

Global Digital Media & Technology Research Series  
*Essential Strategic Intelligence for Today's Media Ecosystem*

## Global Digital & Alternative Media Revenue Forecast 2014-18

2<sup>nd</sup> Edition

Report #1 of 3 in Series

**PRESS COPY**

Comprehensive Data & Analytics by Country, Media Sector, Platform & Channel

### Country, Platform, Channel

- 4 Global Regions
- 5 Leading Countries
- 2 Major Sectors
- 9 Digital & Alternative Platforms
- 40 Digital & Alternative Channels
- 11 Traditional Media Platforms

### Definitions by Sector, Platform, Channel

### Rankings by Region, Country, Platform, Channel

- 2008-13 Actuals
- 2014-18 Forecasts

### 15 Leading Markets

- |           |                |
|-----------|----------------|
| Australia | Japan          |
| Brazil    | Mexico         |
| Canada    | Russia         |
| China     | South Korea    |
| France    | Spain          |
| Germany   | United Kingdom |
| India     | United States  |
| Italy     |                |

**Global Digital & Alternative Media Revenue Forecast 2014-18**

*An exclusive primary research source from PQ Media:*

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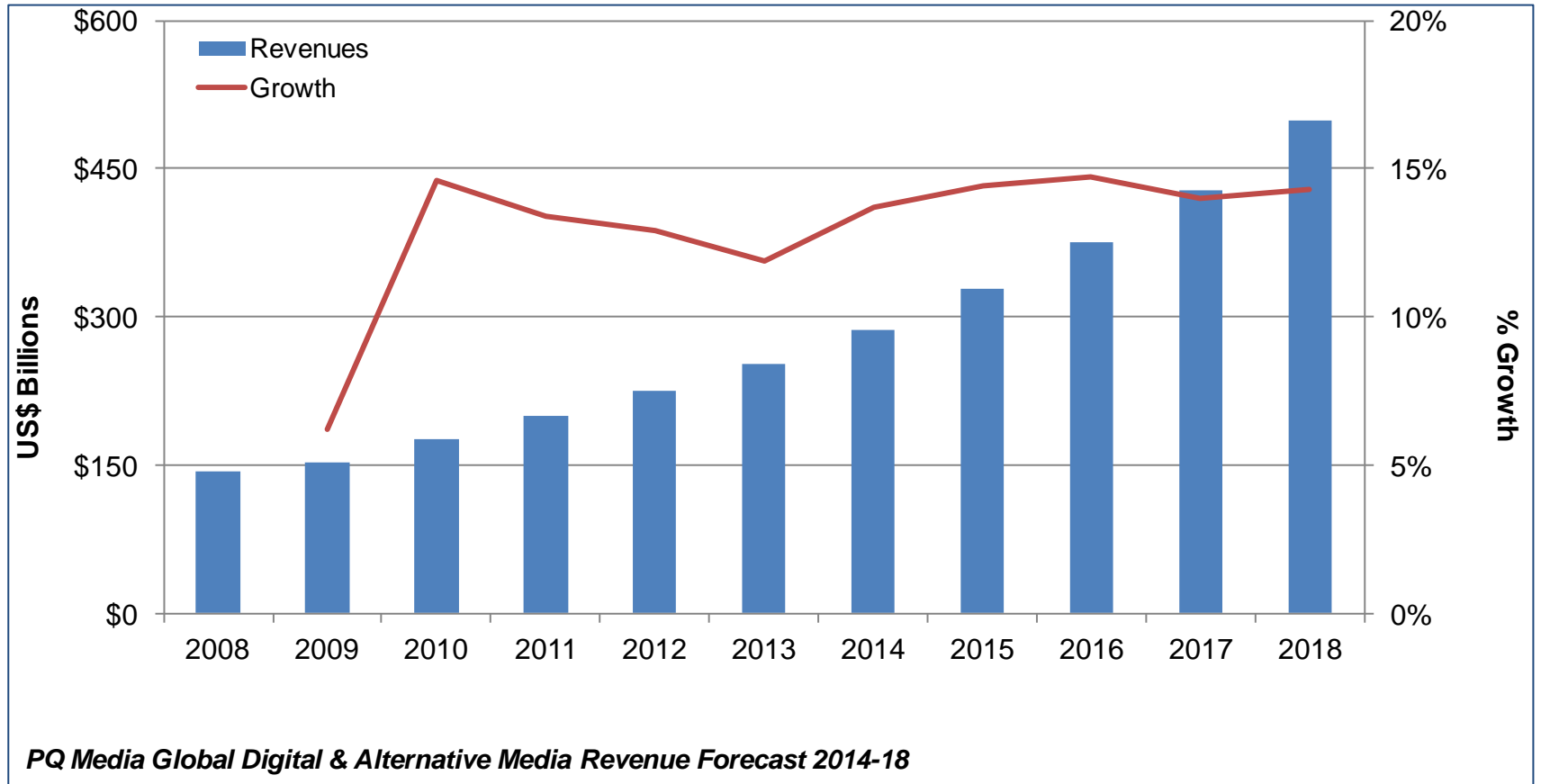
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# Global



