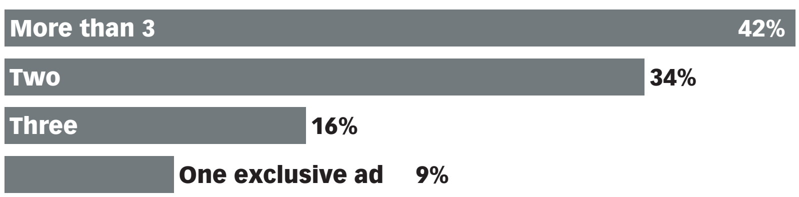
US Web Users' Opinions Regarding Whether Sponsorship or Advertising Enhance a Website, 2001 (as a % of respondents)

Note: Based on survey of 522 web users (defined as going online for 1+ hour per week, with a mean of 13 hours per week; 50/50 male/female; 50/50 over 35/under 35) who were asked if a company's involvement in a website would enhance or detract from enjoyment or experience with the site
Source: Performance Research, March 2001

036614 ©2002 eMarketer, Inc. www.eMarketer.com

Internet magazines, also called eZines, are a digital publishing format that is often well-suited to sponsor support. Many magazines, both online and offline, are focused by topic, making them easily targeted vehicles for advertisers. According to *Opt-In News*, 43% of online magazines will accept only one or two sponsors per issue, but 42% will accept four or more sponsors.

Number of Ad Sponsorships US eZine Publishers Accept per Issue, June 2001



Source: Opt-in News, 2001

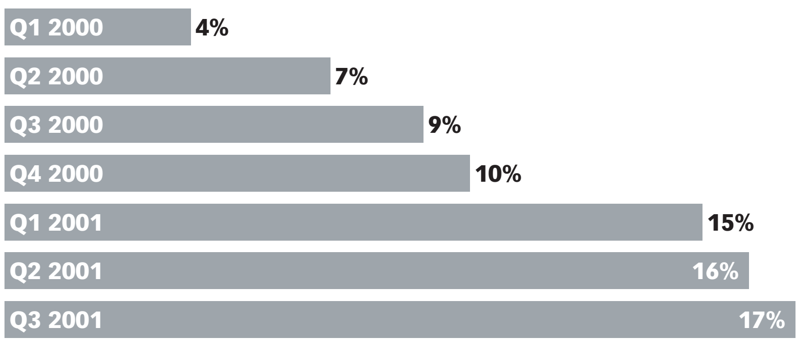
026642 ©2001 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Classifieds

The evolution of classified ads into a major area of online advertising spending has been a stealth trend. While banners, rich media, and e-mail advertising tend to get all the press, classifieds' share of the online advertising universe has increased steadily—from 4% of all online ad spending in the 1st quarter of 2000 (when the format first made the charts) to 17% in the 3rd quarter of 2001 (the last one with historical data from the IAB/PwC). In contrast, e-mail advertising hovered at the 3% level in the same span, while rich media made a 2% to 3% shift.

Classified's Share of US Online Ad Spending, Q1 2000-Q3 2001 (as a % of total)

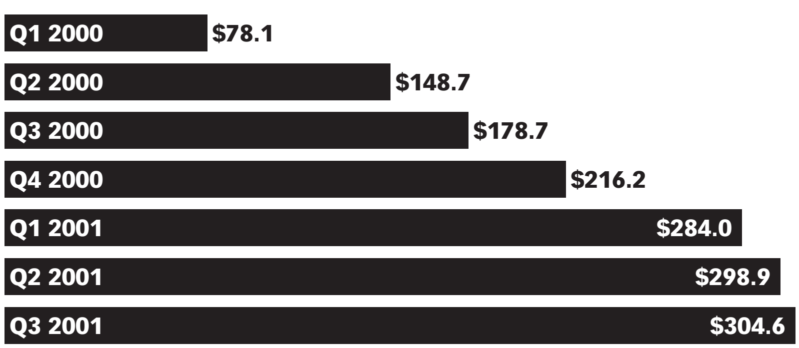


Source: Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers (PwC), 2000-2001

037331 ©2002 eMarketer, Inc. www.eMarketer.com

In absolute dollars, spending on classifieds increased quarter-by-quarter, from the 1st quarter of 2000 through the 3rd quarter of 2001 (the last quarter for results from the IAB/PwC research). That translates to a 290% increase over the period shown below.

Classified Ad Spending in the US, Q1 2000-Q3 2001 (in millions)



Source: Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers (PwC), 2000 & 2001

036978 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Help-wanted ads are the major segment within classifieds, and the layoff gloom across America has created a corresponding boom in job hunting. For those employers looking for help, online recruitment is a major cost-saver. Hiring an employee through the web costs an average of $183 per recruit vs. $1,383 for traditional methods, according to Thomas Weisel Partners. Perhaps this savings alone, and not the economy, is enough to explain the rapid growth in online classified ads.

Cost of Recruiting an Employee Online and Offline in the US, 2000

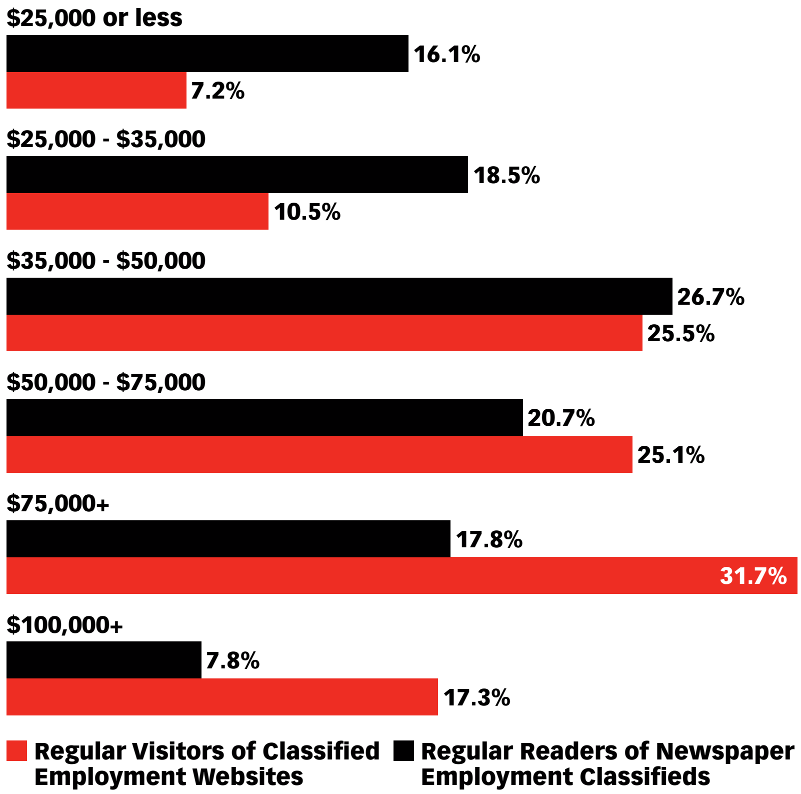
Source: Thomas Weisel Partners, 2000

010410 ©2001 eMarketer, Inc. www.eMarketer.com

As online classified ads have gained, newspaper classified ads have lost, especially among people with higher incomes. In every income category above $50,000, a greater percentage of people choose online classifieds over the print version, according to The Media Audit survey.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Employment Classified Ad Readers and Employment Website Visitors in the US, by Income, 2002 (as a % of respondents)



Note: Based on percentage of survey respondents in 67 metropolitan markets in each income group
Source: The Media Audit, International Demographics, Inc., January 2002

036610 ©2002 eMarketer, Inc. www.eMarketer.com

But there is good news for newspapers with an online presence. A recent report from Classified Intelligence—a consulting group that focuses on interactive and print classified advertising—shows the upside of mixing interactive and print. Newspapers that sell print classified ads online, using a system that lets users design and place the ads themselves, increase revenue by as much as 38% when compared to ads that are simply phoned in. The report, which was based on interviews with classified advertising executives at more than 75 newspapers throughout the US, claims that one newspaper generates an estimated $500,000 annually with ads placed online. And a small-market daily generates an average of $1,000 per day in ads placed online, which translates to almost 10% of its transitory classified ad business.

Methodology

Online Advertising Report: Update

US Online Ad Market Size and Growth

Perspective: Interactive Vs. Traditional Media

Formats Galore: The Online Ad Cornucopia

Direct Response vs. Branding

Online Ad Pricing

Web Publishers (Where Ads Go)

Web Advertisers (Who Runs Ads)

Trend Watcher: Tools and Techniques

Market Fundamentals: Supporting the Growth of Online Advertising

Global Market Size and Growth

Appendices

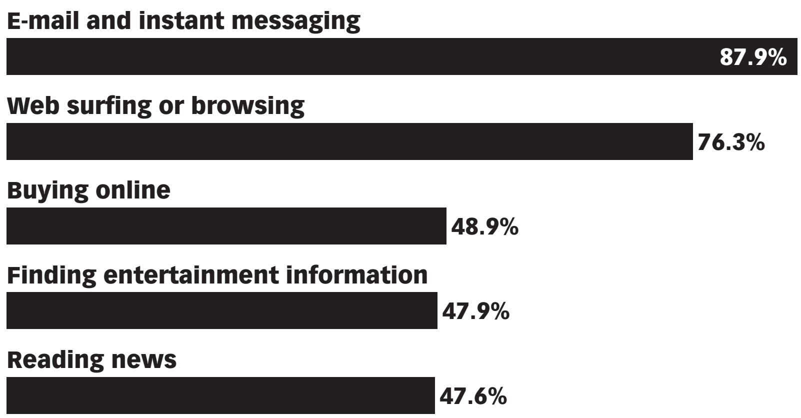
C. Up and Comers: E-Mail, Rich Media, and Interstitials

With shares of online ad spending of 2%, 2%, and 3% (respectively, for the first three quarters of 2001), e-mail, rich media, and interstitial ads take up small niches by dollars alone. But the attention they get from the press, and the possibilities they offer for the future, make them online darlings.

E-Mail

As the most-used ingredient in the online world, e-mail and its instant messaging kid brother appeal to 87.9% of US internet users, even more than the web at 76.3%. As we've seen, e-mail lags behind other online ad vehicles. Revenue dollars alone don't measure the appeal and value of e-mail for advertisers, since most e-mail ads are relatively inexpensive to create and distribute.

Most Popular Internet Activities among US Internet Users, 2001 (as a % of respondents)



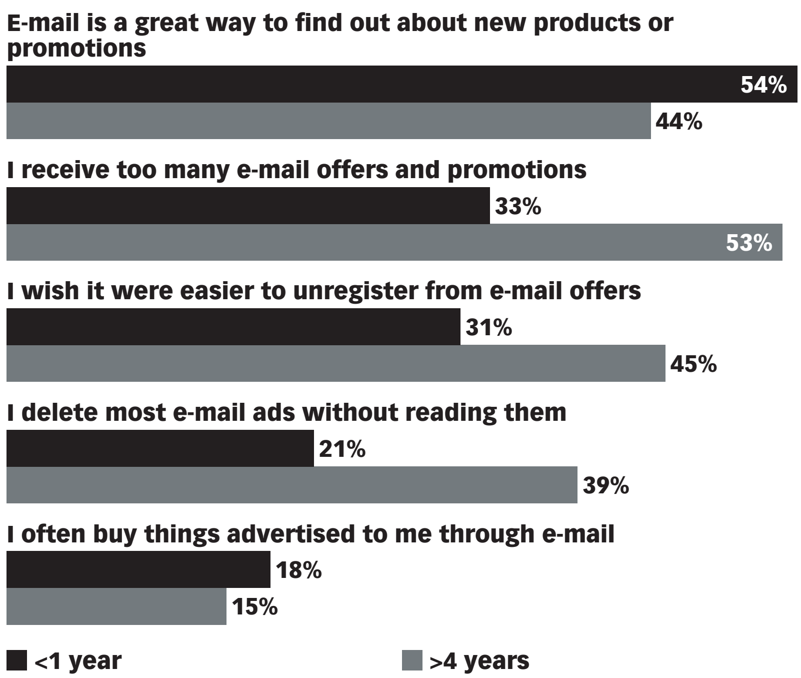
Source: UCLA Center For Communication Policy, November 2001

034728 ©2001 eMarketer, Inc. www.eMarketer.com

As an advertising vehicle, e-mail elicits mixed responses among US consumers, who are sensitive about privacy and being intruded upon by unscrupulous advertisers. According to a Forrester/Greenfield study, 44% of the people with more online experience might think e-mail is a great way to find out about new products, but 53% of them believe they receive too many e-mail offers and promotions and 39% delete most e-mail ads without even reading them.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

US Consumer Attitudes towards E-Mail Marketing, by Length of Time Online, 2001 (as a % of online consumer households)

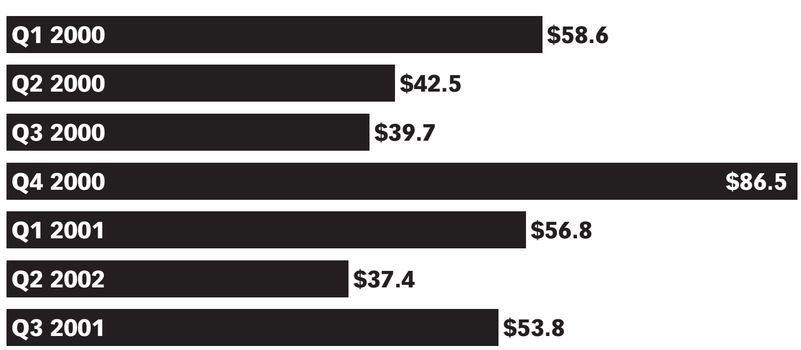


Note: Data from the July/August 2000 Forrester "Consumer Technographics Retail Mail Survey" of 10,536 households
Source: Greenfield Online, Forrester Research, March 2001

036134 ©2002 eMarketer, Inc. www.**eMarketer**.com

Based on data from the IAB/PwC, the absolute dollars spent for e-mail advertising reached a peak in the 4th quarter of 2000 at $86.5 million and has dropped since. In the quarter-by-quarter period shown below, e-mail ad spending has gone down by 8.2%.

Online E-Mail Ad Spending in the US, Q1 2000-Q3 2001 (in millions)



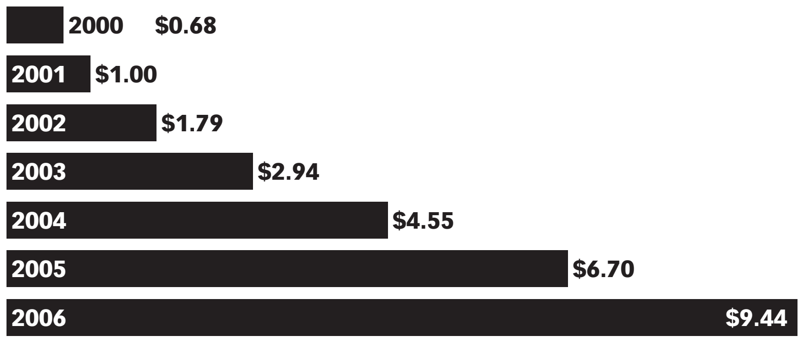
Source: Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers (PwC), 2000 & 2001

037066 ©2002 eMarketer, Inc. www.**eMarketer**.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

According to Jupiter Media Metrix, e-mail marketing—which includes e-mail advertising as well as several other activities—will increase from $1.00 billion in 2001 to $9.44 billion in 2006.

US E-Mail Marketing Spending, 2000-2006 (in billions)



Source: Jupiter Media Metrix, August 2001

035364 ©2002 eMarketer, Inc. www.eMarketer.com

Spending for marketing e-mails (which doesn't even count list rentals) should rise from $396 million in 2000 to $6.50 billion in 2006, according to Forrester Research. Look at these numbers another way: In 2000, display advertising took a 92% share of total digital marketing spending, while e-mail to customers had only 5%. By 2006, display advertising's share of total dollars should drop to 50%, while e-mail's should rise to 31%.

Perhaps more important is the great variance between spending on e-mail to customers versus to rented lists—$1.77 billion versus $223 million, respectively, in 2002 alone. The classic 80/20 equation comes to life here, where retaining the old means more than acquiring the new. The majority of business comes from existing customers, not new ones. Therefore, e-mails to those who are already customers is worth more investment than e-mails prospecting for new customers.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

US Digital Marketing Spending, by Category, 2000-2006 (in millions)

	2000	2001	2002	2003	2004	2005	2006
Display advertising	$7,403	$6,002	$6,334	$7,174	$8,074	$9,150	$10,305
E-mail list rental	$247	$220	$223	$207	$224	$244	$275
E-mail to customers	$396	$1,127	$1,770	$3,122	$4,280	$5,742	$6,498
Interactive TV (iTV)	$20	$127	$290	$739	$1,487	$2,623	$3,661
Total	**$8,066**	**$7,476**	**$8,627**	**$11,241**	**$14,065**	**$17,759**	**$20,740**
% of total marketing	2.0%	1.9%	2.2%	2.8%	3.3%	4.0%	4.5%

Source: Forrester Research, October 2001

034871 ©2001 eMarketer, Inc. www.eMarketer.com

The responsive nature of e-mail advertising shows in the US click-through rates, which are consistently higher for e-mail than other online ad formats.

US Click-Through Rates, by Online Advertising Format, 1999-2002

	1999	2001	2002
Direct mail	1%-1.5%	<1.0%	<1.0%
Banners	0.4%	0.3%	0.3%
Rich media	3.4%	1.7%	1.7%
E-mail (opt-in)	5.4%	3.2%	1.8%

Source: eMarketer, 2002

037070 ©2002 eMarketer, Inc. www.eMarketer.com

Depending on the e-mail marketing campaign's objectives, the jump from click-through to conversion varies substantially, according to IMT Strategies. For example, for a campaign focused on generating leads, more than half of the click-throughs get converted. But for a sales-oriented marketing campaign, only a bit more than one-third of click-throughs convert to closing the sale.

Methodology

Online Advertising Report: Update

US Online Ad Market Size and Growth

Perspective: Interactive Vs. Traditional Media

Formats Galore: The Online Ad Cornucopia

Direct Response vs. Branding

Online Ad Pricing

Web Publishers (Where Ads Go)

Web Advertisers (Who Runs Ads)

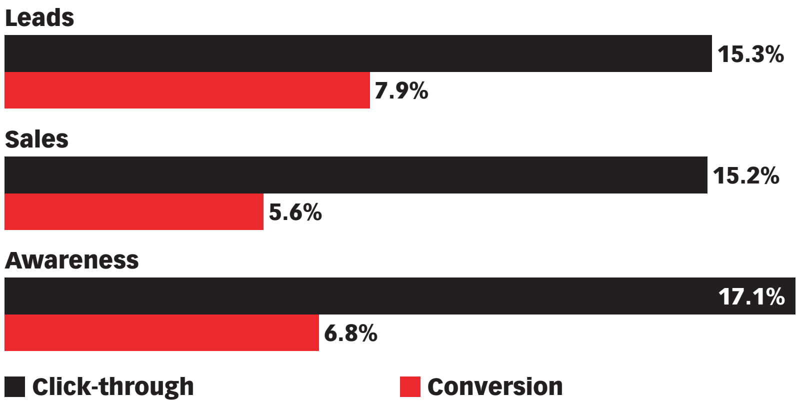
Trend Watcher: Tools and Techniques

Market Fundamentals: Supporting the Growth of Online Advertising

Global Market Size and Growth

Appendices

US E-Mail Marketing Campaign Response Rates, by Campaign Objective, 2001 (as a % of respondents)

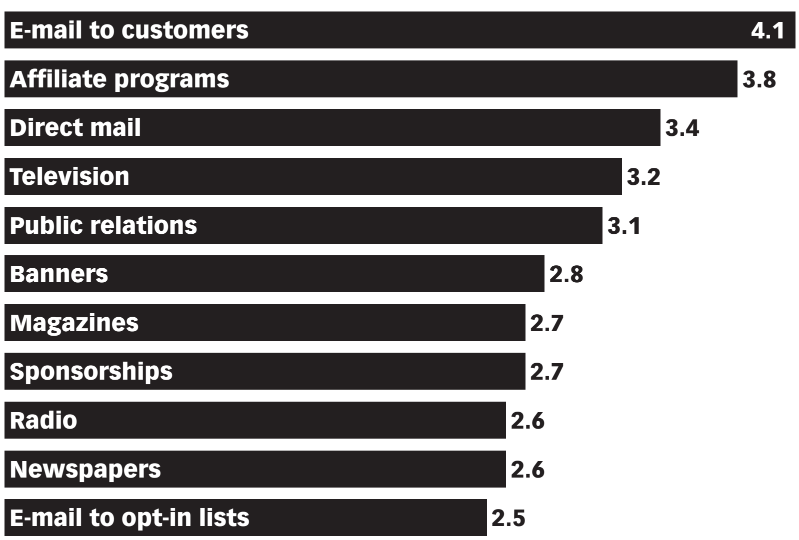


Source: IMT Strategies, September 2001

034409 ©2001 eMarketer, Inc. www.eMarketer.com

On a scale of 1 (poor) to 5 (great), the 50 marketing managers interviewed by Forrester Research in March 2001 ranked e-mail to existing customers as the most effective online marketing technique. Interestingly, of the 11 techniques ranked, the lowest was also e-mail—to opt-in lists. Reputable marketers are wary that sending e-mail to bought-lists could cause them to be seen as spammers, a form of online low-life.

Effectiveness* of Online Marketing Techniques Used by US Marketers, 2001 (as a % of respondents**)



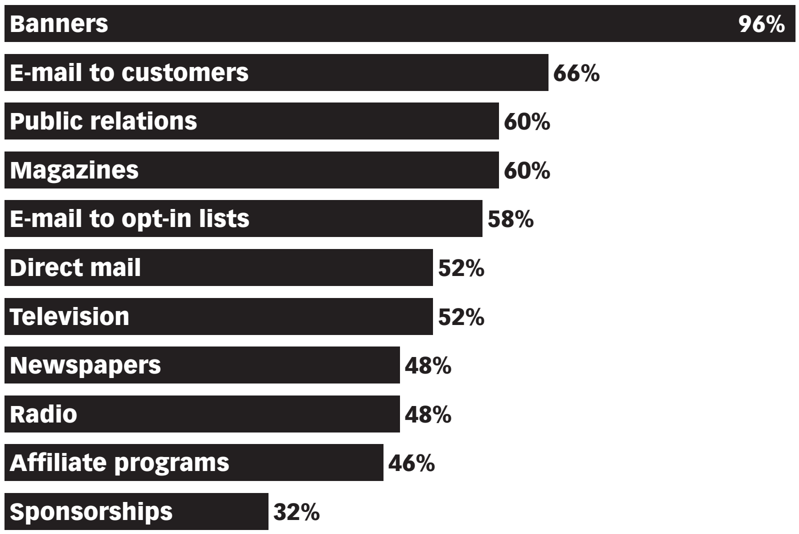
*Note: *Respondents answered this question according to their definition of effectiveness - some track click-throughs, others track impressions or purchases. Effectiveness ratings represent average scores based on a scale of 1(poor) to 5(great); **50 marketing managers interviewed in 2001*
Source: Forrester Research, March 2001

035898 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

But the same Forrester poll reveals that the low-ranked technique of e-mail to opt-in lists is regularly used by 58% of marketing managers, while e-mail to customers is used by 66% of marketers.

Marketing Techniques Used by US Marketers to Drive Traffic to Their Sites, 2001 (as a % of respondents*)

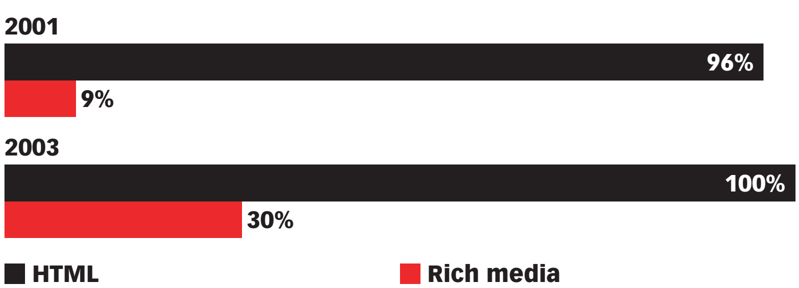


*Note: *50 marketing managers interviewed in 2001*
Source: Forrester Research, March 2001

035897 ©2002 eMarketer, Inc. www.eMarketer.com

What promises to make e-mail even more effective as an advertising and marketing tool is making it more like the web. That means more HTML—which should become universal by 2003—and a jump in rich media e-mail usage from 9% to 30%, according to Forrester.

Use of HTML and Rich Media in E-Mail Marketing Campaigns among North American E-Mail Marketers, 2001 (as a % of respondents)



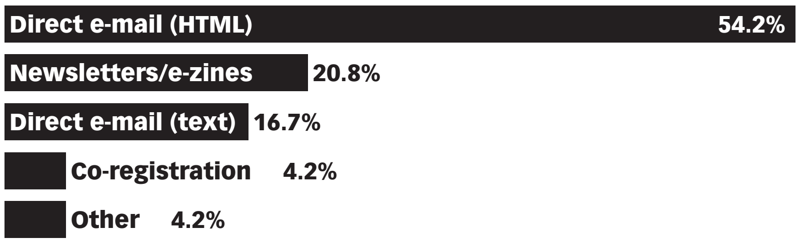
Source: Forrester Research, August 2001

036291 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Recent research from Opt-In News indicates that the rich qualities possible in HTML-based e-mail make it the most popular e-mail marketing choice among online advertisers.

Opt-in E-Mail Marketing Methods Used Most by US Advertisers, Q4 2001 (as a % of advertisers surveyed)



Source: Opt-in News, Keaton Communications, January 2002

035998 ©2002 eMarketer, Inc. www.eMarketer.com

For more information on e-mail as an advertising and marketing tool, see eMarketer's latest eMail Marketing Report: http://www.emarketer.com/ereports/email_marketing/welcome.html

Rich Media

Just as onions are considered a "friendly" ingredient, ready to blend into a wide range of recipes, so is rich media the potential "onion" for online advertising, eager to be added to a tasty stew of other online ad formats. Whether part of interstitial ads, or a way to spice up a standard text e-mail, rich media ads are becoming more common as interactive agencies, advertisers, and online publishers all seeks ways to gain the consumer's attention and boost the bottom line.

Rich-Media Online Advertising Facts, 2002

More expensive to create, set-up, and deploy
Tech companies charge a one-time set-up fee for rich e-mail, ranging from $2,000 to $10,000
The cost to create a message with streaming video and audio is at least $5,000 -- and that doesn't include delivery fees
Contributes to bandwidth bottleneck
More intrusive = more annoying
Often requires user to download plug-ins
Initial response rates can be artificially high due to "novelty" effect

Source: eMarketer, 2002

037067 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology

Online Advertising Report: Update

US Online Ad Market Size and Growth

Perspective: Interactive Vs. Traditional Media

Formats Galore: The Online Ad Cornucopia

Direct Response vs. Branding

Online Ad Pricing

Web Publishers (Where Ads Go)

Web Advertisers (Who Runs Ads)

Trend Watcher: Tools and Techniques

Market Fundamentals: Supporting the Growth of Online Advertising

Global Market Size and Growth

Appendices

Rich media resembles an onion in other ways, with its many layers. Does rich media mean streaming video? Yes. Streaming audio, too? Yes. Is rich media a component of banner ads? Yes. Can rich media work with narrowband access? Yes, but not all types of rich media—broadband is the needed next step for rich media to reach the mainstream, according to most observers.

Along with the slow adoption of broadband, the absence of standard rich media formats might also be slowing the growth of this dynamic ad vehicle. For example, while the Interactive Advertising Bureau offers file-size and screen-size specification guidelines (such as in this example for rich media banners), the actual file format is left open-ended with choices such as HTML, Flash, or Java.

Internet Advertising Bureau (IAB) Rich Media Banner Guidelines, 2001

Definition and dimensions	Standard banners (468x60 pixels) which use rich media technologies such as HTML, Flash and Java.
Rich media file size	- Up to 15k initial load - Up to an additional 85k may be loaded after a user moves their cursor over or clicks on the banner
Rollover expands	A banner may expand to as large as 468x240 after a user moves their cursor over it, and should automatically close when the cursor moves off the banner.
Click expands	A banner may expand to as large as 468x240 after a user clicks on it, and can stay expanded until the user clicks a clearly labeled "close" button.
Audio/video	A banner may play audio and/or video content after a user clicks on it, and should display a visible "stop" or "pause" button once the audio/video begins.

Source: Interactive Advertising Bureau (IAB), August 2001

036953 ©2002 eMarketer, Inc. www.eMarketer.com

Among the technology options for rich-media formats, Macromedia Flash is one of the more popular, due to its small file sizes (which helps those with narrowband access) and its broad market penetration. The fact that more users can take in Flash than other rich-media formats probably helps it beat out other audio and video in creating brand awareness, according to a DoubleClick study.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Impact of Online Ad Technology, 2001 (as a % of change in brand index*)

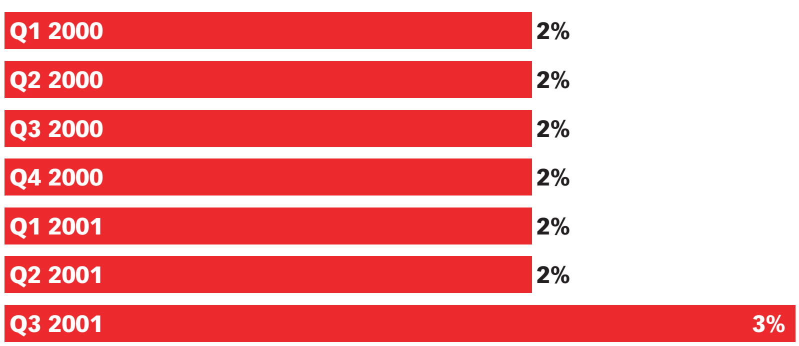
*Note: *Aggregated results of three brands tested (Unilever's Salon Selectives, British Airways and Homestore). Percent change is average of four brand measures tested (aided brand awareness, aided advertising awareness, ad attribute recall and ad recall)*
Source: DoubleClick, 2001

030480 ©2001 eMarketer, Inc. www.eMarketer.com

"Done right, rich-media ads can have response rates 10 times greater than those for traditional online ads." *– John Vail, director of digital media and marketing, Pepsi-Cola*

Historical data from the Interactive Advertising Bureau and PricewaterhouseCoopers show rich media advertising in a steady state—from 2% of all online ad spending in the 1st quarter of 2000 to 3% in the 3rd quarter of 2001.

Rich Media's Share of US Online Ad Spending, Q1 2000-Q3 2001 (as a % of total)



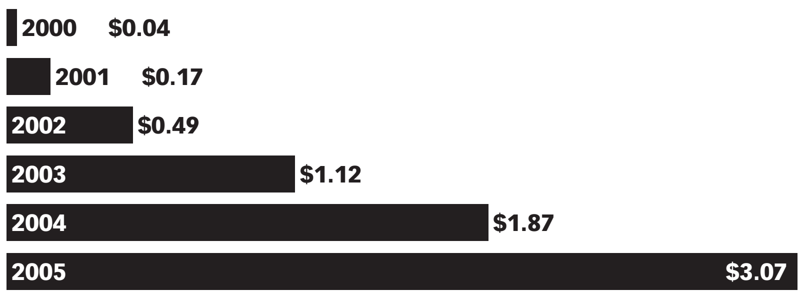
Source: Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers (PwC), 2000 & 2001

037330 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

But according to Jupiter Media Metrix, rich media ads will grow from 3% of the online ad market in 2001 to 32% by 2006. But for now the growth rate is solid, according to a forecast from the Yankee Group that focuses on streaming media enabled advertising. Estimates for 2002 indicate an increase from $170 million in 2001 to nearly half a billion by year-end 2002, and to over $3 billion by 2005.

US Streaming Media-Enabled Advertising Spending Forecast, 2000-2005 (in billions)

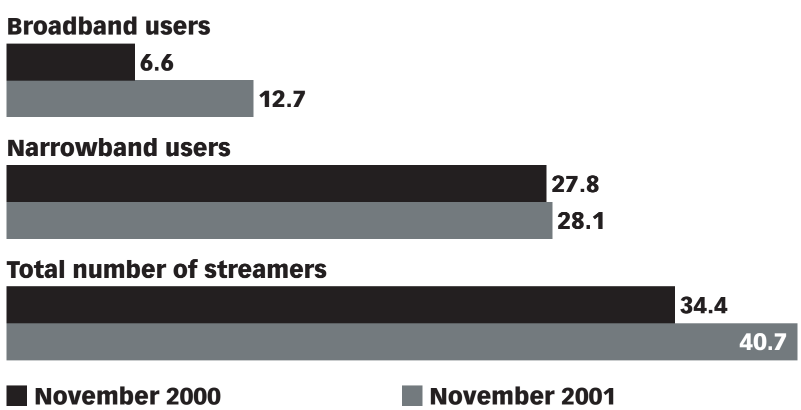


Source: Yankee Group, June 2001

036839 ©2002 eMarketer, Inc. www.eMarketer.com

Just in the past year, Nielsen//NetRatings research shows that the total number of streaming media users in the US has grown to 40.7 million Americans; most are narrowband users.

Growth of Streaming Media Users in the US, by Access Speed, November 2000 & November 2001 (in millions of users)



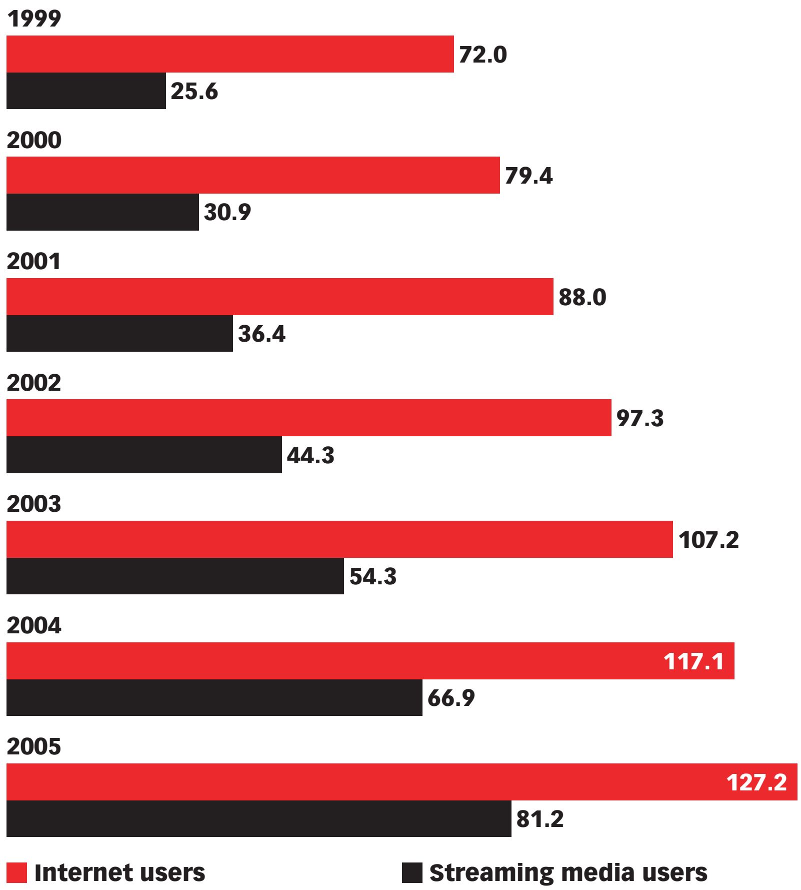
Source: Nielsen//NetRatings, December 2001

035798 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Similarly, Cyber Dialogue's data indicates there were more than 36 million streamers in 2001, and that this figure will grow to more than 81 million by 2005. Streaming media users will increase their representation among all US internet users from 35.6% in 1999 to 45.5% in 2002, and finally up to 63.8% in 2005.

Streaming Media Users in the US, 1999-2005 (in millions)



Source: Cyber Dialogue, November 2000

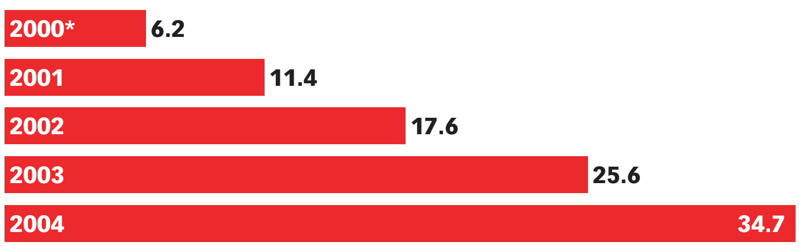
033728 ©2001 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

"As broadband takes hold and the lines [between channels] blur, marketing principles we're pioneering online will ultimately be embraced by offline channels." *– Michael Sands, vice president of marketing, Orbitz*

Consumer adoption of broadband is the lynchpin that will make rich media a fully established part of online advertising. While broadband households made up nearly 11% of total US households in 2001, they represented more than 18% of all internet households. And broadband penetration is increasing steadily, to reach 31.3% of US households by 2004.

Broadband Households in the US, 2000-2004 (in millions)

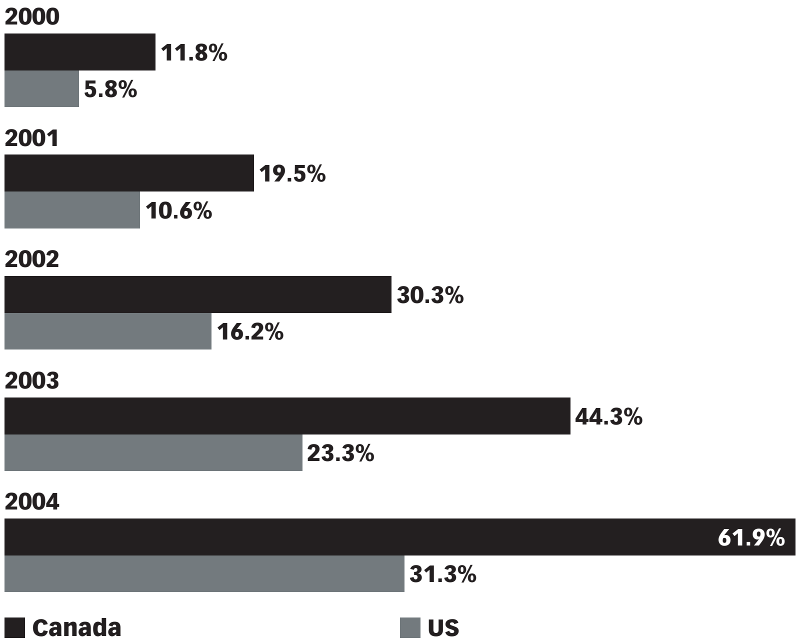


*Note: *eMarketer broadband household baseline 2000 figure (end of year) is based on the Organization for Economic Cooperation and Development (OECD) data*
Source: eMarketer, 2001

035956 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Broadband Penetration in Canada and the US, 2000-2004 (as a % of total households)



Note: eMarketer has determined its forecasts based on end of year 2000 figures from the Organization for Economic Cooperation and Development (OECD)
Source: eMarketer, 2001

035815 ©2002 eMarketer, Inc. www.eMarketer.com

Mind-Share Over Matter: Interstitials, Pop-Ups, and Pop-Unders

At 3% of US revenues for the first three quarters of 2001, interstitials—and their pop-up and pop-under ad siblings—make up only a small fraction of the online advertising market. But the mind-share they get from both the online ad industry and users is disproportionate to their market size. Advertisers want to use these formats because they're attention-getting – and many users dislike them for the same reason.

Part of the attention factor is due to the aggressive nature of these ads, pushing their presence on users. Strong reactions to these ads have led Google, the popular web search service, to recently ban pop-up ads from its site. Another common complaint about pop-up, interstitial, and pop-under ads is that they pinch bandwidth by clogging a computer's web pipeline.

From the advertiser's point of view, however, interstitials and their ilk seem to work—if "work" means driving web traffic. For example, the previously unknown surveillance camera maker X10, a major pop-up advertiser, broke into the top ranks of trafficked sites in 2001.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Interstitials, pop-ups, and pop-unders all use both banners and rich media to deliver their messages, and work well for both straight advertising and sponsorships. While pop-ups and pop-unders launch in new browser windows, and interstitials (also called "transitional" ads) appear in the main browser window between two web pages, they are alike in how they dominate the user's screen.

Interactive Advertising Bureau (IAB) Guidelines for Rich Media Interstitial Ads, 2001

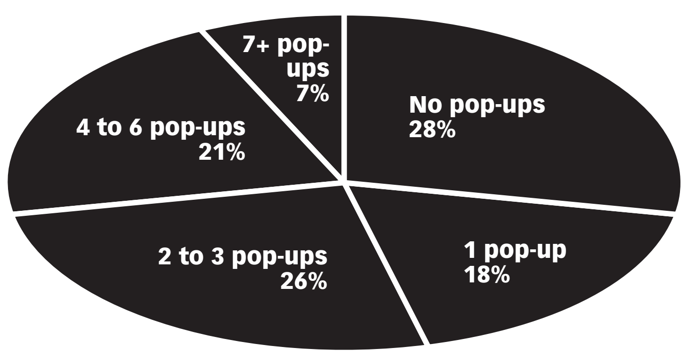
Definition	Transitional Ads (also called "interstitials") appear in the main browser window between two Web pages.
Dimensions	336x280 pixels
Rich Media File Size	20k maximum file size
Play Time	Publishers may set their transitional ad pages to automatically forward a user after 7 seconds.
Label	Publishers may label their transitional ad pages as an ad or sponsorship, and may include a "skip ad" link.

Source: Interactive Advertising Bureau (IAB), 2001

031087 ©2001 eMarketer, Inc. www.eMarketer.com

Despite the anecdotal evidence that consumers and pop-ups don't mix, a recent survey from Dynamic Logic shows some acceptance of these ads to support free websites. While 28% say no pop-ups are appropriate, that means 72% say okay to one or more pop-ups per hour. And a near majority of 47% agrees that 2 to 6 pop-ups per hour are appropriate.

US Consumer Attitudes Regarding the Number of Pop-Ups per Hour that Are "Appropriate" to Support Free Websites, 2001 (as a % of respondents*)



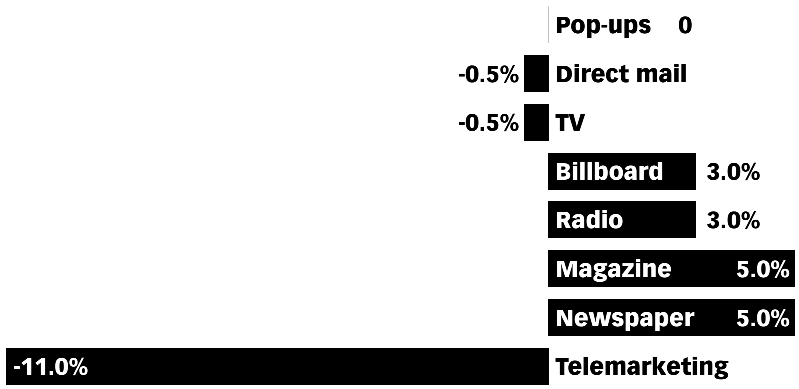
*Note: *n=413*
Source: Dynamic Logic, September 2001

035436 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

The same study positions pop-up popularity relative to other types of ads, and finds that people dislike direct mail and TV ads a bit more than pop-ups, and positively despise telemarketing for its extreme intrusiveness. Print ads, in this context, are the most popular.

Pop-Up Popularity As Compared to Other Advertising Channels in the US, 2001

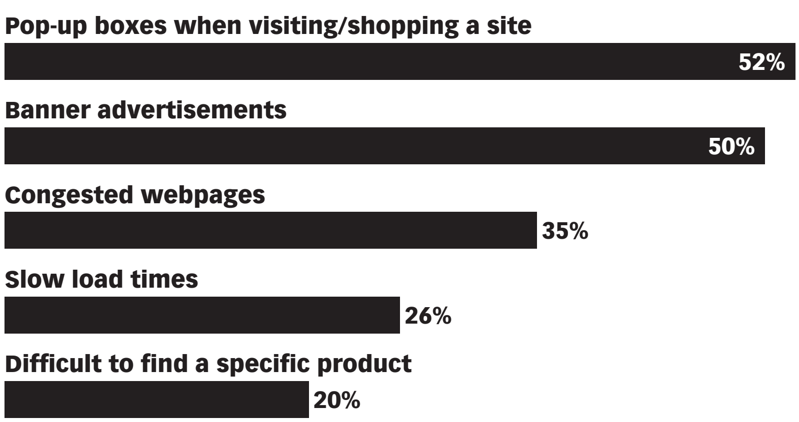


Note: Q: Are other ad formats (-) less or (+) more desirable than pop-up ads? Chart shows each ad format indexed to pop-up score of 0
Source: Dynamic Logic, 2001

036400 ©2002 eMarketer, Inc. www.eMarketer.com

All that said, Cyveillance, an internet-tracking firm, estimates that 30% of the top 100 websites use pop-ups or other ads that many consumers find intrusive. And more than congested web traffic or slow speeds, more US consumers are frustrated with pop-ups when visiting or shopping on a site.

