

# PwC, IAB release latest Internet Advertising Revenue Report

By [Jessica Tennant](#)

28 Apr 2020

The IAB SA held its Digital Landscape Webinar on Thursday, 23 April at 2pm via Zoom, in which it revealed key findings from the latest Internet Advertising Revenue Report, conducted by PwC and sponsored by the IAB SA, as well as the IAB SA Digital Landscape Survey. Both of these reports are confidential, and the content exclusive to IAB members, however, the IAB has allowed us to share some topline learnings and insights.



## IAB report surveys the local digital landscape

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Ashish Williams, CEO of Mediacom SA and head of the IAB Research Council opened the webinar, sharing the key findings presented in the recently concluded IAB SA Internet Advertising Revenue Report, followed by Elenor Jensen, partner at PwC South Africa in the Technology, Media and Telecommunications Division, unpacking the trends revealed through these findings, while Claire Cobbledick, IAB vice-chair, looked at the internet adspend report from a publishers' perspective. Ryan Smit, MD at BMIT and head of the Measurement Council for the IAB, then shared the findings from the digital landscape report for 2020.



Ashish Williams, CEO of Mediacom SA and head of the IAB Research Council.

What is particularly important to open with is the time that this report is being released, as much is likely to change over the next few years.

Speaking to the impact of Covid-19 on the internet advertising industry, Williams said that this pandemic has been causing a huge behavioural change in terms of the way consumers are using content and interacting with technology. "We have seen that most of the advertisers are going into cost-containment measures and cancelling their investment in this quarter and moving it to a later part of the year or moving it from offline channels, like outdoor and radio, into the digital channels, where we are seeing the consumption of television and digital skyrocketing while there is a lockdown."



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He believes that there is going to be a significant increase in digital investment and that this will impact the overall percentage to the overall advertising buy, but much higher... Not only the investment, but the way we are interacting with the technology in the digital world. And he foresees an uplift in voice search.



Elenor Jensen, partner at PwC South Africa in the Technology, Media and Telecommunications Division.

Jensen, who has been involved in the IAB PwC online advertising survey since its inception, spoke to the results of the latest survey.

“South Africa has seen some very exciting double-digit growth in online advertising spend over the past three years.” Almost R1bn worth of online adspend has been added over the past two years, of which approximately 80% arose from paid search revenues. However, this growth has slowed down a bit in 2019 and that is partially due to trust in digital advertising. “Programmatically delivered digital advertising has raised some concerns around fraud and led many buyers to become quite sceptical around whether their ads are being viewed by actual real people.”

Important to note is that a significant portion of local advertising budgets are being spent outside of the country. “It is

important for us to flag that when we move on to a more in-depth analysis going forward, that there's a significant portion of South African advertising budgets that are being spent outside of South Africa, and that obviously doesn't benefit the local publishers. I think that's really important because we see growth and we expect this money will be captured in the pockets of local companies and that's not the case, and that's also not the case in terms of what we see globally in other territories."

Paid search is almost double the size of the other online advertising revenues. Online advertising, however, is growing its share of the total advertising market, and that's the good news. Online advertising has increased its stake of overall ad spend from 9.2% in 2016 to 13.1% in 2019 in South Africa. Globally, this figure is around 50%, which means there's potential for growth in the South African market. Online advertising also remains one of the fastest-growing segments in the advertising market and the only other segments that are growing at a similar rate are relatively new segments, such as video games, e-sports and podcasts.

She mentioned that PwC in the US conducted a pulse survey on 31 March to get a gauge on how CFOs are viewing the impact of Covid-19 on their businesses and some of the measures they are considering implementing to try to mitigate some of this impact.

From the multi-territory results, it's clear that more than four in five of respondents say the outbreak has the potential to significantly impact their businesses. And 55%, so more than half of respondents are considering implementing cost containment to try to minimise the effect of Covid-19 on overall profitability, and nearly one-third of these respondents expect layoffs in the future.

"I think all of us know as we've seen in the past that the moment companies implement cost containments that this usually means a significant lowering in advertising budgets."

Although she's not in a position to comment on the impact of Covid-19 on the advertising industry in South Africa yet, Jensen said, "The world today looks very different than the world at 31 December when we concluded this survey. The impact of Covid-19 is expected to not only affect the advertising industry but to have a significant impact on various industries and maybe even more importantly the overall economies around the world. So, the rapid spread of the virus has resulted in unpredictable and very volatile environments for both business and also for consumers.