# Global Digital & Alternative Media Revenues & Growth





## Global Digital & Alternative Media Results 2008-13

- Global digital & alternative (D&A) media operator revenues – including advertising and marketing – increased 11.9% in 2013 to \$252.15 billion, driven by surging growth worldwide in global mobile advertising and marketing platforms and channels, and rising expansion across all D&A media platforms and channels in emerging markets like Brazil, Russia, India and China (BRIC). In comparison, traditional media growth was almost flat, inching up 0.8% in 2013 to \$754.87 billion, still almost \$50 billion below 2008 results. Overall advertising & marketing revenues exceeded \$1 trillion worldwide for the first time in 2013, increasing at a 3.4% rate to \$1.007 trillion. Due to the traditional media's flat growth, D&A media's share of overall advertising & marketing rose to 24.2% in 2013.

**Global Digital & Alternative Media Revenues** (US\$ Millions)

Media Sector	2013	CAGR 2008-13	2014	2018	CAGR 2013-18
<b>Digital &amp; Alternative Advertising</b>					
Revenues (\$ Millions)	\$102,631				
Y-to-Y Growth	15.6%	14.8%	16.9%		17.0%
% Share	40.7%				
<b>Digital &amp; Alternative Marketing</b>					
Revenues (\$ Millions)	\$149,516				
Y-to-Y Growth	10.0%	9.9%	11.5%		12.1%
% Share	59.3%				
<b>Total Digital &amp; Alternative Media</b>					
Revenues (\$ Millions)	\$252,147			\$489,759	
Y-to-Y Growth	11.9%	11.8%	13.7%		12.4%