US Consumers' Top Five Frustrations with Online Shopping, September 2001 (as a % of internet users)



Source: Retail Forward, November 2001

034496 ©2001 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Similar data from Statistical Research provides further evidence that advertisers must exercise caution in their choice of ad formats. While pop-ups are better noticed than banner ads, they are also more likely to be described as interfering with the web experience.

US Consumer Attitudes towards Online Ads: Pop-Ups Vs. Banners, 2001

Statement	Banner ads	Pop-up ads
Companies that use these ads are industry leaders		
Agree strongly	9%	7%
Agree somewhat	22%	17%
Disagree somewhat	33%	34%
Disagree strongly	15%	23%
Don't know/no opinion	21%	20%
People notice these ads when they read a webpage		
Agree strongly	33%	49%
Agree somewhat	36%	27%
Disagree somewhat	16%	9%
Disagree strongly	11%	11%
Don't know/no opinion	4%	4%
These ads interfere with reading or using a webpage		
Agree strongly	32%	61%
Agree somewhat	22%	22%
Disagree somewhat	30%	9%
Disagree strongly	13%	4%
Don't know/no opinion	3%	3%

Source: Statistical Research, Inc., 2001

026584 ©2001 eMarketer, Inc. www.eMarketer.com

In the end, there is likely to be a shift among internet users in their attitudes toward interstitials, pop-ups, and pop-unders—away from feeling interfered with and toward more acceptance. Just as consumers accept ads on TV and radio, so they will probably accept these internet ads more and more. Generally speaking, ads that are attention-getting are more likely to be effective.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

D. Other Formats: Keyword Searches, Slotting Fees, Referrals

Other ad formats tracked by the IAB include keyword searches, slotting fees, and referrals. At 4% of online ad revenues for the first three quarters of 2001, keyword searches are another format that's getting more attention than pure market-size might seem to warrant. And at 8%, slotting fees are still another strong component of the online ad market.

According to PricewaterhouseCoopers, an online publisher charges an advertiser slotting fees to secure premium site positioning, category exclusivity, or similar preference positioning. (This makes it similar to slotting allowances charged by retailers.) And keyword searches are those fees an online search engine charges an advertiser to list and/or to link its company site to a specific search word or phrase.

Another term for a keyword search is pay-for-placement search. No matter how it's said, companies bid to show up high on the list of search results at a search engine site, and the highest bidder gets the top slot. According to the *Wall Street Journal*, "Overture Services [formerly known as GoTo.com] is the market leader in offering this kind of search engine…'paid inclusion.' This involves paying search engines such as AltaVista and LookSmart to have [a] site included in the directory. Then, when somebody puts in a query, [the] site will show up according to some relevancy criteria the search engines uses."

In fact, Search Engine Watch, an online source for search engine information, recently corroborated the Journal's take, naming Overture as the best paid-placement service in its annual Search Engine Watch Awards. "Overture (the former GoTo) was a favorite with our readers, gaining 45% of 210 valid votes.…This is because Overture has made it easy to get a top listing on practically every major globally-oriented search engine."

Last July, Jupiter Media Metrix, along with Harris Interactive, surveyed 2,000 US companies about online advertising effectiveness. Five types of ads were evaluated: pay-for-placement searches, opt-in e-mail, paid inclusion (on search sites), cost-per-click (CPC) banners, and cost-per-thousand (CPM) banners.

Pay-for-placement ad spending (keyword searches) came out on top in four out of the five criteria: overall satisfaction, satisfaction with average ROI, satisfaction with revenue generation, and for traffic generation. E-mail was the winner for customer conversions.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Online Advertising Effectiveness among US Companies, 2001 (as a % of respondents)

	Pay for placement search	Opt-in e-mail	Paid inclusion	CPC banners	CPM banners
Overall satisfaction	41%	33%	31%	21%	19%
ROI (1)	29%	24%	23%	16%	12%
Revenue generation (2)	33%	31%	29%	19%	17%
Traffic generation (3)	32%	30%	28%	16%	21%
Customer conversions (3)	27%	32%	21%	12%	19%

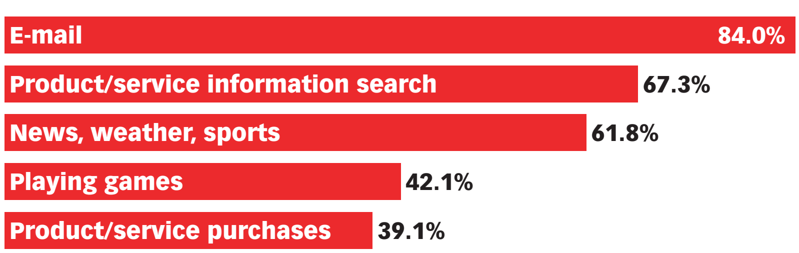
Note: n=2,000 companies; (1) based on satisfaction with average ROI; (2) indicates overall satisfaction with medium for revenue generation; (3) indicates respondents that receive high traffic (or purchase/customer conversion) rates with the medium
Source: Jupiter Media Metrix, Inc./Harris Interactive, July 2001

037007 ©2002 eMarketer, Inc. www.eMarketer.com

As reported in the *Journal*, "The survey...doesn't take into account two of the biggest and most important sites used for searching—Yahoo! and Google. Yahoo! charges an express processing fee to companies that want to be considered for listing in its directory, but doesn't guarantee inclusion, so it doesn't feature in the "paid inclusion" category. Neither does Google, which uses strict relevance criteria in its search results, although it does sell advertising space that can be geared to a search query. For example, a user searching Google for "wireless phone" will see a paid advertisement for a vendor at the top of the search-results page."

And web searching is a major activity, coming in second to e-mail among the top 5 activities of Americans online, according to the latest research from the US Department of Commerce.

Top Five Activities of Americans Online, 2001 (as a % of internet users ages 3+)



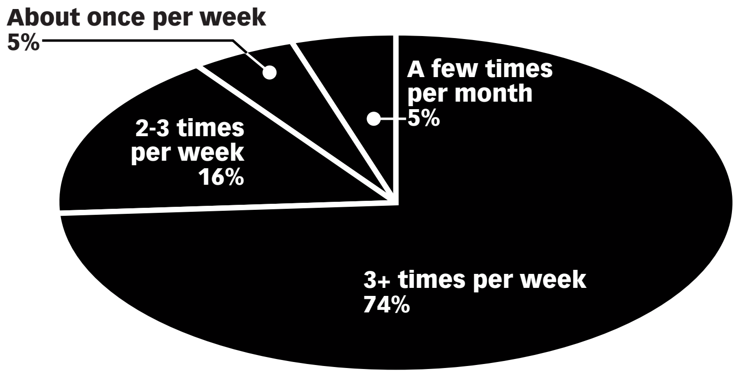
Source: US Department of Commerce, February 2002

037068 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Another survey, this one from ACNielsen, shows that people who go online, search online, with 74% conducting internet searches more than 3 times per week.

Frequency of Internet Searches in the US, 2001 (as a % of respondents)

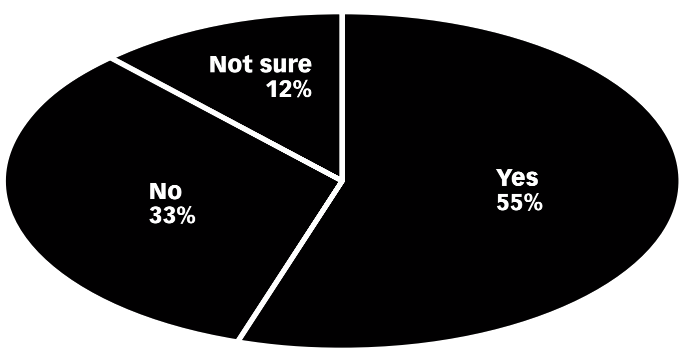


Note: n= 500 US internet users online for over 6 months that search online "at least a few times per month or more"
Source: AC Nielsen, August 2001

037013 ©2002 eMarketer, Inc. www.eMarketer.com

The same survey indicates the success rate of paid keyword search links, with 55% of US internet users having clicked on them in 2001. And reactions among users to these paid placements is generally positive, or at least okay, with 54% saying it doesn't matter where search results are listed; they just look for the quality of the results.

US Internet Users Who Have Clicked on Featured Listings or Sponsored Links on Search Sites, 2001 (as a % of respondents)

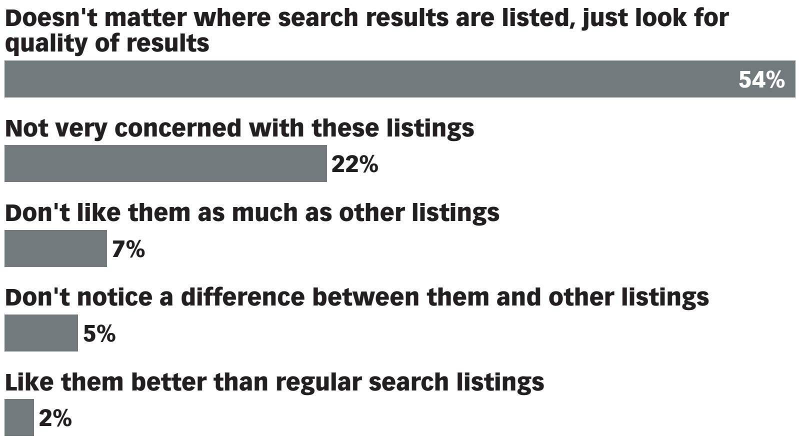


Note: n= 500 US internet users online for over 6 months that search online "at least a few times per month or more"
Source: AC Nielsen, August 2001

037012 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

US Internet Users Opinions Regarding Featured Listings or Sponsored Links on Search Sites, 2001 (as a % of respondents)

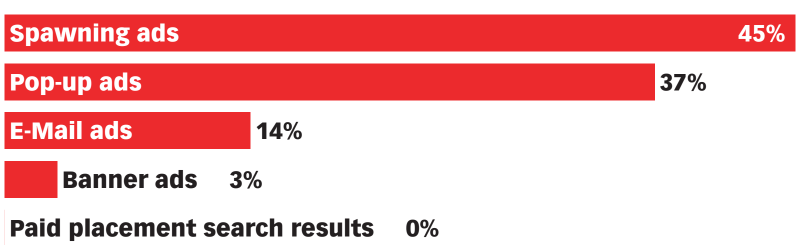


Note: n= 500 US internet users online for over 6 months that search online "at least a few times per month or more"
Source: AC Nielsen, August 2001

037010 ©2002 eMarketer, Inc. www.eMarketer.com

The same study from ACNielsen shows that even advanced users (defined as those online for 3-or-more years, use a search engine 3-or-more times per week, and have made 5-or-more online purchases during the past 3 months) have 0% concern about pay-for-placement search results—in contrast to their distaste for pop-up (37%) or spawning ads (45%), which are ads that keep popping up, even after users close the initial ones.

Online Advertising Formats that Are Most Concerning to US Internet Users, 2001 (as a % of respondents)



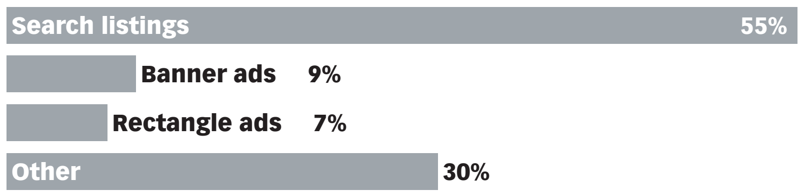
Note: n= 500 US internet users online for over 6 months that search online "at least a few times per month or more"
Source: AC Nielsen, August 2001

037008 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Further support for the efficacy of keyword search placements comes from this February 2001 survey by the NPD Group (note that Overture was the survey's sponsor). When asked where their online purchases originate, 55% of the 2,288 American respondents indicated search listings.

Online Purchase Starting Points of US Internet Users, 2001 (as a % of respondents who have purchased online)



Note: n=2,288
Source: NPD Group/Overture.com, February 2001

037005 ©2002 eMarketer, Inc. www.eMarketer.com

The same survey shows that internet users are more likely to read and click-on search listings than on banner ads.

Likelihood of US Internet Users to Read or Click-On Search Listings or Ads , 2001 (as a % of respondents)

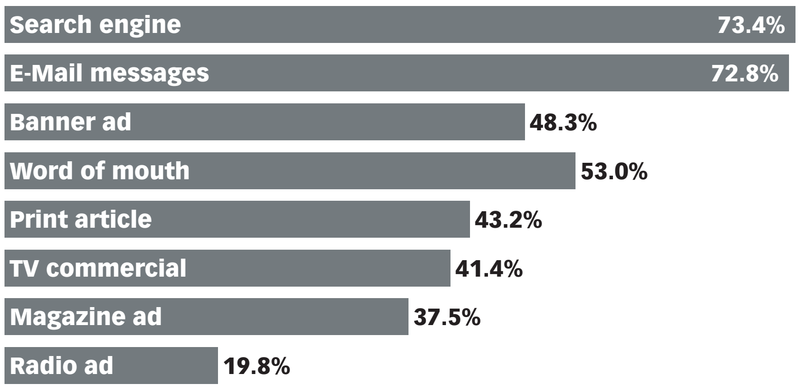
Note: n=2,663
Source: NPD Group/Overture.com, February 2002

037004 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Finally, two other studies—from Greenfield Online/Forrester Research and IMT Strategies—show that search engines are the top way consumers and users find out about new websites, 73.4% from the Greenfield/Forrester study, and 29% from IMT.

Ways Consumers Find New Websites, 2001

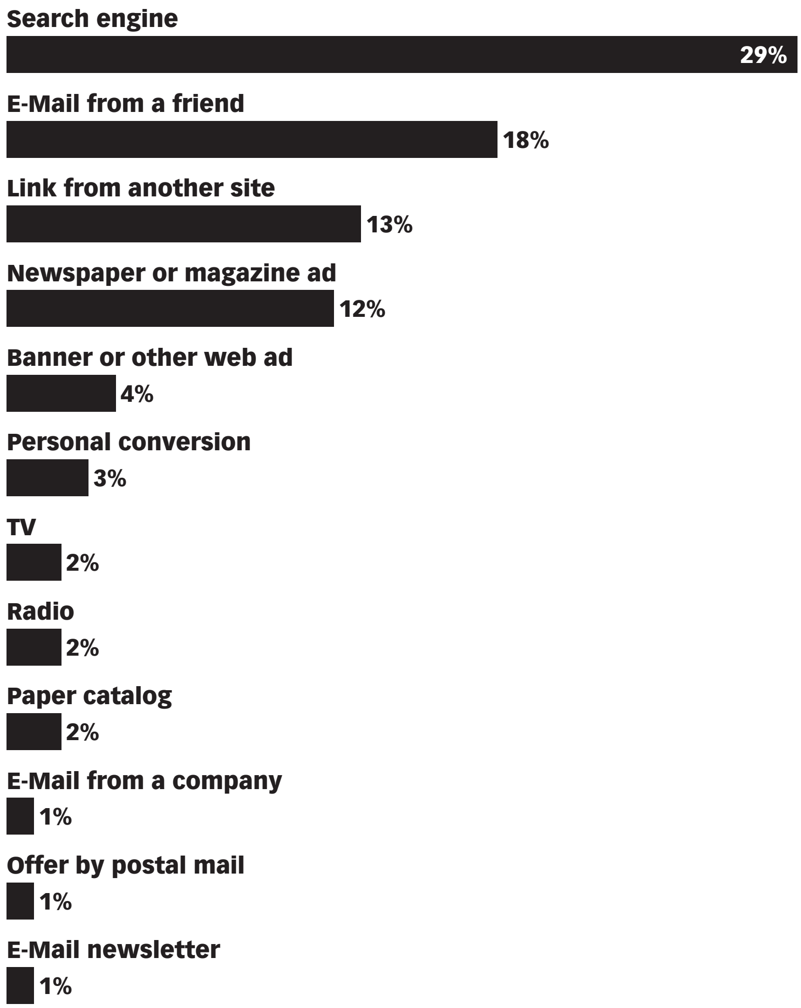


Source: Greenfield Online, Forrester Resarch, Inc., 2001

032917 ©2001 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

How US Internet Users Learn about New Web Sites, 2001 (as a % of respondents)



Source: IMT Strategies, September 2001

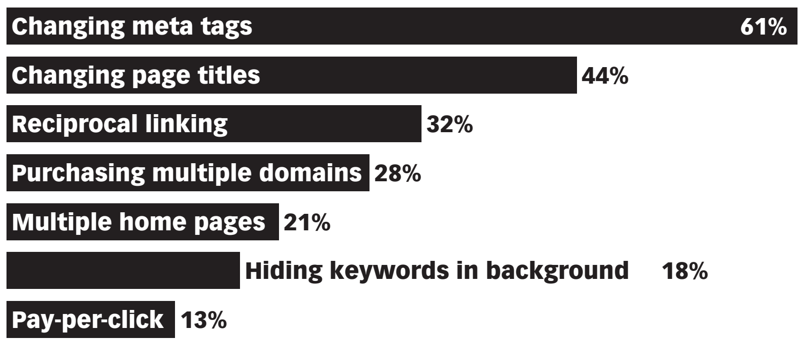
034356 ©2001 eMarketer, Inc. www.eMarketer.com

In the end, the whole purpose of keyword searches and other pay-for-placement services is summarized by the term "search engine optimization" (SEO)—having your site appear near the top of search results. "Nobody goes past 30 matches," says iProspect.com CEO Fredrick Marckini.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Back in the old days, circa 2000 to 2001, the most common methods used for SEO were HTML programming techniques such as changing meta tags or page titles; or, because Google bases site popularity on the number of in-bound links, the use of reciprocal linking.

Methods to Improve Search Engine Rankings, 2000 (as a % of respondents)



Note: n=404
Source: Iconocast/InsightExpress, November 2000

037339 ©2002 eMarketer, Inc. www.eMarketer.com

However, the rise of Overture, which pioneered the pay-for-placement method, has made pay-for-placement more and more necessary for SEO. In the past year, the search engine and directory industry has changed drastically, and the time has come where there is no way to be adequately listed without paying for both.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Surround Ads Succeed

A new method for delivering focused online advertising called "surround sessions" was launched in October 2001 by New York Times Digital. In a surround session, a user receives ads from a single advertiser throughout an entire site visit. As the user navigates the site, related ads are served up on every page, extending the advertiser's message longer than a single banner generally does. Advertisers might use surround sessions to reinforce their message, or possibly to deploy a story line across several pages.

According to *Media* magazine, studies by Dynamic Logic AdIndex found that "surround sessions outperformed traditional internet advertising in four key performance metrics: brand awareness, brand favorability, message association, and purchasing intent." The surveyed surround sessions garnered a 61% increase in message association versus 14% for traditional internet advertising. And brand awareness with surround sessions increased by 11%, compared to 4% for traditional. Note, though, that the Dynamic Logic research was conducted during the surround sessions with pop-up boxes that asked branding questions, which might have forced user awareness levels.

But, according to MarketingTerms.com, "Perhaps most significantly, the surround session is one of the first advertising ideas in recent times that does not further degrade the user experience. This new method of packaging ads does not require longer download times, more screen space, or annoying browser tricks."

	Methodology	
I	Online Advertising Report: Update	
II	US Online Ad Market Size and Growth	
III	Perspective: Interactive Vs. Traditional Media	
IV	Formats Galore: The Online Ad Cornucopia	
V	**Direct Response vs. Branding**	**119**
	A. Direct Response	**124**
	B. Branding	**132**
VI	Online Ad Pricing	
VII	Web Publishers (Where Ads Go)	
VIII	Web Advertisers (Who Runs Ads)	
IX	Trend Watcher: Tools and Techniques	
X	Market Fundamentals: Supporting the Growth of Online Advertising	
XI	Global Market Size and Growth	
	Appendices	

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Discerning online advertising's ultimate purpose is much like the old television commercial: "Certs is a breath mint," says one young woman. "No, Certs is a candy mint," says her twin sister. Finally, the announcer breaks in with, "Stop! You're both right. It's two, two, two-mints-in-one."

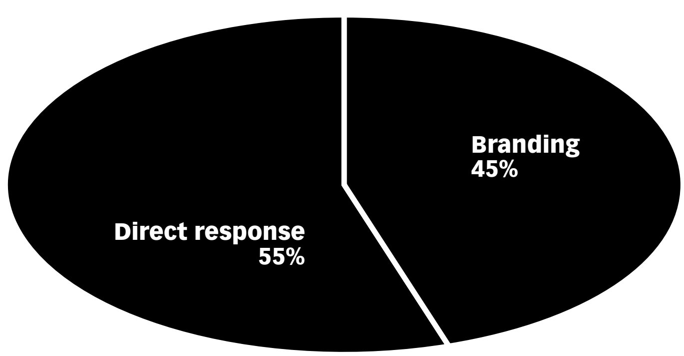
The same split applies to the interactive world. Are online ads direct response vehicles? Or, are they branding tools? Savvy marketers and their agencies have learned that the answer depends squarely on their objectives. Online advertising can be effective both at soliciting a direct response—such as a click-through, lead generation, or even a conversion to sale—and helping to stimulate brand awareness, recall, purchase intent, and other "soft" measures.

The research data available has provided us with mixed signals as to which is more prevalent online, branding or direct response ads.

"Show me a major advertiser that doesn't have an online presence now, Procter & Gamble, Unilever: they are all on there in various guises, whether it is banners or competitions or whatever, it's just that you can't always see it. It's not as obvious as watching a TV ad and we don't have the same systems of measurement as TV that says how much is being spent." *– Richard Holman, managing director, AdLINK*

To put marketing's purpose into a fuller perspective, total offline and online ad spending is skewed more toward direct response (at 55%) than branding (at 45%), at least according to the Direct Marketing Association. Of course, those numbers overlap both direct-response media, such as direct mail, and branding media, such as television.

US Advertising Spending, by Marketing Objective, 2001



Source: Direct Marketing Association, September 2001

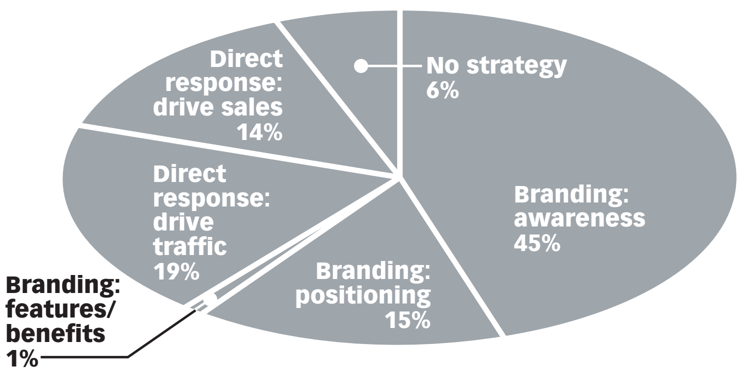
037329 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

"Marketers don't want another fluffy branding medium…they've already got one—TV—where they spend a lot of money and don't know what they get for it." *– Jim Nail, Forrester Research*

A survey from AdRelevance points to the focus on branding for online ads, since 61% of marketing executive respondents mentioned some aspect of branding as their main online advertising strategy, with 45% saying "branding awareness," 15% mentioning "branding positioning," and 1% "branding features/benefits." In contrast, 33% said that some form of direct response was the point of their online advertising, with driving traffic to a website at 19% and driving sales at 14%.

Advertising Strategies among Online Marketers: Branding vs. Direct Marketing, 2001



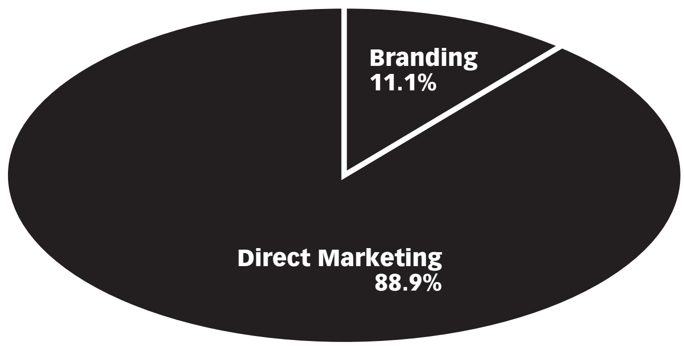
Source: AdRelevance, 2001

035489 ©2002 eMarketer, Inc. www.eMarketer.com

In a separate report from Nielsen//NetRatings, the skew was heavily towards direct response. For new ad campaigns launched by advertisers in the first quarter of 2001, 11.1% were recorded as being branding oriented, while 88.9% were designed as direct marketing efforts.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

New US Advertising Campaigns* on the Internet, by Type, Q1 2001**



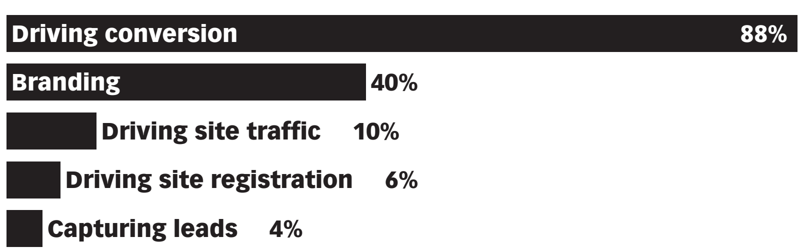
*Note: *US At-Home or At-Work Advertisers; **Data based on campaigns ending the week of 25 February 2001. Campaigns that were viewed on at least five sites were analyzed*
Source: Nielsen//NetRatings, February, 2001

035441 ©2002 eMarketer, Inc. www.eMarketer.com

Jupiter Research reported in late 2001 that 75% of all online ad campaigns are measured based on some form of direct response metric, with 60% choosing to tally click-through rates; another 15% are measured based on how effectively they extend a brand. However, the research firm suggests that by measuring branding, advertisers will see an increase of 25% to 35% in their return on investment (ROI) for ad campaigns.

In a separate survey among 50 marketers, Forrester Research discovered that 88% of respondents said that "driving conversion" was a goal of their digital marketing efforts, while 40% said that "branding" was a goal (multiple responses were allowed).

Goals of US Digital Marketing Campaigns, 2001 (as a % of respondents*)



*Note: *based on the responses of 50 US marketers (multiple responses accepted)*
Source: Forrester Research, October 2001

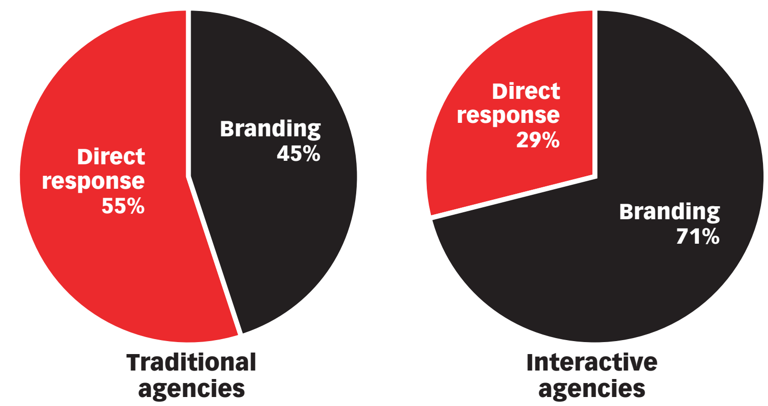
035352 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

"Ads with consistent and prominent placement of a product or company name generated recall rates 20% higher than those advertisements without such placement." *–Advertising.com (May, 2001)*

When the focus narrows to a single ad format, streaming media (the heart of today's rich media), agencies split depending on their own focus. Traditional firms use streaming ads more for direct response (55%) than branding (45%), while interactive agencies find the glitz of rich media fits branding best (71%). And among all respondents, 58% viewed streaming advertising for branding, 42% for direct response.

Goal of Streaming Advertising: Branding vs. Direct Response, 2001



Source: MeasureCast, Yankee Group, January 2001

024624 ©2001 eMarketer, Inc. www.eMarketer.com

Regardless of whether the collective pool of online ad campaigns skews more towards branding or direct response, the research data in the following sections clearly demonstrates that both approaches can be successful. Again, the key for online advertisers is to first ask themselves, "What are my objectives?"

In addition, branding and direct marketing goals are not mutually exclusive on the internet. Branding is traditionally a "lean-back" experience, where the audience is in a passive state awash in moods and tones. Direct response, on the other hand, is typically a "lean forward" experience, where the audience is asked to actively submit to a call to action. Interactive advertising can achieve both experiences simultaneously through "engagement" branding. The consumer is invited to not only absorb a message but also participate in that message, creating a unique brand experience.

Regardless of your goals for a digital marketing program, you can learn from recent studies and benefit from projections for the road ahead. Read up on the industry's past, present and future in eMarketer's Online Marketing Report:
http://www.emarketer.com/ereports/marketing_online/welcome.html

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

A. Direct Response

Direct marketing spending continues to rise for both the B2B and B2C sectors, with the Direct Marketing Association predicting total growth of 40.8% from 2000 to 2005. In that period, the B2B spending should increase from 51.5% of the total market to 54.1%.

US Direct Marketing Expenditures, 1998-2001 & 2005 (in billions)

	1998	1999	2000	2001	2005
B2B	$83.2	$89.9	$98.6	$106.9	$145.9
B2C	$81.4	$86.8	$93	$98.3	$123.9
Total	**$164.6**	**$176.5**	**$191.6**	**$205.2**	**$269.7**

Source: Direct Marketing Association, 2000

023984 ©2001 eMarketer, Inc. www.eMarketer.com

Interactive's share of the direct marketing world is expected to reach 5.1% by 2005, with total spending of $13.85 billion.

US Interactive Direct Marketing Expenditures, 1999-2001 & 2005 (in millions)

	1999	2000	2001	2005
B2B	$1,017	$1,732	$2,812	$8,642
B2C	$607	$1,035	$1,687	$5,207
Total	**$1,624**	**$2,766**	**$4,498**	**$13,849**

Source: Direct Marketing Association, 2000

023985 ©2001 eMarketer, Inc. www.eMarketer.com

When advertising first took off on the internet, mainly in the form of banner ads, it was seen mainly (if not solely) as a direct response tool—"the most accountable advertising medium ever," as its proponents liked to say. Whether for measuring the click-through rates (CTRs) on banners, generating leads, converting prospects to customers, or building web traffic, interactive advertising was seen as highly targeted communication, and its purpose direct response.

Today, most industry experts agree that less than 1% of all web ads get clicked on. eMarketer places the current click-through rate at 0.3%, down considerably from the early days of web advertising (circa 1997), when CTRs hovered in the 2% to 3% range. There's some good news on click-throughs, however, from Kevin Ryan, CEO of Double-Click, who said at a recent industry gathering that CTRs have crept back up to 0.4%.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

The plummeting CTR is seen as one factor slowing down direct-response ads (which, as you'll see in the section below, are often priced on the performance model). Why CTRs are comatose can be found in a mix of reasons, although the growing sophistication of web users is at the heart of the drop.

Why CTRs Continue to Decline, 2001

The novelty and thrill have gone
Complexity of the page
Surfers are evolving into searchers
Users are more discriminating

Source: eMarketer, 2001

024052 ©2001 eMarketer, Inc. www.eMarketer.com

Consumers are overwhelmed, too. The daily exposure to online ads is expected to more than double from 1999 to 2005, according to Jupiter. They project the total number of marketing messages per day will increase to 4,457 by 2005, a 30% increase in the seven-year span shown. By that year, consumers will be exposed to nearly a thousand online messages every day.

US Consumer Marketing Messages per Day, 1999-2005

	1999	2000	2001	2002	2003	2004	2005
Online ads	440	520	610	705	800	880	950
Offline ads	3,000	3,175	3,228	3,301	3,357	3,435	3,507
Total	**3,440**	**3,695**	**3,838**	**4,006**	**4,157**	**4,315**	**4,457**

Source: Jupiter Research, 2000

024054 ©2001 eMarketer, Inc. www.eMarketer.com

"Click-through rates were not the correct way to measure performance. What really mattered was conversion and the branding effect of advertising."

– Brian McAndrews, president and CEO, Avenue A

When you move the CTR focus from banners to e-mail, however, some remarkable differences arise. In 2001, while the average banner click-through was only 0.3%, opt-in e-mail (which the user requested) had a CTR ten times greater of 3.2%. However, all good things must pass; by 2002, average e-mail click-throughs fell to 1.8%, nearly half the 2001 rate.

US Click-Through Rates, by Online Advertising Format, 1999-2002

	1999	2001	2002
Direct mail	1%-1.5%	<1.0%	<1.0%
Banners	0.4%	0.3%	0.3%
Rich media	3.4%	1.7%	1.7%
E-mail (opt-in)	5.4%	3.2%	1.8%

Source: eMarketer, 2002

037070 ©2002 eMarketer, Inc. www.eMarketer.com

Data from Nielsen//NetRatings showed that, for a typical week in June, CTRs averaged 0.22% for at-home users and 0.14% for at-work users. Even high-tech ads, which are a natural fit for the online medium, had an average CTR of 0.30%. Of course, the figures below are merely averages, and many advertisers achieve significantly better results with certain campaigns. "Your mileage may vary," as the auto commercials say.

Average Click-Through Rate for Top Banners among US Internet Users At-Home and At-Work, June 4-10, 2001

Average CTR for top banners

Source: Nielsen//NetRatings, 2001

036109 ©2002 eMarketer, Inc. www.eMarketer.com

Click-Through Rates* for US Home Users, by Industry, March 2001 (as a % of the population)

Industry	Average reach**	Average click rate
High-tech	17.1%	0.30%
Traditional	11.0%	0.22%
Digital economy	12.6%	0.16%

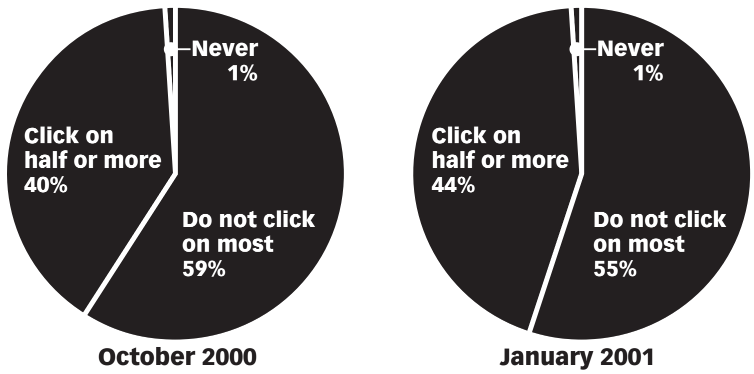
*Note: *Data is based on analysis of the top 100 advertisers; **based on the active internet population*
Source: Nielsen//NetRatings, March 2001

035475 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

The downward CTR trend may be over. Two Greenfield Online surveys, one conducted in October 2000 and the other in January 2001, show an increase in the percentage of internet users who say they click on half or more of banner ads, among those respondents who read online ads.

Frequency that US Consumers Click on Online Advertisements, October 2000 & January 2001 (as a % of respondents who read online advertisements*)



*Note: *January 2001 (n=2,504), October 2000 (n=2,546)*
Source: Greenfield Online Inc., 2001

035408 ©2002 eMarketer, Inc. www.eMarketer.com

New data from ad-server company DoubleClick provides even more direct evidence that click-through rates are on the rise. According to log files collected from its DART ad-serving system, the average CTR increased from 0.44% in February 2000 to 0.83% in February 2002. When eMarketer questioned DoubleClick about the reasons for this reported increase, company representatives said that online ads today are getting higher click-throughs because they're much larger and more intrusive than they were several years ago. In addition, there are fewer ads on a typical web page today than there were several years ago, which allows relevant ads to become more effective.

Average Click-Through Rate* in the US, February 2000 & February 2002

*Note: *Based on average CTR of all ads served through DoubleClick's DART system (including paid impressions as well as house ads)*
Source: DoubleClick, March 2002

037679 ©2002 eMarketer, Inc. www.eMarketer.com

But all of the CTR data above fails to tell the whole story. When assessing click-through rates, several important factors need to be considered.

First, industry averages can be misleading. Many consumer and business-directed online campaigns, particularly highly targeted ones, have garnered CTRs in the range of 1% - 3%, or even higher.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Others have responded to the low CTR trend data by arguing that click-through is a weak or even meaningless measure of an ad's total impact. Site visitors viewing a particular ad, for instance, may choose not to immediately click on it, and thereby take themselves away from the site to which they originally came. Instead, they may remember the ad and its message, and later make a visit to the advertiser's site (or physical store) when they are in the mood to shop for that product or service. Click-throughs fail to measure changes in attitudes or longer-term behaviors.

Engage Inc.'s "Summer 2001 Online Advertising Report" revealed that those who view ads and later head to a marketer's site by typing the URL into a web browser or finding it through a search engine are 60% more likely to repeat their conversions than those who click the ad directly.

Engage distinguishes between "post-click conversions" (conversions from users who click an ad) and "post- impression conversions" (conversions from users who view an ad but do not click it). Only 25% of ad-related conversions are directly related to clicks.

And even if an advertiser is getting a click-through rate of 0.3%, given the relatively low cost of producing and placing banners ads, the ROI may still beat other media choices on a cost per lead or cost per acquisition basis. (Besides, a 0.3% CTR for banner ads beats what you can get with television, radio or print!)

Finally, a broader point of view on falling response rates in all media can help put the whole click-through issue into perspective. In a November 2001 article on the Iconocast website, Michael Tchong wrote, "While the press had a field day with declining click-through rates, one item conspicuously absent from all reports was a contextual comparison with other media. Or, at minimum, an acknowledgment that response rates in all likelihood were on the decline everywhere due to ad clutter. The evidence is anecdotal at best, because no formal studies have been conducted on this topic."

Tchong went on to describe why consumers have, as he put it, "come to a point of no return" in their resistance to response. He wrote about how credit-card marketers have seen response rates decline steadily over the past eight years, "reaching an all-time low of 0.6% in 2000, according to BAI Global." And he pointed to the waning of catalog marketing response rates, such as that "of the average house file" of Abacus Direct (a division of DoubleClick) which saw a rate drop from 8% to 6.5% between 1996 and 1999—indicating that "households are receiving too many catalogs."

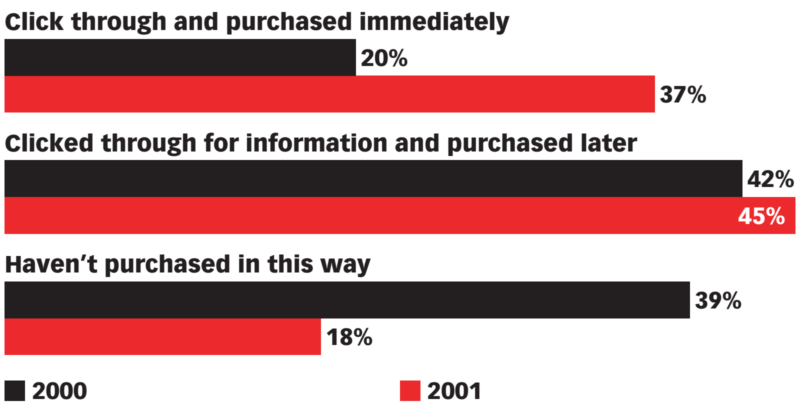
So if direct response is falling so dramatically, is branding the answer? According to Tchong, yes and no. "Most marketers counter they're not after response but branding—something, they believe, they can't get online. But in this day and age of enlightened ROI thinking, we find it remarkable that the very marketers who feel they don't receive a return on their online investment pour tens of billions of dollars into a medium (television) that research shows delivers little value for nearly a quarter of all advertisers.
IRI [Information Resources Inc.]…reports that of approximately 4,200 brand market models developed in the study [How Advertising Works II], more than 1,100 showed TV advertising contributed less than 2% of annual brand sales. We think that money could be better spent elsewhere."

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

The Importance of Targeting

In addition, banner ads may not be the best direct response ad format. Many online advertisers have found that the targeted nature and popularity of e-mail make it an attractive vehicle for reaching customers and prospects. According to DoubleClick's latest consumer study, 77% of consumers want to receive weekly offers via e-mail, and 70% said they would use the web for their holiday shopping. Of those polled, 88% said they have purchased an item because of permission-based e-mail. And in 2001, 37% of shoppers clicked through an e-mail to make a direct purchase, compared with only 20% in 2000.

Proportion of US Online Shoppers Who Made a Purchase After Clicking Through an E-Mail, 2000 & 2001 (as a % of respondents who have purchased online in the last year)



Source: DoubleClick/NFO WorldGroup, October 2001

033865 ©2001 eMarketer, Inc. www.eMarketer.com

Compared to the sub-1% CTRs for banner ads, e-mail shows up as a winner. For permission-based e-mail, the average CTR is 1.8%, considerably higher than the 0.3% rate for banners.

E-Mail and Banner Click-Through Rates (CTR) Worldwide, 2001

Source: eMarketer, 2002

036949 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

"Is this a branding medium? No, not really. The traditional building of a brand—which is to create an image, a feeling—is not there yet."

– Jeff Mallett, former president and COO, Yahoo!

With direct response as your objective, targeting can make all the difference in the world. And the internet allows you to be more precise and effective with your targeting than with any other medium.

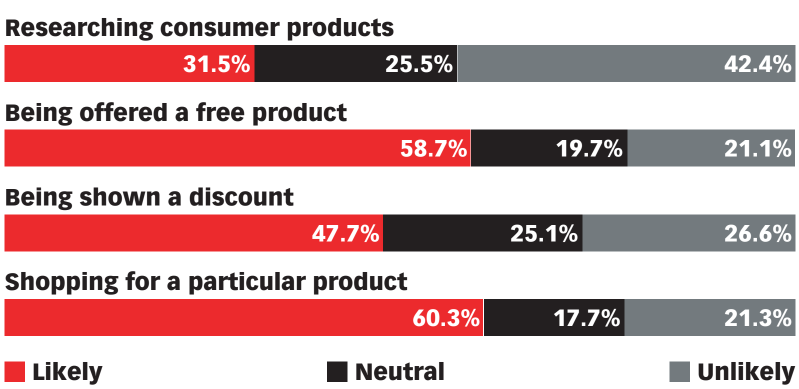
Consider a case study from telecommunications firm SBC, for their DSL (broadband) product. SBC's agency, RappDigital in Dallas, was given the challenge of helping SBC to acquire new customers for its DSL IP access franchise. Rather than rely on standardized communications techniques, RappDigital tailored an online ad campaign to reach three key customer segments, which according to a Forrester Segmentation study, accounted for 32% of the overall population but 61% of broadband "intenders."

By targeting to reach the most likely prospects, the online campaign results were twice as effective as a non-targeted effort, which did not rely on Forrester's segmentation data. The targeted campaign delivered 277 million impressions and resulted in:

- A click-through rate of 1.1% for GIF 89s (nearly 4 times the industry average of 0.3%)
- A click-through rate of 4.8% for Enliven banners

Data from Forrester Research also supports the link between targeting and click-through, and delivering the right message to the right person at the right time. According to Forrester, the most likely factor to cause a click-through is when the consumer is in the process of shopping for a particular product, with 60.3% of respondents saying they are "likely" to click in this situation.

Factors that Draw US Consumers to Click on Banner Ads, 2001



Note: Percentages do not total 100 because of rounding
Source: Forrester Research, March 2001

036133 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

In general, the most valuable use of direct response is to go directly after your heaviest users. The trick is in knowing who they are, and being able to reach them through precise targeting. The web fits these two criteria since it has measurement capabilities that allow you to identify your heavy user groups and it's also a highly targeted medium. It's best, however, at reaching "hand-raisers"—those who have already indicated an interest in your brand or product.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

B. Branding

While most online research used to be focused on direct measures such as click-through rates, in the last year and a half there has been a surge in new surveys, studies and tests all designed to measure the branding effects of advertising online. This has caught the attention of traditional marketers, who live and die by the strength of their brands.

For example, in January, when Frito-Lay decided to spurn its customary Super Bowl commercials for Doritos and, instead, to triple the brand's online advertising budget, the news set off a wave of approval from the online ad community. The reason for the lateral move? Frito-Lay's belief that teenagers—its prime customers—"live and play" on the internet, and so that's where to reach them. As reported on the AdAge.com site, "Online efforts will now make up roughly 9% of Doritos' overall marketing budget, which for the first 10 months of 2001 included $21 million in measured media."

