

Data Analytics in Business

Marketing & Advertising

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L1.3: Overview of Digital Ad Market



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Learning Objectives

At the end of this lesson, you should be able to:

- Understand and describe the general financial landscape of interactive advertising in recent years
- Explain the relative financial sizes of type of digital advertising
- Point out opportunities for new products in the industry of digital advertising



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Marketing and Advertising

In this series of 3 modules, we look into data analysis in marketing and advertising

Outline of Marketing Modules

- Traditional Advertising & Marketing
- Evolution of Advertising Companies
- Overview of Systems of Digital Advertising
- **Overview of Digital Advertising Market**
 - Display Advertising
 - Search Engine Marketing
 - Social Media Advertising
 - Mobile Advertising & Messaging
- Building Campaigns and Media Buying
- Optimizing Media Campaigns

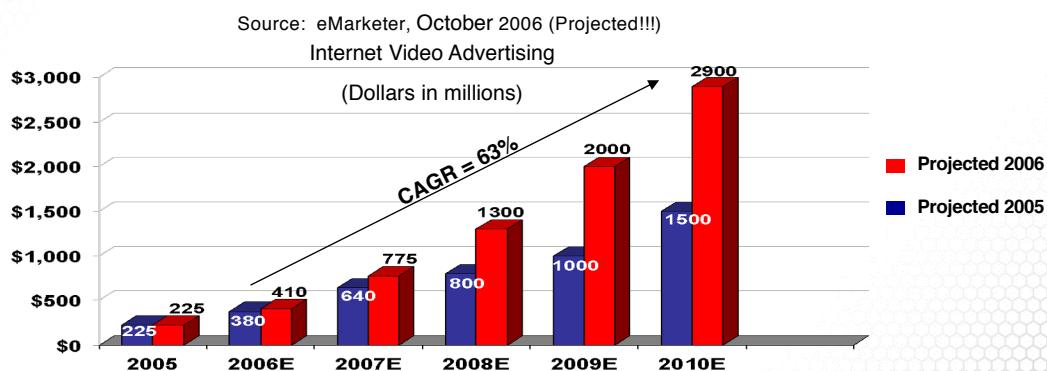


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Video Advertising: Fast Growing Market

By 2010, spending on internet advertising = 10 percent of total U.S ad dollars

Fastest Growing Segment: online video ads to reach \$2 billion by 2009



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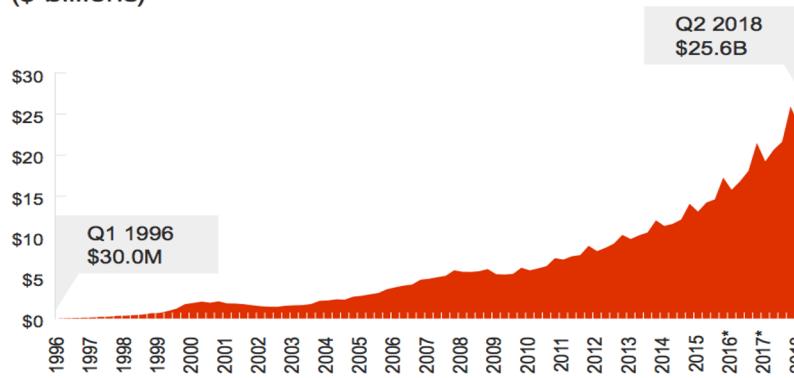
Overview of Digital Advertising Market

- Information from Internet Advertising Bureau
- www.iab.com/insights
- Internet Advertising Revenue Report for 2018
conducted by PriceWaterhouse Coopers (PWC)



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Quarterly revenue growth trends 1996–2018
(\$ billions)



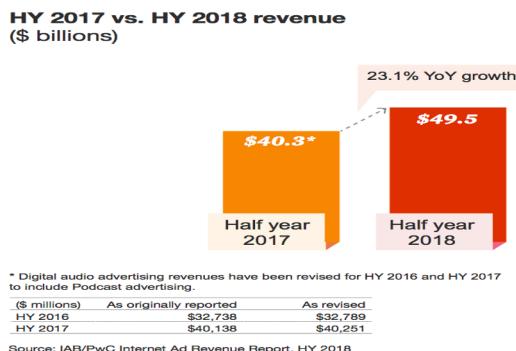
* Digital audio advertising revenues have been revised for HY 2016 and HY 2017 to include Podcast advertising.

Source: IAB/PwC Internet Ad Revenue Report, HY 2018



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2017 to 2018 Interactive Ads Revenues

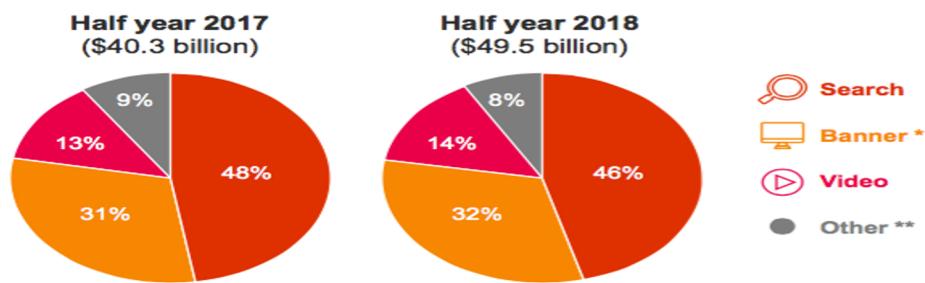


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Advertising Revenue by Types of Ads

Advertising format revenue, half year results



* Banner includes: Ad Banners/Display, Rich Media, and Sponsorship.