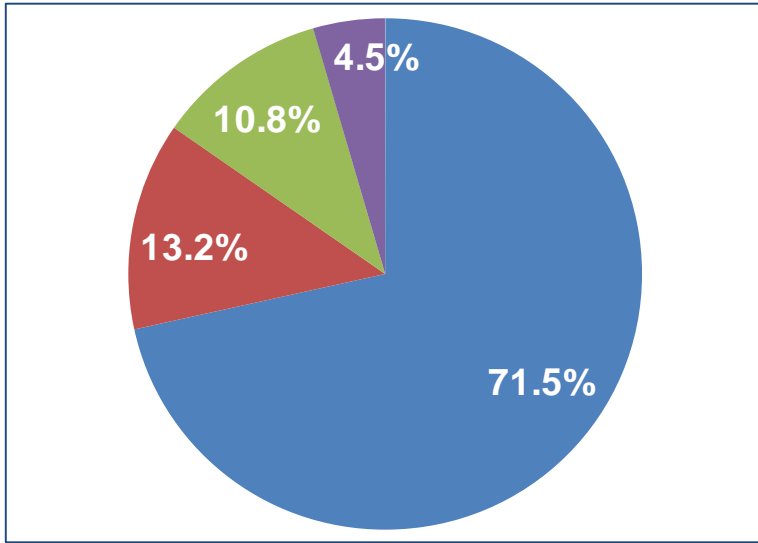
Source: PQ Media

- Of the two D&A sectors, advertising grew at a faster rate of 14.7% in 2013 compared with marketing at 10%, but D&A marketing remains the larger of the two sectors, reaching \$149.52 billion compared with \$102.63 billion for D&A advertising. Internet advertising was the largest of the nine global D&A media platforms with \$73.38 billion in revenues in 2013, while mobile marketing posted the fastest growth, surging 70.4%. Online search was the largest of 40 D&A media channels PQ Media tracks, reaching \$48.51 billion, while mobile search registered the fastest growth, leaping 102.1% in 2013.
- US became the first global D&A media market to exceed \$100 billion in 2013, with operator revenues of \$103.02 billion, almost five times the size of second-ranked Japan. India was the fastest growing D&A market in 2013, rising 21.3%, the only market to post a growth rate over 20%, almost three points higher than second-place Russia. The UK had the highest D&A media share of its total media revenues in 2013 at 30.6%, the only nation above 30% and about a point above second-ranked Japan.
- Global D&A media is expected to rise 13.7% in 2014, fueled by an influx of spending during the Winter Olympics, FIFA World Cup, and US political campaigns, which will be the same drivers propelling a 2.1% gain in traditional media and 5% increase in overall advertising & marketing. With the expected economic recovery, D&A media revenues are projected to rise at a 14.2% CAGR to \$489.76 billion in 2018. In comparison, traditional media will grow at a 3.2% CAGR to \$881.55 billion by 2018, with overall advertising & marketing increase by a 6.4% CAGR to \$1.371 trillion. D&A advertising revenues will rise 16.9% in 2014 and generate a 17% CAGR from 2013 to 2018, while D&A marketing will expand 11.5% this year and produce a 12.1% CAGR.



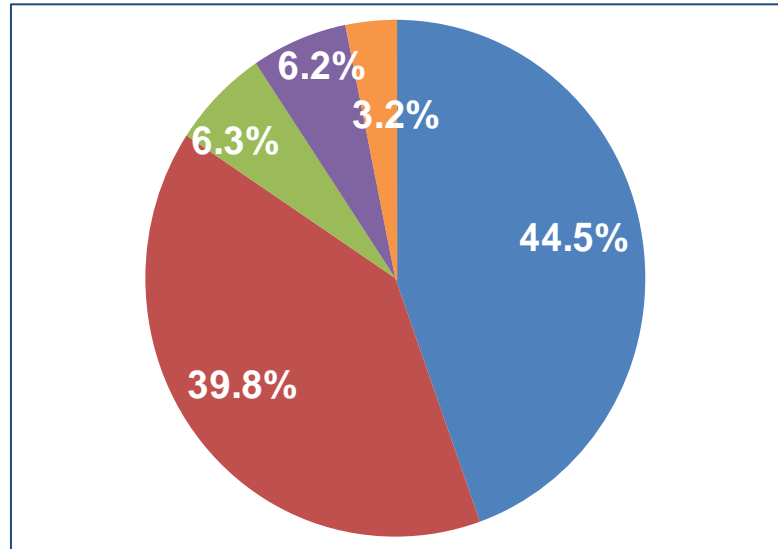
# Share of Global Digital & Alternative Media by Platform

Global Digital & Alternative Advertising by Platform in 2013



- Internet Advertising
- Digital & Alternative Out-of-Home
- Mobile Advertising
- Other Digital Advertising

Global Digital & Alternative Marketing by Platform in 2013



- Internet Marketing
- Consumer Events
- Product Placement
- Mobile Marketing
- Word-of-Mouth Marketing

Source: PQ Media



## 2013 Market Ranks

Total D&A Media Revenues		D&A Media Growth		D&A Media Share of Total Ad & Mrkt	
Market	\$Million	Market	\$Million	Market	\$Million
<b>United States</b>	<b>\$103,022</b>	India	21.3%	United Kingdom	30.6%
Japan		Russia		Japan	
United Kingdom		Australia		Canada	
China		Brazil		Australia	
Germany		Mexico		South Korea	
France		China		China	
Canada		Canada		<b>United States</b>	<b>26.5%</b>
Australia		<b>United States</b>	<b>12.6%</b>	France	
Brazil		South Korea		Germany	
South Korea		United Kingdom		Spain	
Italy		Germany		Italy	
Russia		Japan		Mexico	
Spain		France		Brazil	
Mexico		Italy		Russia	
India		Spain		India	