For online advertising to succeed as a branding tool, five strategic elements must come into play. The first two elements are awareness and recall—both for the brand itself its advertising. These typically are measured by the percentage of the population as a whole, or of the target market, who are aware of, and can remember (prompted or not), a given brand or ad campaign. Together, they constitute the first step in the AIDA marketing process: Awareness...Interest...Desire...Action.

Next, come two attitudinal elements: interest and purchase intent. Do these ads create interest in the viewer? And does that interest translate to an intent to purchase the product or service?

Finally, proper targeting ties together all the elements in brand-oriented advertising. Here's where online ads can provide significant advantages over mass media like broadcast television or newspapers. The nature of the internet makes it possible to precisely reach small and identifiable groups of people. For example, a sporting goods brand might want to target only those users who have active lifestyles. Therefore, the brand might target its ads on a combination of sports-related websites, to appear on Yahoo! only when searches are made for sports-related terms or sites, and only on the sports pages of an online newspaper.

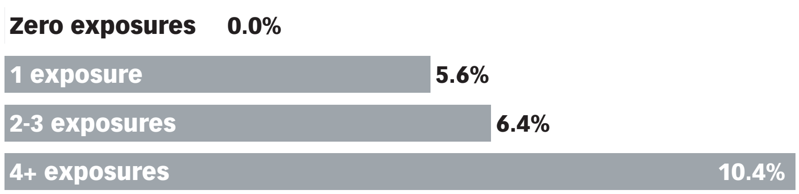
"It seemed like the best way to leverage the quality of our content and audience assets to advertisers was to allow the advertiser to have an exclusive one-to-one relationship with the user."

– Craig Calder, vice president of marketing, New York Times Digital

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Brand awareness is typically a function of frequency: the more individuals are exposed to an ad, the greater their awareness of that ad. According to a Dynamic Logic study, in online campaigns, significant awareness accumulates at the 4-or-more exposure level.

Relative Brand Awareness Levels for Online Campaigns in the US, Based on Number of Banner Exposures, 2001



Note: percentages reflect the relative increase for those exposed versus a control group who were not exposed
Source: Dynamic Logic, 2001

In a separate study, conducted in the UK, a higher number of exposures (3-or-more) resulted in greater brand awareness than a lower frequency (1-3 exposures) and the control group (no exposure). Further, among the brand's selected target audience of men between 18-49 with incomes of $120,000-or-more, it was found that 19% had brand recall.

Comparison of Brand Awareness Levels, by Frequency of Ad Exposure, 2001 (as a % of respondents in a UK study)

*Note: *increased brand awareness levels*
Source: eBrands@DLKW/Dynamic Logic, July 2001

In the same UK study, the exposed group had a 7-point increase in brand awareness as compared to the control group. Note that, in this study, other measures—brand favorability and purchase intent—were essentially unaffected by the advertising.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Increase in Brand Awareness after Impressions of Online Advertisements in the UK*, 2001

	Exposed**	Control**	Difference	Lift
Brand awareness	11%	4%	+7%	175%***
Brand favorability	51%	50%	+1%	2%
Purchase intent	40%	40%	0%	1%
Message association	20%	15%	+5%	34%**

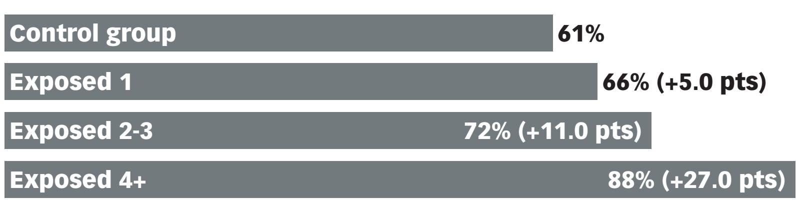
*Note: *After six weeks and 1.5 million impressions of banners, skyscrapers and buttons, and editorial wraps; **exposed group (n=473), control group (n=200); ***statistically significant difference between control and exposed group at a 90% confidence level;*
Source: eBrands@DLKW/Dynamic Logic, July 2001

"Advertising sells by nudging the brand choice of the buyers, and it brands by building awareness with the others. The process snowballs. Higher awareness makes it easier for advertising to sell the brand." *– Erwin Ephron, partner, Ephron, Papazian & Ephron*

A case study supporting the benefits of multiple ad exposures comes from the online travel site, Travelocity. In a campaign run in 2000 and measured by Dynamic Logic, Travelocity found that their banner ads lifted aided brand awareness by 16%. Aided awareness refers to the percentage of respondents who said they were aware of the Travelocity brand name when presented with a list of travel service providers.

It was also discovered that the frequency of ad exposures increased awareness by a significant amount. While only 61% of the control group had brand awareness, among those exposed to the banner ad at least four times, 88% were aware.

Case Study for Travelocity: Impact of Banner Campaign on Aided Awareness, Based on Frequency of Exposure, 2000



Source: Dynamic Logic, 2000

Methodology

Online Advertising Report: Update

US Online Ad Market Size and Growth

Perspective: Interactive Vs. Traditional Media

Formats Galore: The Online Ad Cornucopia

Direct Response vs. Branding

Online Ad Pricing

Web Publishers (Where Ads Go)

Web Advertisers (Who Runs Ads)

Trend Watcher: Tools and Techniques

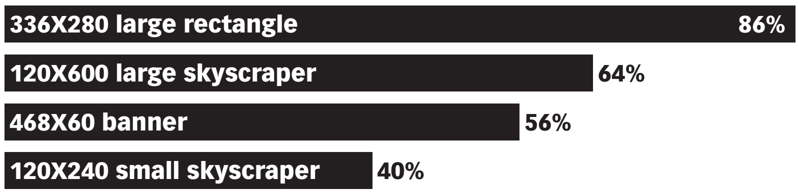
Market Fundamentals: Supporting the Growth of Online Advertising

Global Market Size and Growth

Appendices

An ad's format affects awareness, too. Simply put, bigger banners make more impact on users. Larger formats, such as skyscrapers, increase brand awareness more than traditional 468x60-pixel banners.

Impact of Online Ad Size, 2001 (as a % of change in brand index*)



*Note: *Aggregated results for three brands tested (Unilever's Salon Selectives, British Airways and Homestore). Percent change is the average of four brand measures tested (aided brand awareness, aided advertising awareness, ad attribute recall and ad recall)*
Source: DoubleClick, 2001

030475 ©2001 eMarketer, Inc. www.eMarketer.com

As the data below shows, given the size of the lift effect attributable to larger ad units, advertisers must be mindful of the added expense to ensure a beneficial ROI. The 7-point difference for skyscrapers, between 55% for the control and 62% for the exposed, is not a huge lift.

Brand Awareness among Internet Users, by Online Ad Format, 2001 (as a % of respondents)

Source: Interactive Advertising Bureau (IAB)/Dynamic Logic, June 2001

035440 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Other data shows that banners, in some cases, can have a greater impact on brand recall and interest, as compared to awareness.

Percent Increase in Awareness and Purchase Intent for US Banner Advertising, 2001 (exposed vs. control group)

Source: AdRelevance, 24/7 Media, Dynamic Logic, 2001

024060 ©2001 eMarketer, Inc. www.eMarketer.com

Frequency can also make the difference when it comes to responsiveness to advertising. According to data from the IAB and Dynamic Logic, purchase intent rose 10 percentage points after four exposures.

Purchase Intent among Internet Users, by Number of Ad Exposures, 2001 (as a % of respondents)

*Note: *statistically significant at 90%*
Source: Interactive Advertising Bureau (IAB)/Dynamic Logic, June 2001

035438 ©2002 eMarketer, Inc. www.eMarketer.com

As would be expected, frequent ad exposures not only build brand awareness, they drive brand favorability as well. In the IAB/Dynamic Logic study, brand favorability increased by 8 percentage points for those who had seen the ad four times.

Brand Favorability among Internet Users, by Number of Ad Exposures, 2001 (as a % of respondents)

*Note: *statistically significant at 90%*
Source: Interactive Advertising Bureau (IAB)/Dynamic Logic, June 2001

035437 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Implications for Marketers

To make the branding data in this section more tangible to marketers, the following provides some helpful insight from Rex Briggs, principal of Marketing Evolution and research consultant to the IAB. Here's how increases in brand awareness, brand favorability, message association, and purchase intent work.

Take the 8-point increase (from 57% to 65%) in brand favorability after 4 exposures in the chart above. What does it really mean? It means that if you advertised to 90 million people:

- **51.3 million would already have a favorable impression of the brand (90 million x 57% = 51.3)**
- **Online advertising could lift that group to 58.5 million (90 million x 65% = 58.5)**
- **That's 7.2 million new people with a favorable impression of the brand as a result of online advertising (58.5 – 51.3 = 7.2 million)**

A case study for Panasonic E-Wear, an MP3 player brand, clearly underscores the importance of targeting in online campaigns. Dynamic Logic, which conducted the study in May 2001, initially found no significant differences in brand measures between the control group, which did not see the banner ads, and the exposed group, which did. However, when analyzing the data among Panasonic E-Wear's target group of young males ages 18-34, significant differences in brand awareness, purchase intent, and message association appeared. Among the male target group, exposure to the campaign resulted in lifts of 11 percentage points for both awareness and purchase intent; message association increased by 8 percentage points.

Case Study for Panasonic E-Wear*: Impact of Banner Campaign on Various Brand Measures, Based on Control vs. Exposed Groups, 2001

Brand measure	Exposed	Control	Difference (percentage pts)
Brand awareness	43%	32%	11pts**
Brand favorability	58%	53%	5 pts
Purchase intent	49%	38%	11 pts**
Message association	23%	15%	8 pts**

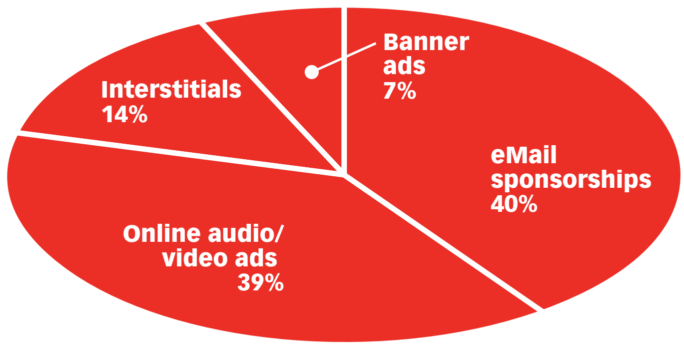
*Note: *Panasonic E-Wear is an MP3 Player brand; **Results show a statistically significant difference between the control and exposed groups at the 90% confidence level (among target audience of young males)*
Source: Dynamic Logic, 2001

036866 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Survey findings among execs at both interactive and traditional agencies from MeasureCast/Yankee Group suggest that other formats, beyond banners, are more effective at delivering online branding messages. The directness of e-mail sponsorships (at 40%) or the TV-like qualities of rich media (at 39%) seem to work better for building a brand.

Most Effective Method of Delivering Online Branding Messages, 2001 (as a % of respondents)



Note: Based on a survey with 100 advertising executives, 50% each from interactive and traditional agencies
Source: MeasureCast/The Yankee Group, January 2001

024622 ©2001 eMarketer, Inc. www.eMarketer.com

"These ads [rich media] are usually intrusive enough so that you can't miss them. [But] even I, a grizzled, cynical advertising analyst, often has to admit, 'You know, that was kind of cute.'" *– Jim Nail, Forrester Research*

Furthermore, the now popular Flash technology—which allows low-bandwidth animations and presentations—significantly boosts brand awareness and recall, according to this study from DoubleClick.

Impact of Online Ad Technology, 2001 (as a % of change in brand index*)

*Note: *Aggregated results of three brands tested (Unilever's Salon Selectives, British Airways and Homestore). Percent change is average of four brand measures tested (aided brand awareness, aided advertising awareness, ad attribute recall and ad recall)*
Source: DoubleClick, 2001

030480 ©2001 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

"Rich media is the way to go online. With the advent of Flash [technology], you can deliver really great animation and interactivity in small files."

– Doug Jaeger, interactive creative director, TBWA Chiat Day

According to the following comparison among media, banner ads may lag behind TV and magazines for creating brand awareness, but they lead in increasing brand recall and CPM effectiveness.

Comparison of US Media Effectiveness in Branding: TV, Magazines, Newspapers and Banners, 2000

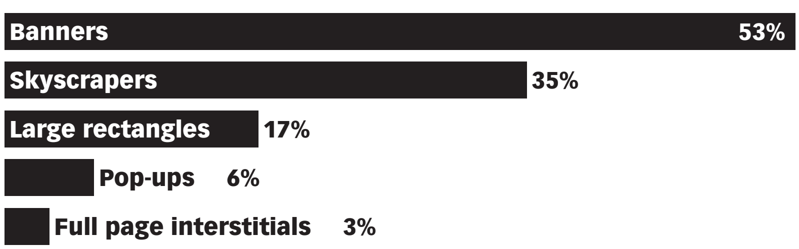
Measurement	TV	Magazines	Newspapers	Banners
CPM ("effective")	$16.00	$6.00	$19.00	$3.50
Generating brand awareness	36%	29%	–	14%
Brand recall ability	17%	26%	23%	27%

Source: Morgan Stanley Dean Witter, 24/7 Media, AdRelevance, ADVO, CAB, DMA, Dynamic Logic, 2000

024045 ©2001 eMarketer, Inc. www.eMarketer.com

Of course, not all ad formats are equally liked. A recent survey, from the Dynamic Logic report "Beyond the Click/Ad Reaction Study," shows 53% of US consumers like banner ads. However, this group was less than enthralled with pop-ups—only 6% said they have positive feelings toward this ad format.

US Consumer Attitudes Regarding Online Ad Formats, 2001 (as a % of respondents who have positive feelings towards the ad format)



Source: Dynamic Logic, November 2001

035435 ©2002 eMarketer, Inc. www.eMarketer.com

	Methodology	
I	Online Advertising Report: Update	
II	US Online Ad Market Size and Growth	
III	Perspective: Interactive Vs. Traditional Media	
IV	Formats Galore: The Online Ad Cornucopia	
V	Direct Response vs. Branding	
VI	**Online Ad Pricing**	**141**
	A. Pricing Models: Impression vs. Performance	**142**
	B. Cost Comparisons	**146**
	C. Future for Pricing Models	**151**
	D. Evolving Standards and Measurements	**153**
VII	Web Publishers (Where Ads Go)	
VIII	Web Advertisers (Who Runs Ads)	
IX	Trend Watcher: Tools and Techniques	
X	Market Fundamentals: Supporting the Growth of Online Advertising	
XI	Global Market Size and Growth	
	Appendices	

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Whether for direct response or branding; whether for relationship building or customer retention; whether for customer relationship marketing or to sell the goods, online advertising must be cost effective—both by itself and relative to other media—in order to work. The traditional approach to pricing online ads (if the term "traditional" may be used in a still-young industry) falls into two camps: cost-per-impression vs. cost-per-performance. That is, head counts vs. measurable results.

A. Pricing Models: Impression vs. Performance

Impressions are priced typically on a cost-per-thousand (CPM) basis. For example, a website that charges $1,200 per ad and reports 75,000 visits has a CPM of $16 ($1,200 divided by 75). This pricing model is also called cost-per-view (CPV).

The main performance measurements include:

- Cost-per-click (CPC), where advertisers pay on the basis of how many users click on their ads. Many online publishers resist this pricing model, since click-throughs have dropped greatly. (By the way, click-through rate—CTR—is defined as the average number of click-throughs per hundred ad impressions, expressed as a percentage.)
- Cost-per-action (CPA), is an expanded version of CPC, since with this measurement, the cost of an ad is based on the user taking some specifically defined action in response to an ad. Actions include not only clicks, but sales and leads as well.
- Cost-per-lead (CPL), where advertisers with an offer or promotion specify the number of leads they want to generate, and pay only for those that are delivered. Cost per lead ranges from 25 cents to $2.50, with B2B pricing at the high end.
- Cost-per-acquisition (CPA) is similar to CPL, but in this case, advertisers pay only when users make an actual purchase or acquisition. (Also called "cost-per-buy" or "cost-per-sale.")

Within this alphabet soup, which pricing model works best depends on the advertiser's objectives and the publisher's needs or tolerance level for absorbing financial risk.

Take the CPA performance model, which publishers tend to dislike for four key reasons. One, if the ad campaign fails, the advertiser pays little or nothing, but the publisher takes the financial risk. Two, in many cases, a CPA deal corresponds to a low CPM deal. Three, CPA pricing also ignores the branding contribution (awareness, recall, etc.) inherent in even pure direct-response oriented ads. And four, too often, direct-response media are seen as cheap media, which can have a negative rub-off effect on the publisher's editorial content. There's also the fear of damaging the long-

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

term value of the online advertising market by defining it for advertisers as an electronic direct-response vehicle. However, some websites, especially smaller publishers who might be struggling, are acquiescing to CPA deals in order to move unsold ad space.

But typically, advertisers like the CPA approach because of its low risk factor—they pay only for successful transactions, leads, registrations, and so forth. Performance models also reinforce the internet's claim to advertising accountability—when they perform well, delivering the goods such as instantly measurable ROI. Even with that, CPA advertising is best for direct response, not branding-oriented campaigns.

In contrast, the CPM pricing model locks in a rate for the publisher, making it a safer bet. That's especially true if the website is highly targeted to higher income users, raising the "cost" side of the CPM pricing; or if the website is highly popular, raising the "thousand" side, pegged to impressions. That corresponds to the traditionally more expensive nature of most branding media.

In addition, according to a recent article in *Interactive Advertising & Branding News*, "That's why some web publishers...have begun to take their cue from their print-bound brethren, who typically put a premium price on such choice ad spots such as inside covers and tables of content. The idea, they say, is to create not only better CPM prices for themselves, but greater value for their advertisers." The Interactive Advertising Bureau, which first started tracking premium placement last year, refers to the practice as "slotting fees."

As the internet becomes a standard element in cross-media marketing, advertisers will want a blend of CPM, CPC, and CPA deals—sometimes one, sometimes the other, and many times a hybrid of impression and performance. In one kind of hybrid pricing scheme, the marketer first tests the offer on a limited audience, and priced on a CPM basis (usually lower than normal). Then, depending on test results, the campaign can move to performance-based pricing.

What's significant, however, is not the pricing model itself but understanding the advertiser's budget and objectives and finding the right solution. And no matter what the pricing model, the drop in online advertising offers a silver lining for media buyers and advertisers: lower prices. For example, the usual CPM for banner ads in 1999 and 2000 varied from $30 to $40. Today, the average CPM has dropped to the $7 to $15 range, which puts online advertising on a more even financial footing with other advertising options.

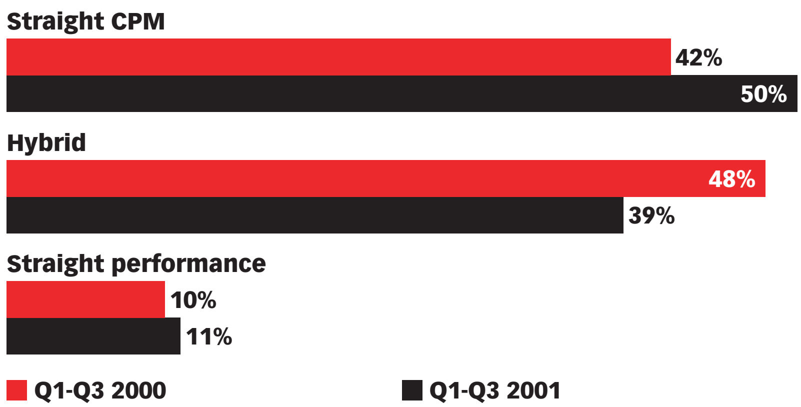
"The real benefit to what's happened is that the cost structure has come in line with other marketing channels."

– Mark Ranalli, CEO and president, BaseSix Inc.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

In addition, it would seem that the increased ad inventory has helped media buyers and advertisers haggle for more performance-based deals. However, the latest figures from the Interactive Advertising Bureau/PricewaterhouseCoopers show that straight CPM deals increased from 42% to 50%, comparing the first three quarters of 2000 to the same period in 2001. And hybrid deals, combining elements of impression and performance, dropped off to 39% of US online ad revenues.

US Online Advertising Revenue, by Pricing Model, Q1-Q3 2000 vs. Q1-Q3 2001 (as a % of total revenue)



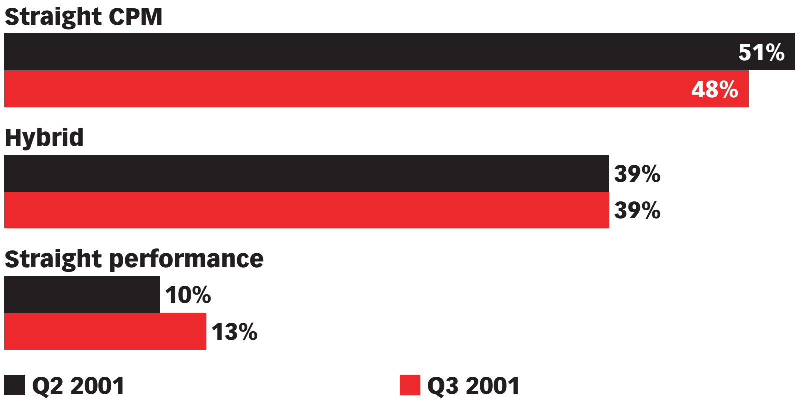
Note: Total revenue for Q1-Q3 2000 was $6.06 billion and $5.55 billion for Q1-Q3 2001
Source: PricewaterhouseCoopers (PwC), Interactive Advertising Bureau (IAB), December 2001

036476 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Still, when you look at results from the 2nd quarter of 2001 versus the 3rd quarter, straight performance deals grew from 10% to 13%, perhaps indicating a trend.

US Online Advertising Revenue, by Pricing Model, Q2 2001 vs. Q3 2001 (as a % of total revenues)



Note: Total revenues for Q2 2001 were $1.87 billion; for Q3 2001 were $1.79 billion, by IAB/PwC.
Source: PricewaterhouseCoopers, Interactive Advertising Bureau (IAB), December 2001

034764 ©2001 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

B. Cost Comparisons

The logic of CPM is clear: the greater the traffic, or the more desirable the audience, the higher the CPM. The narrower the targeting, or the higher the quality of site content, the higher the CPM (generally speaking).

What Drives CPMs Up or Down

I) Aggregate traffic levels and pages available for a given site
II) Desirability of ad pages/audience for that site
A. Degree of targeting on site
B. Degree of stickiness on site
C. Quality of content/editorial

Source: eMarketer, 2001

030635 ©2001 eMarketer, Inc. www.eMarketer.com

According to this analysis by Morgan Stanley Dean Witter (MSDW), the average "effective" CPM of $3.50 for online advertising makes it cheaper, relative to other major media.

Advertising Cost-per-Thousand Rates (CPMs) in the US, by Media, 2000

Media	Average CPM
Daily newspapers	$19.00
Prime-time broadcast TV	$16.00
Radio	$6.00
Magazines	$6.00
Day-time broadcast TV	$5.00
Internet ("effective"CPM)	$3.50

Source: Morgan Stanley Dean Witter, 2001

024046 ©2001 eMarketer, Inc. www.eMarketer.com

According to MSDW, "effective" CPM is defined as follows: "Typically, the standard CPM is based on the prices quoted on the web publisher's rate card. However, these prices rarely reflect reality. In fact, rate card prices are typically just the opening point for continued downward bargaining between the advertiser and web publisher. The effective CPM is closer to reality, since it is calculated as the total actual advertising revenue (reflecting discounting and bartering) divided by thousand ads served."

However, that "average" CPM is substantially higher for some websites. Destinations that offer greater targeting (such as iVillage for women and families, or CNET for tech heads) tend to charge more than sites for general users (like Salon.com or Yahoo!), according to Jupiter Media Metrix's effective CPM analysis.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Effective CPMs* for Leading Online Publishers, Q3 1999- Q1 2001

	Q3 1999	Q4 1999	Q1 2000	Q2 2000	Q3 2000	Q4 2000	Q1 2001
Cnet	$22.44	$24.39	$25.75	$26.29	$26.65	$22.60	$15.72
iVillage	$21.37	$37.28	$35.98	$33.60	$28.58	$25.29	$14.66
Salon.com	$17.62	$34.39	$24.84	$16.52	$18.56	$11.51	$4.56
Market Watch.com	$11.62	$13.11	$11.32	$11.05	$10.94	$10.44	$7.66
Sports Line.com	$6.68	$7.89	$8.39	$4.78	$3.20	$2.49	$8.49
Yahoo!	$3.47	$3.63	$3.12	$3.59	$3.41	$2.87	$1.25

*Note: *cost per thousand*
Source: Jupiter Media Metrix, July 2001

034124 ©2001 eMarketer, Inc. www.eMarketer.com

An overall view of how CPMs vary based on degree of targeting shows that mass-market approaches charge a CPM as low as $5, while individually focused marketing can raise the CPM to $200 levels.

Three Degrees Of Marketing and the Cost of Each in the US, 2002

Level	CPM per rate card
Mass	$5-$10
Targeted	$11-$25
Individual	$26-$200

Source: eMarketer, February 2002

037328 ©2002 eMarketer, Inc. www.eMarketer.com

Ad formats that tend to get higher click-through rates (CTRs), such as rented e-mail lists, charge higher CPM rates. However, you need to take that data one step further into cost-per-click (CPC) territory, which show e-mail newsletters as more cost-effective than banner ads.

Cost Comparison between CPM, CTR & CPC, 2001

	CPM	CTR	CPC
Newsletter (1)	$5.00	1.25%	$0.40
Rented eMail lists (2)	$200	3.5%	$5.71
Website banners (3)	$30.52	0.4%	$7.63

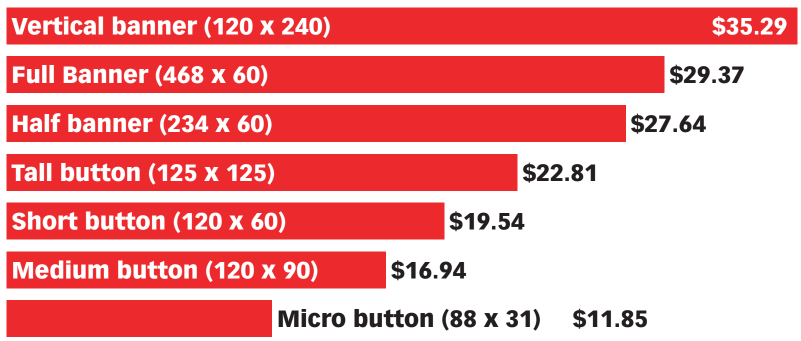
Source: (1) List-Universe.com, 2001; (2) Forrester Research, 2001; (3) Adknowledge, 2001

024898 ©2001 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

While these figures from AdRelevance, a division of Jupiter Media Metrix, come from earlier in 2001, they show a pretty direct, although not absolute, connection between banner ad size and average CPM.

US Average Cost per Thousand (CPM), by Ad Format, 2001



Note: Banner and button sizes come from the Interactive Advertising Bureau (IAB) size standards
Source: AdRelevance, 2001

036401 ©2002 eMarketer, Inc. www.eMarketer.com

According to data from Jupiter Media Metrix, the CPM varies substantially across different industry sectors. For the first half of 2001, computing and technology ads peaked at $54.52 average CPM for a full banner. Also at the top were health and fitness ads ($47.88), B2B ads ($41.97), and business and finance ads ($39.09).

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Average Full Banner CPM Rate Card Price in the US, by Genre, Q3 & Q4 2000 vs. Q1 & Q2 2001

	Q1-Q2 2001	Q3-Q4 2000
Automotive	$30.00	$31.83
B2B	$41.97	$33.56
Business and finance	$39.09	$42.31
Comics and humor	$14.96	$18.15
Community	$20.30	$23.08
Computing and technology	$54.52	$51.53
Employment	$33.89	$39.33
Fashion, romance and celeberity	$26.88	$30.79
Games	$20.06	$22.36
General news	$27.08	$30.76
Health and fitness	$47.88	$39.42
Home and garden	$38.75	$42.26
Incentive	$18.42	$25.70
Kids and family	$27.45	$25.67
Movies and streaming media	$19.18	$24.23
Personal expression	$14.48	$20.81
Portal	$25.76	$29.15
Reference and education	$28.22	$24.91
Search engine	$17.23	$17.68
Shopping and auction	$34.83	$31.34
Society, politics and science	$30.56	$28.68
Sports and recreation	$22.97	$26.78
Telecom and internet telephony	$21.05	$30.58
Travel, maps and local	$30.40	$28.94
Yellow pages and white pages	$22.79	$20.77

Source: Jupiter Media Metrix, 2001

030638 ©2001 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Rate Cards vs. Reality

One way the online advertising business is just like the rest of the ad industry lies in the semi-fictional nature of rate cards. The "official" CPM is typically more costly than the actual price advertisers pay. Everyone negotiates. In effect, the rate card acts like an expensive business suit, a website's dress-up for work. But back at home, among friends and advertisers, it's jeans-and-t-shirt time, dress down at a lower price.

"The change in the marketplace has created amazing opportunities for marketers, because we can negotiate rock-bottom ad rates. This has allowed our clients to see the best return to date on their internet advertising dollars."

– Brad Aronson, CEO, iFrontier

To assess online ad spending, AdZone Media Research says that it records every impression on more than 2,500 websites that make up 95% of all internet advertising revenue. The impression count is then multiplied by the rate-card CPMs to estimate total spending, with no attempt to adjust for discounting.

Not surprisingly, AdZone's online spending numbers are substantially higher than those from the IAB, which measure actual dollars spent (based on surveys conducted by PricewaterhouseCoopers). AdZone, for example, reported online ad spending of $4.40 billion for the 2nd quarter of 2001, in contrast to the IAB's $1.87 billion figure for the same period—which is 42% less. This divergence can be used to approximate how—on an aggregate basis—real CPMs match up to the rate card. Therefore, the implied discount off the rate card was 58% for the 2nd quarter of 2001.

Comparative Estimates: US Online Advertising Spending Discounts, by Quarter, Q1 2000-Q2 2001 (in millions)

	IAB/PwC	AdZone	Implied discounts
Q1 2000	$1,953	$2,691	27%
Q2 2000	$2,124	$3,565	40%
Q3 2000	$1,986	$4,543	56%
Q4 2000	$2,162	$5,276	59%
Q1 2001	$1,893	$5,117	63%
Q2 2001	$1,868	$4,399	58%

Source: eMarketer, February 2002; Interactive Advertising Bureau (IAB)/PrecewaterhouseCoopers (PwC), AdZone, August 2001

036955 ©2002 eMarketer, Inc. www.eMarketer.com

In contrast to the online ad world, in early March 2002, *Advertising Age* reported survey results of media buyers, saying that the average magazine rate card discounts in 2002 is 30.8%. That was a jump from 29.0% and 27.0% discounts in 2001 and 2000, respectively.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

C. Future for Pricing Models

The reality of rate-card discounts combined with web publisher aversion to cost-per-performance campaigns appears bound to keep cost-per-impression as the prevailing model—but not as dominant as before, with performance pricing making large strides. Furthermore, with most performance price models built on the click, and with click-through rates at negligible levels, the hoped-for accountability promised by internet advertising appears more potential than reality.

But the longing for measurable accountability burns bright in advertisers. Last year, Mark Smelzer, vice president of national sales for L90, an ad network now up for sale, declared that cost-per-action pricing could rise to 30% of ad revenues by 2005. But, Smelzer warned, “CPA is a model in which publishers take on a lot more risk. Don’t do it on a whim, without resources to make it work.” He added that it’s best to set up a formula for salespeople to convert CPA rates to CPM. That way they will understand the offer and get the best deals.

Jupiter Media Metrix predicts that pay-for-performance deals will become increasingly prevalent, if not prevailing. Revenue from this pricing model is expected to rise from 22% of all US online advertising in 2001 to 30% by 2006.

Percent of US Online Advertising Revenue Derived from Pay-for-Performance Deals, 2001-2006

Source: Jupiter Media Metrix, Inc., July 2001

037071 ©2002 eMarketer, Inc. www.eMarketer.com

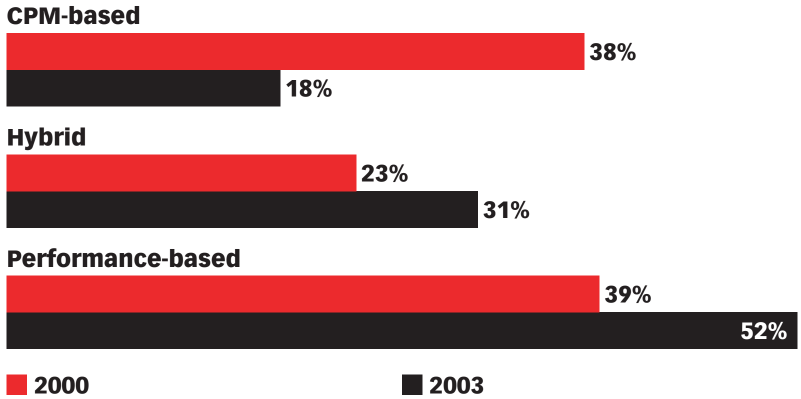
“Advertisers are pressuring publishers to own more of the page to expand their creative powers, and publishers don’t have much of a choice but to give it to them. This is the most intense [ad] buyer’s market in the seven-year life of the internet.”

– Patrick Keane, senior analyst, Jupiter Media Metrix

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Supporting the pay-for-performance trend, Forrester Research forecasts that 83% of online ad spending will be performance-based or hybrid by 2003. Even if that estimate is off target, an increase to 50% of ad pricing with some performance built-in would be a large shift.

US Online Advertising Pricing Models, 2000 vs. 2003 (as a % of respondents)



Note: Percentages based on mean spending for 51 companies responding to survey; may not total 100% due to rounding
Source: Forrester Research, January 2001

036956 ©2002 eMarketer, Inc. www.eMarketer.com

When Forrester turned the pricing focus to digital marketing as a whole—which, besides advertising, includes elements such as online promotions—the growth of performance-based pricing, along with the hybrid model, overtakes CPM-based pricing in the six years shown below.

US Digital Marketing Pricing Models, 2000-2005 (as a % of respondents)

	2000	2001	2002	2003	2004	2005
CPM-based	43%	37%	33%	30%	29%	29%
Hybrid	21%	23%	26%	27%	31%	33%
Performance-based	35%	39%	41%	42%	39%	37%

Note: Percentages based on mean spending for 51 companies responding to survey; may not total 100% due to rounding
Source: Forrester Research, January 2001

037346 ©2002 eMarketer, Inc. www.eMarketer.com

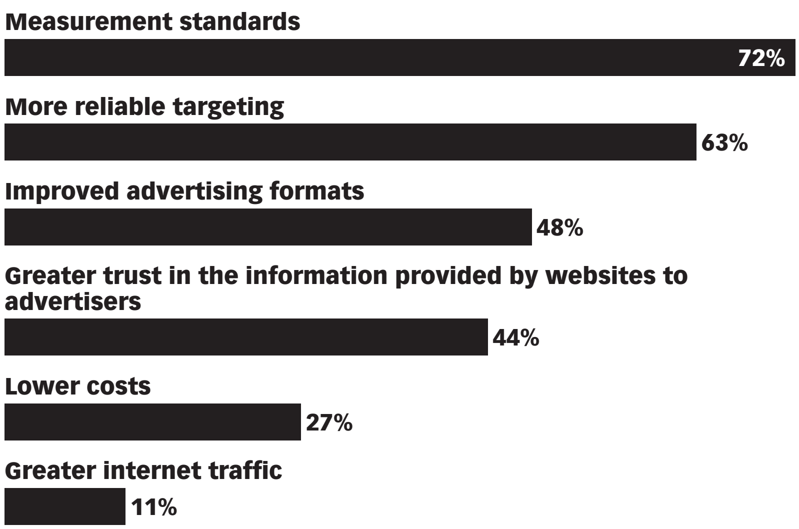
One sign that major web publishers are starting to accept performance pricing came in late February. That's when Google, the popular search engine portal, refined its AdWords self-service advertising system by adding CPC-based pricing to the existing CPM mode.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

D. Evolving Standards and Measurements

The long-time problem in online advertising has been standards and measurements, or rather, the lack thereof. A recent survey by I/PRO shows that 72% of advertising executives believe measurement standards are needed in order to increase online advertising's effectiveness. The need for standards is the single greatest factor blocking online advertising's full growth, with more reliable targeting second at 63% of those surveyed.

US Advertisers' Suggested Methods for Increasing the Effectiveness of Online Advertising, 2001 (as a % of respondents)

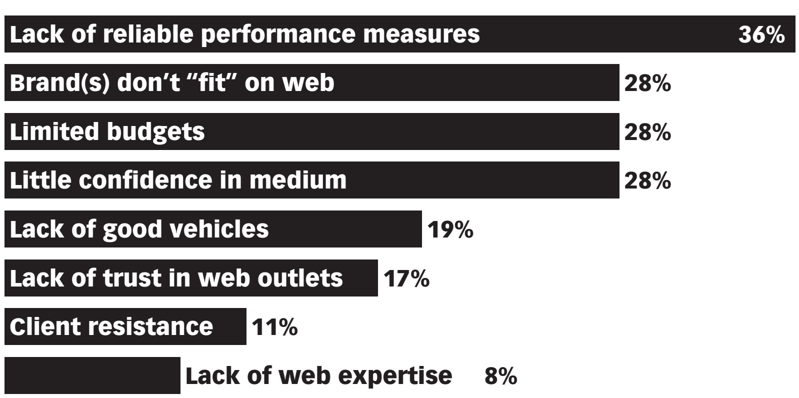


Source: I/PRO, January 2002

036073 ©2002 eMarketer, Inc. www.eMarketer.com

Similarly, the main reason given why US advertisers shun interactive ads is the lack of reliable performance measures.

Reasons Why US Advertisers Do Not Advertise Online, 2001 (as a % of respondents)



Source: I/PRO, January 2002

036074 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology

Online Advertising Report: Update

US Online Ad Market Size and Growth

Perspective: Interactive Vs. Traditional Media

Formats Galore: The Online Ad Cornucopia

Direct Response vs. Branding

Online Ad Pricing

Web Publishers (Where Ads Go)

Web Advertisers (Who Runs Ads)

Trend Watcher: Tools and Techniques

Market Fundamentals: Supporting the Growth of Online Advertising

Global Market Size and Growth

Appendices

That challenge is why the Interactive Advertising Bureau (IAB)—along with an industry consortium of organizations and companies—recently introduced voluntary guidelines that should make interactive advertising easier to buy. These new standards identify and define five key metrics in the measurement process, and are expected to help improve targeting for online ads and increase cooperation among interactive players: media buyers, sellers, agencies, advertisers, and site publishers.

According to the IAB, the definitions for the five key measurement metrics are as follows:

- **Ad Impression:** A measurement of responses from an ad delivery system to an ad request from the user's browser, which is filtered from robotic activity and is recorded at a point as late as possible in the process of delivery of the creative material to the user's browser—therefore closest to actual opportunity to see by the user.
- **Click:** There are three types of user reactions to internet content or advertising—click-through, in-unit click, and mouse-over. All of these reactions are generally referred to as "clicks."
- **"Unique" Measurements:** The number of actual individual people, within a designated reporting timeframe, with activity consisting of one or more visits to a site or the delivery of pushed content. A unique user can include both: (1) an actual individual that accessed a site (referred to as a unique visitor), or (2) an actual individual that is pushed content and or ads such as e-mail, newsletters, interstitials, and pop-under ads. Each individual is counted only once in the unique user or visitor measures for the reporting period. The unique user and visitor measures are filtered for robotic activity prior to reporting.
- **Visit:** One or more text and/or graphics downloads from a site qualifying as at least one page, without 30 consecutive minutes of inactivity, which can be reasonably attributed to a single browser for a single session. A browser must "pull" text or graphics content to be considered a visit. This measurement is filtered for robotic activity prior to reporting.
- **Page Impression:** A measurement of responses from a web server to a page request from the user browser, which is filtered to remove robotic activity and error codes prior to reporting, and is recorded at a point as close as possible to opportunity to see the page by the user. Much of this activity is recorded at the content server level.

"Everybody has measured things differently. They weren't doing anything wrong. But there was no standard identified so that publishers, agencies and advertisers were all on the same page."

– Greg Stuart, president, Interactive Advertising Bureau

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

The guidelines are based on a PricewaterhouseCoopers study that compiled data and information from 11 participating companies, including America Online, Yahoo! and Forbes.com. This group represents the top destination sites, portals, and third-party ad networks and servers.

Based on responses from the 11 participants, the top five metrics used consistently for ad delivery reporting and audience measurement are:

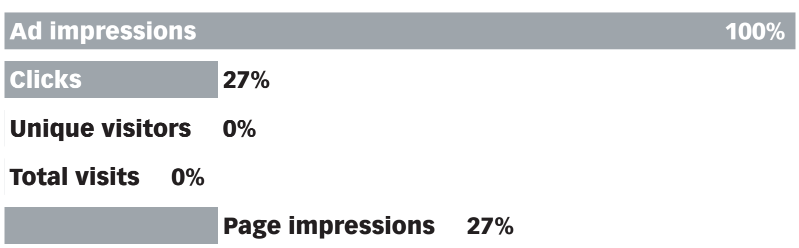
US Online Ad and Audience Measurement Metrics Used, 2001 (as a % of respondents)

Note: Percentages based on replies from 11 survey participants: America Online, Avenue A, CNET, DoubleClick, Engage, Forbes.com, Lycos, MSN, New York Times Digital, Walt Disney Internet Group, and Yahoo!
Source: PricewaterhouseCoopers (PwC), Interactive Advertising Bureau (IAB), December 2001; interpolated by eMarketer, January 2002

036187 ©2002 eMarketer, Inc. www.eMarketer.com

But when it comes time to write revenue-generating ad contracts, only ad impressions are currently embraced by all 11 major online ad players. Survey participants who use the rarer cost-per-action (CPA) pricing model also base contract revenues on click results. And where advertisers pay for embedded content or sponsor a page, those surveyed also use page impressions as a currency metric.

US Online Advertising Currency Metrics, 2001 (as a % of respondents)



Note: Percentages based on replies from 11 survey participants: America Online, Avenue A, CNET, DoubleClick, Engage, Forbes.com, Lycos, MSN, New York Times Digital, Walt Disney Internet Group, and Yahoo!. Currency metrics are defined as metrics upon which revenue-generating contracts are based
Source: PricewaterhouseCoopers (PwC), Interactive Advertising Bureau (IAB), December 2001; interpolated by eMarketer, January 2002

036188 ©2002 eMarketer, Inc. www.eMarketer.com

	Methodology	
I	Online Advertising Report: Update	
II	US Online Ad Market Size and Growth	
III	Perspective: Interactive Vs. Traditional Media	
IV	Formats Galore: The Online Ad Cornucopia	
V	Direct Response vs. Branding	
VI	Online Ad Pricing	
VII	**Web Publishers (Where Ads Go)**	**157**
	A. Universe of Websites	**159**
	B. Top Online Ad Publishers	**161**
VIII	Web Advertisers (Who Runs Ads)	
IX	Trend Watcher: Tools and Techniques	
X	Market Fundamentals: Supporting the Growth of Online Advertising	
XI	Global Market Size and Growth	
	Appendices	

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

In the online publishing world, the big are getting bigger. The flip side for advertisers is, perhaps, ironic: fewer commercial websites have made it easier for advertisers to reach a core audience.

The concentration within the internet advertising industry continues apace. The most recent survey figures from Interactive Advertising Bureau and PricewaterhouseCoopers indicate that the 10 leading web companies took in 75% of the total third-quarter 2001 ad revenues of $1.79 billion. That share was a jump from the 68% figure for 2000's corresponding quarter. And the top 25 ad sellers accounted for 87% of third-quarter 2001 online ad revenues, while the top 50 claimed 95%.

According to Jupiter, the five top websites for ad sales in September 2001, based on billions of impressions, were MSN, Yahoo!, iWon, Excite, and eBay. However, the fall-off in impressions from the top two to the next three by more than half is dramatic.