"I think we'll only start seeing the full implications in the next few months. But I do think that the impact of this is much wider and will probably affect the majority of businesses in a direct or indirect manner over the next few years."



Claire Cobbletick, IAB vice-chair.

For Cobbledick, her first and most important point was that this adspend report is a major milestone. “Since 2016 when the last report was released, there has been a gap in market-level data for the internet advertising industry, and this data is important to benchmark the trends in the internet advertising industry to enable more accurate forecasting, resourcing and unlocking of investment.” It is particularly important because this is a growing and fast-changing segment.

She noted that the report provides context and guidance for the last three years and sets the foundation for reporting into the future.

“If you look at a little bit of the high-level insight that comes from the report, the first takeaway is that digital advertising continues to grow and at a pretty tidy cliff. The high-level growth numbers have been double-digit consistently from 2017, through to 2018, through to 2019.”

Notably, this has slowed in the last period, from 17% in 2017 to 11% in 2019, while paid search share of this spend has grown from 57% in 2017 to 62% in 2019, and paid search has grown 17% in value in 2019, compared to internet advertising, excluding paid search only growing at 3% for the same period.

There’s a really important conclusion to be drawn here, said Cobbledick, because the aggregated data really provides a very buoyant picture, but 3% growth for local digital publishers is a far humbler rate of growth and there’s a risk by just looking at the broad top-level number that you miss the real challenges that the local publishing industry is facing in terms of monetisation.

“The question one has to ask when looking at the total picture of R4bn spend is, ‘Does it include the full data set? Is there anything that’s left out of those numbers?’”

The 4bn doesn’t actually cover 100% of all the internet advertising spend in South Africa. She mentioned a few contributing factors. “Firstly, it is recognised that there has been a shift in spend in-house by a mix of advertising spenders. Data for this report predominantly comes from agencies and thus in-house expenditure is not reflected. Since not all agencies participated in the compilation of the report, some agency-spend has been excluded too. And when comparing the adspend report data to the PWC Media & Entertainment Outlook, the difference between total spend and this report is valued at approximately R1.7bn in 2019.”

The question then becomes, ‘What is the relevance or importance of producing the adspend report if it doesn’t have all of the information?’ The answer is twofold. “Firstly, it is necessary for the industry to have this report and I believe that it’s extremely important especially from a publishers’ point of view that there is pressure and progress being made on trying to create a comprehensive view on the investment in internet advertising. Secondly, having some information that can be trended, compared and benchmarked overtime is certainly more useful than not having any information at all.” She quoted Charles Babbage, who said, “Errors using inadequate data are much less than those using no data at all.”

Delivering an accurate perspective on internet advertising spend is critical for the industry and the IAB believes that this report meets this need. “However, to be truly instructive, a more complete data set is required,” she noted. “For that reason, there’s a strong call to arms from publishers for all IAB members to actively contribute to ensure the report is comprehensive, with mutual benefit for the entire industry.”



**#Newsmaker: Claire Cobbledick promoted to GM at Gumtree SA**

Jessica Tennant 29 Jun 2018



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In conclusion and perhaps the single most important point, from a publishers’ point of view, is that the challenges for local publishers are growing. “It’s clear that paid search is the major driver of internet advertising growth, and then if you look at the data that’s missing from the report, so the gap between what’s in the adspend report and for example the PwC M&E

Outlook, that extra R1.5-R2bn, it is likely that a large amount of that is being invested in social. So, the real growth in the internet advertising industry is definitely being driven by investment in Google and likely investment in Facebook and social media marketing and not being made into the local publishing industry.”

Publishers, therefore, need to continue looking beyond advertising revenue streams, and given the Covid-19 pandemic, these challenges are only being exacerbated. “At the moment at the environment in which we’re trading, the Covid-19 pandemic and the consequent economic impact is only going to make this challenge greater and the priority around this even higher,” she foresees.

“I believe that this pandemic is going to drive a stronger urgency around these priorities, certainly pushing publishers to consider alternative options and, hopefully, I believe also better collaboration, sharing and coming together amongst the local digital publishers into the future.”

*To access more smart, actionable and motivating insights to help you make better digital decisions, join the IAB SA Insights Online webinar this Thursday, 30 April at 11am. You can register [here](#).*

## ABOUT JESSICA TENNANT

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