Source: PQ Media



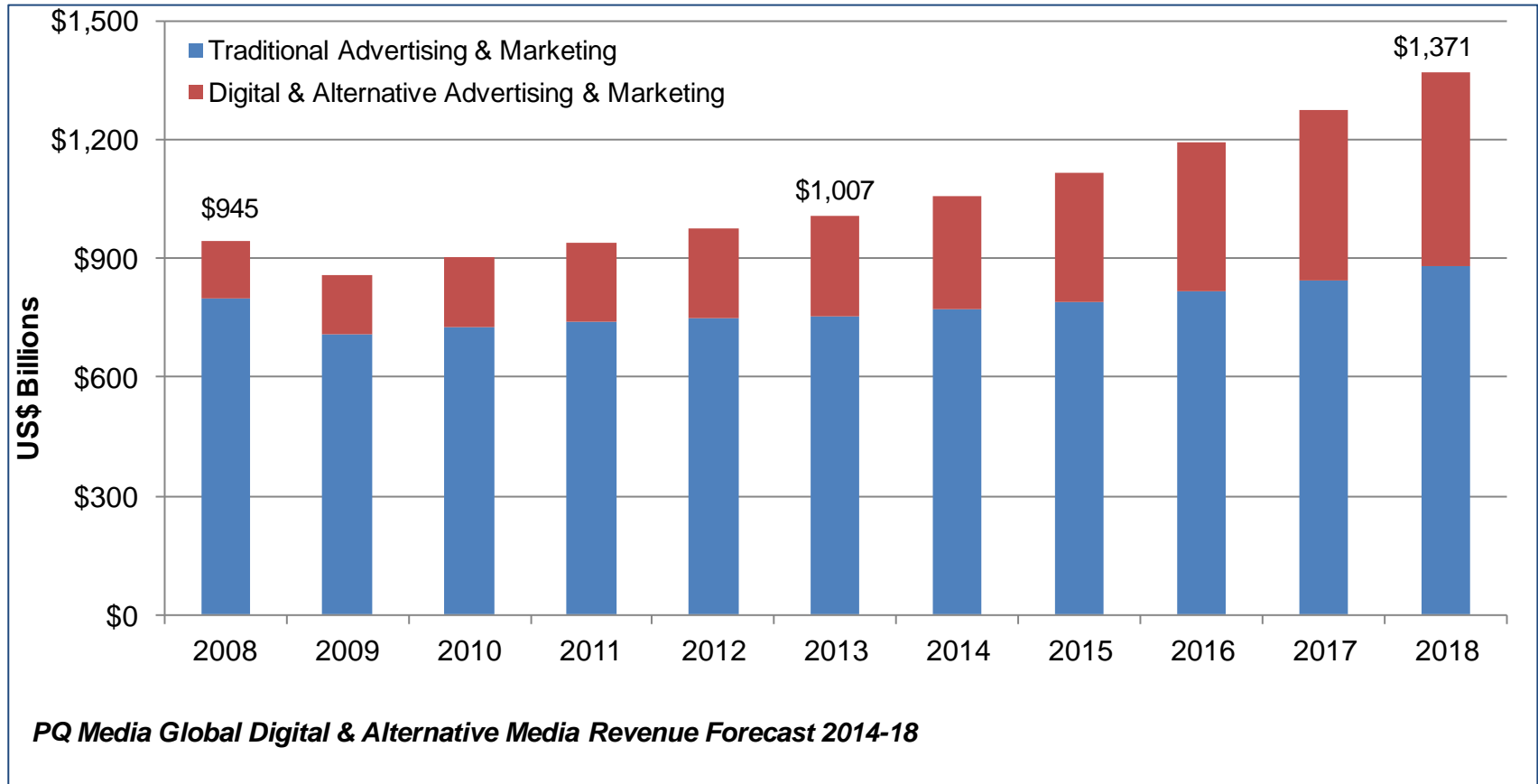
## Global Digital & Alternative Media Trends