Top Five Online Ad Sellers and Ad Buyers in the US, September 2001 (in billions of impressions)

Ad sellers	
MSN	9.25
Yahoo	8.00
iWon	3.68
Excite	3.18
eBay	2.92
Ad buyers	
Amazon.com	3.95
Providian	2.55
Bertelsmann A.G.	2.26
Cablevision Systems	1.92
AOL Time Warner	1.82

Source: Jupiter Research, 2001

034386 ©2001 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

A. Universe of Websites

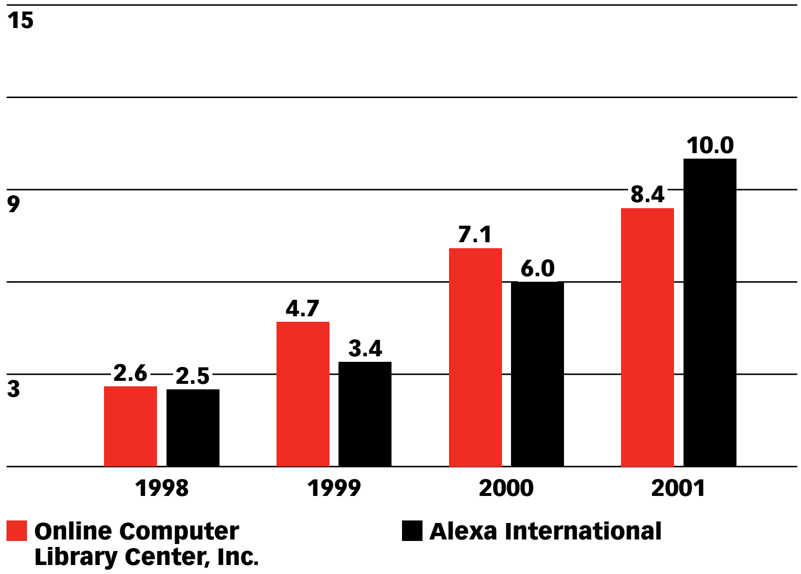
But if advertisers were limited to only a handful of websites worth advertising on, the prospects for online ads would be poor. Earlier comparative counts of ad-supported sites in the US range from a high of 19,000 from the Myers Group, down to a low of 6,000 from Forrester (although that figure includes only top ad sites).

That these estimates come from the year 2000 undoubtedly means they're too elevated. With the thinning of the herd among dot-coms, a better estimate for US ad-supported websites in early 2002 comes from Jupiter's AdRelevance, who estimate that there are about 30,000 ad-supported sites in all, based on sites that are "largely dependent on advertising." That gives advertisers a large universe to play in.

A more personal take on website counts comes from Michael Kubin, co-CEO of Evaliant, a provider of online advertising data. In early March 2002, Kubin wrote in MediaPost about a prediction he made in February 2000, saying then that over 6,000 websites whose business models call for some part of their revenue to come from advertising existed. "After the current shakeout is over," he wrote in 2000, "the web will experience a segregation of sites into a very few (3-4) general-interest portals and a much larger number (2,000-3,000) of special-interest vertical sites." Looking back from 2002's perspective, he writes, "Not a bad prediction. Today over 80% of advertising dollars are concentrated in about 10 sites, and the remaining 20% is fought over by a couple of thousand others."

When counting the number of websites of all stripes, ad-supported or not, estimates for 2001 range from 8.4 million from the Online Computer Library Center to 10.0 million from Alexa International.

Number of Websites Worldwide, 1998-2001 (in millons)



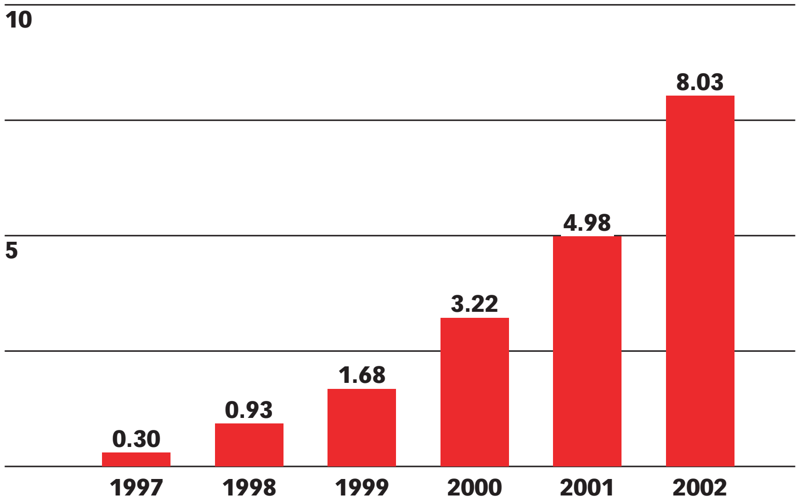
Source: eMarketer, 2002; Alexa International, 2000; Online Computer Library Center (OCLC), October 2001

037254 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Similarly, the number of web pages worldwide is continuing to grow tremendously. Research from IDC expects an increase from 3.22 billion pages in 2000 to 8.03 billion in 2002, a growth rate of nearly 150%.

Number of Webpages* Worldwide, 1997-2002 (in billions)



*Note: *The total number of URLs on the Web*
Source: International Data Corporation (IDC), 1999

024001 ©2001 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

B. Top Online Ad Publishers

Some types of sites lend themselves better to online ads than others...or perhaps that's only habit. Web portals (which include sites such as Yahoo!) lead the rankings with 9.97 billion impressions. That margin is extraordinarily huge—the combined count for the other nine ranked web genres totaled only 9.15 billion impressions, less than for portals alone.

Top 10 Web Genres to Advertise On, by Impressions, 2001 (in billions)

Web genre	Impressions
1. Portal	9.97
2. General news	1.85
3. Telecom and net telephony	1.79
4. Shopping and auction	1.28
5. Travel, maps and local	1.16
6. Sports and recreation	0.75
7. Business and finance	0.70
8. Community	0.69
9. Games	0.53
10. Search engines	0.40

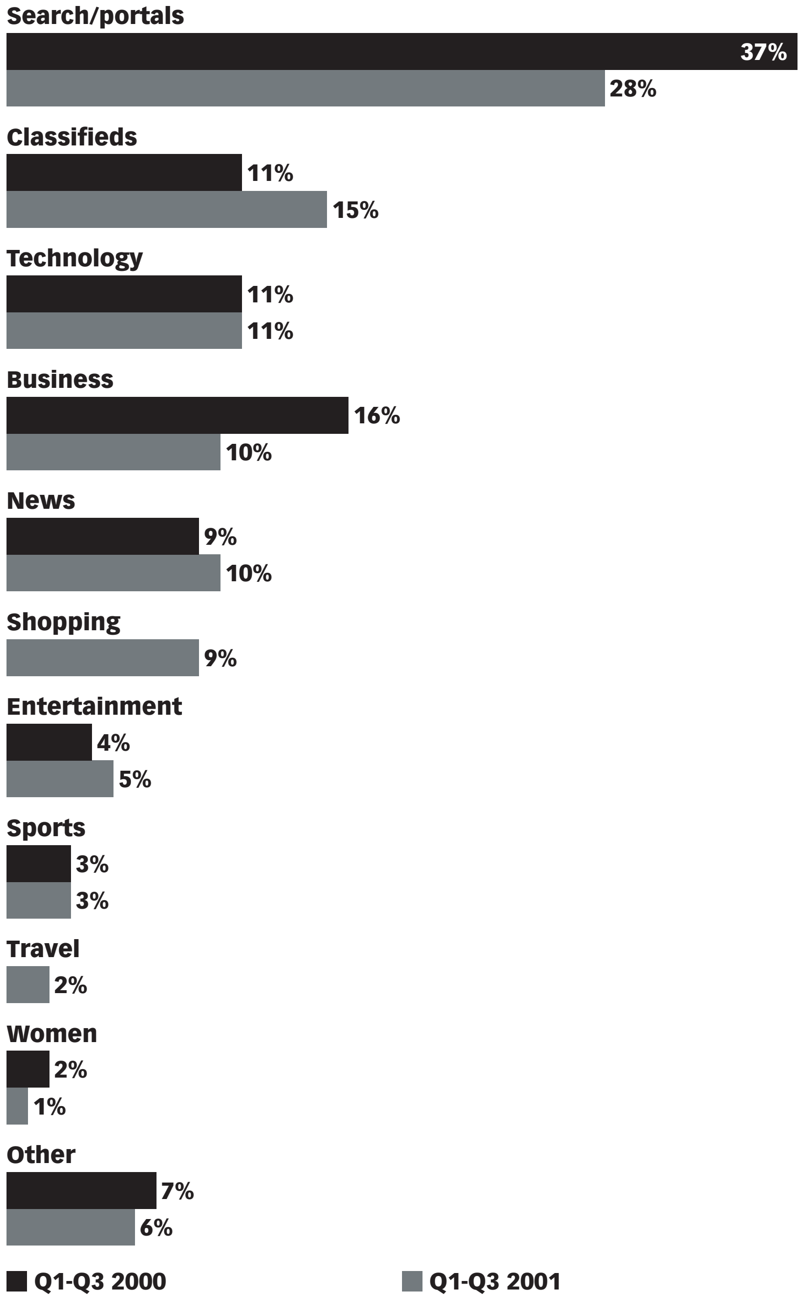
Source: AdRelevance, 2001

036334 ©2002 eMarketer, Inc. www.eMarketer.com

From a revenue perspective, portals still are king (but with a smaller crown). IAB/PwC research indicates that for the first three quarters of 2001, portals took in 28% of all US online ad revenue. That is, however, a 9-point drop from the same period in 2000, with classified ad sites (such as Monster.com) making the largest gain in that time.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

US Online Advertising Revenue, by Website Genre, Q1-Q3 2000 vs. Q1-Q3 2001 (as a % of total revenue)



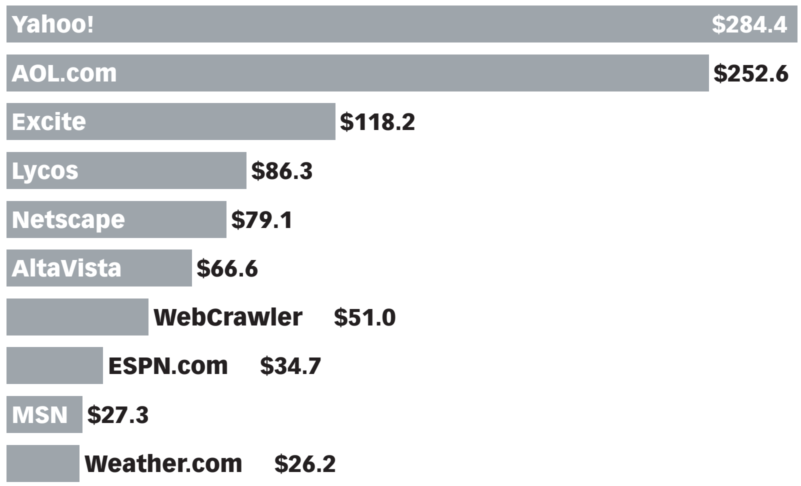
Note: Total revenue for Q1-Q3 2000 was $6.06 billion and $5.55 billion for Q1-Q3 2001
Source: PricewaterhouseCoopers (PwC), Interactive Advertising Bureau (IAB), December 2001

036480 ©2002 eMarketer, Inc. www.eMarketer.com

Drilling down to absolute dollars and specific sites, CMR research confirms portals' upper hand, with the genre taking the first seven places. A sports site, ESPN.com, is the first non-portal to make the list.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Top Websites in the US, by Online Ad Revenue, Q1-Q3 2001 (in millions)

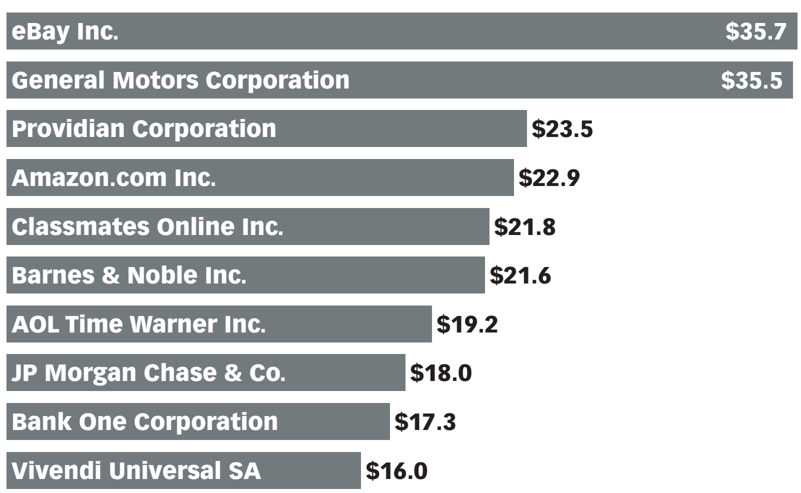


Source: CMRi's AdNetTrackUS , December 2001

035397 ©2002 eMarketer, Inc. www.eMarketer.com

Again, the drill down shows portals on top, along with the imbalance among sites, according to Jupiter Media Metrix. The two top websites for the third quarter of 2001, MSN and Yahoo!, had a combined impression count of 54.15 billion, well more than the other eight sites combined at 47.36 billion impressions.

Top 10 Online Ad Spending Companies in the US, Q1-Q3 2001 (in millions)



Source: CMRi's AdNetTrackUS, December 2001

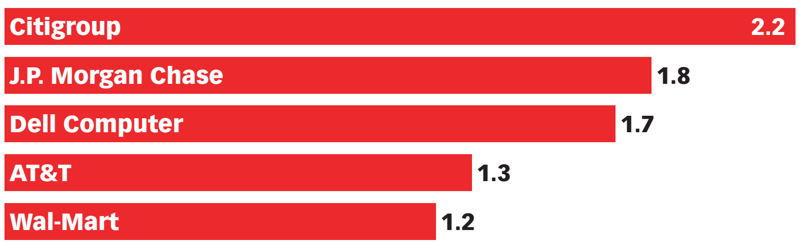
035398 ©2002 eMarketer, Inc. www.eMarketer.com

	Methodology	
I	Online Advertising Report: Update	
II	US Online Ad Market Size and Growth	
III	Perspective: Interactive Vs. Traditional Media	
IV	Formats Galore: The Online Ad Cornucopia	
V	Direct Response vs. Branding	
VI	Online Ad Pricing	
VII	Web Publishers (Where Ads Go)	
VIII	**Web Advertisers (Who Runs Ads)**	**165**
	A. Spending Overview	**167**
	B. Spending by Industry	**168**
	C. Spending by Company	**174**
	D. Agencies and Networks	**176**
IX	Trend Watcher: Tools and Techniques	
X	Market Fundamentals: Supporting the Growth of Online Advertising	
XI	Global Market Size and Growth	
	Appendices	

One way to look at who advertises online is by looking at the big guns, such as the top corporations listed on the Fortune 100 list. The number of Fortune 100 companies advertising online in June 2001 grew to 81, a 21% jump over the previous year's 67, according to Jupiter Media Metrix. However, data from Jupiter's ad tracking service AdRelevance 3.0 shows that Fortune 100 firms increased the number of impressions purchased by only 14% during the first half of 2001, compared with a 54% increase by the overall market.

The top two US-based financial service firms, Citigroup and J.P. Morgan Chase, were also the top two on the list for the first two quarters of 2001. Jupiter indicated that impressions purchased by Fortune 100 firms made up 8% of the total online ad market, with over 41,000 advertisers being tracked.

Top "Fortune 100" Online Advertisers, Q1 & Q2 2001 (in billions of impressions)



Source: AdRelevance, August 2001

036957 ©2002 eMarketer, Inc. www.**eMarketer**.com

But the impression count from Fortune 100 corporations seems relatively insignificant when contrasted with the top 10 online advertisers for the third quarter of 2001. Note as well where two companies, eBay and AOL, appear on both publisher and advertiser top 10 lists.

Top Online Advertisers, by Impressions, Q3 2001 (in billions)

	Impressions
1. Amazon.com	12.32
2. eBay, Inc.	5.75
3. Providian Financial Corporation	5.56
4. Columbia house	5.44
5. Orbitz	5.04
6. ClassMates.com	4.91
7. Barnes & Noble, Inc.	4.90
8. Cassava Enterprises	4.04
9. Bertelsmann AG	3.81
10. AOL Time Warner	3.43

Source: Jupiter Media Metrix, 2001

036397 ©2002 eMarketer, Inc. www.**eMarketer**.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

A. Spending Overview

Just because the Fortune 100 failed to dominate the online ad space today does not mean dot-coms will continue to hold sway. A Forrester study shows that in 2000, dot-com companies spent 66% of the total US digital marketing budget. In 2002, however, traditional companies will spend 72% of that same budget, and the same group is expected to grab a 91% share by 2006.

US Digital Marketing Spending for Traditional and Dot-Com Companies, 2000-2006 (in millions)

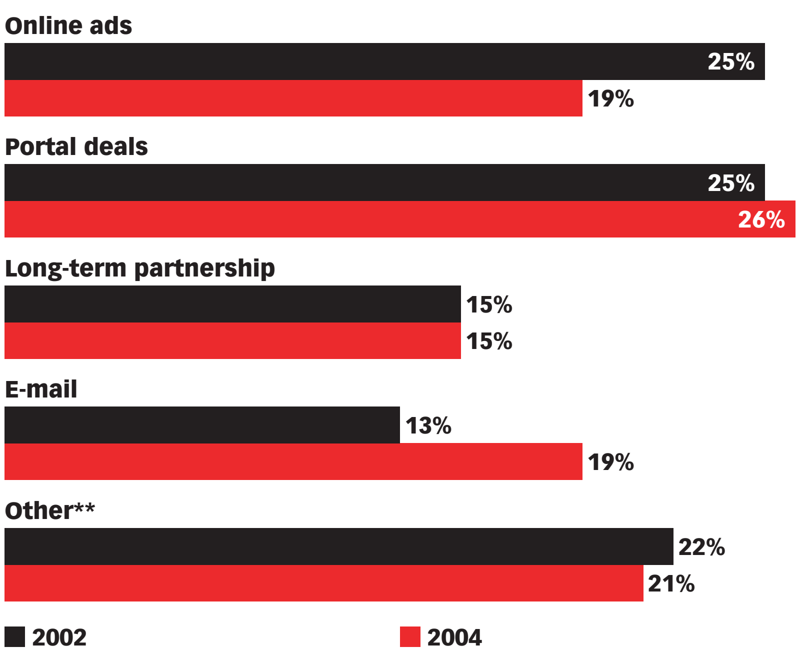
	2000	2001	2002	2003	2004	2005	2006
Traditional	$2,742	$4,560	$6,211	$9,001	$12,021	$15,821	$18,931
Dot-com	$5,323	$2,916	$2,416	$2,240	$2,044	$1,936	$1,809
Total	**$8,066**	**$7,476**	**$8,627**	**$11,241**	**$14,065**	**$17,759**	**$20,740**

Source: Forrester Research, October 2001

034872 ©2001 eMarketer, Inc. www.eMarketer.com

And the same study from Forrester shows that while in 2002, advertisers want to spend the largest portion of their digital marketing budgets equally on portal deals and online advertising, by 2004, portal deals will hold sway, with 26% of the budget. Online ads are forecast to drop in the same period, 2002 to 2004, while e-mail spending will increase.

How US Marketers Will Spend Their Digital Marketing Budget, 2002 & 2004 (as a % of respondents*)



*Note: *n=50; **includes sponsorships, affiliate programs, interactive television and wireless*
Source: Forrester Research, October 2001

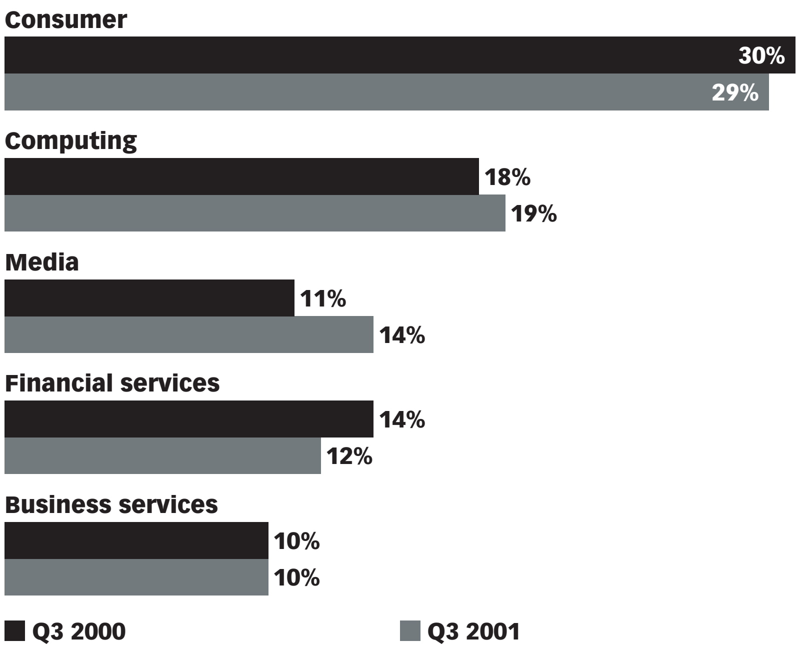
034887 ©2001 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

B. Spending by Industry

Based on share of total US online ad revenue, the top five industries have remained stable from 2000 to 2001, according to IAB/PwC figures. While consumer goods remained steady as number one, media spending jumped from an 11% share and fourth place to 14% and third place, switching places with financial services.

US Online Advertising Revenue, by Major Industry Category, Q3 2000 vs. Q3 2001 (as a % of total revenue)



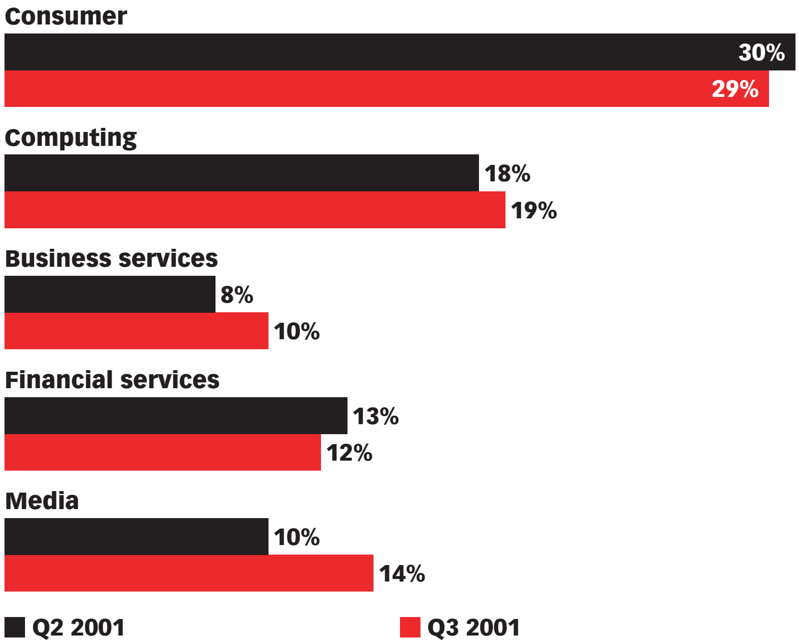
Note: Total revenue for Q3 2000 was $1.99 billion and $1.79 billion for Q3 2001
Source: PricewaterhouseCoopers (PwC), Interactive Advertising Bureau (IAB), December 2001

036478 ©2002 eMarketer, Inc. www.eMarketer.com

Looking at the same five industries, but from quarter to quarter, shows again that media companies increased their online ad spending more than the others, from 10% of the revenue for 2001's second quarter to 14% during the third quarter. Business services showed the next-largest gain, a 2-point increase from 8% to 10% of revenues.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

US Online Advertising Revenue, by Industry, Q2 2001 & Q3 2001 (as a % of ad revenues)



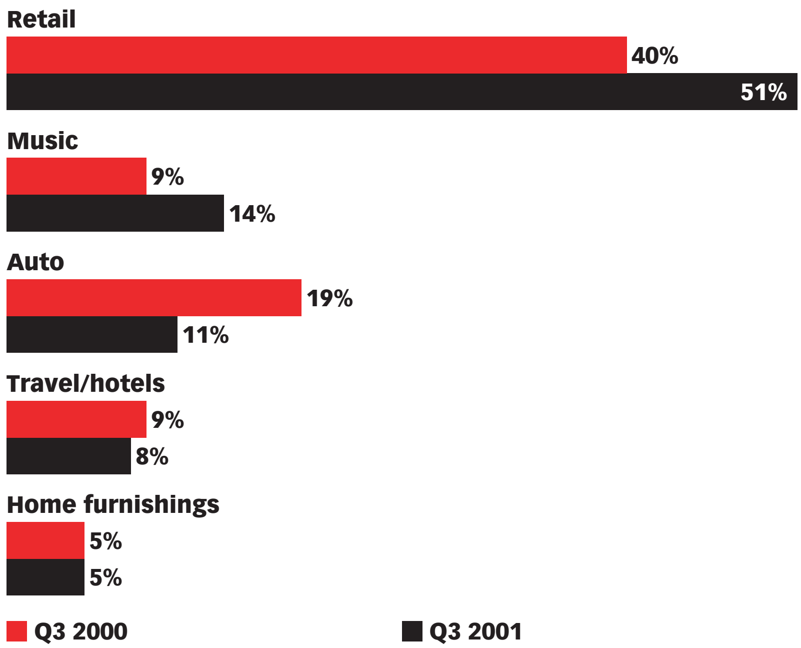
Source: PricewaterhouseCoopers, Interactive Advertising Bureau (IAB), December 2001

034785 ©2001 eMarketer, Inc. www.eMarketer.com

Within the top-share consumer category, retail goods have increased their spending from a 40% to a 51% share, according to the IAB/PwC. The biggest decline came in auto advertising's share, an 8-point drop.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

US Online Advertising Revenue, by Major Consumer Category, Q3 2000 vs. Q3 2001 (as a % of total revenue)



Note: Total revenue for Q3 2000 was $1.99 billion and $1.79 billion for Q3 2001
Source: PricewaterhouseCoopers (PwC), Interactive Advertising Bureau (IAB), December 2001

036479 ©2002 eMarketer, Inc. www.eMarketer.com

Certain categories of advertisers spend a greater percentage of their ad money online than in traditional media, according to Jupiter Media Metrix. As is to be expected, hard goods such as consumer electronics and computer hardware and software will lead the way for 2002, with 15.6% and 13.3% shares, respectively. In the three years from 2000 to 2002, apparel marketers have increased their share of internet advertising from 4.8% to 7.9%, while health-care goods and services have more than doubled their share of online advertising from 1.5% to 3.4%.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

US Online Advertising Spending, 2000-2002 (as share of category spending on traditional media)

	2000	2001	2002
Apparel	4.8%	7.4%	7.9%
Health	1.5%	2.5%	3.4%
Games, toys, sporting goods	4.7%	5.6%	6.0%
Consumer electronics	14.6%	14.9%	15.6%
Computer hardware and software	14.5%	12.8%	13.3%
Telecommunications	3.6%	3.1%	3.6%
Media	8.2%	8.2%	8.8%
Financial services	6.7%	6.7%	7.4%
Automotive	1.2%	1.2%	1.7%
Travel	3.6%	3.9%	5.0%

Source: Jupiter Media Metrix, 2001

036111 ©2002 eMarketer, Inc. www.eMarketer.com

While health shows the largest growth in the three-year period shown, financial services leads the way in absolute dollars, with $1.039 billion in online ad spending in 2002. Media, another low-growth category, comes in second in dollars spending for 2002, with $0.976 billion.

US Online Advertising Spending, by Category, 2000-2002 (in millions and as % change)

	2000	2001	2002	% change (2000-2002)
Apparel	$158	$234	$252	59.5%
Health	$134	$214	$303	126.1%
Games, toys, sporting goods	$109	$125	$135	23.9%
Consumer electronics	$241	$241	$259	7.5%
Computer hardware and software	$711	$640	$707	-0.6%
Telecommunications	$259	$226	$269	3.9%
Media	$892	$878	$976	9.4%
Financial services	$903	$897	$1,039	15.1%
Automotive	$330	$312	$460	39.4%
Travel	$225	$241	$316	40.4%
Total	**$3,962**	**$4,008**	**$4,716**	**19.0%**

Source: Jupiter Media Metrix 2001; interpolated by eMarketer, January 2002

036110 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Jupiter's projections for online ad spending by industry, as a percentage of total online spending, show the biggest changes among automobile, computer, financial service firms, and media ads. From 1999 to 2005, auto's share should increase, while computer's, financial service's, and media's should decrease. Other significant increases are expected for the CPG and health industries.

US Online Advertising Spending, by Industry Segment, 1999-2005

	1999	2000	2001	2002	2003	2004	2005
Automotive	6%	6%	8%	9%	10%	12%	14%
Computer software and hardware	19%	14%	14%	11%	10%	10%	9%
Consumer packaged goods	3%	2%	3%	5%	6%	6%	7%
Financial services	22%	22%	20%	18%	17%	16%	16%
Health	3%	4%	5%	5%	6%	5%	6%
Media	19%	16%	14%	13%	12%	11%	10%
Telecommunications	6%	6%	6%	6%	6%	5%	5%
Travel	6%	6%	6%	6%	6%	6%	7%
Other	22%	24%	27%	29%	28%	28%	26%
Total online spending	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Note: Based on spending excluding Classified Listings
Source: Jupiter Research, 2000

024025 ©2001 eMarketer, Inc. www.eMarketer.com

When measured by impressions instead of dollars, various web media led the way in 2001, with 6.72 billion impressions, according to AdRelevance. But retail, financial services, and entertainment (media) still are major online ad players in this context.

Top 10 Online Advertising Industries, by Impressions, 2001 (in billions)

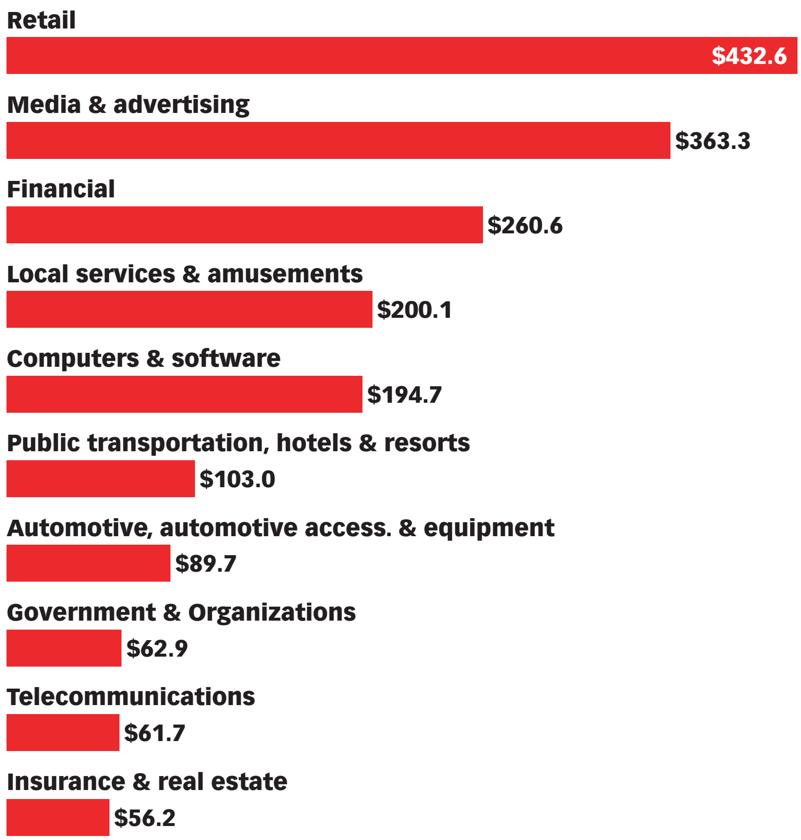
Industry	Impressions
1. Web Media	6.72
2. Retail	4.43
3. Financial services	2.92
4. Entertainment	2.00
5. Consumer goods	1.25
6. Travel	1.21
7. B2B	1.11
8. Telecommunications	0.97
9. Hardware & Electronics	0.78
10. Software	0.64

Source: AdRelevance, 2001

036396 ©2002 eMarketer, Inc. www.eMarketer.com

On an absolute dollar basis for online ad spending, CMR shows that the retail industry paid out $432.6 million over the first three quarters of 2001, with media and advertising second at $363.3 million.

Online Ad Spending in the US, by Industry, Q1-Q3 2001 (in millions)



Source: CMRi's AdNetTrackUS, December 2001

035396 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology

Online Advertising Report: Update

US Online Ad Market Size and Growth

Perspective: Interactive Vs. Traditional Media

Formats Galore: The Online Ad Cornucopia

Direct Response vs. Branding

Online Ad Pricing

Web Publishers (Where Ads Go)

Web Advertisers (Who Runs Ads)

Trend Watcher: Tools and Techniques

Market Fundamentals: Supporting the Growth of Online Advertising

Global Market Size and Growth

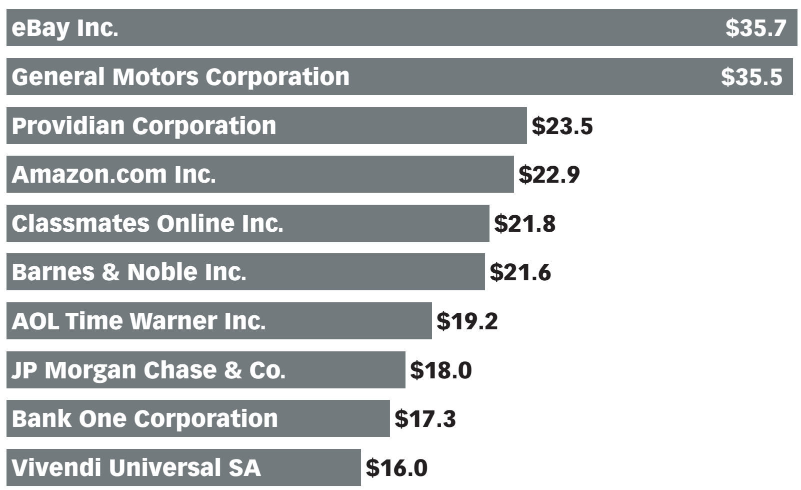
Appendices

C. Spending by Company

Back in the good old days of the year 2000, the leading spenders among internet companies included HomeGrocer.com and Value America, which no longer exist. Change is quick.

In more recent tracking, we see that the top companies for online ad spending over the first three quarters of 2001 were internet companies like eBay and Amazon, automobile manufacturers like General Motors, and three financial service firms: Providian, J.P. Morgan Chase, and Bank One.

Top 10 Online Ad Spending Companies in the US, Q1-Q3 2001 (in millions)



Source: CMRi's AdNetTrackUS, December 2001

035398 ©2002 eMarketer, Inc. www.eMarketer.com

With portals as the chief venue for online ads, let's look at the top advertisers and their impression count on three of the top portals: Yahoo!, Lycos, and Excite. During the first quarter of 2001, one of the top advertisers (Barnes&Noble) on the top portal (Yahoo!) got the most impressions (3.95 billion). Contrast those figures with eBay, which got only 106 million impressions on Lycos (to lead the way) and 322 million on Excite.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Advertisers and Number of Impressions for the Three Major Portals, First Quarter 2001

Yahoo Advertisers	Ad impressions
Barnes&Noble.com	3.95 billion+
Columbia House	2.14 billion+
Astrocenter.com	1.42 billion+
Classmates Online	1 billion+
JobsOnline	834.8 million+
Lycos Advertisers	**Ad impressions**
eBay	106 million+
WebMD	85.1 million+
Barnes&Noble.com	81.6 million+
Classmates Online	80.1 million+
Matchmaker.com	57.9 million+
Excite@Home Advertisers	**Ad impressions**
Classmates.com	1.18 billion+
Wal-Mart	1.07 billion+
Amazon.com	832 million+
Sparks.com	415 million+
eBay	322 million+

Source: ABN AMRO and AdRelevance, 6/7/2001

026214 ©2001 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

D. Agencies and Networks

Without the ad agencies to create the interactive ads and make the buy, and without the ad networks to distribute those ads across the internet and make the deals, the companies who want to connect with their target audience would have a tough time.

Interactive agencies come in at least two flavors: those with 100% of their billings as online billings and those for whom online billings are only a fraction of their total media billings. Among the top pure interactive agencies for 2001 are I-Traffic, Carat Interactive, and Avenue A. In contrast, the top interactive agency, OgilvyInteractive, gets only 28.6% of its $200 million billings from the online world.

Top 10 Interactive Advertising Agencies Ranked by Total Online Billings, 2001 (in millions and as a % of total media billings)

Name (owned by/affiliated with)	Online billings	Total media billings	Online billings % of total media billings
1. Ogilvy-Interactive (OgilvyOne)	$200.0	$700.0	28.6%
2. I-Traffic (Agency.com/ Omnicom)	$200.0	$200.0	100.0%
3. FCBi (Foote, Cone & Belding)	$200.0	$1,000.0	20.0%
4. Beyond Interactive (MediaCom/Grey Global)	$175.0	$11,000.0	1.6%
5. Euro RSCG Interaction (Euro RSCG Worldwide)	$162.0	$3,300.0	4.9%
6. Carat Interactive (Carat North America)	$120.0	$120.0	100.0%
7. Avenue A	$115.0	$115.0	100.0%
8.Tribal DDB Worldwide (DDB Worldwide/ Omnicom)	$100.0	$19,000.0	0.5%
9. VML (WPP)	$95.0	$135.7	70.0%
10. Digitas	$75.0	$110.0	68.2%

Source: Media Magazine, January 2002

036399 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

AdWeek's take on the top 10 agencies varies from *Media* magazine's, but many of the same firms appear on the list, such as Euro RSCG, OgilvyInteractive, Digitas, and Tribal DDB. More striking is the decrease in revenue for 6 of the 10 listed agencies.

Top 10 Interactive Advertising Agencies, Ranked by 2001 Revenue, 2000 & 2001 (in millions and as % increase/decrease vs. prior year)

Rank	Agency (Affiliation)	2001 (1)	2000 (2)	% Change
1	Euro RSCG Worldwide Interaction (Havas) (3)	$230.0	$152.0	51%
2	Grey Digital Marketing	$206.0	$216.5	-5%
3	Ogilvy Interactive (WPP)	$170.0	$150.0	13%
4	Digitas (4)	$165.0	$205.0	-20%
5	Modem Media (Interpublic)	$100.0	$134.3	-26%
6	Answerthink Interactive Marketing	$93.0	$163.0	-43%
7	Agency.com (Omnicom) (5)	$90.0	$185.0	-51%
8	Tribal DDB (Omnicom)	$65.0	$55.0	18%
9	Zentropy Partners (Interpublic)	$62.0	$68.0	-9%
10	R/GA (Interpublic)	$55.0	$54.0	2%

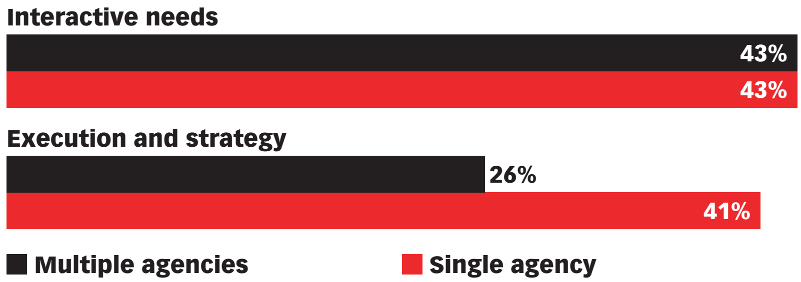
Note: (1) 2001 revenues projected; (2) 2000 revenues actual; (3) revenues impacted by merger/acquisition; (4) interactive revenues only; (5) does not include I-Traffic, includes Red Sky
Source: Adweek, February 2002

036781 ©2002 eMarketer, Inc. www.eMarketer.com

When it comes to the ins-and-outs of interactive marketing, advertisers are split on whether to remain monogamous with a single agency (at 43%) or spread the wealth among multiple agencies (at 43%). However, when execution and strategy expertise are sought, advertisers are more likely to go with a single agency.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Advertiser Preference for Using Single or Multiple Agencies for Interactive Marketing, 2001 (as a % of respondents)



Source: Jupiter Media Metrix, January 2002

035694 ©2002 eMarketer, Inc. www.eMarketer.com

"Regardless of whether the online advertising market has bottomed, the long-term future for digital marketing is extremely bright. And that bodes well for those companies that provide ad-deployment services, such as DoubleClick, or operate media sites, such as Yahoo."

– Scott Kessler, equity analyst, Standard & Poor's

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Among the internet advertising networks, pricing structures range from number one DoubleClick's impression (CPM) and hybrid deals to number two ValueClick's performance-based pricing mix of cost-per-click, -lead, -action, and -thousand. For the next two biggest networks, L90 and 24/7 Real Media, sponsorships are also stirred into the pricing mix.

Internet Advertising Networks, by Impressions and Pricing, 2001

Ad network	Number of sites	Impressions (actual/ potential)	Pricing structure
DoubleClick	700	10 billion*/ not supplied	CPM and hybrid deals
ValueClick	30,000	8.8 billion/ 12 billion	CPC, CPL, CPA and CPM
L90	600	7 billion/ 50 billion	Sponsorships, CPM, CPC, CPA and hybrid deals
24/7 Real Media	3,000	5.5 billion/ 9 billion	CPM, CPC, CPD and flat-rate sponsorships
Commission Junction	5,500	5 billion/ 50 billion	CPA
Advertising.com	1,700	4.8 billion/ 7 billion	CPM, CPC, CPA and hybrid deals
ClickAgents	4,200	3.6 billion/ 5 billion	CPC, CPL and CPA
Zonfire	315	3 billion/ 50 billion	CPM, CPC, CPE and CPP
BURST! Media	2,300	2 billion/ 10 billion	CPM
AdDynamix Pennyweb	3,000	1.5 billion/ 3 billion	CPC and CPM

*Note: *estimated*
Source: Media Post, December 2001

035424 ©2002 eMarketer, Inc. www.eMarketer.com

	Methodology	
I	Online Advertising Report: Update	
II	US Online Ad Market Size and Growth	
III	Perspective: Interactive Vs. Traditional Media	
IV	Formats Galore: The Online Ad Cornucopia	
V	Direct Response vs. Branding	
VI	Online Ad Pricing	
VII	Web Publishers (Where Ads Go)	
VIII	Web Advertisers (Who Runs Ads)	
IX	**Trend Watcher: Tools and Techniques**	**181**
	A. Interactive TV and Personal Video Recorders	**182**
	B. Internet Radio	**184**
	C. Wireless Advertising	**188**
	D. Instant Messaging	**194**
X	Market Fundamentals: Supporting the Growth of Online Advertising	
XI	Global Market Size and Growth	
	Appendices	

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Potential new markets often remain as just that: potential. Whether or not iTV or internet radio or wireless will become profitable advertising vehicles anytime in the near future is still up in the air, still potential.

A. Interactive TV and Personal Video Recorders

The potential locked into interactive television, combining the mass audience and penetration rates of TV with the give-and-take of the internet, makes it a mouth-watering target for both ad buyers and sellers.

With iTV households in the US rising to more than 58 million by 2005 (51.9% of all households), the advertising revenue from this channel should rise in sync. Revenues will escalate dramatically from $221 million in 2002 to $2.62 billion by 2005. The per-household iTV revenues will expand as well, growing to $45 annually by the same year.

US iTV Advertising Revenue, 2001-2005

	2001	2002	2003	2004	2005
iTV households (in millions)	12.7	22.1	33.4	45.7	58.2
Total TV advertising (in billions) ABN AMRO estimates	$54.9	$58.2	$61.9	$66.1	$72.8
TV households (in millions)	105	106	107	108	109
TV Advertising per TV household per year	$522	$549	$579	$612	$669
% of advertising per year that is iTV advertising	1.44%	1.82%	3.10%	4.90%	6.72%
iTV advertising per household per year	$7.50	$10.00	$18.00	$30.00	$45.00
Total iTV advertising revenue (in millions)	**$95.3**	**$221.0**	**$601.0**	**$1,356.0**	**$2,619**

Source: eMarketer, 2002

036912 ©2002 eMarketer, Inc. www.eMarketer.com

Personal Video Recorders

For interactive advertising, while technology gives with one hand (iTV), it potentially takes away with the other, in the form of personal video recorders (PVRs; also called digital video recorders). These devices allow users to watch the TV shows they want when they want them—and to easily bypass commercials. TiVo is probably the best known PVR; ReplayTV and Microsoft's UltimateTV are two other leading brands.

