



# Internet overtakes television to become biggest advertising sector in the UK

Record £1.75bn online spend makes UK first major economy to spend more on web ads than TV, says IAB.

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The UK has become the first major economy where advertisers spend more on internet advertising than on television advertising, with a record £1.75bn online spend in the first six months of the year.

The milestone marks a watershed for the embattled TV industry, the leading ad medium in the UK for almost half a century. It has taken the internet little more than a decade to become the biggest advertising sector in the UK.

UK advertisers spent £1.75bn on internet advertising in the six months to the end of June, a 4.6% year-on-year increase, according to a report by the Internet Advertising Bureau and PricewaterhouseCoopers. To put this in perspective, in 1998, when the IAB first measured internet advertising, just £19.4m was spent online.

The internet now accounts for 23.5% of all advertising money spent in the UK, while TV ad spend accounts for 21.9% of marketing budgets.

The IAB originally predicted that internet ad spend would overtake TV at the end of 2009; however, the crippling advertising recession accelerated this by six months. TV advertising fell about 17% year on year in the first half, to about £1.6bn, according to the report.

The IAB's figures show that of the total of £1.75bn spent on internet advertising, £1.05bn, or 60%, was spent on search advertising on websites including Google, up 6.8% year on year.

Online classified advertising grew by 10.6% year on year to £385m, about 22% of total internet ad spend. But online display advertising, such as banners on websites, fell by 5.2% year on year, to £316.5m. This was an 18% share of all internet ad spend.

The ray of light within the online display ad sector was the nascent, but rapidly growing, online video advertising sector. The IAB estimated that this sector grew by close to 300% year on year, to almost £12m.

Thinkbox, the UK TV marketing body, has taken exception to the IAB's figures, arguing that the internet is now mature

and diverse and it is inaccurate to collate all the figures as if it is one single medium.

"It is interesting but meaningless to sweep all the money spent on every aspect of online marketing into one big figure and celebrate it," said Lindsey Clay, marketing director at Thinkbox. "Online marketing spend is made up of many things, including email, classified ads, display ads (including online TV advertising) and, overwhelmingly, search marketing. They should be judged individually."

Guy Phillipson, the chief executive of the IAB, reckoned that there is still significant growth potential left in the internet ad market.

"We could absolutely see it grow to being a 30% medium [of share of ad spend], to go past £4bn to even £5bn annually," he said. "Online display advertising has plenty of room for growth."

Despite the seemingly inexorable rise of internet ad spend, a closer examination of the IAB's figures show that the recession has had an impact. In the first quarter £920m was spent on online advertising, representing 8.6% year-on-year growth. However, in the second quarter, spend fell almost £100m to £832m, representing only a 1.1% increase on the amount spent in the same period last year.

Adam Smith, futures director at WPP's combined media operation Group M, argued that the internet's share of total UK ad spend could be close to its peak.

Smith cited factors such as the increasing share of time that users spend on social networking websites, which have not attracted huge advertising spend, and the increasing saturation of internet penetration in the UK as potential limiting factors. "This day was bound to arrive, as the internet has been attracting a huge long tail of advertisers that have not advertised before doing completely new things," he said. "It is a memorable event. However, it is a bit simplistic to make this comparison [and] it is always possible that internet's share [of total UK ad spend] could go backwards if TV has a good year."

The UK is not the first country where internet ad spend has overtaken TV spend, Denmark reached the milestone about six months ago. But it is the first major economy to do so.

**Guardian.co.uk Nov. 2009**