- The primary driver behind internet advertising growth is rising broadband penetration rate, particularly in the BRIC and other emerging nations fueled by government initiatives to upgrade technology outside major metros. For example, the Brazilian government worked with telecom providers to deploy broadband in cities that were to host FIFA World Cup matches in 2014.
- Increasingly, brands are demanding, not requesting, that mobile advertising be included in their integrated media campaigns, regardless of what channel is chosen. Agency executives are increasingly switching to mobile video as more consumers worldwide purchase computer tablets, which has become the preferred method to access digital entertainment.
- Global digital & alternative out-of-home (OOH) advertising posted its lowest growth rate since 2009 due to regulatory issues and slowing economies that filtered down to the advertising market, particularly impacting the cinema venues,
- Global revenues for other digital media channels, including over-the-top PayTV advertising, videogame advertising, electronic custom content, and satellite TV and radio advertising, posted accelerating growth in 2013, fueled by significant growth in electronic custom content as media companies embraced “native” advertising due to mass layoffs during the past five years.
- Brands have begun to shift budgets away from online marketing and into mobile instead, which is most evident in the online search category. For the first time ever, online search was unable to break the double-digit growth barrier, with companies like Facebook reporting how quickly their mobile platform is growing while online search has flat or decelerating growth.
- Consumer events is similar to broadcast TV, in that it tends to show odd and even-year growth fluctuations, accelerating during even years, while decelerating in odd years. Global sporting events are the primary driver behind this phenomenon, with consumer event operators receiving an influx of dollars when the country hosts the Winter or Summer Olympics and World Cup.
- The proliferation of computer tablets has been the primarily driver behind the rapid increase in mobile marketing, as well as firms going to great lengths to provide an interface that makes the mobile content more user friendly on smartphones.
- Product placement is being driven by TV networks becoming more accustomed to working with agencies in planning total programs around brands. In addition, the European market continues to increase the rate of paid placements in programs since strict regulations were eased by the European Union in 2011.
- Word-of-mouth marketing is making great strides in being included in integrated media plans, as well as significant gains in Europe with numerous operators expanding into multiple markets, such as trnd having offices in 9 Western European markets.





# Global Overall Advertising & Marketing Revenues



# United States

# United States Media Results 2008-13; Forecast 2014 & 2014-18

- Total US D&A media revenues increased 12.6% in 2013 to \$103.02 billion, continuing to be the world's largest digital media market. D&A media comprised 26.5% of all US advertising & marketing revenues, up from only 15.6% in 2008. The D&A advertising sector grew 16.5% to \$35.29 billion in 2013, propelled by strong double-digit gains in all mobile advertising channels, such as mobile video, audio & rich media, while D&A marketing rose 10.7% to \$67.73 billion, fueled by mobile marketing channels, like mobile search. In comparison, US traditional media fell 1% in 2013 to \$273.27 billion, as print media continue to post declining growth, as well as the lack of even-year influxes of revenue for broadcast media, such as the Olympics and political advertising. Overall advertising & marketing rose 2.4% in 2013, reaching \$376.29 billion, still below 2008 results.
- D&A media revenue was on pace in the first half of 2014 to grow 14.3% for the full year, the strongest growth rate since the recession. US media operators are projected to generate a 14.2% CAGR in D&A revenue during the 2013-18 period to \$199.90 billion. D&A ad revenues are forecast to climb 18.5% in 2014 and post a 17.9% CAGR over the next five years, while marketing will expand 12.1% in 2014 and record a 12% CAGR. D&A media's share of total media revenues will reach 38.5% in 2018. In comparison, traditional media is projected to rise 1.3% in 2014, and post a 1.5% CAGR to \$293.81 billion in 2018, with gains attributed primarily to the influx of political campaign and Olympics advertising. Overall advertising & marketing is projected to grow 4.8% in 2014, and register a 5.7% CAGR during the forecast period, reaching \$496.34 billion in 2018