Bypass commercials? "Ouch!" in the shorthand of advertisers. For example, ReplayTV has an AutoSkip feature that allows users to avoid the commercials during playback. But for advertisers, PVRs may not be as simple a threat as they appear. According to a survey conducted by TiVo, the parts of the Super Bowl broadcast most frequently paused and replayed by TiVo users were the two Britney Spears commercials for Pepsi, even

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

more so than the last-second, game-winning field goal by New England Patriots kicker Adam Vinitieri.

Undoubtedly, that says more about the attraction of the commercial than the nature of PVRs and how most consumers use them. But, as PVRs grow in popularity, it might say something about what interactive ads need to succeed—entertainment.

However you look at it, PVRs will nail down a healthy share of US households; and by the nature of their cost, both initial and monthly subscription, mainly higher-income households. Counting all types of PVRs, Adams Media Research expects 14 million in the US by 2005. Forrester counters with 30.7 million the same year, while the Yankee Group says 11.5 million by 2004.

Watch it (because viewers will be). Because of PVRs, advertisers will want to look closely at the attractiveness of their ads, especially with the newer iTV ads, even before that medium takes off.

Comparative Estimates: US Personal Video Recorder (PVR) Subscribers, by Type of Delivery Platform, 2000-2005 (in millions)

	2000	2001	2002	2003	2004	2005
PVRs deployed by cable						
Adams Media Research, June 2001	0.0	0.4	1.2	2.9	4.4	7.1
Forrester Research, 2001	0.0	0.1	0.9	2.7	7.0	13.7
PVRs deployed by satellite						
Adams Media Research, June 2001	0.2	0.6	1.6	3.1	4.7	6.6
Forrester Research, 2001	0.1	0.3	0.8	2.1	5.3	7.7
Stand-alone PVRs						
Adams Media Research, June 2001	0.1	0.1	0.2	0.3	0.3	0.3
Forrester Research, 2001	0.1	0.5	1.8	4.2	7.1	9.3
All types of PVRs						
Adams Media Research, June 2001	0.3	1.1	2.9	6.3	9.4	14.0
Forrester Research, 2001	0.3	0.8	3.5	9.0	19.4	30.7
Yankee Group, 2001	–	0.9	2.4	5.6	11.5	–

Source: eMarketer, 2002; various, as noted, 2001

036670 ©2002 eMarketer, Inc. www.eMarketer.com

For a comprehensive worldwide view of the entire interactive television market, including iTV, PVRs, and more, see eMarketer's latest iTV Report at: http://www.emarketer.com/ereports/itv_reality/

Methodology

Online Advertising Report: Update

US Online Ad Market Size and Growth

Perspective: Interactive Vs. Traditional Media

Formats Galore: The Online Ad Cornucopia

Direct Response vs. Branding

Online Ad Pricing

Web Publishers (Where Ads Go)

Web Advertisers (Who Runs Ads)

Trend Watcher: Tools and Techniques

Market Fundamentals: Supporting the Growth of Online Advertising

Global Market Size and Growth

Appendices

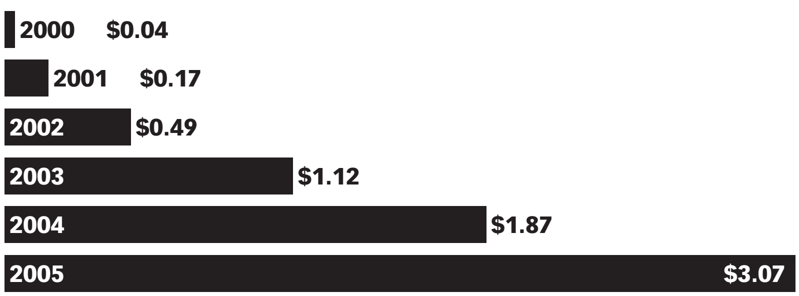
B. Internet Radio

One of the fast-growth forms of streaming media is internet radio (aka, online radio). Whether launched by traditional on-air stations looking for a medium that helps them pick up additional listeners beyond their geographic scope, or new digital-only stations taking advantage of new markets, internet radio is another potential interactive-ad vehicle in the making. Just like other streams of rich media, internet radio is more feasible for users with broadband access than narrowband.

MeasureCast Inc., a measuring company that provides internet radio broadcasters with data about audience size and demographics, reports a nearly 500% increase in the total number of hours streamed from January 2001 to January 2002.

With streaming media ad spending expected to reach more than $3 billion in 2005, according to the Yankee Group, internet radio is poised to pull its share of this market.

US Streaming Media-Enabled Advertising Spending Forecast, 2000-2005 (in billions)



Source: Yankee Group, June 2001

036839 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

The market itself appears strong, with the leading internet radio network, Warp Radio, streaming over 13 million hours during 2001. As you can see from the list of top 10 internet radio networks, it's a mix of traditional broadcasters, like ABC Radio, and internet-only networks, like SurferNETWORK.

Top 10 Internet Radio Networks Worldwide, 2001 (by hours streamed)

Rank	Network	TTSL*
1	Warp Radio	13,421,426
2	CableMusic	7,792,672
3	ABC Radio	7,781,323
4	SurferNETWORK	7,727,019
5	MEDIAmazing	6,394,644
6	StreamAudio	6,141,335
7	Oneplace	5,736,288
8	Virgin Radio	5,177,342
9	JazzFM	3,060,837
10	RadioMargaritaville	2,897,064

*Note: *TTSL (Total Time Spent Listening) is the total number of hours streamed by the broadcaster in the reported time period*
Source: MeasureCast, 2002

036840 ©2002 eMarketer, Inc. www.eMarketer.com

Another take on the internet radio market comes from Arbitron, which measures not the hours streamed (the radio's point of view) but the actual hours listened to (the user's point of view). That difference, plus the different time periods measured, accounts for the fact that only three internet radio networks are on both top 10 lists: MEDIAmazing, ABC Radio, and CableMusic.

Top 10 Internet Radio Networks in the US, January 2002 (in hours)

	Current ATH*
1. Live365	5,702,600
2. ChainCast Networks/StreamAudio	2,124,400
3. SMG PLC	1,336,100
4. Public Interactive	867,700
5. MEDIAmazing	778,100
6. Classic Radio, Inc.	581,400
7. Entercom Communications	551,200
8. Cablemusic Networks, Inc	508,100
9. ABC Radio	389,000
10. New York Times	384,200

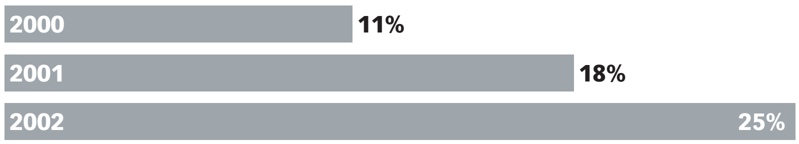
*Note: *Aggregate Tuning Hours is the sum total of all hours that listeners tune to a given network*
Source: Arbitron, January 2002

037326 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

And more and more Americans over the age of 12 listen to internet radio, with the percentage jumping from 11% to 25% in the three years shown below, a gain of 14 points in only three years.

Americans Who Have Listened to Internet Radio, 2000-2002 (as a % of total US population)

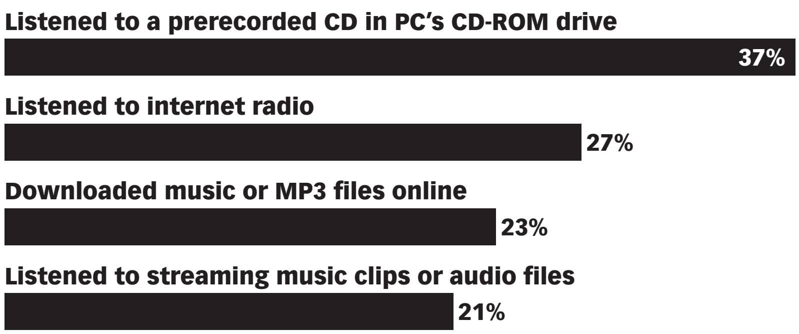


Note: Figures as of January, each year
Source: Arbitron/Edison Media Research, February 2002

037215 ©2002 eMarketer, Inc. www.eMarketer.com

In fact, with all the hullabaloo during the past year or two about Napster and MP3 files, more Americans listened to internet radio (at 27%) than downloaded music files (at 23%). These numbers are based on a survey of 1,112 people conducted in November and December 2001 by Ipsos-Reid.

People in the US Who Have Ever Experienced Selected Types of Digital Music, 2001 (as a % of respondents*)



*Note: *n=1,112*
Source: Ipsos-Reid, February 2002

036205 ©2002 eMarketer, Inc. www.eMarketer.com

"Our business relies heavily on advertising, which is not at its best state at the moment. We are basically a two-man operation, and it's hard to keep paying the bills month after month. We have had some profitable months, but we don't have an internal sales force to go out there and knock on doors."

– Henry Callie, co-owner, MEDIAmazing

Methodology

Online Advertising Report: Update

US Online Ad Market Size and Growth

Perspective: Interactive Vs. Traditional Media

Formats Galore: The Online Ad Cornucopia

Direct Response vs. Branding

Online Ad Pricing

Web Publishers (Where Ads Go)

Web Advertisers (Who Runs Ads)

Trend Watcher: Tools and Techniques

Market Fundamentals: Supporting the Growth of Online Advertising

Global Market Size and Growth

Appendices

With all that, the anecdotal evidence for today's internet radio ad sales is bleak. As reported in early January 2002 in the *San Jose Mercury News*: "As the money dries up, the ad agencies are going to want to put the money where they're almost guaranteed results. They go to newspapers, to radio, to television. And if anything is left, they go to the internet sector," said George Bundy, chief executive of BRS Media, a San Francisco consulting firm that specializes in streaming media. "That extra money has tended to dry up…and internet radio and internet streaming sales are almost non-existent."

Furthermore, Arbitron did a study that showed 95% of Americans listen to broadcast radio for at least five minutes per week. The equivalent percentage for internet radio drops to 8%.

Finally, while larger audiences typically draw in more advertising, internet radio bears an inverse relationship between its costs and its size. Unlike broadcasting, which costs less as the audience and the ad base grows, webcasting costs more. The more listeners an internet station gets, the higher its overhead, since each user needs an individual audio stream. Extra bandwidth and additional servers must be purchased to accommodate a growing listener base. Those increased costs would appear to mean increased prices for internet radio ads, which then limits the amount of ads purchased. Right now, this more-listeners/greater-costs/higher-ad-prices conundrum appears as a vicious cycle, ready to stymie the new medium's full growth.

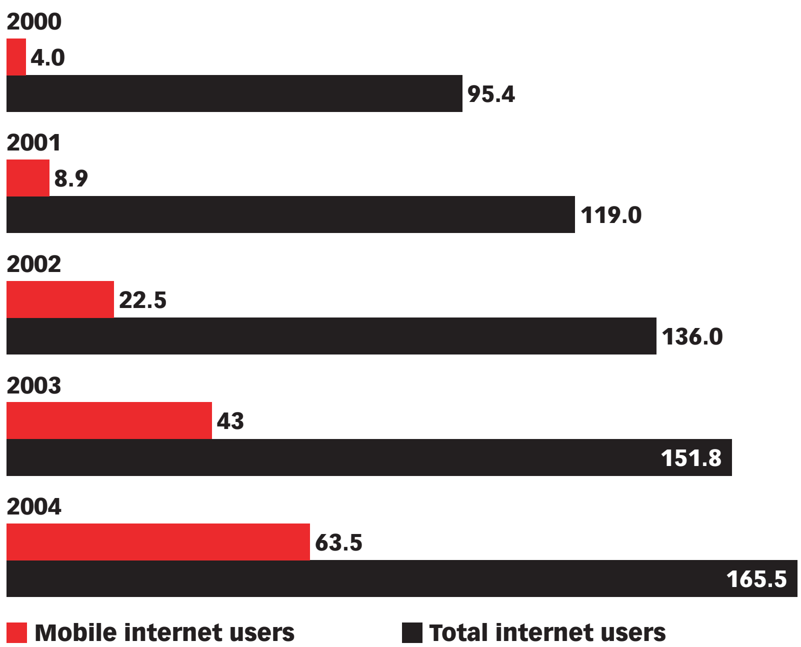
Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

C. Wireless Advertising

The advertising potential locked into cell phones, pagers, PDAs, and other wireless devices has caused many people in the interactive ad industry to salivate—and to wonder how and when it will become unlocked. The market for mobile advertising is tremendous, with an estimated 130 million total US cell phone subscribers as of early 2002, according to the Cellular Telecommunications and Internet Association. (With the US population at nearly 286.5 million, that means 45% of all Americans are cell-enabled.)

A key to the potential success of wireless advertising is the growth of mobile internet access. By 2004, there will be 63.5 million mobile internet users in the US, which translates to 38.4% of all internet users, more than double the 16.5% share in 2002.

Mobile and Total Internet Users in the US, 2000-2004 (in millions)



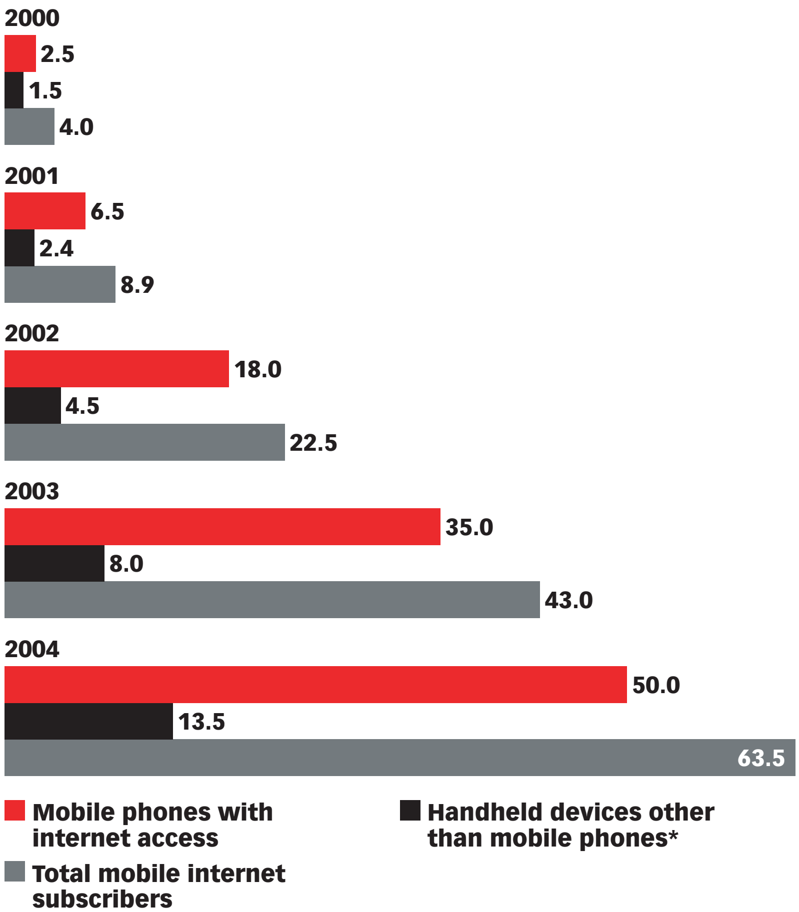
Note: Total internet users covers all users accessing the internet at home, work and with any device. Mobile users are defined as those users accessing the internet and advanced messaging services (other than SMS) through mobile phones, PDAs, and two-way pagers
Source: eMarketer, November 2001

035738 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Looking at how mobile access breaks out, by phone or by other handheld devices, it's clear that cell is the main way mobile internet users will log-on.

Mobile Internet Subscribers in the US, by Device, 2000-2004 (in millions)



*Note: *this includes PDAs and advanced two-way pagers*
Source: eMarketer, 2001

035739 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

All that mobile device growth leads to various projections of US mobile advertising spending. Being an undeveloped industry, the estimated range is fairly large. By 2005, Jupiter Research and Forrester Research both expect mobile advertising spending to be in the sub-billion dollar range. Others, however, are more optimistic.

Comparative Estimates: US Wireless Advertising Spending, 2000, 2002, 2003 & 2005 (in millions)

	2000	2002	2003	2005
Forrester Research, 2001	$0	$27	$159	$891
Jupiter Research, 2001	$0	–	–	$700
Myers Group, 2001	–	–	–	$2,600
Ovum, 2000	$4	$363	$1,212	$4,218
The Kelsey Group	–	–	–	$6,800
Yankee Group, 2001	$7	$409	$1,271	$6,100

Source: eMarketer; various, as noted, 2000 & 2001

037345 ©2002 eMarketer, Inc. www.**eMarketer**.com

According to a survey conducted in July 2001 by the ARC Group, the two most critical factors in the potential development of mobile advertising are making it a personalized medium (at 66%) and the possibility of immediate response (at 48%). Note that the majority of the 388 mobile advertising professionals who responded to the survey were from Europe.

Drivers in the Development of Mobile Advertising

	1 (critical)	2	3	4 (low priority)
A personalized medium	66.00%	26.60%	5.30%	2.00%
'Call to Action' (i.e. immediate response possible)	48.00%	41.40%	9.00%	1.60%
Interactive profiling	37.70%	45.50%	14.80%	2.00%
Appeals to younger consumers	23.00%	46.30%	26.20%	4.50%
One to many communication	16.00%	40.60%	31.60%	11.90%
Location specific	44.70%	40.20%	11.10%	4.10%
Other	9.80%	8.20%	35.70%	46.30%

Note: Question asked of respondents that specified they were knowledgeable about mobile advertising
Source: ARC Group, July 2001

031676 ©2001 eMarketer, Inc. www.**eMarketer**.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Whether or not US consumers are willing to receive mobile advertising remains an unanswered question. With 71% of all mobile users indicating in a survey from The Strategis Group that they're not willing, the signs are far from positive. However, with 45% of the users ages 18 to 29 willing to receive wireless ads, perhaps mobile advertisers should target the younger generation.

Willingness to Receive Mobile Advertising among US Consumers, 2001

	Willing	Not willing
All mobile users	29%	71%
Age		
18-29	45%	55%
30-44	26%	74%
45-54	21%	79%
55+	25%	75%
Income		
Under $40,000	42%	58%
$40,000 - $80,000	30%	70%
$80,000 and above	21%	79%
Gender		
Male	28%	72%
Female	29%	71%

Source: The Strategis Group, 2001

030421 ©2001 eMarketer, Inc. www.eMarketer.com

That said, half of US online users are not at all interested in accepting advertising over a wireless device—even in exchange for cost breaks (which, last we looked, were not being offered by too many wireless providers). And only 34% were even somewhat interested in such an exchange.

US Online Users' Interest in Accepting Advertising over Wireless Devices in Exchange for Cost Breaks, 2001

Source: Andersen/Knowledge Systems & Research, Inc., January 2002

035932 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

And the same group of 388 mobile advertising professionals surveyed by the ARC Group see the potential intrusiveness of mobile advertising (at 51.4%)—the flip side of the desire for a "personalized medium"—as the main barrier to the development of the wireless ad industry.

Barriers to the Development of Mobile Advertising, 2001

	1 (high impact)	2	3	4 (low impact)
Text-based/ limited graphics	38.00%	33.10%	22.00%	6.90%
Small format/ screens	38.80%	37.10%	20.80%	3.30%
Intrusive/ invades privacy	51.40%	25.70%	16.70%	6.10%
Not good for brand building	10.20%	25.30%	40.80%	23.70%
New, untried medium	25.30%	31.80%	31.80%	11.00%
No industry standards	22.90%	36.70%	33.10%	7.30%
Bandwidth limitations	27.80%	33.90%	27.30%	11.00%
Payment security	31.80%	34.70%	22.40%	11.00%
Handset usability	41.60%	39.20%	12.20%	6.90%
Other	8.20%	4.90%	36.70%	50.20%

Note: Question asked of respondents that specified they were knowledgeable about mobile advertising
Source: ARC Group, July 2001

031677 ©2001 eMarketer, Inc. www.eMarketer.com

Finally, the potential of wireless advertising will stay small as long as elements such as small screens, unwillingness to accept such ads, and limited bandwidth remain in the way.

The Case Against Wireless Advertising in the US, 2002

Only 6% of those online in US use their mobile phones to access the web (1)
2/3 of US households have no interest in making wireless purchases (2)
71% are unwilling to receive mobile advertising (3)
The screens are tiny
Inputting data is a hassle
Bandwidth is limiting
No standards (many competing phone and service platforms)
Phones are a highly personal thing

Note: 1) Accenture, 2001; 2) Forrester Research, 2000; 3) Strategis Group, 2001
Source: eMarketer, February 2002; various, as noted, 2000 & 2001

036969 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

For more about the promise and perils of the wireless market, see eMarketer's North American Wireless Report at: http://www.emarketer.com/ereports/wireless_na/welcome.html

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

D. Instant Messaging

One other vehicle that has the potential to increase the interactive advertising market is instant messaging (IM), which more and more people use to supplement e-mail, or in some cases, to supplant it. America Online's IM application (AIM) is the leading player, followed by Yahoo! Messenger and Microsoft's MSN Messenger.

Among at-work users, there was a 5-point gain from 2000 to 2001 among total IM participants. The opening screen of IM gives advertisers the greatest potential for ads, but as of early 2002, this is a virtually untapped market.

US Work Users of Instant Messaging, September 2000 & September 2001 (as a % of users that used at least one competing service)

	September 2000	September 2001	% change
Unduplicated total of AOL, Yahoo! and MSN Messaging	18%	23%	5%
Unduplicated Total of AOL Messaging*	21%	30%	9%
AOL Proprietary Messenger	14%	23%	9%
AOL Instant Messenger (AIM) Standalone	24%	33%	9%
ICQ Chat	36%	49%	13%
Yahoo! Messenger	57%	59%	2%
MSN Messenger	45%	44%	-1%

*Note: *includes AOL Proprietary Messenger, AOL Instant Messenger and ICQ Chat Application*
Source: Jupiter Media Metrix, November 2001

034382 ©2001 eMarketer, Inc. www.eMarketer.com

	Methodology	
I	Online Advertising Report: Update	
II	US Online Ad Market Size and Growth	
III	Perspective: Interactive Vs. Traditional Media	
IV	Formats Galore: The Online Ad Cornucopia	
V	Direct Response vs. Branding	
VI	Online Ad Pricing	
VII	Web Publishers (Where Ads Go)	
VIII	Web Advertisers (Who Runs Ads)	
IX	Trend Watcher: Tools and Techniques	
X	**Market Fundamentals: Supporting the Growth of Online Advertising**	**195**
	A. Number of Internet Users Growing	**196**
	B. Increased Broadband Penetration	**199**
	C. More People Shopping and Buying Online	**202**
	D. Heavy Internet Use by Upper Income Professionals and Other "Attractive" Target Groups	**204**
XI	Global Market Size and Growth	215
	Appendices	255

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

A look at the market fundamentals, and the supporting market research data behind them, indicates that online advertising is destined to grow over the next several years. In the US, and around the world, we will see a growing number of internet users, including upper-income professionals who tend to spend more time and money online. More of these users will be accessing the internet through an always-on broadband connection, allowing for greater interactivity and new possibilities for rich media. And as more people get online, the research shows, they spend more dollars. In addition, several heavy user groups continue to represent highly attractive targets to marketers.

A. Number of Internet Users Growing

Size matters. Most researchers agree that the number of internet users will continue to climb steadily over the next few years. And as the internet continues to improve its reach, online ad dollars will begin to flow from the traditional advertisers looking to interact with consumers on a deeper level and enhance their brands.

Worldwide, the number of internet users will more than double, from 352 million in 2000 to 709.1 million by 2004. The online population in the US and Canada will jump from 108.1 million in 2000 to 184.5 million by 2004, which represents a 70.7% gain in that five-year span. By 2004, 58% of the entire North American population will be online.

Internet Users Worldwide, by Region, 2000-2004 (in millions)

	2000*	2001	2002	2003	2004	CAGR** 2000-2004
North America***	108.1	133.4	152.0	169.3	184.5	14.3%
Europe	100.9	139.3	170.7	196.2	221.1	21.7%
Asia-Pacific	123.3	145.9	168.0	205.0	232.1	17.1%
Latin America	15.8	22.0	32.0	43.4	60.6	39.9%
Africa	4.1	5.3	7.2	9.0	10.9	27.7%
Total Worldwide	**352.2**	**445.9**	**529.9**	**622.9**	**709.1**	**19.1%**

*Note: *eMarketer's year 2000 baseline is from the International Telecommunication Union's estimate of internet users aged 2 years and older, who have accessed the internet within the previous 30 days; **Compound Annual Growth Rate; ***North America includes the US and Canada. Mexico is included in Latin America*
Source: eMarketer, December 2001

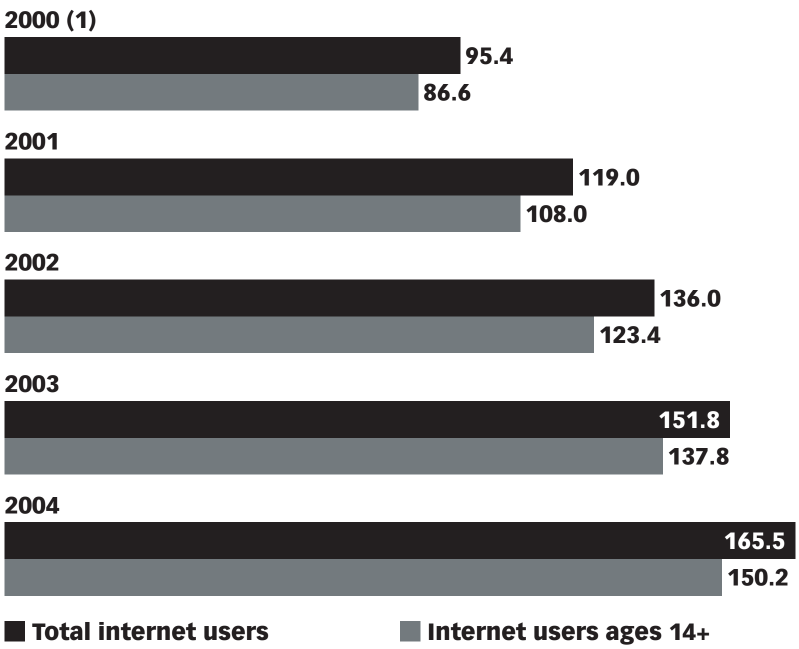
034873 ©2001 eMarketer, Inc. www.eMarketer.com

Once people start going online, they go often and regularly. According to the latest figures from the US Department of Commerce, as of September 2001, 143 million Americans (age 3 or older), or 53.9% of the population, use the internet.

And there's no question the internet audience is increasing steadily. In the US alone, the number of internet users will grow from 119 million in 2001 to 165.5 million by 2005.

Both total internet users and those age 14 or older have increased by more than 73% in the five-year period shown. More importantly, the penetration rate for marketing-eligible internet users (ages 14 or older) is already more than half of the population, and will jump to almost two-thirds by 2004.

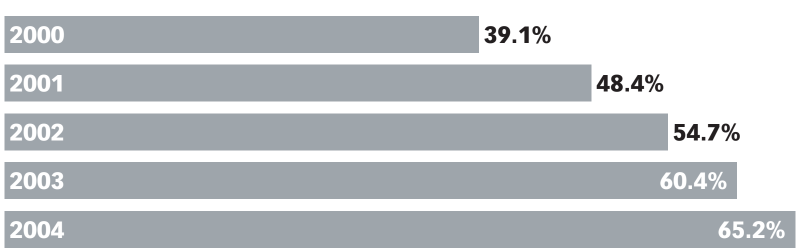
Total US Internet Users and Internet Users Ages 14+, 2000-2004 (in millions)



Source: eMarketer, based on 2000 baseline figures from the ITU; (1) International Telecommunication Union (ITU) estimates, 2002

036404 ©2002 eMarketer, Inc. www.**eMarketer**.com

Penetration Rate of US Internet Users Ages 14+, 2000-2004



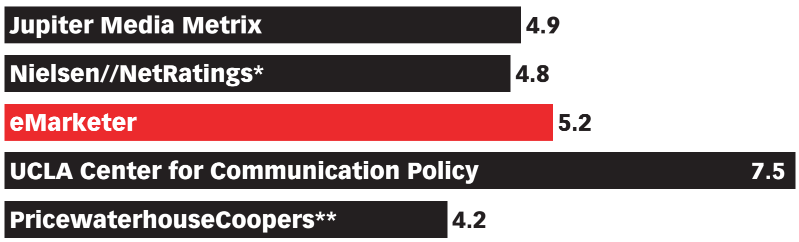
Source: eMarketer, 2002

036405 ©2002 eMarketer, Inc. www.**eMarketer**.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

And as more Americans go online, they spend more time there, too. US internet users spend, on average, 5.2 hours per week online.

Comparative Estimates: Average Time Spent Online per Week for US Internet Users, 2001 (in hours)



*Note: *home & work average of May & June 2001;**2000*
Source: eMarketer, 2002; various, as noted, 2000 & 2001

035995 ©2002 eMarketer, Inc. www.eMarketer.com

For more information, statistics and analysis about internet user growth, online demographics and usage patterns in the US and Canada, see eMarketer's North America Online report, at http://www.emarketer.com/ereports/online_no_am/welcome.html

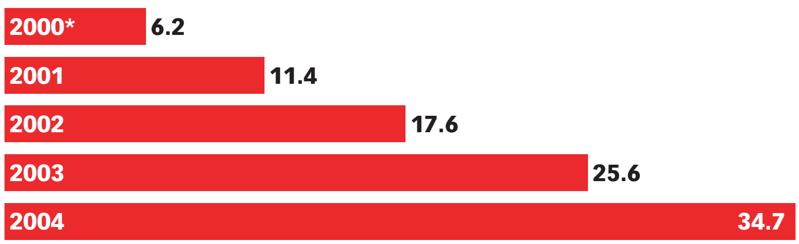
Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

B. Increased Broadband Penetration

Another truism that drives e-commerce and internet advertising alike is the increased adoption of broadband access. Simply put: the faster pages load, the more people spend time online, the more they do online, and the more they view online.

The number of broadband households in the US will rise from 11.4 million last year to 34.7 million by 2004. By that year, broadband's share of total US online households will reach nearly 45%.

Broadband Households in the US, 2000-2004 (in millions)



*Note: *eMarketer broadband household baseline 2000 figure (end of year) is based on the Organization for Economic Cooperation and Development (OECD) data*
Source: eMarketer, 2001

035956 ©2002 eMarketer, Inc. www.eMarketer.com

Broadband Internet Access in the US, 2000, 2002 & 2004 (as a % of total internet access)

Source: eMarketer, December 2001

035887 ©2002 eMarketer, Inc. www.eMarketer.com

That 34.7 million count translates to a strong 460% growth rate for the five years from 2000 to 2004. And don't forget, given the current premium associated with broadband access, behind most fatter pipes are fatter wallets.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

The transforming power of broadband happens quickly. A Nielsen//NetRatings study shows that in a mere six months, before and after broadband, the pages viewed per person rises by 55%, while time spent online increases by 23%.

How Broadband Changes US Home Internet Usage, January & July 2001 (in millions)

	Before broadband (January 2001)	After broadband (July 2001)	Change
Page views	2.4 billion	5.5 billion	130%
Pages per person	757	1,170	55%
Sessions	22.03	27.5	25%
Time spent online per person (hr:min:sec)	12:21:50	15:14:00	23%

Source: Nielsen//NetRatings, July 2001

033727 ©2001 eMarketer, Inc. www.eMarketer.com

The demographics of broadband users also appeal to marketers. The broadband set has a household income that averages 63% higher than for narrowband users. They also spend 83% more hours online weekly, and are significantly more likely to have made an internet purchase in the last year.

Characteristics of a Broadband User in the US, 2000

	Broadband	Narrowband
Household income	$65,000	$40,000
Hours spent online per week	22	12
Made an internet purchase in the last year	44%	27%

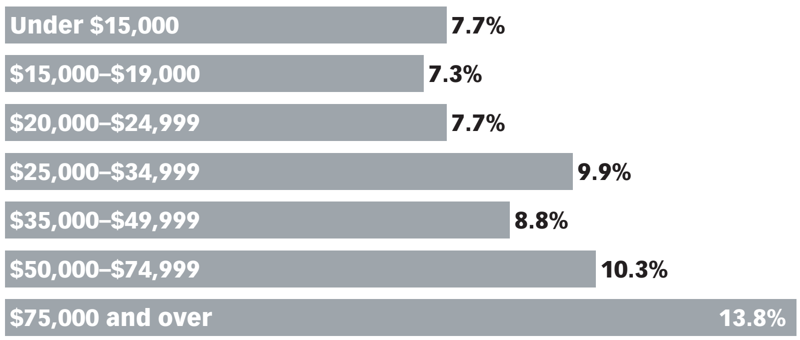
Source: Excite@Home.com, 2000; Network33.com, 2000

036112 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

The government agrees. The US Department of Commerce, in its demographic study “Falling Through the Net: Toward Digital Inclusion,” confirms the close relationship between household income and broadband adoption.

Households with Broadband Access in the US, by Income, 2000



Source: US Department of Commerce, 2000

022454 ©2001 eMarketer, Inc. www.eMarketer.com

More anecdotally, look at the series of ads that Fallon, a Minneapolis-based agency, made where it hired major movie directors such as Ang Lee and John Frankenheimer to produce a series of short movies featuring BMWs. The web became the main vehicle to deliver these rich-media ads to the car manufacturer’s target audience, which tends to have high-speed internet connections. Rich-media, broadband, higher income—all come together.

High-speed is becoming a high priority for governments and businesses. For a thorough analysis of the global broadband market, read eMarketer’s Broadband Report at http://www.emarketer.com/ereports/broadband/welcome.html

Methodology

Online Advertising Report: Update

US Online Ad Market Size and Growth

Perspective: Interactive Vs. Traditional Media

Formats Galore: The Online Ad Cornucopia

Direct Response vs. Branding

Online Ad Pricing

Web Publishers (Where Ads Go)

Web Advertisers (Who Runs Ads)

Trend Watcher: Tools and Techniques

Market Fundamentals: Supporting the Growth of Online Advertising

Global Market Size and Growth

Appendices

C. More People Shopping and Buying Online

With more people making more purchases online, advertising to them through the same media will become a "no-brainer" for most marketers. Hit 'em where they shop, as they shop, with ads targeted to their indicated interests. And even when people choose not to make the actual purchases online, they often initiate their shopping on the internet and then complete it offline.

The number of US online buyers will increase as a share of all internet users from 53.2% in 2001 to just shy of 60% by 2004, when there will be 90 million people purchasing online. And shopping on the internet is becoming almost de rigueur, with 82.0% of users 14 or older browsing and getting product information online by 2004.

US Consumer Online Buying and Shopping Grid, 2000-2004 (in millions and % penetration)

	2000	2001	2002	2003	2004
Internet users*					
US population aged 14+ (US Census)	221.3	223.2	225.6	228.0	230.5
Total US internet users	95.4	119.0	136.0	151.8	165.5
Internet users aged 14+	86.6	108.0	123.4	137.8	150.2
Online penetration among population aged 14+	39.1%	48.4%	54.7%	60.4%	65.2%
Shoppers					
% Internet users aged 14+	73.0%	77.0%	79.0%	81.0%	82.0%
Shoppers aged 14+	63.2	83.2	97.5	111.6	123.2
Buyers					
% Internet users aged 14+	48.5%	53.2%	55.8%	58.3%	59.9%
Buyers aged 14+	42.0	57.5	68.9	80.3	90.0
Average annual purchase per online buyer	$969.02	$880.67	$1,089.21	$1,248.48	$1,400.47
Total US B2C e-commerce revenues (incl. online travel)**	**$40,700**	**$50,600**	**$75,000**	**$100,300**	**$126,000**

*Note: *eMarketer's internet user figures are based on the International Telecommunication Union (ITU) baseline figure of 95.4 million internet users for 2000; the age 14+ group represents roughly 90% of all users according to the August 2000 US Department of Commerce survey; **eMarketer benchmarks its B2C retail revenue figures against US Department of Commerce data, for which the last period measured was Q4 2001; the travel component was formulated based on aggregated data*
Source: eMarketer, December 2001; various, as noted, 2000 & 2001

034922 ©2001 eMarketer, Inc. www.eMarketer.com

Methodology

Online Advertising Report: Update

US Online Ad Market Size and Growth

Perspective: Interactive Vs. Traditional Media

Formats Galore: The Online Ad Cornucopia

Direct Response vs. Branding

Online Ad Pricing

Web Publishers (Where Ads Go)

Web Advertisers (Who Runs Ads)

Trend Watcher: Tools and Techniques

Market Fundamentals: Supporting the Growth of Online Advertising

Global Market Size and Growth

Appendices

Methodology

Online Advertising Report: Update

US Online Ad Market Size and Growth

Perspective: Interactive Vs. Traditional Media

Formats Galore: The Online Ad Cornucopia

Direct Response vs. Branding

Online Ad Pricing

Web Publishers (Where Ads Go)

Web Advertisers (Who Runs Ads)

Trend Watcher: Tools and Techniques

Market Fundamentals: Supporting the Growth of Online Advertising

Global Market Size and Growth

Appendices

D. Heavy Internet Use by Upper Income Professionals and Other "Attractive" Target Groups

The US Department of Commerce, in their September 2001 survey report, "A Nation Online," paints a descriptive demographic picture of today's American internet user.

While the online population closely mirrors the overall US population in terms of gender and age, minority groups such as blacks and Hispanics are still less likely to be wired as compared with whites and Asian-Americans.

Income and education, however, stick out as variables that distinguish between those online and not online. According to the Commerce Department, as income and education level go up so does the likelihood of being online.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Snapshot Profile of US Internet User Demographics, September 2001

	Number (millions)	Distribution	Penetration
Total internet users	**142.8**		
Gender			
Male	69.6	48.7%	53.9%
Female	73.2	51.3%	53.8%
Race/origin			
White	111.9	78.4%	59.9%
Black	13.2	9.2%	39.8%
Asian American and Pacific Islander	6.5	4.5%	60.4%
Hispanic	10.1	7.1%	31.6%
Family income			
<$15,000	7.8	6.3%	25.0%
$15,000-$24,999	8.9	7.1%	33.4%
$25,000-$34,999	12.6	10.1%	44.1%
$35,000-$49,999	20.6	16.5%	57.1%
$50,000-$74,999	30.1	24.2%	67.3%
$75,000 and above	44.5	35.7%	78.9%
Educational Attainment			
Less than high school (1)	3.5	3.8%	12.8%
High school diploma (1)	22.8	24.5%	39.8%
Some college (1)	28.3	30.5%	62.4%
Bachelors degree(1)	24.7	26.6%	80.8%
Beyond Bachelors degree (1)	13.6	14.6%	83.7%
Age group			
Age 3-8	6.6	4.6%	27.9%
Age 9-17	25.5	17.9%	68.6%
Age 18-24	17.7	12.4%	65.0%
Age 25-49	65.1	45.6%	63.9%
Age 50+	27.9	19.5%	37.1%

Note: (1) Age 25 and older
Source: US Department of Commerce, February 2002

036860 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

So what's intuitively true is also statistically true: The more money you earn, the more likely you are to spend time online, are shown by the Commerce Department figures. In the US, nearly 79% of those with incomes above $75,000 go online, compared to about 67% of those with incomes between $50,000 and $75,000. And when compared to year 2000 figures, the penetration of US internet users among those with incomes of $75,000 or more has increased by 8.8 points, from 70.1% to 78.9%

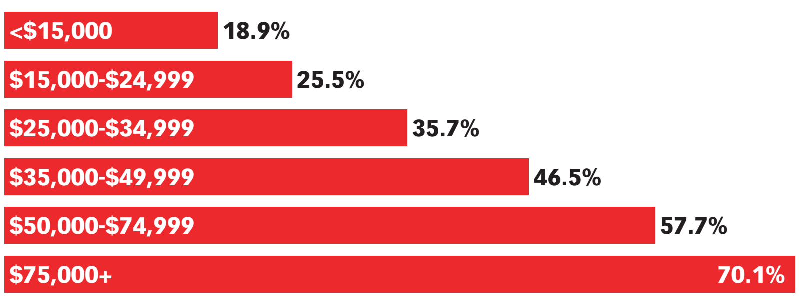
Internet Users in the US, by Family Income, September 2001 (in millions and penetration)

Less than $15,000	7.8	25.0%
$15,000 - $24,999	8.9	33.4%
$25,000 - $34,999	12.6	44.1%
$35,000 - $49,999	20.6	57.1%
$50,000 - $74,999	30.1	67.3%
$75,000 & above	44.5	78.9%

Source: US Department of Commerce, February 2002

036353 ©2002 eMarketer, Inc. www.eMarketer.com

US Internet Users, by Income, 2000

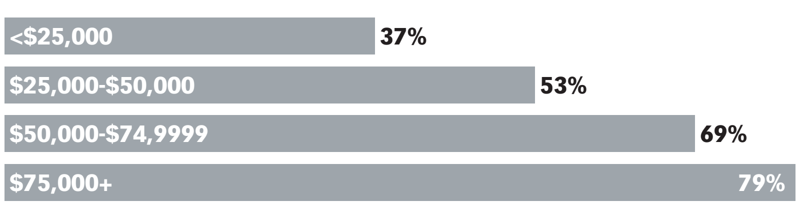


Source: US Department of Commerce, 2000

020262 ©2001 eMarketer, Inc. www.eMarketer.com

More recent data from Scarborough Research supports the connection between higher income and going online, but shows an even greater percentage (79%) of $75,000+ income people with internet access.

US Internet Penetration, by Income, 2001 (as a % of each income bracket)



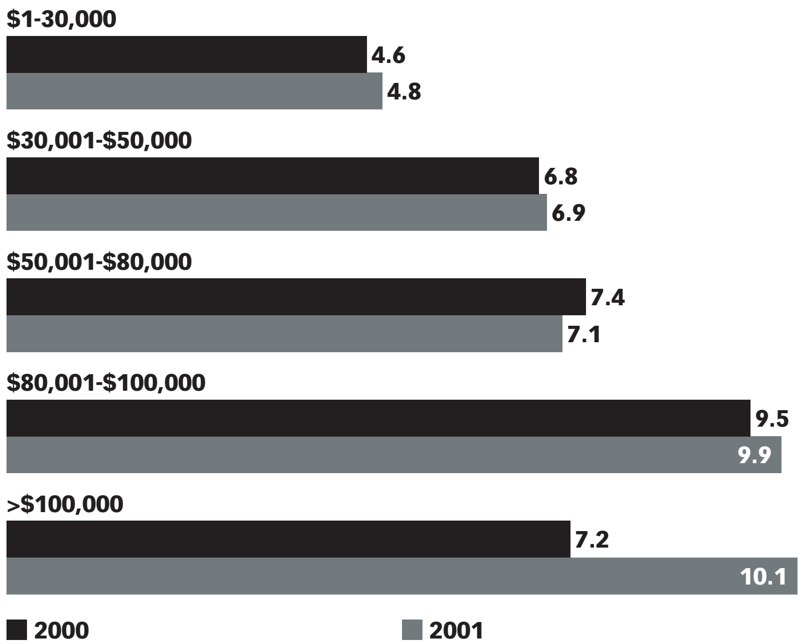
Source: Scarborough Research, 2001

035981 ©2002 eMarketer, Inc. www.eMarketer.com

Higher income levels also correlate with more time spent online. In fact, the gain in average hours per week spent on the internet from 2000 to 2001 was largest for upper-income individuals, at 40.3%, while it hovered under 5% for all other income groups.

The 2001 report questioned over 2,000 US households and gathered responses from internet users and non-users during May and July 2001.

Time Spent on the Internet in the US, by Income Level, 2000 & 2001 (in average hours per week)



Source: UCLA Center For Communication Policy, November 2001

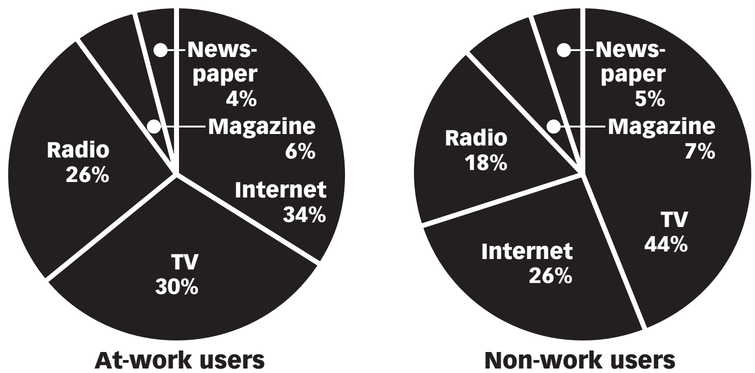
034823 ©2001 eMarketer, Inc. www.eMarketer.com

Research from Millward Brown and the Online Publishers Association (OPA) also shows that at-work users spend relatively more time online than do people who access only at home. For at-work users, the internet beats all other media, including television, for weekly time spent online; specifically, at-work users, the majority of whom have broadband connections, spend 34% of their time with the internet as compared with only 30% watching television.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Moreover, whether at work or at home, internet users spend more time online than they do with radio, newspapers, and magazines.

US Media Consumption by At-Work and Non-Work Users, by Media Type, 2001 (as a % of at-work and non-work users*)



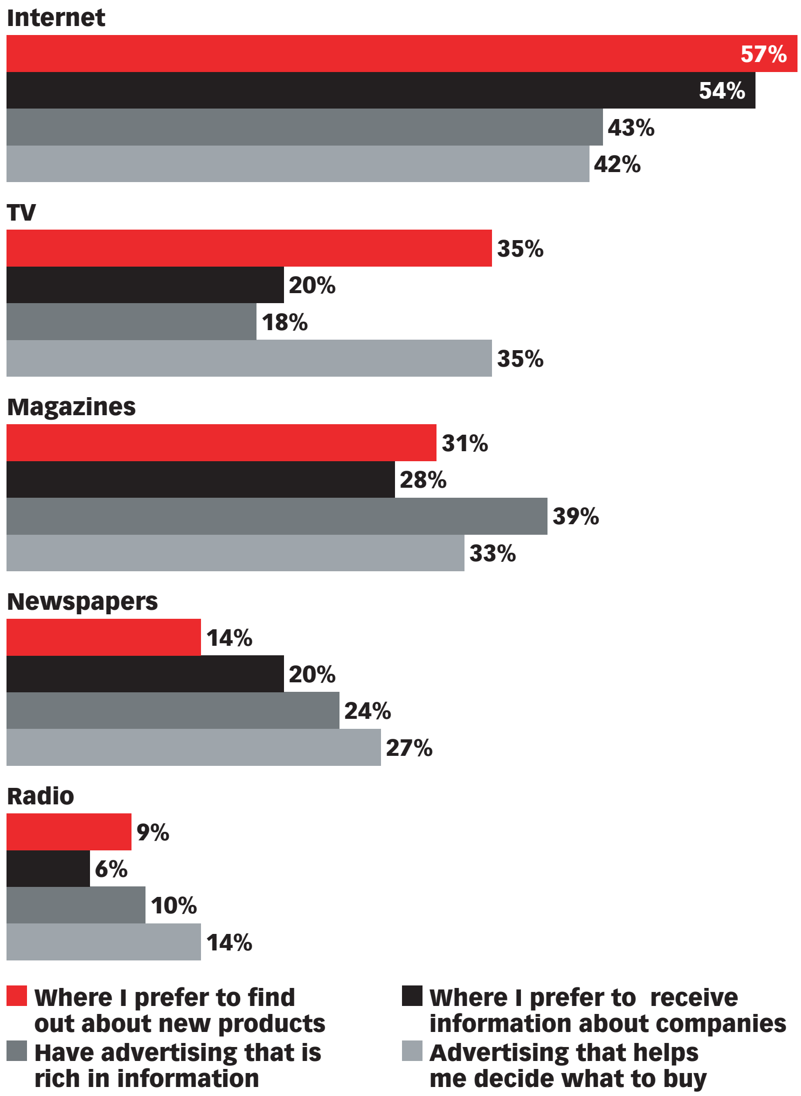
*Note: *n=755 at-work users and 272 non-work users*
Source: Millward Brown Intelliquest, Online Publishers Association (OPA), November 2001

035433 ©2002 eMarketer, Inc. www.eMarketer.com

That same Millward Brown/OPA survey indicates that the online audience prefers the internet for its advertising. As seen below, for at-work users, the internet comes out on top over TV, magazines, newspapers, and radio in four rationales for advertising. Finding out about new products and information about companies is a web-focused endeavor, according to more than 50% of respondents. And 42% claimed that online ads help them decide what to buy, versus only 35% saying the same for TV ads.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Attitudes of US At-Work Users Towards Advertising, by Media Type, 2001 (as a % of at-work users*)



*Note: *n=755 at-work users*
Source: Millward Brown Intelliquest, Online Publishers Association (OPA), November 2001

035450 ©2002 eMarketer, Inc. www.eMarketer.com

In general, the typically higher-income at-work users demonstrate more positive attitudes toward online advertising. For instance, at-work users are more likely than non-work users to:

- say that online advertising helps them decide what to buy;
- believe that modern and up-to-date brands advertise online;
- think online advertising is rich in information; and
- find that successful brands advertise online.

Methodology

Online Advertising Report: Update

US Online Ad Market Size and Growth

Perspective: Interactive Vs. Traditional Media

Formats Galore: The Online Ad Cornucopia

Direct Response vs. Branding

Online Ad Pricing

Web Publishers (Where Ads Go)

Web Advertisers (Who Runs Ads)

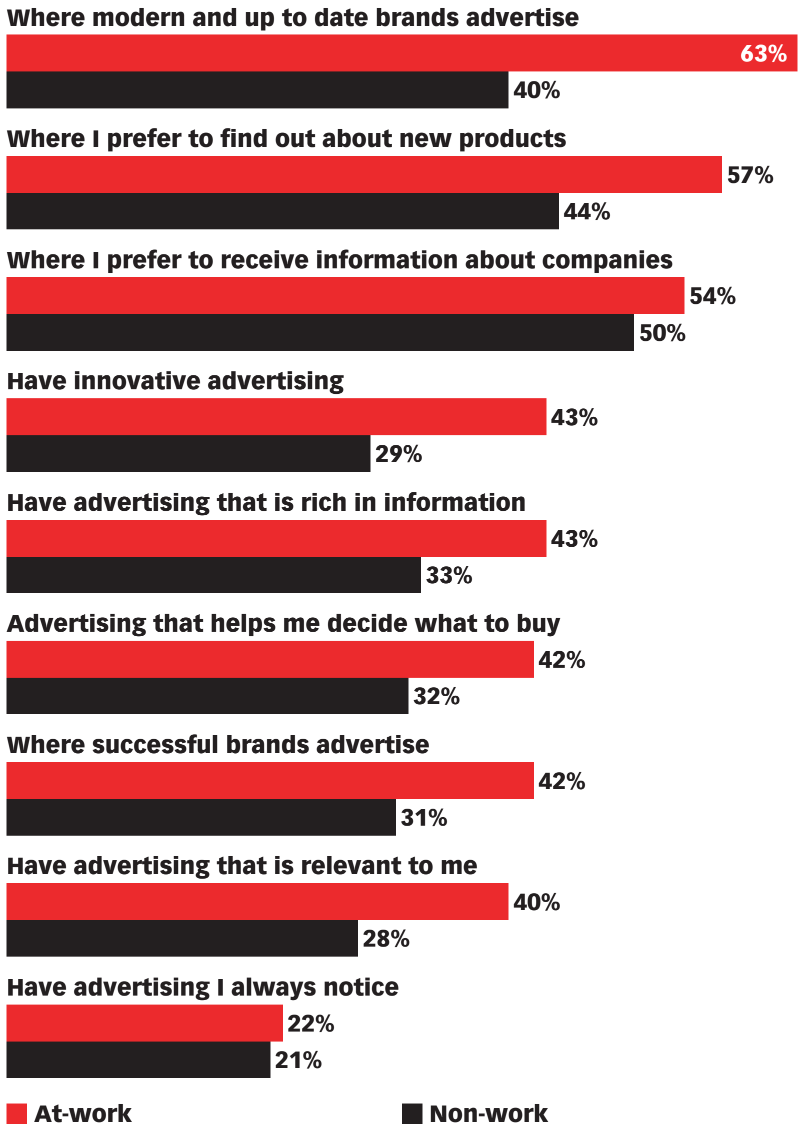
Trend Watcher: Tools and Techniques

Market Fundamentals: Supporting the Growth of Online Advertising

Global Market Size and Growth

Appendices

Attitudes Towards Online Advertising by US At-Work and Non-Work Users, 2001 (as a % of at-work and non-work users*)



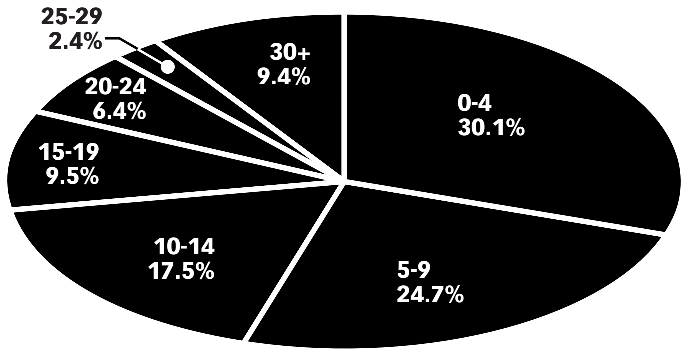
*Note: *n=755 at-work users and 272 non-work users*
Source: Millward Brown Intelliquest, Online Publishers Association (OPA), November 2001

035448 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

The numbers for so-called "affluent" Americans are even more attractive to advertisers. With nearly 70% of affluent Americans going online for 5 or more hours each week, and with more than 27% of the same group spending 15 or more hours online weekly, the internet becomes a significant media stop for those with money (note that Forrester Research defines affluents as those who have over $1 million in investable assets).

Hours Spent Online by Affluent Americans, 2000 (as a % of those online)

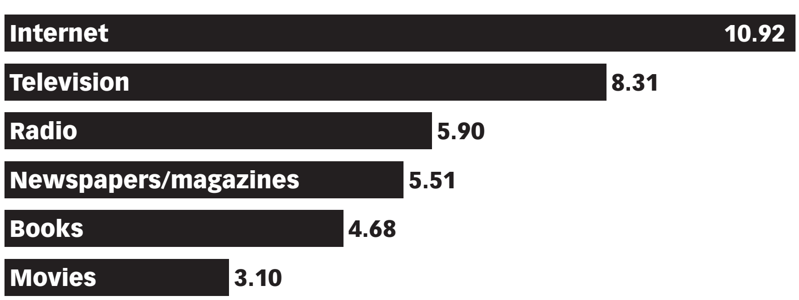


Note: Forrester defines affluent as "over $1 million in investable assets" and defines online as "going online 3+ times in the past 3 months"
Source: Forrester Research, 2000

036082 ©2002 eMarketer, Inc. www.eMarketer.com

Furthermore, the greater the income, the more time spent online. Wired affluents spend more time with the internet than they do watching TV, listening to the radio, going to movies, or reading (note that for this research, Forrester Research defines affluent online Americans as those who have over $1 million in investable assets).

Time Spent with Various Media by Affluent Online Americans, 2000 (in hours per week)



Note: Forrester defines affluent as "over $1 million in investable assets" and defines online as "going online 3+ times in the past 3 months"
Source: Forrester Research, 2000

036081 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Finally, affluent Americans take full advantage of the internet. About 67% have bought goods or services online, and over 87% have researched something online. In contrast, according to eMarketer's online buying model, only 55.8% of all internet users have purchased products online in the past year, and only 79% have researched online.

Online Habits of Affluent Americans, 2000

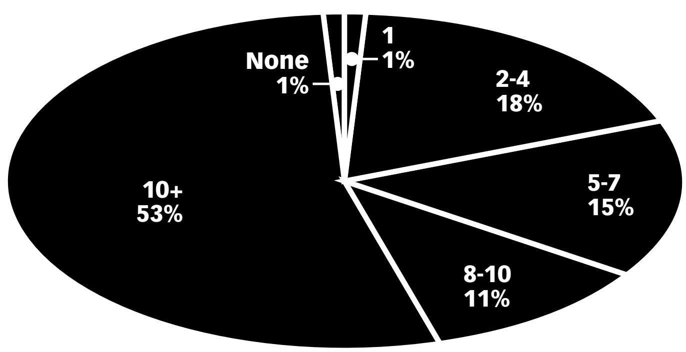
Note: Forrester defines affluent as "over $1 million in investable assets" and defines online as "going online 3+ times in the past 3 months"
Source: Forrester Research, 2000

036080 ©2002 eMarketer, Inc. www.eMarketer.com

Corporate-Level Executives

New research findings indicate that corporate-level executives are internet power users. According to a survey by Research.Net, conducted in February 2002, a 55% majority of C-level executives visit more then 10 websites in an average month in search of business and financial information.

Number of Different Websites Visited Monthly by Global C-Level Executives in Search of Business and Financial Information, 2002 (as a % of respondents)



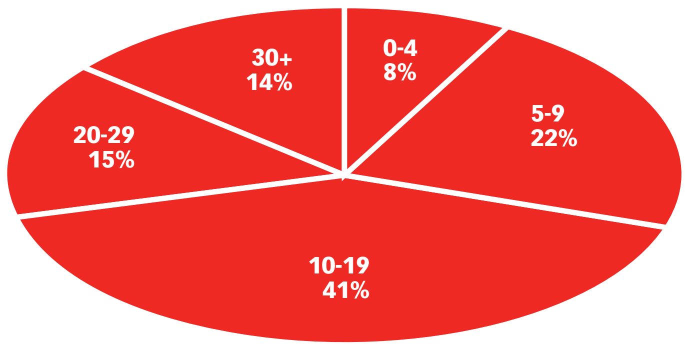
Note: Respondents are Forbes.com registrants who are C-Level Executives (CEO, CFO, CIO, Owner/Partner, etc.); numbers do not add up to 100% due to rounding
Source: Research.Net, February 2002

036861 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Moreover, 70% of corporate executives spend more than 10 hours per week online, and 15% spend over 30 hours, or roughly four hours every day. Importantly, these figures do not even include e-mail usage.

Hours Spent Per Week Online* among Global C-Level Executives, 2002 (as a % of respondents)

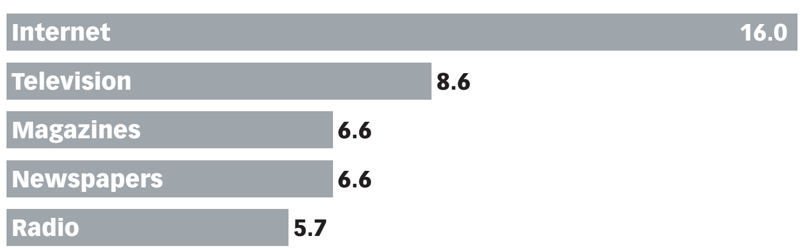


*Note: Respondents are Forbes.com registrants who are C-Level Executives (CEO, CFO, CIO, Owner/Partner, etc.); numbers do not add up to 100% due to rounding; *excluding e-mail*
Source: Research.Net, February 2002

036862 ©2002 eMarketer, Inc. www.eMarketer.com

What's more, time-starved corporate executives spend far more time online than they do watching television, listening to the radio, or reading magazines or newspapers.

Average Number of Hours Spent per Week with Different Media among Global C-Level Executives, 2002

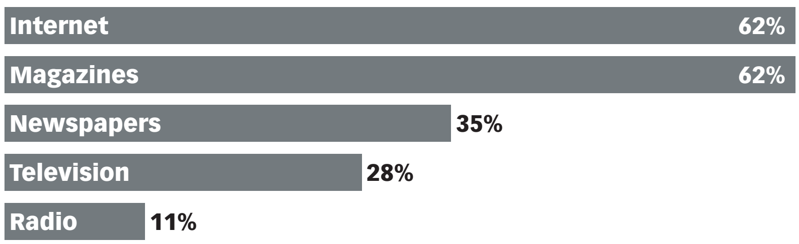


Note: Respondents are Forbes.com registrants who are C-Level Executives (CEO, CFO, CIO, Owner/Partner, etc.)
Source: Research.Net, February 2002

036863 ©2002 eMarketer, Inc. www.eMarketer.com

Similarly, corporate-level executives say that online advertising helps them decide what to buy. Along with magazine advertising, 61% said that internet advertising helps them decide what to buy more than ads in newspapers, television, and radio.

Global C-Level Executives' Opinions Regarding Advertising that Helps Them Decide What to Buy, by Media, 2002 (as a % of respondents selecting media)



Note: Respondents are Forbes.com registrants who are C-Level Executives (CEO, CFO, CIO, Owner/Partner, etc.); n=246; multiple responses allowed
Source: Research.Net, February 2002

036864 ©2002 eMarketer, Inc. www.eMarketer.com

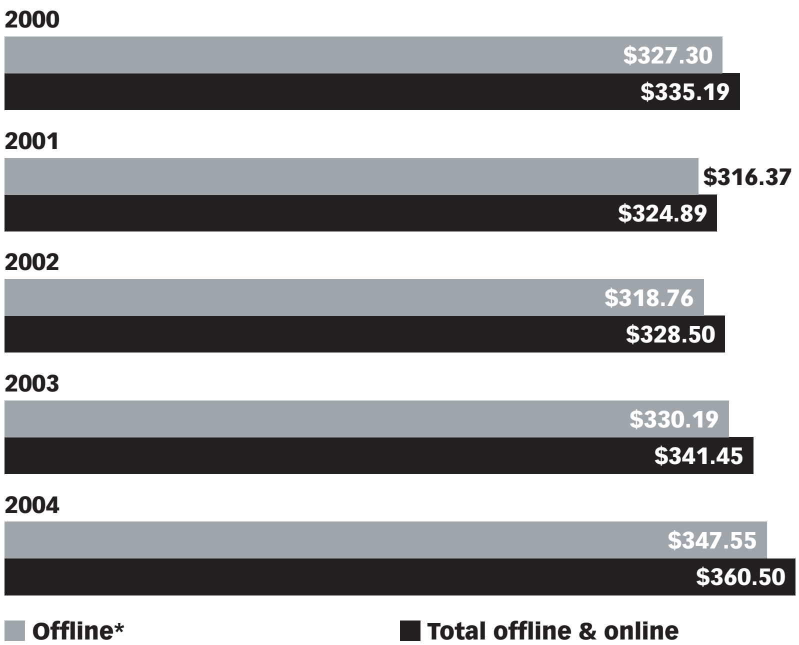
	Methodology	
I	Online Advertising Report: Update	
II	US Online Ad Market Size and Growth	
III	Perspective: Interactive Vs. Traditional Media	
IV	Formats Galore: The Online Ad Cornucopia	
V	Direct Response vs. Branding	
VI	Online Ad Pricing	
VII	Web Publishers (Where Ads Go)	
VIII	Web Advertisers (Who Runs Ads)	
IX	Trend Watcher: Tools and Techniques	
X	Market Fundamentals: Supporting the Growth of Online Advertising	
XI	**Global Market Size and Growth**	**215**
	A. The Total Advertising Market	**219**
	B. Online Advertising Worldwide	**227**
	C. Advertising Growth: By Nation & Region	**232**
	Appendices	

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

The year-long downturn in advertising spending extends all around the world. According to London-based Zenith Optimedia, worldwide offline ad spending for 2001 was $316.37 billion, a drop of 3.4% (or 5.8% when adjusted for inflation). However, while growth in 2002 will continue to be muted, the factors indicating recovery are already on the horizon. Global offline media spending is expected to reach $318.76 billion in 2002, a 0.8% gain (but a 1.3% loss when adjusted for inflation).

By 2004, Zenith expects offline global ad spending to reach $347.55 billion, which translates to a 6.1% growth over the five-year period shown below. However, when internet advertising is factored into the equation, the global growth rate increases to 7.5%.

Advertising Spending Worldwide, 2000-2004 (in billions)

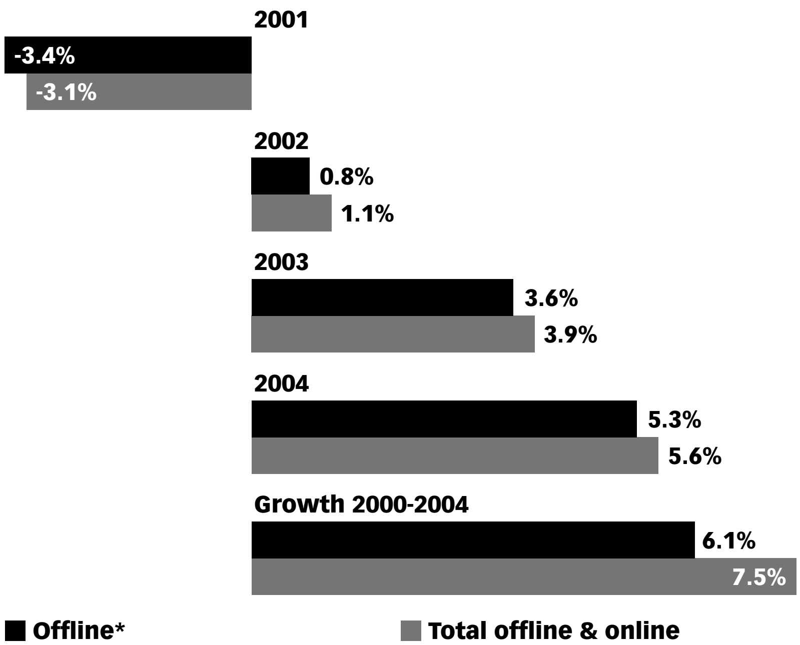


*Note: *offline includes TV, radio, newspapers, magazine, outdoor and cinema advertising*
Source: Zenith Optimedia Group, December 2001; eMarketer calculations, December 2001

037376 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Advertising Spending Growth Worldwide, 2001-2004 (as a % increase/decrease vs. prior year)

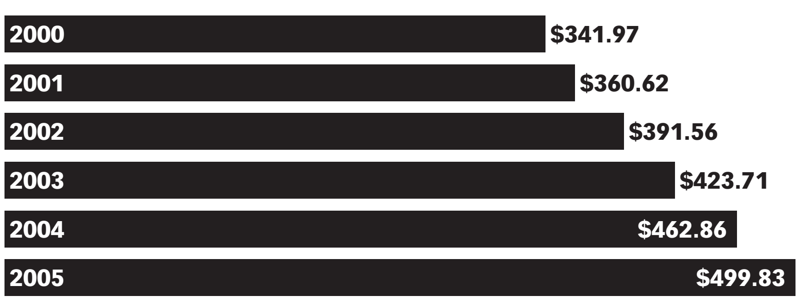


*Note: *offline includes TV, radio, newspapers, magazine, outdoor and cinema advertising*
Source: Zenith Optimedia Group, December 2001; eMarketer calculations, March 2002

037375 ©2002 eMarketer, Inc. www.eMarketer.com

A further set of global ad spending predictions, this from PricewaterhouseCoopers and Wilkofsky Gruen Associates (but from seven months earlier than the Zenith data above, and with no breakout for offline only), is more optimistic. In 2002, for example, PwC expects total spending, offline and online, to reach $391.56 billion, an 8.6% increase. And the six-year growth rate projection of 46.2% is far higher than Zenith's.

Advertising Spending Worldwide, 2000-2005 (in billions)



Note: includes television, radio, newspaper, magazine and internet advertising
Source: PricewaterhouseCoopers (PwC), Wilkofsky Gruen Associates, May 2001

037382 ©2002 eMarketer, Inc. www.eMarketer.com

Advertising Spending Growth Worldwide, 2001-2005 (as a % increase/decrease vs. prior year)

Note: includes television, radio, newspaper, magazine and internet advertising
Source: PricewaterhouseCoopers (PwC), Wilkofsky Gruen Associates, May 2001

037383 ©2002 eMarketer, Inc. www.eMarketer.com

Another source, ABN AMRO, is more pessimistic than either Zenith or PwC. The Amsterdam-based bank predicts a 1.4% fall for 2002's global advertising spending. McCann-Erickson, the New York-based ad agency, forecasts 2.2% global ad growth in 2002. Finally, Salomon Smith Barney, the New York-based financial services firm, sees a 0.9% decline in worldwide ad spending in 2002.

The majority of projections for this year's global advertising spending are for small, or non-existent, growth—but that may be more true for offline than online ad spending.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

A. The Total Advertising Market

The US—more than any other single nation or region—takes the primary share of the global advertising market. However, the non-US regions are steadily increasing their collective stake. According to PwC, from 2000, when 52.2% of ad spending was outside the US, that share will rise to 53.0% by 2005.

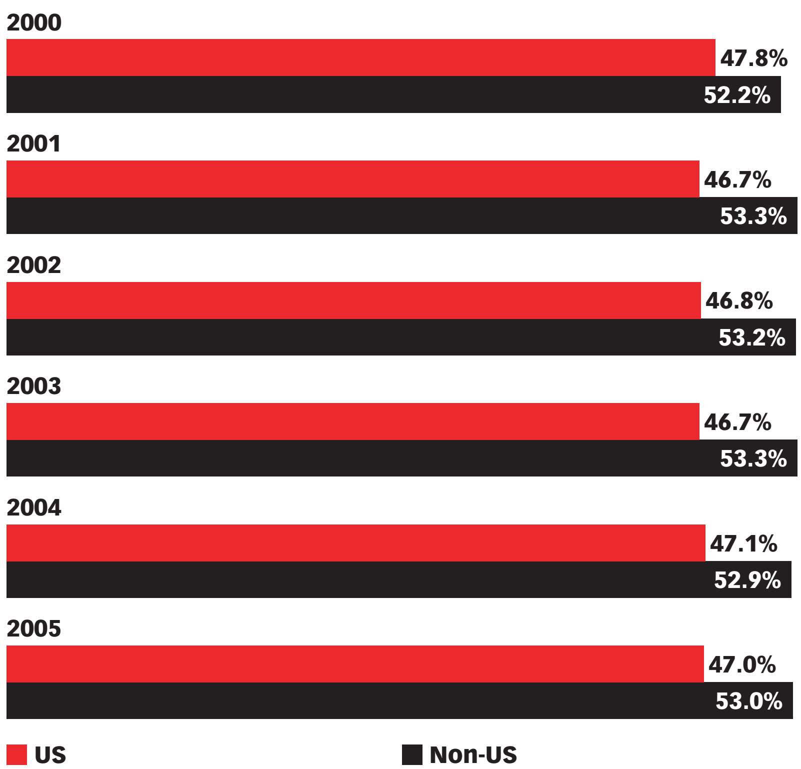
US vs. Non-US Advertising Spending, 2000-2005 (in billions)

	2000	2001	2002	2003	2004	2005
US	$163.34	$168.39	$183.19	$197.81	$217.98	$234.97
Non-US	$178.63	$192.23	$208.37	$225.90	$244.88	$264.86
Total	**$341.97**	**$360.62**	**$391.56**	**$423.71**	**$462.86**	**$499.83**

Note: includes television, radio, newspaper, magazine and internet advertising
Source: PricewaterhouseCoopers (PwC), Wilkofsky Gruen Associates; May 2001; eMarketer calculations, March 2002

037380 ©2002 eMarketer, Inc. www.eMarketer.com

US vs. Non-US Share of Advertising Spending, 2000-2005 (as a % of total spending)



Note: Includes television, radio, newspaper, magazine and internet advertising
Source: PricewaterhouseCoopers (PwC), Wilkofsky Gruen Associates May 2001; interpolated by eMarketer, March 2002

037200 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

And the overall growth rate for the 2000 to 2005 period is also skewed to non-US regions, at 48.3%, in contrast to increased US ad spending at 43.9%.

US vs. Non-US Advertising Spending Growth, 2001-2005 (as a % increase/decrease vs. prior year)

	2001	2002	2003	2004	2005	Growth 2000-2005
US	3.1%	8.8%	8.0%	10.2%	7.8%	43.9%
Non-US	7.6%	8.4%	8.4%	8.4%	8.2%	48.3%
Total	**5.5%**	**8.6%**	**8.2%**	**9.2%**	**8.0%**	**46.2%**

Note: includes television, radio, newspaper, magazine and internet advertising
Source: PricewaterhouseCoopers (PwC), Wilkofsky Gruen Associates; May 2001; eMarketer calculations, March 2002

037381 ©2002 eMarketer, Inc. www.eMarketer.com

On the other hand, Zenith Optimedia, which projects lower total global spending than does PwC, sees the non-US regions with a far greater share of total ad spending. From 2000, when 55.1% of spending was outside the US, that share will rise to 59.3% by 2004.

US vs. Non-US Advertising Spending, 2000-2004 (in billions)

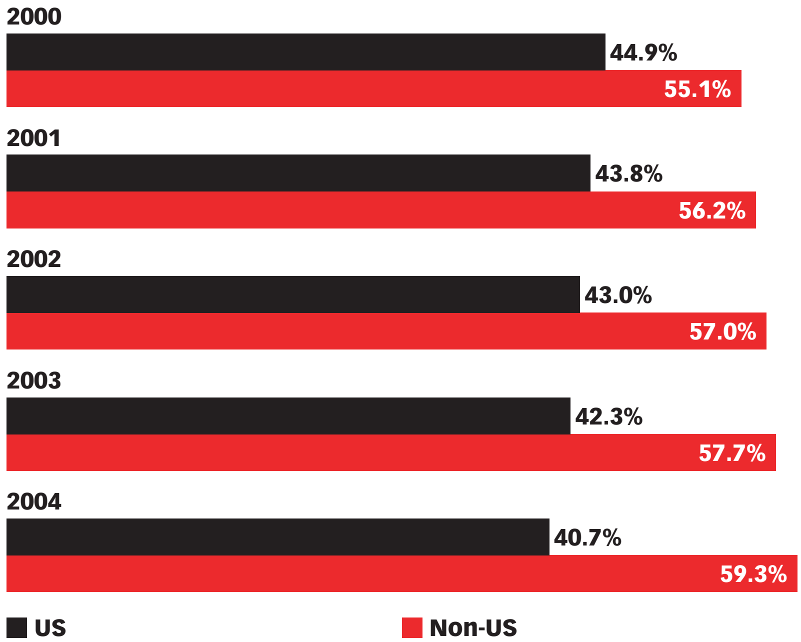
	2000	2001	2002	2003	2004
US	$150.39	$142.33	$141.11	$144.45	$141.63
Non-US	$184.77	$182.53	$187.37	$196.97	$205.93
Total	**$335.19**	**$324.89**	**$328.50**	**$341.45**	**$360.50**

Note: includes TV, radio, newspapers, magazine, internet, outdoor, and cinema advertising; totals may not add exactly due to rounding
Source: Zenith Optimedia Group, December 2001; eMarketer calculations, March 2002

037372 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

US vs. Non-US Share of Advertising Spending, 2000-2004 (as a % of total)



Note: includes TV, radio, newspapers, magazine, internet, outdoor and cinema advertising
Source: Zenith Optimedia Group, December 2001; eMarketer calculations, March 2002

037373 ©2002 eMarketer, Inc. www.eMarketer.com

However, Zenith is strikingly less optimistic than PwC, projecting decreased ad spending growth in the US market over the 2000 to 2004 period, down by 5.8%. Non-US regions, however, should show reasonable increases, with an 11.4% growth rate.

US vs. Non-US Advertising Spending Growth, 2001-2004 (as a % increase/decrease vs. prior year)

	2001	2002	2003	2004	Growth 2000-2004
US	-5.4%	-0.9%	2.4%	-2.0%	-5.8%
Non-US	-1.2%	2.6%	5.1%	4.5%	11.4%
Total	**-3.1%**	**1.1%**	**3.9%**	**1.8%**	**3.7%**

Note: includes TV, radio, newspapers, magazine, internet, outdoor and cinema advertising
Source: Zenith Optimedia Group, December 2001; eMarketer calculations, March 2002

037374 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

The McCann-Erickson take on worldwide ad growth shows a slightly greater increase for 2002 in the US (at 2.4%) than in non-US regions (at 2.0%).

Advertising Growth Worldwide, 1999-2002 (in billions and as % increase/decrease vs. prior year)

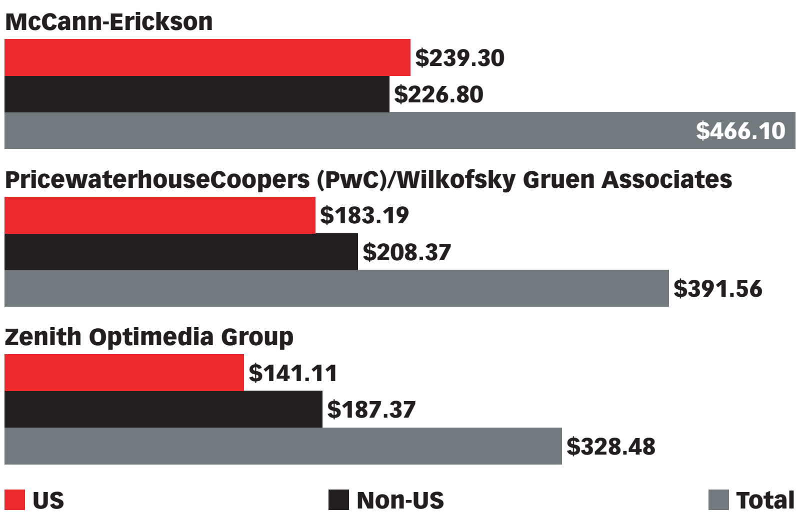
	US		Non-US		Total world	
		% change		% change		% change
1999	$222.3	7.6%	$213.8	4.2%	$436.1	5.9%
2000	$243.7	9.6%	$220.2	3.0%	$463.9	6.4%
2001*	$233.7	-4.1%	$222.4	1.0%	$456.1	-1.7%
2002*	$239.3	2.4%	$226.8	2.0%	$466.1	2.2%

*Note: *In current local currencies*
Source: McCann-Erickson, December 2001

037261 ©2002 eMarketer, Inc. www.eMarketer.com

The relative estimates for 2002 alone picture a $138 billion difference between McCann-Erickson at the high end, and Zenith at the low. More important, perhaps, is how the non-US regions' share of worldwide ad spending follows the same high/low pattern, with McCann at 48.7% and Zenith at 57.0%.

Comparative Estimates: Advertising Spending Worldwide, US vs. Non-US, 2002 (in billions)

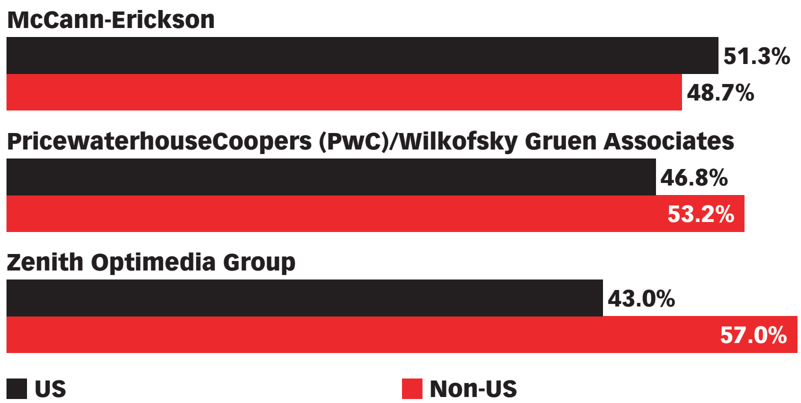


Source: eMarketer, March 2002; various, as noted, 2001

037377 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Comparative Estimates: Advertising Spending Worldwide, US vs. Non-US, 2002 (as a % of total)



Source: eMarketer, March 2002; various, as noted, 2001

037378 ©2002 eMarketer, Inc. www.eMarketer.com

Regional Estimates

Drilling down regionally to worldwide ad spending further shows the US dominance in absolute dollars, with PwC projecting total 2002 ad spending in the US at $183.19 billion, with the researcher's mix of Europe, the Middle East, and Africa at $110.85 billion.

Advertising Spending Worldwide, by Region, 2000-2005 (in billions)

	2000	2001	2002	2003	2004	2005
US	$163.34	$168.39	$183.19	$197.81	$217.98	$234.97
Canada	$5.51	$5.86	$6.28	$6.79	$7.29	$7.81
Europe, Middle East, Africa	$95.88	$102.79	$110.85	$119.53	$128.88	$138.62
Latin America	$19.31	$22.56	$26.29	$30.16	$34.22	$38.57
Asia-Pacific	$57.93	$61.02	$64.94	$69.43	$74.50	$79.85
Total	**$341.97**	**$360.62**	**$391.56**	**$423.71**	**$462.86**	**$499.83**

Note: includes television, radio, newspaper, magazine and internet advertising
Source: PricewaterhouseCoopers (PwC), Wilkofsky Gruen Associates, May 2001

037210 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

However, while PwC expects the US, Europe, and Asia Pacific all to drop from 2000 to 2005—when measuring share of the total global ad market—Latin America's piece of the pie should jump from 5.6% to 7.7% in that same period.

Advertising Spending Worldwide, by Region, 2000-2005 (as a % of total)

	2000	2001	2002	2003	2004	2005
US	47.8%	46.7%	46.8%	46.7%	47.1%	47.0%
Canada	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
Europe, Middle East, Africa	28.0%	28.5%	28.3%	28.2%	27.8%	27.7%
Latin America	5.6%	6.3%	6.7%	7.1%	7.4%	7.7%
Asia-Pacific	16.9%	16.9%	16.6%	16.4%	16.1%	16.0%

Note: includes television, radio, newspaper, magazine and internet advertising
Source: PricewaterhouseCoopers (PwC), Wilkofsky Gruen Associates, May 2001

037386 ©2002 eMarketer, Inc. www.eMarketer.com

Latin America will also see significant ad-spending increases, with steady two-digit growth rates in the time-span shown below. In the six years from 2000 to 2005, Latin America will achieve 99.8% growth, more than twice that of any other region.

Advertising Spending Worldwide, by Region, 2001-2005 (as a % increase/decrease vs. prior year)

	2001	2002	2003	2004	2005	Growth 2000-2005
US	3.1%	8.8%	8.0%	10.2%	7.8%	43.9%
Canada	6.3%	7.3%	8.0%	7.4%	7.2%	41.7%
Europe, Middle East, Africa	7.2%	7.8%	7.8%	7.8%	7.6%	44.6%
Latin America	16.8%	16.5%	14.7%	13.5%	12.7%	99.8%
Asia-Pacific	5.3%	6.4%	6.9%	7.3%	7.2%	37.8%
Total	**5.5%**	**8.6%**	**8.2%**	**9.2%**	**8.0%**	**46.2%**

Note: includes television, radio, newspaper, magazine, and internet advertising
Source: PricewaterhouseCoopers (PwC), Wilkofsky Gruen Associates, May 2001

037211 ©2002 eMarketer, Inc. www.eMarketer.com

The forecast from Zenith Optimedia for offline and online advertising shows, among non-US regions, Europe with $84.29 billion spending in 2004, and Asia Pacific following at $78.03. By 2004, Zenith projects Europe to hold 23.4% of total offline and online ad spending, with Asia Pacific at 21.6%.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

By that time, the internet's share of total worldwide ad spending will, at 3.6%, be greater than that of Canada or the rest of the world.

Advertising Spending Worldwide, by Region, 2000-2004 (in billions)

	2000	2001	2002	2003	2004
US	$144.39	$135.73	$133.65	$135.85	$141.63
Canada	$5.18	$5.31	$5.52	$5.80	$6.06
Europe	$77.57	$75.97	$77.29	$80.28	$84.29
Asia-Pacific	$70.46	$69.76	$71.19	$74.23	$78.03
Latin America	$21.17	$20.78	$21.68	$23.69	$26.12
Rest of world	$8.72	$8.82	$9.43	$10.35	$11.43
Total major media	**$327.50**	**$316.37**	**$318.76**	**$330.19**	**$347.55**
Internet	$7.69	$8.52	$9.74	$11.26	$12.95
Total (including internet)	**$335.19**	**$324.89**	**$328.50**	**$341.45**	**$360.50**

Note: major media includes TV, radio, newspapers, magazines, outdoor and cinema advertising
Source: Zenith Optimedia Group, December 2001

037201 ©2002 eMarketer, Inc. www.eMarketer.com

Advertising Spending Worldwide, by Region, 2000-2004 (as % of total spending)

	2000	2001	2002	2003	2004
US	43.1%	41.8%	40.7%	39.8%	39.3%
Canada	1.5%	1.6%	1.7%	1.7%	1.7%
Europe	23.1%	23.4%	23.5%	23.5%	23.4%
Asia-Pacific	21.0%	21.5%	21.7%	21.7%	21.6%
Latin America	6.3%	6.4%	6.6%	6.9%	7.2%
Rest of world	2.6%	2.7%	2.9%	3.0%	3.2%
Internet	2.3%	2.6%	3.0%	3.3%	3.6%
Total	**$335.19**	**$324.89**	**$328.50**	**$341.45**	**$360.50**

Note: Regional advertising includes TV, radio, newspapers, magazines, outdoor and cinema advertising; total includes global internet
Source: Zenith Optimedia Group, December 2001

037203 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Some striking trends arise when examining Zenith's growth rate projections. First, looking at 2002, only the US is expected to decrease in offline ad spending, while moderate growth is seen for all other regions, ranging from 1.7% in Europe to 4.4% in Latin America to 6.9% for the "rest of the world" (mainly South Africa, Israel, Saudi Arabia, and a few other nations).

And when offline spending growth is stretched out for the five years from 2000 through 2004, the greatest jumps are expected in Canada (at 16.9%), Latin America (at 23.4%), and the rest of the world (at 31.1%).

But the most striking figure in the chart below is global internet ad spending, which is expected to see double-digit development in every year shown, and a total growth rate of 68.3%—far above the offline global growth rate of 6.1%.

Advertising Spending Growth Worldwide, by Region, 2001-2004 (as a % increase/decrease vs. prior year)

	2001	2002	2003	2004	Growth 2000-2004
US	-6.0%	-1.5%	1.6%	4.3%	-1.9%
Canada	2.5%	3.9%	5.0%	4.5%	16.9%
Europe	-2.1%	1.7%	3.9%	5.0%	8.7%
Asia-Pacific	-1.0%	2.0%	4.3%	5.1%	10.7%
Latin America	-1.9%	4.4%	9.2%	10.3%	23.4%
Rest of world	1.2%	6.9%	9.7%	10.5%	31.1%
Major media total	**-3.4%**	**0.8%**	**3.6%**	**5.3%**	**6.1%**
Internet	10.7%	14.4%	15.6%	15.0%	68.3%
Total including internet	**-3.1%**	**1.1%**	**3.9%**	**5.6%**	**7.5%**

Note: major media includes TV, radio, newspapers, magazines, outdoor and cinema advertising
Source: Zenith Optimedia Group, December 2001

037202 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology

Online Advertising Report: Update

US Online Ad Market Size and Growth

Perspective: Interactive Vs. Traditional Media

Formats Galore: The Online Ad Cornucopia

Direct Response vs. Branding

Online Ad Pricing

Web Publishers (Where Ads Go)

Web Advertisers (Who Runs Ads)

Trend Watcher: Tools and Techniques

Market Fundamentals: Supporting the Growth of Online Advertising

Global Market Size and Growth

Appendices

B. Online Advertising Worldwide

At the core of global online advertising growth is the increase among internet users in every region, and the sheer amount of people going online nearly everywhere.

In 2002, there are more users in Europe (170.7 million) or Asia Pacific (168.0 million) than in North America (152.0 million). And by 2004, the higher growth rates in those regions will only increase that variance.

Internet Users Worldwide, by Region, 2000-2004 (in millions)

	2000*	2001	2002	2003	2004	CAGR** 2000-2004
North America***	108.1	133.4	152.0	169.3	184.5	14.3%
Europe	100.9	139.3	170.7	196.2	221.1	21.7%
Asia-Pacific	123.3	145.9	168.0	205.0	232.1	17.1%
Latin America	15.8	22.0	32.0	43.4	60.6	39.9%
Africa	4.1	5.3	7.2	9.0	10.9	27.7%
Total Worldwide	**352.2**	**445.9**	**529.9**	**622.9**	**709.1**	**19.1%**

*Note: *eMarketer's year 2000 baseline is from the International Telecommunication Union's estimate of internet users aged 2 years and older, who have accessed the internet within the previous 30 days; **Compound Annual Growth Rate; ***North America includes the US and Canada. Mexico is included in Latin America*
Source: eMarketer, December 2001

034873 ©2001 eMarketer, Inc. www.eMarketer.com

However, the penetration rate by region among internet users shows North America's dominance, with 58.0% of its population online by 2004. That contrasts with Europe's 22.3% penetration rate.