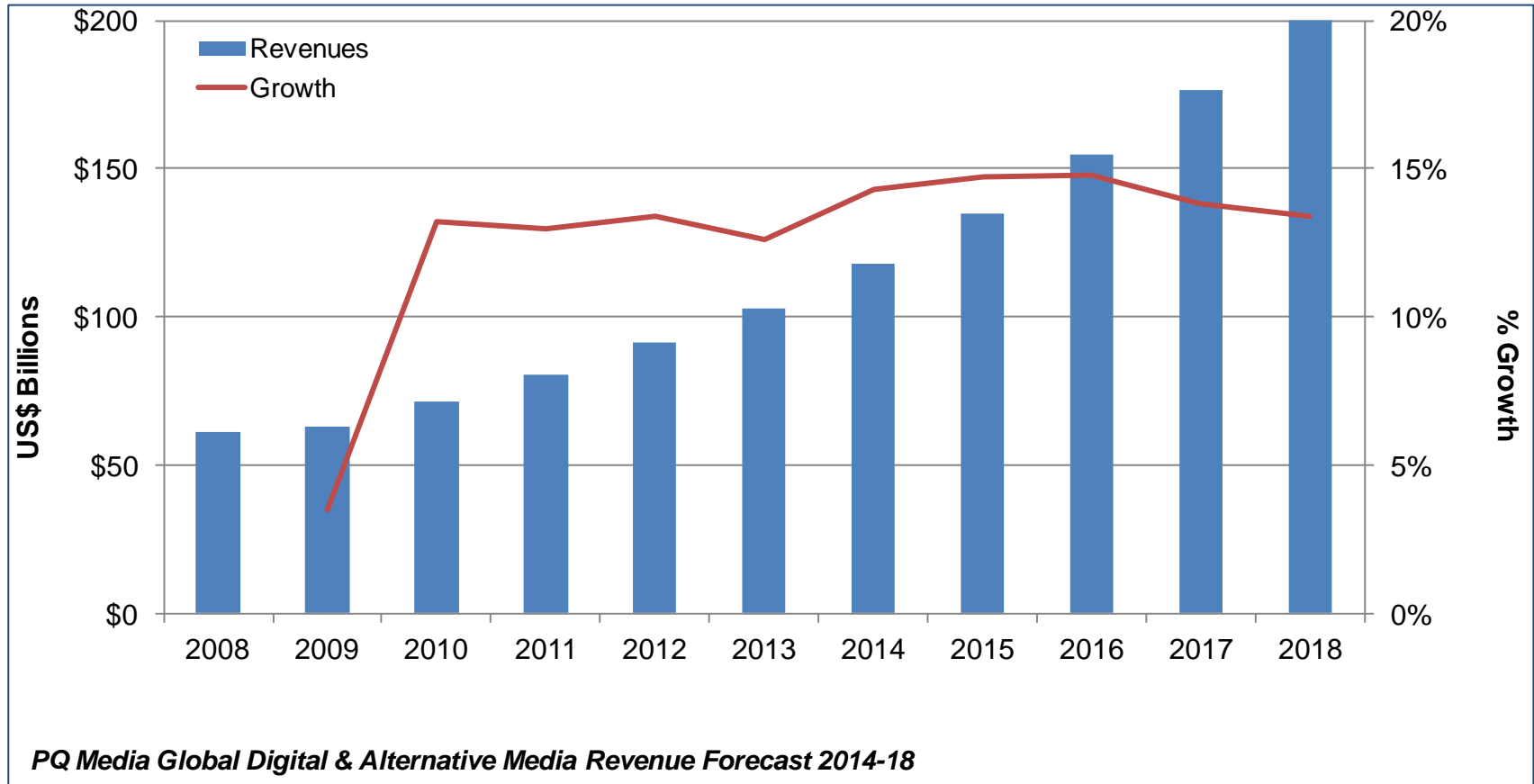
**United States Digital & Alternative Media Revenues** (US\$ Millions)

Media Sector	2013	CAGR 2008-13	2014	2018	CAGR 2013-18
<b>Digital &amp; Alternative Advertising</b>					
Revenues (\$ Millions)	\$35,289				
Y-to-Y Growth	16.5%	13.7%	18.5%		17.9%
% Share	34.2%				
<b>Digital &amp; Alternative Marketing</b>					
Revenues (\$ Millions)	\$67,733				
Y-to-Y Growth	10.7%	9.8%	12.1%		11.7%
% Share	65.7%				
<b>Total Digital &amp; Alternative Media</b>					
Revenues (\$ Millions)	\$103,122			\$199,899	
Y-to-Y Growth	12.6%	11.1%	14.3%		14.2%

Source: PQ Media



# United States Digital & Alternative Media Revenues & Growth





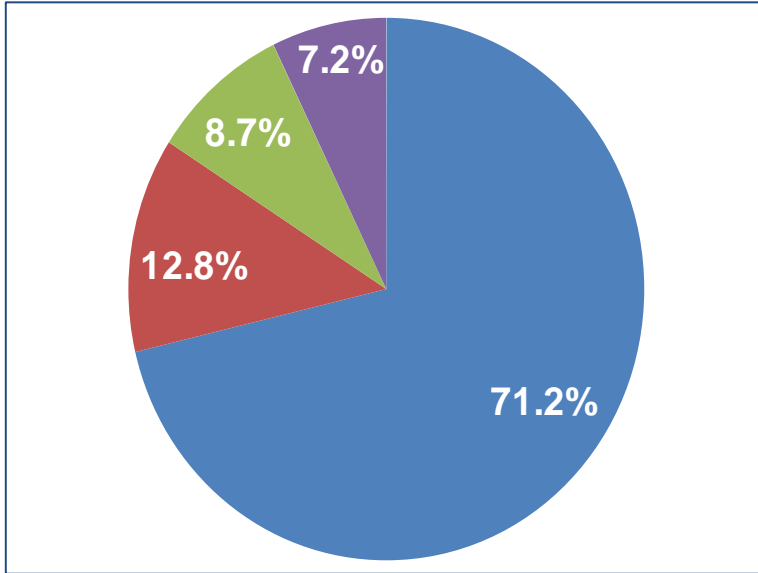
## United States Digital & Alternative Media Trends

- D&A media growth represented a growth deceleration as brands are not only shifting budgets away from print media to mobile platforms and channels, but also from emerging media like digital out-of-home and word-of-mouth marketing. Most noticeable, however, is the impact mobile is having on stalwart internet channels, such as search and displays, with brands preferring to reach key target audiences on tablets and smartphones rather than on personal computers.
- Product placement continued to post double-digit growth across all media channels. Viral TV placements are becoming more common, such as Toyota's on-the-field placement during pre-season NFL football games. In film, the latest *Transformer* film created buzz when it included placements for Chinese products. Meanwhile, digital paid placements are appearing in YouTube videos, while companies are being formed to proactively target younger audiences online and through mobile devices.
- Digital out-of-home media registered accelerating growth during the year, despite some headwinds in the roadside billboard category, including a court-ordered closure of all Los Angeles digital boards coupled with slowing organic growth on existing digital signage resulted in the first-ever single-digit growth rate for this category. Softer DBB results, however, were offset by stronger categories, particularly digital place-based networks at point-of-care locations, amplified by rising number of screen locations, as more doctors and hospitals join leading operators to educate clients about the Affordable Care Act.
- The concept of "native advertising" has impacting numerous D&A channels. Native advertising is content produced by brands that is related to and positioned near content from media content owners, publishers, and operators. With stressed newsrooms due to mass layoffs since the Great Recession, it's becoming more common for sponsored content, which is driving faster growth in digital online and mobile custom content channels, as well as product placement in other media.
- Word-of-mouth marketing continues to post strong growth, propelled by high engagement with sponsored mobile tweets and improving metrics for WoMM campaigns, such as TV networks partnering with WoMM researchers to monitor next-day conversations among its viewers, or technology companies providing sentiment (e.g. positive, negative) of digital buzz.
- Videogame advertising will generate accelerating growth in 2014 as upgrades to Xbox and PlayStation became available during the 2013 holiday season, which was followed by multiple new title releases in 2014. Many of the console games also have digital platforms, fueling growth in ad opportunities in online and mobile games.



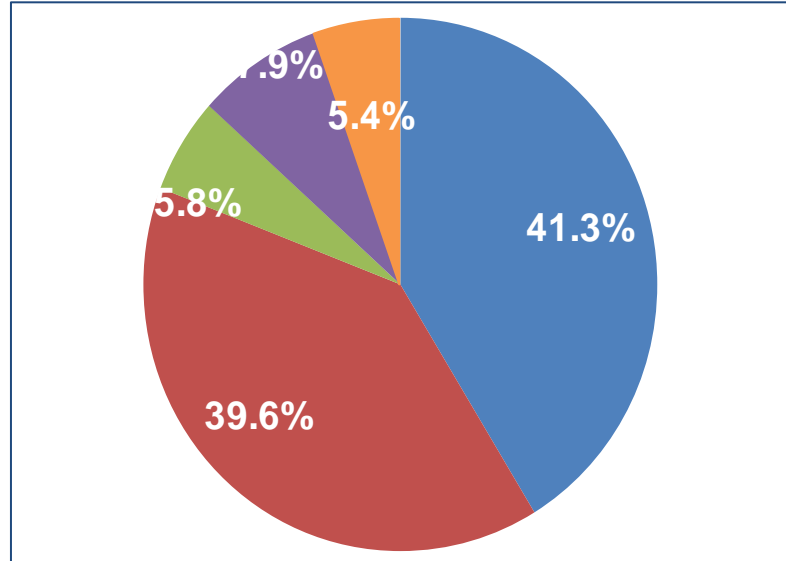
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Global Digital & Alternative Marketing by Platform in 2013



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Source: PQ Media



# United States Overall Advertising & Marketing Revenues