Internet Users Worldwide, by Region, 2000-2004 (as a % of each region's total population)

	2000*	2001	2002	2003	2004
North America**	35.2%	43.1%	48.6%	53.7%	58.0%
Europe	10.4%	14.3%	17.4%	19.9%	22.3%
Asia-Pacific	3.5%	4.1%	4.7%	5.7%	6.4%
Latin America	3.0%	4.2%	6.0%	8.0%	11.1%
Africa	0.5%	0.6%	0.9%	1.0%	1.2%
Total worldwide	**5.8%**	**7.2%**	**8.5%**	**9.9%**	**11.1%**

*Note: *eMarketer's year 2000 baseline is from the International Telecommunication Union's estimate of internet users aged 2 years and older, who have accessed the internet within the previous 30 days; **North America includes the US and Canada. Mexico is included in Latin America*
Source: eMarketer, December 2001

034880 ©2001 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

By narrowing the focus to the G-7 nations, the expected shows: the countries with the strongest economies make up the bulk of internet users. By 2004, with 363.1 million in those seven nations, that's more than half of the 709.1 million global users.

Interestingly, the compound annual growth rate of 14.8% for internet users among all G-7 nations from 2000 to 2004 exactly matches the CAGR for the US alone (in the chart that follows).

Total Internet Users in G-7 Countries, 2000-2004 (in millions)

2000*	2001	2002	2003	2004	CAGR 2000-2004
209.1	259.5	299.7	332.7	363.1	14.8%

*Note: *eMarketer's year 2000 baseline is from the International Telecommunication Union's estimate of internet users aged 2 years and older, who have accessed the internet within the previous 30 days*
Source: eMarketer, December 2001

037379 ©2002 eMarketer, Inc. www.eMarketer.com

Internet Users in G-7 Countries, 2000-2004 (in millions)

	2000*	2001	2002	2003	2004	CAGR** 2000-2004
Canada	12.7	14.4	16.0	17.5	19.0	10.6%
France	8.5	11.7	15.0	18.2	21.5	26.1%
Germany	24.0	33.1	42.3	45.6	47.9	18.9%
Italy	6.0	8.3	10.6	12.9	15.2	26.1%
Japan	47.1	51.7	56.4	61.0	65.7	8.7%
UK	15.4	21.3	23.4	25.7	28.3	16.4%
US	95.4	119.0	136.0	151.8	165.5	14.8%

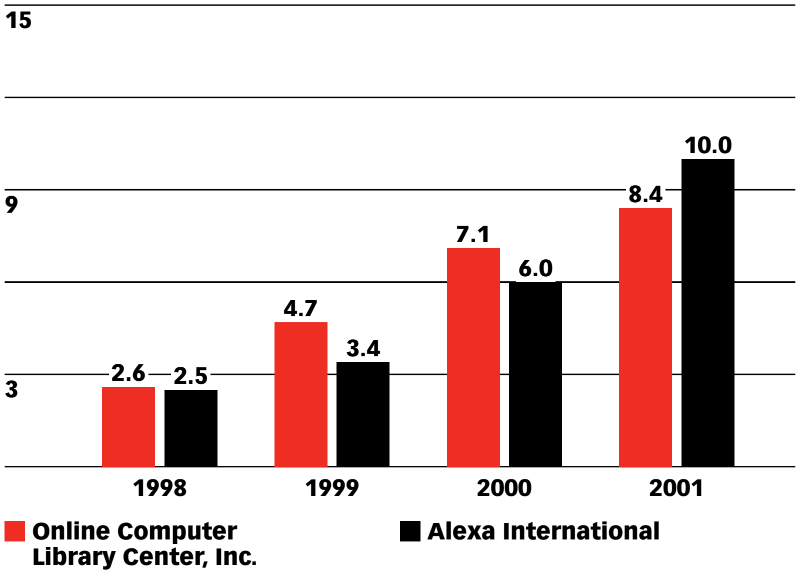
*Note: *eMarketer's year 2000 baseline is from the International Telecommunication Union's estimate of internet users aged 2 years and older, who have accessed the internet within the previous 30 days;*
***Compound Annual Growth Rate*
Source: eMarketer, December 2001

034874 ©2001 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

The upsurge of people going online and the corresponding increase in websites make the global online advertising market like a young plant in spring, ready to bloom. From 1998 through 2001, the number of unique websites in the world more than tripled from 2.6 million to 8.4 million, according to the Online Computer Center Library. The Alexa International estimates are even higher—a four-fold increase from 2.5 million to 10.0 million in the same period.

Number of Websites Worldwide, 1998-2001 (in millons)



Source: eMarketer, 2002; Alexa International, 2000; Online Computer Library Center (OCLC), October 2001

037254 ©2002 eMarketer, Inc. www.eMarketer.com

Narrowing in on just online advertising shows that, by 2003, global online ad spending will range anywhere from Datamonitor's $36.50 billion figure down to Jupiter Research's $18.4 billion. Be aware, however, that the numbers in the chart below were formulated prior to 2001's economic downturn.

Comparative Estimates: Online Advertising Spending Worldwide, 1999-2005 (in billions)

	1999	2000	2001	2002	2003	2004	2005
Datamonitor	$4.90	$9.60	$15.70	$24.30	$36.50	–	–
Deutsche Bank	$5.00	$9.00	$14.90	$23.00	$33.00	–	–
Forrester Research	–	$8.30	$11.74	$17.37	$24.81	$33.35	$42.16
Jupiter Research	$4.30	$7.00	$10.30	$14.10	$18.40	$22.90	$27.70
Myers Group	–	$5.30	$9.50	$13.60	$23.50	$33.70	$45.50
Wit Soundview	–	–	$6.50	$8.40	–	–	–

Source: eMarketer, 2001; various, as noted, 2000 & 2001

037371 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

One interactive advertising area that some expect to take off is wireless. The combination of increased wireless adoption overall and its greater per capita use in areas outside the US, where landline phone systems are less developed, make this an attractive ad vehicle. Take China, for example, where wireless advertising is expected to jump from virtually nothing in 2000 to $590 million in 2005. Or Germany, leaping from $1 million to $1,207 million, between 2000 and 2005.

Another caveat here: The data in this chart comes from the hype era for wireless advertising. As you can see in the US wireless ad section above, there is considerable resistance among consumers to this ad vehicle.

Wireless Advertising Spending for Selected Countries Worldwide, 2000-2005 (in millions)

	2000	2002	2003	2005
China	$0.0	$7.0	$59.0	$590.0
France	$0.0	$62.0	$213.0	$864.0
Germany	$1.0	$87.0	$309.0	$1,207.0
Italy	$0.0	$85.0	$276.0	$984.0
Japan	$6.0	$301.0	$884.0	$2,792.0
South Korea	$1.0	$50.0	$157.0	$522.0
UK	$1.0	$68.0	$242.0	$943.0
US	$4.0	$341.0	$1,139.0	$4,218.0

Source: Ovum; The Industry Standard, September 2000

025115 ©2001 eMarketer, Inc. www.eMarketer.com

The increase of websites globally matches the growth of both internet advertising and access spending. By 2005, worldwide spending on both should be $90 billion, according to PricewaterhouseCoopers—more than double the 2000 figure of $40.2 billion. However, the global growth rate of 24.6% in 2001 for total dollars may be the peak rate, dropping to 13.2% in 2005.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Worldwide Internet Advertising and Access Spending*, by Region, 2000-2005 (in billions and % change)

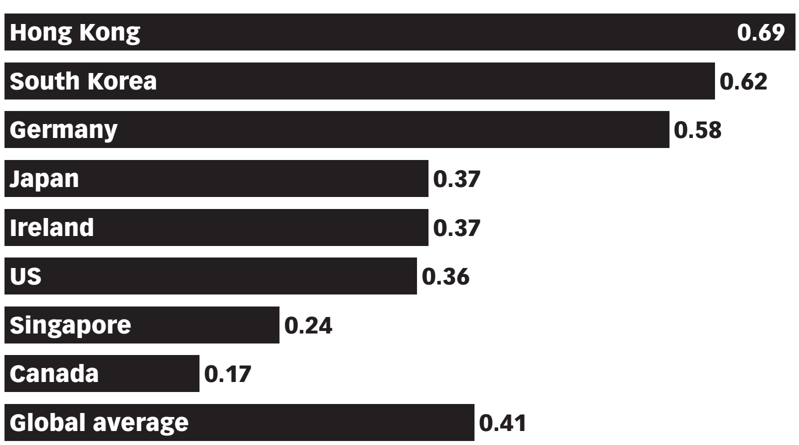
	2000	2001	2002	2003	2004	2005	CAGR
US	$20.0	$24.0 (20.3%)	$27.2 (13.9%)	$31.0 (13.3%)	$34.6 (11.9%)	$38.3 (10.9%)	14.0%
Canada	$0.710	$0.842 (18.6%)	$0.980 (16.4%)	$1.1 (14.8%)	$1.2 (12.1%)	$1.3 (10.6%)	14.5%
Europe, Middle East, Africa	$13.7	$17.0 (25.0%)	$20.2 (18.8%)	$23.3 (15.3%)	$27.0 (15.7%)	$30.4 (12.8%)	17.4%
Latin America	$0.341	$0.558 (63.6%)	$0.835 (49.7%)	$1.1 (38.3%)	$1.6 (31.4%)	$1.9 (23.3.%)	40.6%
Asia-Pacific	$5.7	$7.8 (37.6%)	$10.0 (30.4%)	$12.6 (24.6%)	$15.1 (21.2%)	$18.0 (18.5%)	26.3%
Total	**$40.2**	**$50.1 (24.6%)**	**$59.3 (18.5%)**	**$69.0 (16.3%)**	**$79.6 (15.2%)**	**$90.0 (13.2%)**	**17.5%**

*Note: *Internet advertising and access spending includes consumer fees paid to internet service providers (ISPs) and spending by web advertisers*
Source: PricewaterhouseCoopers (PwC), Wilkofsky Gruen Associates, May 2001

036185 ©2002 eMarketer, Inc. www.eMarketer.com

And as more people access the internet, leading to more online ads, concerns about issues such as banner click-through rates should increase correspondingly. As internet history in the US has demonstrated, the newer the user group, the more likely that group is to click on banner ads. That's undoubtedly why the 0.69% rate in Hong Kong and the 0.62% rate in South Korea led the pack among selected nations in 2001.

Banner Click-Through Rates in Selected Countries, 2001



Source: Nielsen//NetRatings, March 2001

030647 ©2001 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

C. Advertising Growth: By Nation & Region

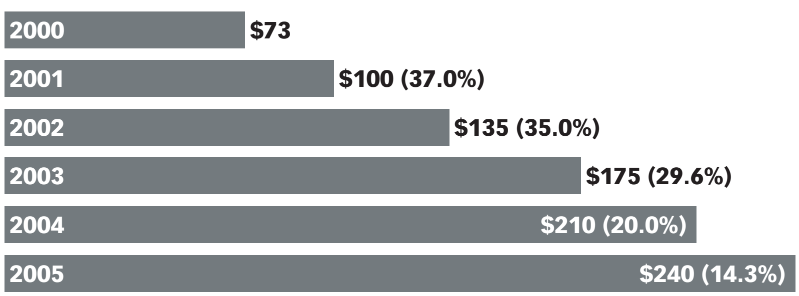
This section of the report will look at advertising growth, notably online, in the following nations and regions:

- Canada
- Europe
- Asia Pacific (notably Japan)
- Latin America
- Middle East/Africa

Canada

While absolute dollar spending in Canada is low, the percentage growth rate in this nation of 31.9 million people is high. Take 2002, where a 35.0% jump is expected by PricewaterhouseCoopers. Or 2003, where the development continues at a 29.6% rate.

Online Advertising Spending in Canada, 2000-2005 (in millions)



Note: CAGR: 26.9%
Source: PricewaterhouseCoopers (PwC), Wilkofsky Gruen Associates, May 2001

036217 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Those internet ad growth rates far surpass any other advertising category, with a 26.9% compound annual growth rate in spending. Television comes next, at 8.0% CAGR.

Advertising Spending Growth in Canada, by Media, 2001-2005

Category	2001	2002	2003	2004	2005	CAGR
Television	7.0%	8.7%	9.5%	7.7%	7.1%	8.0%
Internet	37.0%	35.0%	29.6%	20.0%	14.3%	26.9%
Magazines	7.0%	9.1%	7.5%	7.0%	6.5%	7.4%
Newspapers	4.7%	4.3%	5.5%	5.6%	6.1%	5.2%
Total radio/out-of-home	5.3%	6.6%	7.7%	8.6%	8.8%	7.4%
Radio	5.3%	6.3%	7.3%	8.6%	9.1%	7.3%
Out-of-home	5.3%	7.5%	9.3%	8.5%	7.8%	7.7%
Total	**6.3%**	**7.3%**	**8.0%**	**7.4%**	**7.2%**	**7.2%**

Source: PricewaterhouseCoopers (PwC), Wilkofsky Gruen Associates, May 2001

035555 ©2002 eMarketer, Inc. www.eMarketer.com

However, in absolute dollars spent, TV, newspapers, and radio are 1-2-3, as they are in virtually all developed nations.

Advertising Spending in Canada, by Media 2000-2005 (in millions)

Category	2000	2001	2002	2003	2004	2005
Television	$2,043	$2,185	$2,375	$2,600	$2,800	$3,000
Internet	$73	$100	$135	$175	$210	$240
Magazines	$514	$550	$600	$645	$690	$735
Newspapers	$2,016	$2,110	$2,200	$2,320	$2,450	$2,600
Total radio/ out-of-home	**$864**	**$910**	**$970**	**$1,045**	**$1,135**	**$1,235**
Radio	$674	$71.0	$755	$810	$880	$960
Out-of-home	$190	$200	$215	$235	$255	$275
Total	**$5,510**	**$5,855**	**$6,280**	**$6,785**	**$7,285**	**$7,810**

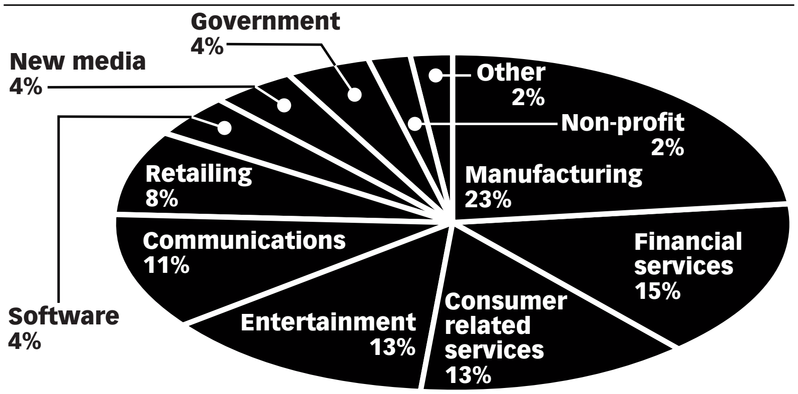
Note: Figures may not add up to total due to rounding
Source: PricewaterhouseCoopers (PwC), Wilkofsky Gruen Associates, May 2001

035552 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

According to PricewaterhouseCoopers and the Interactive Advertising Bureau of Canada, online ad revenue is dominated by manufacturing industry advertisers, at 23% of 1st quarter 2001 figures. Financial service firms, at 15%, trail, closely followed by entertainment and consumer-related services advertisers, both at 13%.

Online Advertising Revenue in Canada, by Industry Sector, Q1 2001

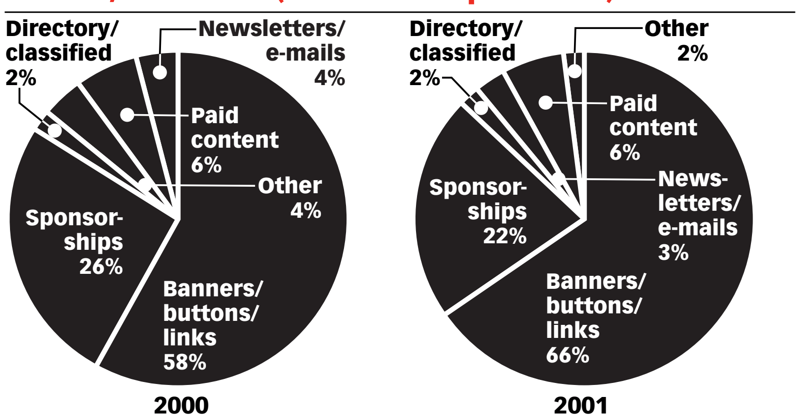


Source: PricewaterhouseCoopers/Internet Advertising Bureau of Canada, September 2001

033894 ©2001 eMarketer, Inc. www.eMarketer.com

Going from 2000 to 2001, banners increased their share of online ad spending from 58% to 66%, while sponsorships dipped from 26% to 22%. Note that this is the reverse of the US market, where banner share is dropping while sponsorships have increased.

Online Advertising Revenue in Canada, by Advertising Format, 2000-2001 (as a % of respondents)



Source: PricewaterhouseCoopers/Internet Advertising Bureau of Canada, September 2001

033893 ©2001 eMarketer, Inc. www.eMarketer.com

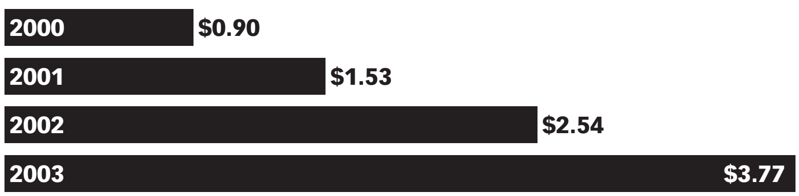
Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Europe

The further unification of the European Union—in the form of the cash Euro in January 2002—has boosted opportunities for cross-border advertising and marketing. The international nature of the internet fits right into that trend.

From 2000 to 2003, online advertising spending in Europe will rise from $0.90 billion to $3.77 billion, a more than four-fold upsurge. While eMarketer has not re-looked at European online ad spending since the emergence of the cash Euro, changes in the marketplace there should prove to increase these estimates.

Online Advertising Spending in Europe, 2000-2003 (in billions)



Source: eMarketer, 2001

033259 ©2001 eMarketer, Inc. www.eMarketer.com

Euros To Dollars

Several of the following tables are in Euros, not US dollars. To help your perspective, note that as of March 4, 2002, the conversion rate between the two currencies was:

- **1 Euro = 0.86704 $US**
- **1 $US = 1.15335 Euro**

Three parallel studies from Forrester Research, International Data Corp., and Zenith Media look more closely at online ad spending in Europe, focusing on five major western European nations—Germany, the UK, France, Italy, and Spain.

Germany, which has the largest economy of the five, is also expected to be the leader in online ad spending—at least by 2003. For the year 2000, both Forrester and IDC show the UK as the leading spender. And according to Forrester estimates, Germany won't overtake the UK until 2003, when it will reach €767 million.

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

A look at total spending estimates for the five nations shows that by 2003, Forrester expects the largest figure, at €2,258, with IDC projecting the lowest figure, at €1,966. And at €2,150, the Zenith estimate is about halfway between.

Online Advertising Spending in Western Europe, 2000-2003 (in millions of €)

	2000	2001	2002	2003
Germany	€153	€259	€499	€767
UK	€193	€326	€513	€742
France	€98	€171	€257	€373
Italy	€50	€104	€164	€249
Spain	€25	€50	€81	€127
Total	**€519**	**€910**	**€1,514**	**€2,258**

Source: Forrester Research, July 2001

037168 ©2002 eMarketer, Inc. www.eMarketer.com

Online Advertising Spending in Western Europe, 2000-2003 (in millions of €)

	2000	2001	2002	2003
Germany	€175	€313	€499	€738
UK	€201	€298	€419	€586
France	€92	€175	€281	€316
Italy	€58	€107	€159	€189
Spain	€38	€69	€107	€137
Total	**€564**	**€962**	**€1,465**	**€1,966**

Source: International Data Corporation (IDC), July 2001

037170 ©2002 eMarketer, Inc. www.eMarketer.com

Online Advertising Spending in Western Europe, 2000-2003 (in millions of €)

	2000	2001	2002	2003
Germany	€238	€406	€738	€1,064
UK	€179	€235	€299	€352
France	€210	€249	€310	€402
Italy	€75	€84	€127	€192
Spain	€52	€92	€119	€140
Total	**€754**	**€1,066**	**€1,593**	**€2,150**

Source: Zenith Media, July 2001

037172 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology

Online Advertising Report: Update

US Online Ad Market Size and Growth

Perspective: Interactive Vs. Traditional Media

Formats Galore: The Online Ad Cornucopia

Direct Response vs. Branding

Online Ad Pricing

Web Publishers (Where Ads Go)

Web Advertisers (Who Runs Ads)

Trend Watcher: Tools and Techniques

Market Fundamentals: Supporting the Growth of Online Advertising

Global Market Size and Growth

Appendices

When spending in these five nations from 2000 to 2003 is translated to growth rates, Germany shows the greatest increases according to all three researchers, ranging from 401.3% down to 321.7%. With more room for growth, Spain should also have strong increases—as much as 408.0%, according to Forrester— during the four-year period shown below.

Online Advertising Spending Growth in Western Europe, 2001-2003 (as % increase vs. prior year)

	2001	2002	2003	Growth 2000-2003
Germany	69.3%	92.7%	53.7%	401.3%
UK	68.9%	57.4%	44.6%	284.5%
France	74.5%	50.3%	45.1%	280.6%
Italy	108.0%	57.7%	51.8%	398.0%
Spain	100.0%	62.0%	56.8%	408.0%

Source: Forrester Research, July 2001

037169 ©2002 eMarketer, Inc. www.eMarketer.com

Online Advertising Spending Growth in Western Europe, 2001-2003 (as % increase vs. prior year)

	2001	2002	2003	Growth 2000-2003
Germany	78.9%	59.4%	47.9%	321.7%
UK	48.3%	40.6%	39.9%	191.5%
France	90.2%	60.6%	12.5%	243.5%
Italy	84.5%	48.6%	18.9%	225.9%
Spain	81.6%	55.1%	28.0%	260.5%

Source: International Data Corporation (IDC), July 2001

037171 ©2002 eMarketer, Inc. www.eMarketer.com

Online Advertising Spending Growth in Western Europe, 2001-2003 (as % increase vs. prior year)

	2001	2002	2003	Growth 2000-2003
Germany	70.6%	81.8%	44.2%	347.1%
UK	31.3%	27.2%	17.7%	96.6%
France	18.6%	24.5%	29.7%	91.4%
Italy	12.0%	51.2%	51.2%	156.0%
Spain	76.9%	29.3%	17.6%	169.2%

Source: Zenith Media, July 2001

037173 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

A broader perspective of nearly all Western European nations puts the same five countries in the top five for online advertising spending, according to PwC. By 2005, some of the other strong nations will be Sweden at $140 million, the Netherlands at $130 million, Belgium at $115 million, and Portugal and Switzerland at $110 million.

Online Advertising Spending in Western Europe, by Country, 2000-2005 (in millions)

	2000	2001	2002	2003	2004	2005
Austria	$17	$30	$45	$65	$80	$95
Belgium	$17	$32	$50	$70	$95	$115
Denmark	$10	$22	$38	$47	$56	$65
Finland	$10	$22	$38	$47	$56	$65
France	$101	$200	$350	$500	$650	$750
Germany	$191	$400	$700	$1,000	$1,300	$1,650
Greece	$17	$25	$35	$45	$55	$65
Ireland	$7	$15	$25	$35	$45	$55
Italy	$59	$150	$275	$350	$425	$500
Netherlands	$33	$65	$85	$105	$120	$130
Norway	$12	$25	$40	$50	$60	$70
Portugal	$16	$30	$50	$70	$90	$110
Spain	$43	$75	$120	$170	$200	$230
Sweden	$19	$35	$60	$90	$120	$140
Switzerland	$24	$40	$60	$80	$100	$110
UK	$135	$250	$425	$650	$900	$1,100
Total	**$711**	**$1,416**	**$2,396**	**$3,374**	**$4,352**	**$5,250**

Source: PricewaterhouseCoopers (PwC), Wilkofsky Gruen Associates, May 2001

036232 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

The annual growth rates for all of Western Europe parallel that in the US. In the relatively early years, 2001 and 2002, increases of 99.2% and 69.2%, respectively, are seen. By 2004 and 2005, the maturing of the online ad industry drops those growth rates to 29.0% and 20.6%, respectively.

For each nation, however, triple-digit percentage increases are seen for the six-year span of 2000 to 2005. PricewaterhouseCoopers projects Germany to have the largest gain, at 763.9%. The weakest growth will be in Greece, at 282.4% — all growth should be so weak!

Online Advertising Spending Growth in Western Europe, by Country, 2001-2005 (as a % increase/decrease vs. prior year)

	2001	2002	2003	2004	2005	Growth 2000-2005
Austria	76.5%	50.0%	44.4%	23.1%	18.8%	458.8%
Belgium	88.2%	56.3%	40.0%	35.7%	21.1%	576.5%
Denmark	120.0%	72.7%	23.7%	19.1%	16.1%	550.0%
Finland	120.0%	72.7%	23.7%	19.1%	16.1%	550.0%
France	98.0%	75.0%	42.9%	30.0%	15.4%	642.6%
Germany	109.4%	75.0%	42.9%	30.0%	26.9%	763.9%
Greece	47.1%	40.0%	28.6%	22.2%	18.2%	282.4%
Ireland	114.3%	66.7%	40.0%	28.6%	22.2%	685.7%
Italy	154.2%	83.3%	27.3%	21.4%	17.6%	747.5%
Netherlands	97.0%	30.8%	23.5%	14.3%	8.3%	293.9%
Norway	108.3%	60.0%	25.0%	20.0%	16.7%	483.3%
Portugal	87.5%	66.7%	40.0%	28.6%	22.2%	587.5%
Spain	74.4%	60.0%	41.7%	17.6%	15.0%	434.9%
Sweden	84.2%	71.4%	50.0%	33.3%	16.7%	636.8%
Switzerland	66.7%	50.0%	33.3%	25.0%	10.0%	358.3%
UK	85.2%	70.0%	52.9%	38.5%	22.2%	714.8%
Total	**99.2%**	**69.2%**	**40.8%**	**29.0%**	**20.6%**	**638.4%**

Source: PricewaterhouseCoopers (PwC), Wilkofsky Gruen Associates, May 2001

037370 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

The online advertising market in Eastern Europe follows the national economies, as a rule. However, strong internet use in Poland is why PwC projects $110 million spending by 2005, matching the levels in Portugal and Switzerland shown above.

Online Advertising Spending in Eastern Europe, by Country, 2000-2005 (in millions)

	2000	2001	2002	2003	2004	2005
Czech Republic	$4	$7	$10	$13	$17	$20
Hungary	$7	$10	$14	$18	$23	$27
Poland	$18	$30	$50	$75	$95	$110
Russia	$13	$20	$30	$45	$60	$75
Total	**$42**	**$67**	**$104**	**$151**	**$195**	**$232**

Source: PricewaterhouseCoopers (PwC), Wilkofsky Gruen Associates, May 2001

036234 ©2002 eMarketer, Inc. www.eMarketer.com

The total growth rates in Eastern Europe follow a curve akin to the West, ranging from 59.5% in 2001 down to 19.0% in 2005.

Online Advertising Spending Growth for Selected Countries in Eastern Europe, 2001-2005 (as a % increase/decrease vs. prior year)

	2001	2002	2003	2004	2005	Growth 2000-2005
Czech Republic	75.0%	42.9%	30.0%	30.8%	17.6%	400.0%
Hungary	42.9%	40.0%	28.6%	27.8%	17.4%	285.7%
Poland	66.7%	66.7%	50.0%	26.7%	15.8%	511.1%
Russia	53.8%	50.0%	50.0%	33.3%	25.0%	476.9%
Total	**59.5%**	**55.2%**	**45.2%**	**29.1%**	**19.0%**	**452.4%**

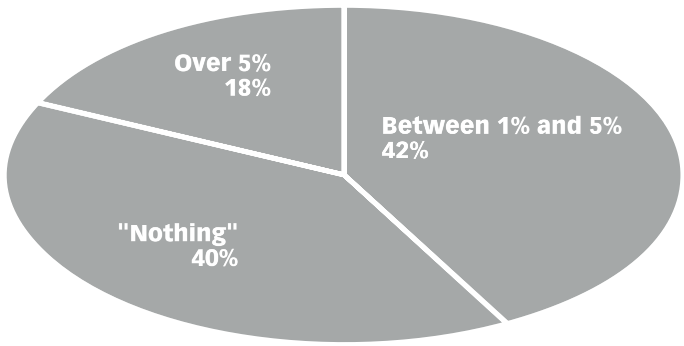
Source: PricewaterhouseCoopers (PwC), Wilkofsky Gruen Associates, May 2001

037369 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

While 40% of European advertisers spent nothing for online advertising in 2001, according to Jupiter MMXI, 18% of them devoted over 5% of their ad budgets to interactive media. That 40% figure would make it appear that traditional advertisers, and their agencies, were still tipping their ad toes into the online waters.

Percent of Advertising Budget European Advertisers Spend Online, 2001



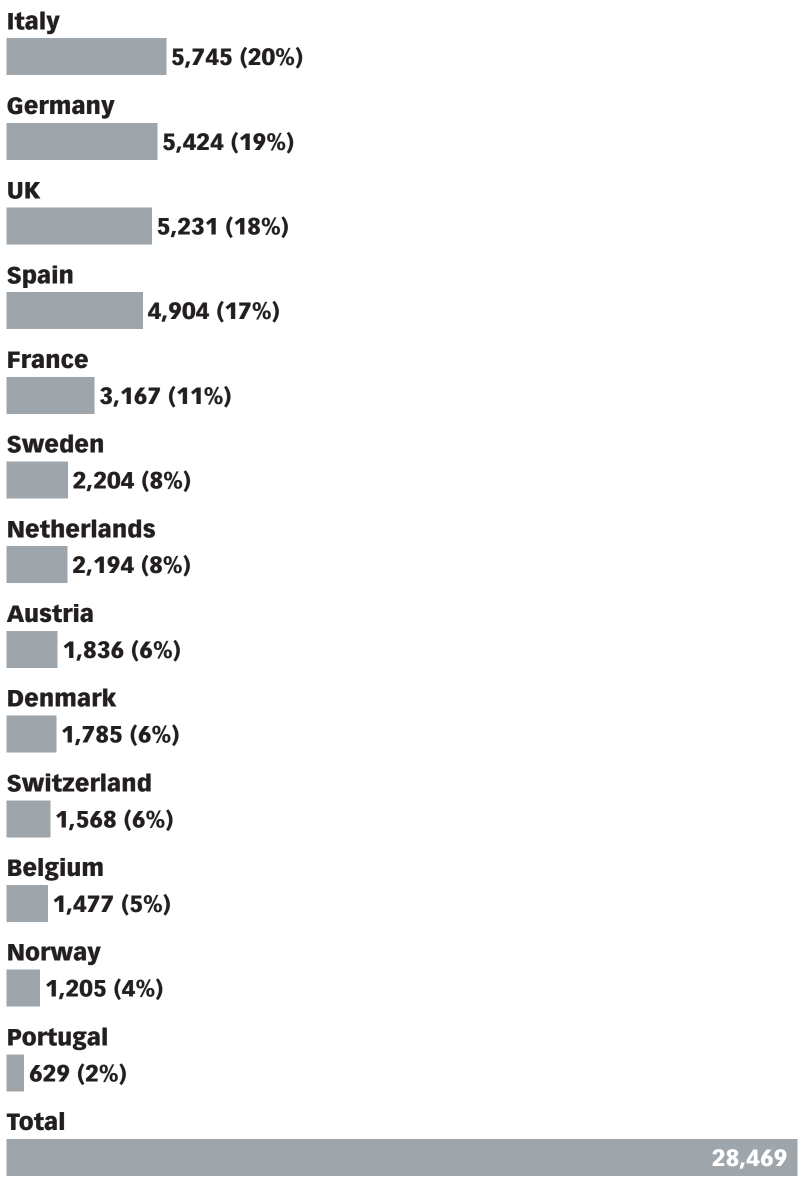
Source: Jupiter MMXI, July 2001

031286 ©2001 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

There were more online advertisers in Italy during the first half of 2001 than any other Western European nation, according to a study from LemonAd.

Number of Online Advertisers in Selected European Countries, January-June 2001 (and as a % of total)



Note: Sum of all 13 nations' advertisers is greater than total because many companies advertise in more than one nation
Source: LemonAd, June 2001

037368 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Germany

Zenith Media believes that online advertising spending in Germany will hit the billion Euro mark by 2003, at €1.064 billion. That estimate is approximately 50% greater than 2003 projections from Forrester Research and International Data Corp. This in a nation with 83.3 million people.

Comparative Estimates: Online Advertising Spending in Germany, 2000-2003 (in millions of €)

	2000	2001	2002	2003
Forrester Research	€153	€259	€499	€767
International Data Corporation (IDC)	€175	€313	€499	€738
Zenith Media	€238	€406	€738	€1,064

Source: eMarketer, March 2002; various, as noted, 2001

037148 ©2002 eMarketer, Inc. www.eMarketer.com

Forrester, however, expects the highest online ad growth rate in Germany, 401.3% during the 2000 to 2003 period.

Comparative Estimates: Online Advertising Spending Growth in Germany, 2001-2003 (as % increase vs. prior year)

	2001	2002	2003	Growth 2000-2003
Forrester Research	69.3%	92.7%	53.7%	401.3%
International Data Corporation (IDC)	78.9%	59.4%	47.9%	321.7%
Zenith Media	70.6%	81.8%	44.2%	347.1%

Source: eMarketer, March 2002; various, as noted, 2001

037149 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

United Kingdom

Even though the UK hasn't yet made the Euro its official currency, these estimates in Euros make Forrester Research the most optimistic of the three companies investigating the European ad market. It believes the UK—with a population of 59.8 million—will hit €742 million for online ad spending in 2003. At the far end, Zenith Media sees less than half for the same year, €352 million, with IDC in the middle at €586.

Comparative Estimates: Online Advertising Spending in the UK, 2000-2003 (in millions of €)

	2000	2001	2002	2003
Forrester Research	€193	€326	€513	€742
International Data Corporation (IDC)	€201	€298	€419	€586
Zenith Media	€179	€235	€299	€352

Source: eMarketer, March 2002; various, as noted, 2001

037150 ©2002 eMarketer, Inc. www.eMarketer.com

Estimates of spending growth rates range from the very strong 284.5% from Forrester to Zenith's moderate 96.6%, over the 2000 to 2003 span.

Comparative Estimates: Online Advertising Spending Growth in the UK, 2001-2003 (as % increase vs. prior year)

	2001	2002	2003	Growth 2000-2003
Forrester Research	68.9%	57.4%	44.6%	284.5%
International Data Corporation (IDC)	48.3%	40.6%	39.9%	191.5%
Zenith Media	31.3%	27.2%	17.7%	96.6%

Source: eMarketer, March 2002; various, as noted, 2001

037151 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

France

With a 2002 population about equal to that of the UK, at 59.8 million, the online ad market is significantly less. That's partially due to the internet's history, having begun as an English-speaking medium; but more due to the popularity of the Minitel system in that nation, which took up much of the interactive market until just recently.

While all three researchers expect 2003's spending to be in a similar range—€316 million to €402 million—the growth rates vary much more. Since Zenith Media started with a higher base, it forecasts a 91.4% increase from 2000 to 2003; while Forrester and IDC offer estimates in a similar range to each other.

Comparative Estimates: Online Advertising Spending in France, 2000-2003 (in millions of €)

	2000	2001	2002	2003
Forrester Research	€98	€171	€257	€373
International Data Corporation (IDC)	€92	€175	€281	€316
Zenith Media	€210	€249	€310	€402

Source: eMarketer, March 2002; various, as noted, 2001

037152 ©2002 eMarketer, Inc. www.eMarketer.com

Comparative Estimates: Online Advertising Spending Growth in France, 2001-2003 (as % increase vs. prior year)

	2001	2002	2003	Growth 2000-2003
Forrester Research	74.5%	50.3%	45.1%	280.6%
International Data Corporation (IDC)	90.2%	60.6%	12.5%	243.5%
Zenith Media	18.6%	24.5%	29.7%	91.4%

Source: eMarketer, March 2002; various, as noted, 2001

037153 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Italy

While Italy's population, at 57.7 million, is nearly that of the UK or France, its online ad spending patterns fail to match.

The highest estimate for 2003 comes from Forrester, at €249 million. The highest growth rate for the four-year period shown below also comes from Forrester, at 398.0%. That increase is substantially more than projections from IDC or Zenith.

Comparative Estimates: Online Advertising Spending in Italy, 2000-2003 (in millions of €)

	2000	2001	2002	2003
Forrester Research	€50	€104	€164	€249
International Data Corporation (IDC)	€58	€107	€159	€189
Zenith Media	€75	€84	€127	€192

Source: eMarketer, March 2002; various, as noted, 2001

037154 ©2002 eMarketer, Inc. www.eMarketer.com

Comparative Estimates: Online Advertising Spending Growth in Italy, 2001-2003 (as % increase vs. prior year)

	2001	2002	2003	Growth 2000-2003
Forrester Research	108.0%	57.7%	51.8%	398.0%
International Data Corporation (IDC)	84.5%	48.6%	18.9%	225.9%
Zenith Media	12.0%	51.2%	51.2%	156.0%

Source: eMarketer, March 2002; various, as noted, 2001

037155 ©2002 eMarketer, Inc. www.eMarketer.com

Spain

By 2003, the fifth largest European economy, Spain, with a population of 40.1 million, will be the fifth-ranked nation in that region for online ad spending. All three estimates are very close—from Forrester's €127 million low to Zenith's €140 high.

Comparative Estimates: Online Advertising Spending in Spain, 2000-2003 (in millions of €)

	2000	2001	2002	2003
Forrester Research	€25	€50	€81	€127
International Data Corporation (IDC)	€38	€69	€107	€137
Zenith Media	€52	€92	€119	€140

Source: eMarketer, March 2002; various, as noted, 2001

037156 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

But coming from a lower base, Forrester sees the highest growth rate, that of 408.0%, for the 2000 to 2003 period.

Comparative Estimates: Online Advertising Spending Growth in Spain, 2001-2003 (as % increase vs. prior year)

	2001	2002	2003	Growth 2000-2003
Forrester Research	100.0%	62.0%	56.8%	408.0%
International Data Corporation (IDC)	81.6%	55.1%	28.0%	260.5%
Zenith Media	76.9%	29.3%	17.6%	169.2%

Source: eMarketer, March 2002; various, as noted, 2001

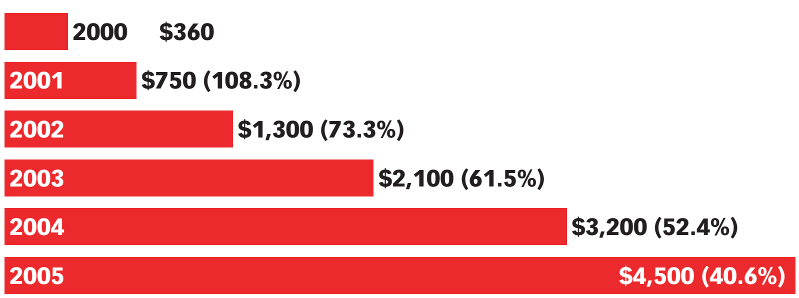
037167 ©2002 eMarketer, Inc. www.eMarketer.com

Asia Pacific

According to the latest "Global Entertainment and Media Outlook" report from PricewaterhouseCoopers and Wilkofsky Gruen Associates, online ad spending in the Asia-Pacific region should demonstrate steady gains over the next few years.

In 2002, regional ad spending will reach $1.3 billion, a jump of 73.3% over the previous year. In 2004, spending will more than double to $3.2 billion. And by 2005, online advertising will be a $4.5 billion business.

Online Advertising Spending in the Asia-Pacific Region, 2000-2005 (in millions and % change)



Note: CAGR: 65.7%
Source: PricewaterhouseCoopers (PwC), Wilkofsky Gruen Associates, May 2001

036272 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Japan

With the second strongest economy in the world, even after a decade of economic downturns, Japan is a key nation in the Asia-Pacific region. With a population of 127.0 million, and a fervent appreciation of electronics, internet use in Japan is strong.

Recent figures for the online ad market in Japan show a 24.6% increase from 59.0 billion yen in 2000 to spending of 73.5 billion yen in 2001. With the exchange rate of 1 Japanese yen equal to 0.00756397 $US (as of March 5, 2002), that makes the 2001 figure from Dentsu and AsiaBiz Tech equal to $0.56 billion.

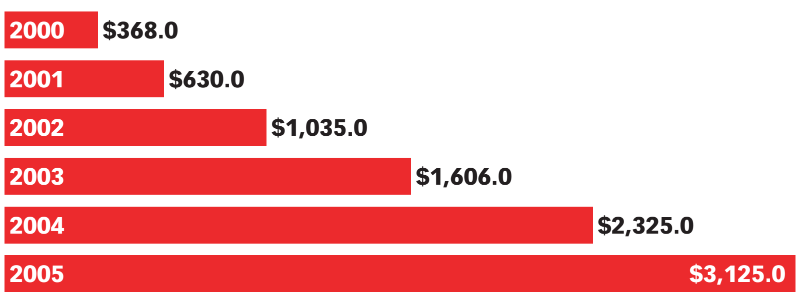
Online Advertising Market in Japan, 2000 & 2001 (in billions of yen)

Note: Online advertising accounts for 1.2% of total Japanese ad market
Source: Dentsu, 2002; AsiaBizTech, 2002

036892 ©2002 eMarketer, Inc. www.eMarketer.com

Looked at in $US, estimates from Forrester Research are in line, with a $0.63 billion figure for 2001 and soaring to $3.13 billion in online ad spending by 2005.

eAdvertising Expenditures in Japan, 2000-2005 (in millions)



Source: Forrester Research, 2001

030726 ©2001 eMarketer, Inc. www.eMarketer.com

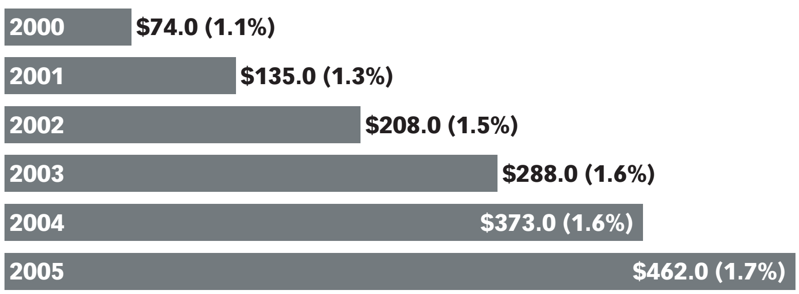
Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Australia & New Zealand

With 2002 populations of 19.5 million and 3.9 million, respectively, Australia and New Zealand's economies belie their size. As relatively early adopters of the internet, the two linked nations are markets keen for online advertising.

The combined spending by 2005 is expected to reach $462 million, according to Jupiter Research.

Online Ad Spending in Australia and New Zealand, 2000–2005 (in millions and as a worldwide %)



Source: Jupiter Research, 2000

006253 ©2001 eMarketer, Inc. www.eMarketer.com

And in comparative estimates also through 2005, Forrester Research expects online ad spending in Australia alone to hit $499 million, far higher than IDC's figure of $117 million for the previous year.

Comparative Estimates: Online Advertising Spending in Australia, 2000-2005 (in millions)

	2000	2001	2002	2003	2004	2005
Forrester Research	$59	$101	$165	$256	$371	$499
International Data Corporation (IDC)	$40	–	–	–	$117	–

Source: eMarketer, March 2002; various, as noted, 2001

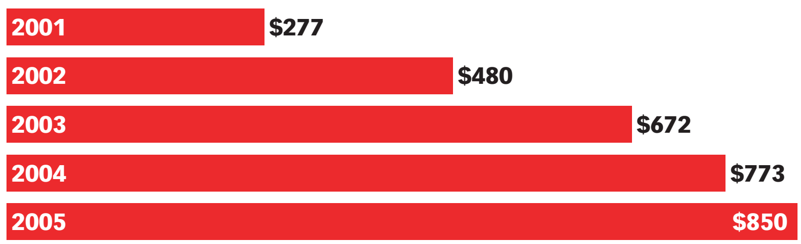
037338 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Latin America

The strength of the online advertising market in Latin America is partially based on its relatively small size. In 2001, total regional spending reached $277 million. That leaves much room to grow, and by 2005 online ad spending in Latin America will be $850 million. That translates to a 206.7% increase for the five-year period.

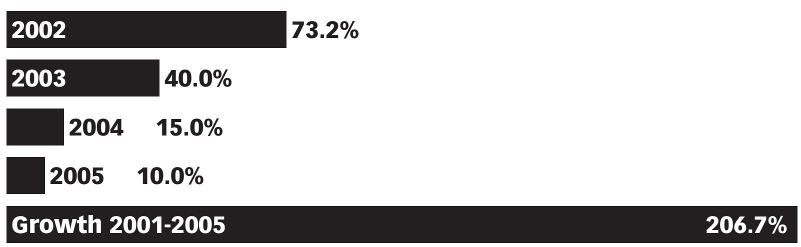
Online Advertising Spending in Latin America, 2001-2005 (in millions)



Source: eMarketer, March 2002

037367 ©2002 eMarketer, Inc. www.**eMarketer**.com

Online Advertising Spending Growth in Latin America, 2002-2005 (as % increase/decrease vs. prior year)



Source: eMarketer, March 2002

037366 ©2002 eMarketer, Inc. www.**eMarketer**.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Estimates from PricewaterhouseCoopers match that of eMarketer for 2005. However, according to Forrester Research and Jupiter Research, Latin America's online ad spending will be $1,183 million and $1,168 million, respectively, by 2005.

Comparative Estimates: Online Advertising Spending in Latin America, 2001-2005 (in millions)

	2001	2002	2003	2004	2005
eMarketer	**$277**	**$480**	**$672**	**$773**	**$850**
Forrester Research	$182	$308	$499	$785	$1,183
Goldman Sachs	$321	$560	$902	$1,238	–
Interactive Advertising Bureau (IAB)	–	–	$645	–	–
Jupiter Research	$240	$402	$628	$888	$1,168
PricewaterhouseCoopers (PwC)	$220	$350	$500	$670	$850
Zenith Media	$253	$532	$1,210	–	–

Source: eMarketer, March 2002; various, as noted, 2000 & 2001

037336 ©2002 eMarketer, Inc. www.eMarketer.com

Estimates for the five-year span other than eMarketer's project even greater growth, such as Forrester Research's 550.0%, Jupiter Research's 386.7%, and PwC's 286.4%.

Comparative Estimates: Online Advertising Spending Growth in Latin America, 2002-2005 (as % increase/decrease vs. prior year)

	2002	2003	2004	2005	Growth 2001-2005
eMarketer	**73.2%**	**40.0%**	**15.0%**	**10.0%**	**206.7%**
Forrester Research	69.2%	62.0%	57.3%	50.7%	550.0%
Goldman Sachs	74.5%	61.1%	37.3%	–	285.7%*
Jupiter Research	67.5%	56.2%	41.4%	31.5%	386.7%
Pricewaterhouse-Coopers (PwC)	59.1%	42.9%	34.0%	26.9%	286.4%
Zenith Media	109.8%	127.7%	–	–	377.9%**

*Note: *Goldman Sachs growth rate for 2001-2004; **Zenith Media growth rate for 2001-2003*
Source: eMarketer, March 2002, various, as noted, 2000 & 2001

037337 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

Within Latin America, Brazil and Mexico sport the most vital online advertising markets. By 2005, the two nations will reap 72.4% of the total spending in the region.

Online Advertising Spending in Latin America, 2000-2005 (in millions)

	2000	2001	2002	2003	2004	2005
Argentina	$7	$14	$27	$49	$83	$125
Brazil	$62	$104	$166	$257	$381	$536
Mexico	$20	$36	$67	$114	$192	$320
Other Latin America	$17	$28	$48	$79	$129	$202
Total Latin America	$106	$182	$308	$499	$785	$1,183

Source: Forrester Research, January 2001

026061 ©2001 eMarketer, Inc. www.eMarketer.com

Middle East/Africa

With more undeveloped nations than most regions, the Middle East and Africa lag behind the rest of the world in online advertising spending. (In fact, some research simply lists it as "rest of world.") That said, those nations with stronger economies—such as Israel, South Africa, and Saudi Arabia—will show reasonable online ad spending growth over the next few years.

Similar to other regions, the total growth rates for the Middle East and Africa, according to PwC studies, is high in the 2001 to 2002 period, and finding stability in 2004 to 2005.

Online Advertising Spending in Africa/Middle East, by Country, 2000-2005 (in millions)

	2000	2001	2002	2003	2004	2005
Israel	$7	$15	$25	$40	$50	$60
Lebanon	$2	$3	$5	$7	$9	$11
Saudi Arabia	$5	$8	$11	$15	$20	$25
South Africa	$7	$12	$18	$24	$29	$33
United Arab Emirates	$3	$5	$7	$10	$12	$15
Total	**$24**	**$43**	**$66**	**$96**	**$120**	**$144**

Source: PricewaterhouseCoopers (PwC), Wilkofsky Gruen Associates, May 2001

036235 ©2002 eMarketer, Inc. www.eMarketer.com

Methodology
Online Advertising Report: Update
US Online Ad Market Size and Growth
Perspective: Interactive Vs. Traditional Media
Formats Galore: The Online Ad Cornucopia
Direct Response vs. Branding
Online Ad Pricing
Web Publishers (Where Ads Go)
Web Advertisers (Who Runs Ads)
Trend Watcher: Tools and Techniques
Market Fundamentals: Supporting the Growth of Online Advertising
Global Market Size and Growth
Appendices

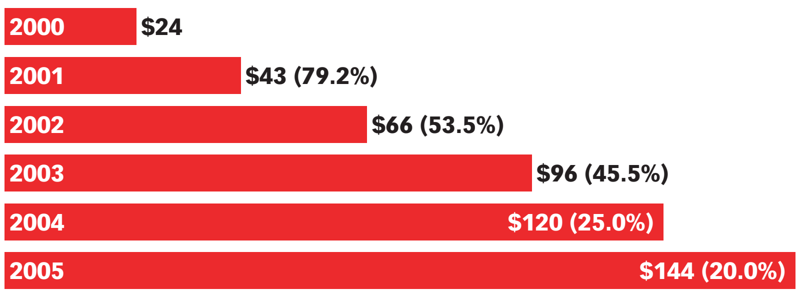
Online Advertising Growth Rates in Africa/Middle East, by Country, 2001-2005

	2001	2002	2003	2004	2005	CAGR
Israel	114.3%	66.7%	60.0%	25.0%	20.0%	53.7%
Lebanon	50.0%	66.7%	40.0%	28.6%	22.2%	40.6%
Saudi Arabia	60.0%	37.5%	36.4%	33.3%	25.0%	38.0%
South Africa	71.4%	50.0%	33.3%	20.8%	13.8%	36.4%
United Arab Emirates	66.7%	40.0%	42.9%	20.0%	25.0%	38.0%
Total	**79.2%**	**53.5%**	**45.5%**	**25.0%**	**20.0%**	**43.1%**

Source: PricewaterhouseCoopers (PwC), Wilkofsky Gruen Associates, May 2001

036239 ©2002 eMarketer, Inc. www.eMarketer.com

Online Advertising Spending for Africa/Middle East, 2000-2005 (in millions)



Note: CAGR: 43.1%
Source: PricewaterhouseCoopers (PwC), Wilkofsky Gruen Associates, May 2001

036226 ©2002 eMarketer, Inc. www.eMarketer.com

	Methodology	
I	Online Advertising Report: Update	
II	US Online Ad Market Size and Growth	
III	Perspective: Interactive Vs. Traditional Media	
IV	Formats Galore: The Online Ad Cornucopia	
V	Direct Response vs. Branding	
VI	Online Ad Pricing	
VII	Web Publishers (Where Ads Go)	
VIII	Web Advertisers (Who Runs Ads)	
IX	Trend Watcher: Tools and Techniques	
X	Market Fundamentals: Supporting the Growth of Online Advertising	
XI	Global Market Size and Growth	
	Appendices	**255**
	A. Glossary of Terms	**256**
	B. Index of Charts	**258**

A. Glossary of Terms

For the new and uninitiated, as well as those already immersed and highly experienced in the world of online advertising, we offer the following compilation of online advertising terms.

Affiliate marketing. A system of advertising in which site A agrees to feature buttons from site B, and site A gets a percentage of any sales generated for site B. It can also be applied to situations in which an advertiser may be looking for marketing information, rather than a cash sale. Popular among startups with very small marketing budgets. If we do each other's laundry, we'll all get rich, right?

Click: You might think you already know what a computing click is, but the definition for online advertising is more complex. There are three types of user reactions to internet content or advertising—click-through, in-unit click, and mouse-over. All of these reactions are generally referred to as "clicks."

Click-through rate (CTR). The percentage of web surfers who see a banner and click on it. At one time the granddaddy of web-marketing measurements, click-through is based on the idea that online promotions that do what they're intended to do will elicit a click. But click-through rates are plummeting. (Have you ever clicked on a banner?) So now agencies are backpedaling on click-throughs as a yardstick of success.

Cost-per-acquisition (CPA). An advertising pricing model in which advertisers pay agencies when users make an actual purchase or acquisition. (Also called "cost-per-buy" or "cost-per-sale.")

Cost-per-action (CPA). An advertising pricing model in which advertisers pay agencies based on the user taking some specifically defined action in response to an ad. In this definition, actions include not only clicks, but sales and leads as well.

Cost-per-click (CPC). An advertising pricing model in which advertisers pay agencies based on how many consumers clicked on a promotion. Condemned by advertisers and agencies alike for its many marketing vagaries and technical loopholes.

Cost-per-impression (CPI). An advertising pricing model in which advertisers pay agencies based on how many consumers see their promotions.

Cost-per-lead (CPL). An advertising pricing model in which advertisers pay agencies based on the number of leads they want to generate, and pay only for those leads that are delivered.

Cost-per-sale (CPS). An advertising pricing model in which advertisers pay agencies based on how many consumers actually buy something as a direct result of the promotion. Despised by agencies for the wretched accountability it brings to their lives.

Cost-per-thousand (CPM). An advertising pricing model in which advertisers pay agencies based on a dollar rate per thousand impressions. This is the classic counterpoint to most of the other alphabet-soup pricing models listed above.

Impression. A unit of measure. One set of eyeballs glancing over one banner counts as one impression. More technically, refers to a measurement of responses from an ad delivery system or a web server to an ad request or page request from the user's browser

Interstitial. The interstitial is a separate window of advertising that pops open spontaneously, blocking the site behind it. It is designed to grab consumers' attention for the few nanoseconds it takes them to close the window. The danger, of course, is that the attention achieved is perceived as an annoying intrusion.

Network. A group that represents many websites in selling advertising, allowing advertising buyers to reach broad audiences relatively easily through run-of-category and run-of-network buys.

Opt-in/Opt-out. An e-mail marketing promotion that typically gives consumers an opportunity to "opt in" (taking action to be part of the promotion) or to "opt out" (taking action to not be part of the promotion). Marketers can be sensitive about the distinction, although many are secretly anxious about the day when e-mail, like real-world direct mail, becomes an opt-out medium.

Pop-under ads. A relative of interstitial and pop-up ads, in that they appear in a separate window. The distinction of pop-under ads is that users don't see them until they click away from the main window.

Pop-up ads. A type of ad that appears in a separate window, on top of the main browser screen. This format is generally highly disliked by users.

Stickiness. A measure used to gauge the effectiveness of a site in retaining individual users. The term is typically used in promotional material when traffic numbers are too low to be effective in lauding a site's performance. Never mind the quantity, feel the stick.

Targeted marketing. Banners or other promotions aimed, on the basis of demographic analysis, at one specific subsection of the market.

Viral marketing. Any advertising that propagates itself. When Hotmail users send e-mail, they unwittingly "infect" the recipient with the tagline at the bottom of the message.

Visit: One or more text and/or graphics downloads from a website, which can be reasonably attributed to a single browser for a single session. A browser must "pull" text or graphics content to be considered a visit.

B. Index of Charts

Factors Affecting Revised Growth Projections for US Online Advertising Spending	12
Ad Spending Cuts Attributable to War on Terrorism, Q4 2001-Q1 2002 (as a % of companies interviewed)	12
Eight Barriers to US Online Advertising, 2002	15
US Consumer Exposure to Online Marketing Messages, 2000-2006 (in impressions per user per usage day and as % increase vs. prior year)	16
US Online Advertising Spending, 1996-2005 (in billions)	18
US Online Advertising Spending, 1997-2005 (as a % increase/decrease vs. prior year)	19
Comparative Estimates: US Online Advertising Spending, 2001 (in billions)	20
Comparative Estimates: US Online Advertising Spending, 2001 (in billions)	21
Comparative Estimates: US Online Advertising Spending, 2001 (as % increase/decrease vs. prior year)	22
Online Ad Spending: What Is Measured? How Is It Measured?	24
Online Ad Spending: What Is Measured? How Is It Measured?	25
Online Ad Spending: What Is Measured? How Is It Measured?	26
Comparative Estimates: US Online Advertising Spending, 2000-2001 (in billions)	26
Comparative Estimates: US Online Advertising Spending, 2000-2001 (in billions)	27
US Online Advertising Revenue, by Transaction Type, Q1-Q3 2000 vs. Q1-Q3 2001 (as a % of total revenue)	28
Comparative Estimates: US Online Advertising Spending, 2002 (in billions)	30
Comparative Estimates: Projections for US Online Ad Spending, 2002 (as % increase/decrease vs. prior year)	31
Comparative Estimates: US Online Advertising Spending, 2000-2005 (in billions)	33
Comparative Estimates: US Online Advertising Spending Growth, 2001-2005 (as % increase/decrease vs. prior year)	34
B2B and B2C Online Advertising in the US, 2000, 2001 & 2006 (in billions)	35
US Online Advertising Spending, Q1 1999-Q4 2001 (in millions)	36
US Online Advertising Spending, Q1 1999-Q4 2001 (as % increase/decrease vs. prior quarter)	37
US Online Advertising Spending, 2000-2005 (as a % of total media spending)	40
Comparative Estimates: US Online Advertising Spending, 2002 (as a % of total media spending)	41
US Online Advertising Spending, 2000-2005 (as a % of total media spending)	41
US Online Advertising Spending, 2000-2005 (as a % of total media spending)	42
US Online Advertising Spending, 2000-2005 (as a % of total media spending)	42
US Advertising* Spending, 1995-2005 (in billions & % change vs. previous year)	43

Comparative Estimates: Total US Measured Media Spending Growth, 2001 & 2002 (year-over-year)	44
Comparative Estimates: Projected US Ad Spending, by Media, 2002 (in billions and as % increase/decrease vs. prior year)	45
Projected US National Advertising Spending, by Advertising Medium, 2002 (in billions and % change over 2001)	46
Advertising Executives' Opinions Regarding the Amount of Time Until Overall US Ad Spending Returns to Year 2000 Levels, 2002 (as a % of respondents)	47
US Advertising Industry Quarter-over-Quarter Growth Trend, Q1 2001-Q4 2002 (as % change)	47
Comparative Estimates: Projected US Ad Growth, by Major Media, 2002 (as a % increase/decrease from 2001)	48
US Advertising Spending, by Major Media, 2002 (as % increase vs. prior year)	49
US Advertising Spending, by Media, 2000-2005 (in billions)	50
US Advertising Spending, by Media, 2000-2005 (in billions)	50
US Advertising Spending, by Media, 2000-2005 (in billions)	51
Comparative Estimates: Projected US Ad Spending, by Media, 2002 (as a % of total)	52
US Advertising Spending, by Media, 2000-2005 (as a % of total media spending and in billions)	53
US Advertising Spending, by Media, 2000-2005 (as a % of total media spending and in billions)	53
US Advertising Spending, by Media, 2000-2005 (as a % of total media spending and in billions)	54
5 Characteristics of Television, Radio and Print that Online Advertising Needs to Survive, 2002	55
Preferred Advertising Mediums of US Advertisers, 2001 (as a % of respondents)	56
US Advertisers' Views Regarding Which Advertising Medium Offers the Greatest Accuracy of Audience Counts, 2001 (as a % of respondents)	56
US Advertisers' Views Regarding Which Advertising Medium Offers the Best Speed of Response, 2001 (as a % of respondents)	56
US Advertisers' Views Regarding Which Advertising Medium Offers the Best Audience Reach, 2001 (as a % of respondents)	57
US Advertisers' Views Regarding Which Advertising Medium Offers the Best Return on Investment (ROI), 2001 (as a % of respondents)	57
Media Fragmentation, 1975-2005	58
Annual Use of Major Media among US Consumers, 2001-2005 (in hours)	59
Annual Use of Major Media among US Consumers, 2000-2005 (in hours)	59
Annual Hourly Use of Major Media among US Consumers, 2002-2005 (as % increase/decrease vs. prior year)	60
Annual Use of Major Media among US Consumers, 2001-2005 (as % increase/decrease vs. prior year)	60
Media Penetration among US Consumers, 2001-2005 (as % of annual usage hours)	61
Media Penetration among US Consumers, by Major Media, 2000-2005 (as a % of annual hours used)	61

Time Spent with Major Media Categories in a Day - At-Work Internet User vs. Non-Work User, 2001 (% of media minutes in a 24 hour day) 62

Changes in Media Consumption Since Internet Users in the US Started Going Online, March-September 2000 (as a % of users who have increased, decreased or not changed their consumption) 62

Number of Years Each Device Has Taken to Reach 25% Home Penetration in the US 63

Comparative Estimates: US TV Advertising Spending, 2000-2005 (in billions) 64

Comparative Estimates: US TV Advertising Spending Growth, 2001-2005 (as a % increase/decrease vs. prior year) 65

Comparative Estimates: US Radio Advertising Spending, 2000-2005 (in billions) 66

Comparative Estimates: US Radio Advertising Spending Growth, 2001-2005 (as % increase/decrease vs. prior year) 66

Comparative Estimates: US Newspaper Advertising Spending, 2000-2005 (in billions) 67

Comparative Estimates: US Newspaper Advertising Spending Growth, 2001-2005 (as a % increase/decrease vs. prior year) 67

Newspaper Classified Ad Readers in the US, 1998-2000 (as a % of respondents) 68

Comparative Estimates: US Magazine Advertising Spending, 2000-2005 (in billions) 69

Comparative Estimates: US Magazine Advertising Spending Growth, 2001-2005 (as % increase/decrease vs. prior year) 69

Magazine Advertising Revenues, January-May 2001 vs. January-May 2000 (in millions) 70

Comparative Estimates: US Yellow Pages Advertising Spending, 2000-2005 (in billions) 71

Comparative Estimates: US Yellow Pages Advertising Spending Growth, 2001-2005 (as % increase/decrease vs. prior year) 71

US Print and Internet Yellow Pages Advertising Spending, 1999, 2000 & 2005 (in billions and as a % of total) 72

Comparative Estimates: US Outdoor Advertising Spending, 2000-2005 (in billions) 73

Comparative Estimates: US Outdoor Advertising Spending Growth, 2001-2005 (as % increase/decrease vs. prior year) 73

Projected US Local Advertising Spending, by Advertising Medium, 2002 (in billions and % change over 2001) 74

Online Ad Spending in the US, by Format, Q1 2000-Q3 2001 (in millions) 77

Online Ad Spending in the US, by Format, Q1 2000-Q3 2001 (as a % of total dollars spent) 78

US Internet Advertising Revenue, by Ad Vehicle, First Nine Months, 2000 & 2001 (in billions and as a % change) 79

US Online Advertising Spending, by Format, 2000-2005 (in billions) 80

US Online Advertising Spending, by Format, 2002 (in billions) 80

Internet Advertising Formats Used by US Companies, 2000 (as a % of respondents*) 80

Appendices

US Online Advertising Revenues, by Format, Q1-Q3 2001 (as a % of total revenues)	81
The Case Against Online Advertising Banners	81
US Internet Users Who Click On Banner Ads, 2000-2002	82
The Case for Online Advertising Banners	82
US Consumer Attitudes Regarding Online Ad Formats, 2001 (as a % of respondents who have positive feelings towards the ad format)	83
Online Banner Ad Formats: Old and New, 2001	83
Factors that Draw US Consumers to Click on Banner Ads, 2001	84
Marketing Techniques Used by US Marketers to Drive Traffic to Their Sites, 2001 (as a % of respondents*)	85
Number of Paid Online Ad Impressions in the US, by Ad Format, January 2001-January 2002 (in billions)	86
Share of Online Ad Impressions, by Ad Format, 2001-2002 (as a % of monthly total)	86
Online Ad Impression Growth in the US, by Ad Format, 2001 & 2002	87
Sponsorship Spending in North America, 1996-2001 (in billions and as a % increase/decrease vs. prior year)	88
Characteristics of Online Ads that Are Seen As Sponsorship in the US, 2001 (as a % of respondents)	89
Percent of US Web Users Who Trust Sponsors vs. Advertisers, 2001 (as a % of respondents)	89
US Web Users' Opinions Regarding Whether Sponsorship or Advertising Enhance a Website, 2001 (as a % of respondents)	90
Number of Ad Sponsorships US eZine Publishers Accept per Issue, June 2001	90
Classified's Share of US Online Ad Spending, Q1 2000-Q3 2001 (as a % of total)	91
Classified Ad Spending in the US, Q1 2000-Q3 2001 (in millions)	91
Cost of Recruiting an Employee Online and Offline in the US, 2000	92
Employment Classified Ad Readers and Employment Website Visitors in the US, by Income, 2002 (as a % respondents)	93
Most Popular Internet Activities among US Internet Users, 2001	94
US Consumer Attitudes towards E-Mail Marketing, by Length of Time Online, 2001 (as a % of online consumer households)	95
Online E-Mail Ad Spending in the US, Q1 2000-Q3 2001 (in millions)	95
US E-Mail Marketing Spending, 2000-2006 (in billions)	96
US Digital Marketing Spending, 2000-2006 (in billions)	97
US Click-Through Rates, by Online Advertising Format, 1999-2002	97
US E-Mail Marketing Campaign Response Rates, by Campaign Objective, 2001 (as a % of respondents)	98
Effectiveness* of Online Marketing Techniques Used by US Marketers, 2001 (as a % of respondents**)	98
Marketing Techniques Used by US Marketers to Drive Traffic to Their Sites, 2001 (as a % of respondents*)	99
Use of HTML and Rich Media in E-Mail Marketing Campaigns among North American E-Mail Marketers, 2001 (as a % of respondents)	99

Opt-in E-Mail Marketing Methods Used Most by US Advertisers, Q4 2001 (as a % of advertisers surveyed)	100
Rich-Media Online Advertising Facts, 2002	100
Internet Advertising Bureau (IAB) Rich Media Banner Guidelines, 2001	101
Impact of Online Ad Technology, 2001 (as a % of change in brand index*)	102
Rich Media's Share of US Online Ad Spending, Q1 2000-Q3 2001 (as a % of total)	102
US Streaming Media-Enabled Advertising Spending Forecast, 2000-2005 (in billions)	103
Growth of Streaming Media Users in the US, by Access Speed, November 2000 & November 2001 (in millions of users)	103
Streaming Media Users in the US, 1999-2005 (in millions)	104
Broadband Households in the US, 2000-2004 (in millions)	105
Broadband Penetration in Canada and the US, 2000-2004 (as a % of total households)	106
Interactive Advertising Bureau (IAB) Guidelines for Rich Media Interstitial Ads, 2001	107
US Consumer Attitudes Regarding the Number of Pop-Ups per Hour that Are "Appropriate" to Support Free Websites, 2001 (as a % of respondents*)	107
Pop-Up Popularity As Compared to Other Advertising Channels in the US, 2001	108
US Consumers' Top Five Frustrations with Online Shopping, September 2001 (as a % of internet users)	108
US Consumer Attitudes towards Online Ads: Pop-Ups Vs. Banners, 2001	109
Online Advertising Effectiveness among US Companies, 2001 (as a % of respondents)	111
Top Five Activities of Americans Online, 2001 (as a % of internet users ages 3+)	111
Frequency of Internet Searches in the US, 2001 (as a % of respondents)	112
US Internet Users Who Have Clicked on Featured Listings or Sponsored Links on Search Sites, 2001 (as a % of respondents)	112
US Internet Users Opinions Regarding Featured Listings or Sponsored Links on Search Sites, 2001 (as a % of respondents)	113
Online Advertising Formats that Are Most Concerning to US Internet Users, 2001 (as a % of respondents)	113
Online Purchase Starting Points of US Internet Users, 2001 (as a % of respondents who have purchased online)	114
Likelihood of US Internet Users to Read or Click-On Search Listings or Ads , 2001 (as a % of respondents)	114
Ways Consumers Find New Websites, 2001	115
How US Internet Users Learn about New Web Sites, 2001 (as a % of respondents)	116
Methods to Improve Search Engine Rankings, 2000 (as a % of respondents)	117
US Advertising Spending, by Marketing Objective, 2001	120
Online Advertising Strategies: Branding vs. Direct Marketing, 2001	121
New US Advertising Campaigns* on the Internet, by Type, Q1 2001**	122

Appendices

Goals of US Digital Marketing Campaigns, 2001 (as a % of respondents*)	122
Goal of Streaming Advertising: Branding vs. Direct Reponse, 2001	123
US Direct Marketing Expenditures, 1998-2001 & 2005 (in billions)	124
US Interactive Direct Marketing Expenditures, 1999-2001 & 2005 (in millions)	124
Why CTRs Continue to Decline, 2001	125
US Consumer Marketing Messages per Day, 1999-2005	125
US Click-Through Rates, by Online Advertising Format, 1999-2002	126
Average Click-Through Rate for Top Banners among US Internet Users At-Home and At-Work, June 4-10, 2001	126
Click-Through Rates* for US Home Users, by Industry, March 2001 (as a % of the population)	126
Frequency that US Consumers Click on Online Advertisements, October 2000 & January 2001 (as a % of respondents who read online advertisements*)	127
Proportion of US Online Shoppers Who Made a Purchase After Clicking Through an E-Mail, 2000 & 2001 (as a % of respondents who have purchased online in the last year)	129
E-Mail and Banner Click-Through Rates (CTR) Worldwide, 2001	129
Factors that Draw US Consumers to Click on Banner Ads, 2001	130
Relative Brand Awareness Levels for Online Campaigns in the US, Based on Number of Banner Exposures, 2001	133
Comparison of Brand Awareness Levels, by Frequency of Ad Exposure, 2001 (as a % of respondents in a UK study)	133
Increase in Brand Awareness after Impressions of Online Advertisements in the UK*, 2001	134
Case Study for Travelocity: Impact of Banner Campaign on Aided Awareness, Based on Frequency of Exposure, 2000	134
Impact of Online Ad Size, 2001 (as a % of change in brand index*)	135
Brand Awareness among US Internet Users, by Online Ad Format, 2001 (as a % of respondents)	135
Mean Increase as a Result of US Banner Advertising: Awareness, Purchase Intent, Recall and Interest, 2001	136
Purchase Intent among US Internet Users, by Number of Ad Exposures, 2001 (as a % of respondents)	136
Brand Favorability among US Internet Users, by Number of Ad Exposures, 2001 (as a % of respondents)	136
Case Study for Panasonic E-Wear*: Impact of of Banner Campaign on Various Brand Measures, Based on Control vs. Exposed Groups, 2001	137
Most Effective Method of Delivering Online Branding Messages, 2001 (as a % of respondents)	138
Impact of Online Ad Technology, 2001 (as a % of change in brand index*)	138
Comparison of US Media Effectiveness in Branding: TV, Magazines, Newspapers and Banners, 2000	139
US Consumer Attitudes Regarding Online Ad Formats, 2001 (as a % of respondents who have positive feelings towards the ad format)	139
US Online Advertising Revenue, by Pricing Model, Q1-Q3 2000 vs. Q1-Q3 2001 (as a % of total revenue)	144

US Online Advertising Revenue, by Pricing Model, Q2 2001 vs. Q3 2001 (as a % of total revenues) 145
What Drives CPMs Up or Down 146
Advertising Cost-per-Thousand Rates (CPMs) in the US, by Media, 2000 146
Effective CPMs* for Leading Online Publishers, Q3 1999- Q1 2001 147
Three Degrees Of Marketing and the Cost of Each in the US, 2002 147
Cost Comparison between CPM, CTR & CPC, 2001 147
US Average Cost per Thousand (CPM), by Ad Format, 2001 148
Average Full Banner CPM Rate Card Price in the US, by Genre, Q3 & Q4 2000 vs. Q1 & Q2 2001 149
Comparative Estimates: US Online Advertising Spending Discounts, by Quarter, Q1 2000-Q2 2001 (in millions) 150
Percent of US Online Advertising Revenue Derived from Pay-for-Performance Deals, 2001-2006 151
US Online Advertising Pricing Models, 2000 vs. 2003 (as a % of respondents) 152
US Digital Marketing Pricing Models, 2000-2005 (as a % of respondents) 152
US Advertisers' Suggested Methods for Increasing the Effectiveness of Online Advertising, 2001 (as a % of respondents) 153
Reasons Why US Advertisers Do Not Advertise Online, 2001 (as a % of respondents) 153
US Online Ad and Audience Measurement Metrics Used, 2001 (as a % of respondents) 155
US Online Advertising Currency Metrics, 2001 (as a % of respondents) 155
Top Five Online Ad Sellers and Ad Buyers in the US, September 2001 (in billions of impressions) 158
Number of Websites Worldwide, 1998-2001 (in millons) 159
Number of Webpages* Worldwide, 1997-2002 (in billions) 160
Top 10 Web Genres to Advertise On, by Impressions, 2001 (in billions) 161
US Online Advertising Revenue, by Website Genre, Q1-Q3 2000 vs. Q1-Q3 2001 (as a % of total revenue) 162
Top Websites in the US, by Online Ad Revenue, Q1-Q3 2001 (in millions) 163
Top 10 Online Ad Spending Companies in the US, Q1-Q3 2001 (in millions) 163
Top "Fortune 100" Online Advertisers, Q1 & Q2 2001 (in billions of impressions) 166
Top Online Advertisers, by Impressions, Q3 2001 (in billions) 166
US Digital Marketing Spending for Traditional and Dot-Com Companies, 2000-2006 (in millions) 167
How US Marketers Will Spend Their Digital Marketing Budget , 2002 & 2004 (as a % of respondents*) 167
US Online Advertising Revenue, by Major Industry Category, Q3 2000 vs. Q3 2001 (as a % of total revenue) 168
US Online Advertising Revenue, by Industry, Q2 2001-Q3 2001 (as a % of ad revenues) 169
US Online Advertising Revenue, by Major Consumer Category, Q3 2000 vs. Q3 2001 (as a % of total revenue) 170

US Online Advertising Spending, 2000-2002 (as share of category spending on traditional media) 171

US Online Advertising Spending, by Category, 2000-2002 (in millions and as % change) 171

US Online Advertising Spending, by Industry Segment, 1999-2005 172

Top 10 Online Advertising Industries, by Impressions, 2001 (in billions) 172

Online Ad Spending in the US, by Industry, Q1-Q3 2001 (in millions) 173

Top 10 Online Ad Spending Companies in the US, Q1-Q3 2001 (in millions) 174

Advertisers and Number of Impressions for the Three Major Portals, First Quarter 2001 175

Top 10 Interactive Advertising Agencies Ranked by Total Online Billings, 2001 (in millions and as a % of total media billings) 176

Top 10 Interactive Advertising Agencies, Ranked by 2001 Revenue, 2000 & 2001 (in millions and as % increase/decrease vs. prior year) 177

Advertiser Preference for Using Single or Multiple Agencies for Interactive Marketing, 2001 (as a % of respondents) 178

Internet Advertising Networks, by Impressions and Pricing, 2001 179

US iTV Advertising Revenue, 2001-2005 182

Comparative Estimates: US Personal Video Recorder (PVR) Subscribers, by Type of Delivery Platform, 2000-2005 (in millions) 183

US Streaming Media-Enabled Advertising Spending Forecast, 2000-2005 (in billions) 184

Top 10 Internet Radio Networks Worldwide, 2001 (by hours streamed) 185

Top 10 Internet Radio Networks in the US, January 2002 (in hours) 185

Americans Who Have Listened to Internet Radio, 2000-2002 (as a % of total US population) 186

People in the US Who Have Ever Experienced Selected Types of Digital Music, 2001 (as a % of respondents*) 186

Mobile and Total Internet Users in the US, 2000-2004 (in millions) 188

Mobile Internet Subscribers in the US, by Device, 2000-2004 (in millions) 189

Comparative Estimates: US Wireless Advertising Spending, 2000, 2002, 2003 & 2005 (in millions) 190

Impact of Drivers on the Development of Mobile Advertising 190

Willingness to Receive Mobile Advertising among US Consumers, 2001 191

US Online Users' Interest in Accepting Advertising over Wireless Devices in Exchange for Cost Breaks, 2001 191

Barriers to the Development of Mobile Advertising, 2001 192

The Case Against Wireless Advertising in the US, 2002 192

US Work Users of Instant Messaging, September 2000 & September 2001 (as a % of users that used at least one competing service) 194

Internet Users Worldwide, by Region, 2000-2004 (in millions) 196

Total US Internet Users and Internet Users Ages 14+, 2000-2004 (in millions) 197

Penetration Rate of US Internet Users Ages 14+, 2000-2004 197

Comparative Estimates: Average Time Spent Online per Week for US Internet Users, 2001 (in hours) 198

Broadband Households in the US, 2000-2004 (in millions) 199

Broadband Internet Access in the US, 2000, 2002 & 2004 (as a % of total internet access)	199
How Broadband Changes US Home Internet Usage, January & July 2001 (in millions)	200
Characteristics of a Broadband User in the US, 2000	200
Households with Broadband Access in the US, by Income, 2000	201
US Consumer Online Buying and Shopping Grid, 2000-2004 (in millions and % penetration)	202
Snapshot Profile of US Internet User Demographics, September 2001	205
Internet Users in the US, by Family Income, September 2001 (in millions and penetration)	206
US Internet Users, by Income, 2000	206
US Internet Penetration, by Income, 2001 (as a % of each income bracket)	206
Time Spent on the Internet in the US, by Income Level, 2000 & 2001 (in average hours per week)	207
US Media Consumption by At-Work and Non-Work Users, by Media Type, 2001 (as a % of at-work and non-work users*)	208
Attitudes of US At-Work Users Towards Advertising, by Media Type, 2001 (as a % of at-work users*)	209
Attitudes Towards Online Advertising by US At-Work and Non-Work Users, 2001 (as a % of at-work and non-work users*)	210
Hours Spent Online by Affluent Americans, 2000 (as a % of those online)	211
Time Spent with Various Media by Affluent Online Americans, 2000 (in hours per week)	211
Online Habits of Affluent Americans, 2000	212
Number of Different Websites Visited Monthly by US Corporate Executives in Search of Business and Financial Information, 2002 (as a % of respondents)	212
Hours Spent Per Week Online* among US Corporate Executives, 2002 (as a % of respondents)	213
Average Number of Hours Spent per Week with Different Media among US Corporate Executives, 2002	213
US Corporate Executives' Opinions Regarding Advertising that Helps Them Decide What to Buy, by Media, 2002 (as a % of respondents selecting media)	214
Advertising Spending Worldwide, 2000-2004 (in billions)	216
Advertising Spending Growth Worldwide, 2001-2004 (as a % increase/decrease vs. prior year)	217
Advertising Spending Worldwide, 2000-2005 (in billions)	217
Advertising Spending Growth Worldwide, 2001-2005 (as a % increase/decrease vs. prior year)	218
US vs. Non-US Advertising Spending, 2000-2005 (in billions)	219
US vs. Non-US Share of Advertising Spending, 2000-2005 (as a % of total spending)	219
US vs. Non-US Advertising Spending Growth, 2001-2005 (as a % increase/decrease vs. prior year)	220
US vs. Non-US Advertising Spending, 2000-2004 (in billions)	220

Appendices

US vs. Non-US Share of Advertising Spending, 2000-2004 (as a % of total)	221
US vs. Non-US Advertising Spending Growth, 2001-2004 (as a % increase/decrease vs. prior year)	221
Advertising Growth Worldwide, 1999-2002 (in billions and as % increase/decrease vs. prior year)	222
Comparative Estimates: Advertising Spending Worldwide, US vs. Non-US, 2002 (in billions)	222
Comparative Estimates: Advertising Spending Worldwide, US vs. Non-US, 2002 (as a % of total)	223
Advertising Spending Worldwide, by Region, 2000-2005 (in billions)	223
Advertising Spending Worldwide, by Region, 2000-2005 (as a % of total)	224
Advertising Spending Worldwide, by Region, 2001-2005 (as a % increase/decrease vs. prior year)	224
Advertising Spending Worldwide, by Region, 2000-2004 (in billions)	225
Advertising Spending Worldwide, by Region, 2000-2004 (as % of total spending)	225
Advertising Spending Growth Worldwide, by Region, 2001-2004 (as a % increase/decrease vs. prior year)	226
Internet Users Worldwide, by Region, 2000-2004 (in millions)	227
Internet Users Worldwide, by Region, 2000-2004 (as a % of each region's total population)	227
Total Internet Users in G-7 Countries, 2000-2004 (in millions)	228
Internet Users in G-7 Countries, 2000-2004 (in millions)	228
Number of Websites Worldwide, 1998-2001 (in millons)	229
Comparative Estimates: Online Advertising Spending Worldwide, 1999-2005 (in billions)	229
Wireless Advertising Spending for Selected Countries Worldwide, 2000-2005 (in millions)	230
Worldwide Internet Advertising and Access Spending*, by Region, 2000-2005 (in billions and % change)	231
Banner Click-Through Rates in Selected Countries, 2001	231
Online Advertising Spending in Canada, 2000-2005 (in millions)	232
Advertising Spending Growth in Canada, by Media, 2001-2005 (as a % increas/decrease vs. prior year)	233
Advertising Spending in Canada, by Media, 2000-2005 (in millions)	233
Online Advertising Revenue in Canada, by Industry Sector, Q1 2001	234
Online Advertising Revenue in Canada, by Advertising Format, 2000-2001 (as a % of respondents)	234
Online Advertising Spending in Europe, 2000-2003 (in billions)	235
Online Advertising Spending in Western Europe, 2000-2003 (in millions of €)	236
Online Advertising Spending in Western Europe, 2000-2003 (in millions of €)	236
Online Advertising Spending in Western Europe, 2000-2003 (in millions of €)	236
Online Advertising Spending Growth in Western Europe, 2001-2003 (as % increase vs. prior year)	237

Online Advertising Spending Growth in Western Europe, 2001-2003 (as % increase vs. prior year)	237
Online Advertising Spending Growth in Western Europe, 2001-2003 (as % increase vs. prior year)	237
Online Advertising Spending in Western Europe, by Country, 2000-2005 (in millions)	238
Online Advertising Spending Growth in Western Europe, by Country, 2001-2005 (as a % increase/decrease vs. prior year)	239
Online Advertising Spending in Eastern Europe, by Country, 2000-2005 (in millions)	240
Online Advertising Spending Growth for Selected Countries in Eastern Europe, 2001-2005 (as a % increase/decrease vs. prior year)	240
Percent of Advertising Budget European Advertisers Spend Online, 2001	241
Number of Online Advertisers in Selected European Countries, January-June 2001 (and as a % of total)	242
Comparative Estimates: Online Advertising Spending in Germany, 2000-2003 (in millions of €)	243
Comparative Estimates: Online Advertising Spending Growth in Germany, 2001-2003 (as % increase vs. prior year)	243
Comparative Estimates: Online Advertising Spending in the UK, 2000-2003 (in millions of €)	244
Comparative Estimates: Online Advertising Spending Growth in the UK, 2001-2003 (as % increase vs. prior year)	244
Comparative Estimates: Online Advertising Spending in France, 2000-2003 (in millions of €)	245
Comparative Estimates: Online Advertising Spending Growth in France, 2001-2003 (as % increase vs. prior year)	245
Comparative Estimates: Online Advertising Spending in Italy, 2000-2003 (in millions of €)	246
Comparative Estimates: Online Advertising Spending Growth in Italy, 2001-2003 (as % increase vs. prior year)	246
Comparative Estimates: Online Advertising Spending in Spain, 2000-2003 (in millions of €)	246
Comparative Estimates: Online Advertising Spending Growth in Spain, 2001-2003 (as % increase vs. prior year)	247
Online Advertising Spending in the Asia-Pacific Region, 2000-2005 (in millions and % change)	247
Online Advertising Market in Japan, 2000 & 2001 (in billions of yen)	248
eAdvertising Expenditures in Japan, 2000-2005 (in millions)	248
Online Ad Spending in Australia and New Zealand, 2000–2005 (in millions and as a worldwide %)	249
Comparative Estimates: Online Advertising Spending in Australia, 2000-2005 (in millions)	249
Online Advertising Spending in Latin America, 2001-2005 (in millions)	250
Online Advertising Spending Growth in Latin America, 2002-2005 (as % increase/decrease vs. prior year)	250
Comparative Estimates: Online Advertising Spending in Latin America, 2001-2005 (in millions)	251

Comparative Estimates: Online Advertising Spending Growth in Latin America, 2002-2005 (as % increase/decrease vs. prior year)	251
Online Advertising Spending in Latin America, 2000-2005 (in millions)	252
Online Advertising Spending in Middle East/Africa, by Country, 2000-2005 (in millions)	252
Online Advertising Growth Rates in Middle East/Africa, by Country, 2001-2005	253
Online Advertising Spending for Middle East/Africa, 2000-2005 (in millions)	253

Also Available from eMarketer

Asia Online: Demographics, Infrastructure, Usage Patterns and eCommerce Trends

- Economy & infrastructure
- Internet users & demographics
- eCommerce, E-Finance & E-Advertising
- Country profiles

ASPs

- Market size & growth
- Industry leaders
- Usage patterns
- Customer satisfaction

Brazil Online: Demographics, Usage Patterns and E-Commerce Trends

- Economy & infrastructure
- Internet users & demographics
- E-Commerce, E-Finance & E-Advertising

Broadband

- Users by access method (dial-up, fiber, DSL, cable, satellite, wireless)
- Residential and business usage
- Access revenues
- User demographics
- Country profiles

CRM

- Market size & growth
- Leading vendors
- Budgeting & implementation

eBanking

- Online banking around the world (US, Europe, Asia)
- Mobile banking
- Electronic bill presentment and payment

eCanada

- Economy & infrastructure
- Internet users & demographics
- E-Commerce, E-Finance & E-Advertising

eCommerce: B2B

- E-Commerce: B2B revenues around the world, country by country
- E-Commerce: B2B by industry
- Internet penetration among businesses
- Online marketplaces, auctions and exchanges

eCommerce: B2C

- E-Commerce: B2C revenues worldwide
- Top B2C categories
- Online shoppers, buying frequency and size of transactions

North America Online
- User demographics worldwide
- Age, gender and race
- Income, education and occupation
- Usage patterns

eGlobal
- Internet infrastructure, by region
- Users and usage, by region
- E-Demographics, by region
- E-Commerce, by region

eHealth
- Consumer demographics and attitudes
- Healthcare personnel, demographics and usage
- B2C spending
- B2B spending

eInvesting
- Online brokerages
- Online mutual funds
- Online asset management
- Online investment advice

eMail Marketing
- E-Mail marketing revenues worldwide
- E-Mail users and user demographics
- Permission, opt-in and opt-out
- E-Mail marketing techniques and strategies

ePoland
- Economy & infrastructure
- Internet users & demographics
- E-Commerce, E-Finance & E-Advertising

ePrivacy & Security
- Consumer attitudes & behavior toward online privacy
- Online fraud
- Credit card security
- Corporate security (hacking and denial-of-service attacks)
- Virus attacks

Europe Online
- Economy & infrastructure
- Internet users & demographics
- E-Commerce, E-Finance & E-Advertising
- Country profiles

eWireless
- Mobile Internet use around the world, country by country
- M-Commerce
- M-Finance
- M-Advertising

Interactive Television
- User forecast
- Revenue forecast
- Business attitudes & behavior
- User attitudes & behavior

Japan Online: Demographics, Usage Patterns and E-Commerce Trends
- Economy & infrastructure
- Internet users & demographics
- E-Commerce, E-Finance & E-Advertising

Latin America Online: Demographics, Infrastructure, Usage Patterns and E-Commerce Trends
- Economy & infrastructure
- Internet users & demographics
- E-Commerce, E-Finance & E-Advertising
- Country profiles

Marketing Online to Kids & Teens
- Demographics
- Advertising & marketing
- E-Commerce
- Special considerations

Online Advertising: Statistics, Strategies, Tools and Trends
- eAdvertising revenues worldwide
- Spending by ad format (banner ads, sponsorships, e-mail, etc.)
- Spending by industry category
- Measurements and standards (click-through rates, CPMs, ROI)

Online Marketing
- Viral marketing
- Direct marketing vs. Branding
- Search engine optimization
- Affiliate programs
- Classifieds
- Coupons

For more information, or to order a copy, contact eMarketer at:

Phone: 212.677.6300 **Fax: 212.777.1172**

eMail: sales@emarketer.com **Web: www.emarketer.com**

For media inquiries:
Terry Chabrowe, tchabrowe@emarketer.com

For inquiries about this report or other eMarketer reports:
Nick Fainelli, New Business Development, nfainelli@emarketer.com