** Other includes: Classifieds, Lead Generation, Audio, and Unspecified.

Note: Totals may not equal 100% due to rounding.

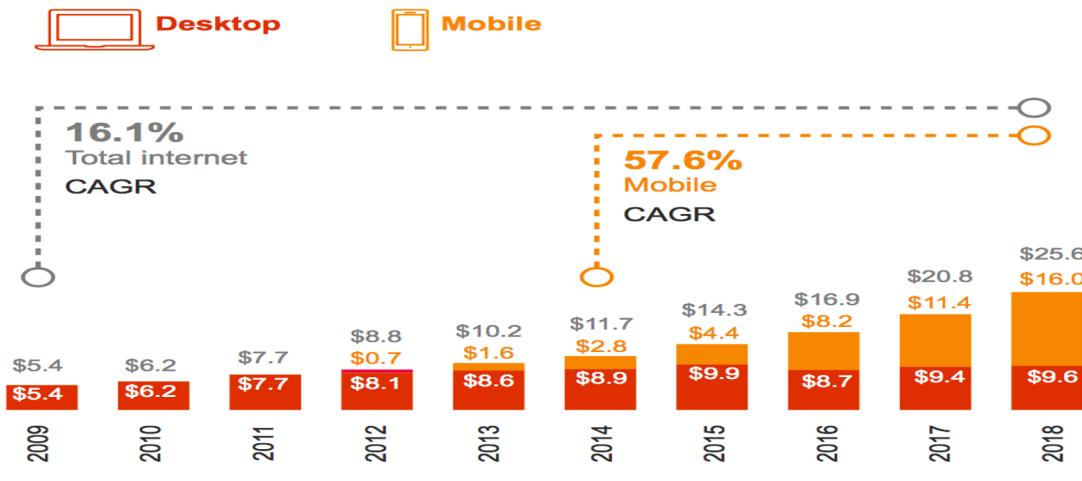
Source: IAB/PwC Internet Ad Revenue Report, HY 2018

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Strong Growth of Mobile Advertising

Desktop vs. mobile internet advertising revenue
(Second quarter results, \$ billions)



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Example: Google - Quarterly Financials

NASDAQ: GOOG

Quarterly financials

SEP 2018	JUN 2018	MAR 2018	DEC 2017
(USD)		Sep 2018	Y/Y
Revenue		33.74B	21.49% ↑
Net income		9.19B	36.54% ↑
Diluted EPS		13.06	36.47% ↑
Net profit margin		27.24%	12.38% ↑
Operating income		8.31B	6.78% ↑
Net change in cash		-705M	-
Cash on hand		13.44B	27.05% ↑
Cost of revenue		14.28B	28.1% ↑

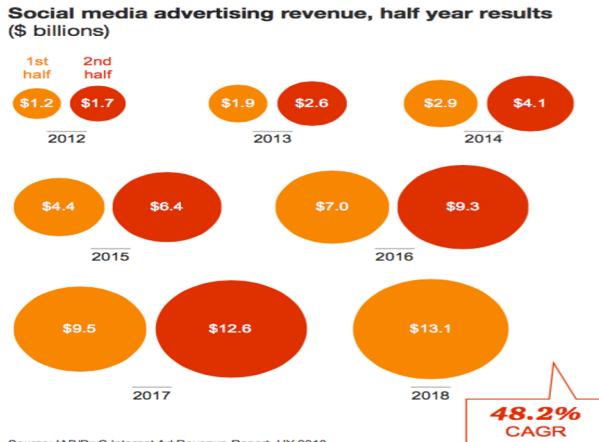


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Social Media Advertising

Half Year Growth

Note: We define social media as advertising delivered on social platforms, including social networking and social gaming websites and apps, across all device types, including desktop, laptop, smartphone and tablet.



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Example: Facebook - Quarterly Financials

NASDAQ: FB

Quarterly financials

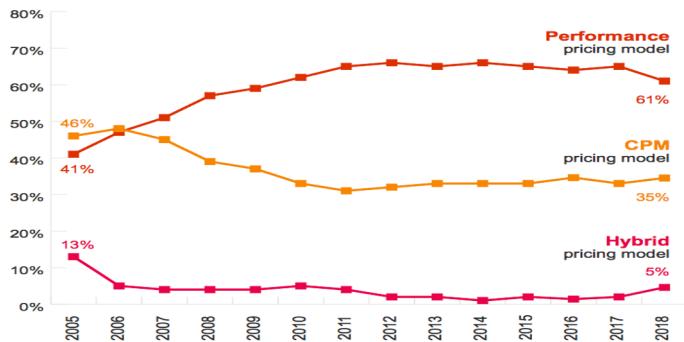
DEC 2018	SEP 2018	JUN 2018	MAR 2018
(USD)		Dec 2018	Y/Y
Revenue		16.91B	30.39% ↑
Net income		6.88B	61.21% ↑
Diluted EPS		2.38	64.14% ↑
Net profit margin		40.69%	23.64% ↑
Operating income		7.82B	6.37% ↑
Net change in cash		380M	56.72% ↓
Cash on hand		10.02B	24.01% ↑
Cost of revenue		2.8B	73.56% ↑



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Changes of Pricing Models

**Internet advertising revenue by pricing model,*
2005-2018 (% of total revenue)**



* Pricing model definitions may have changed over the time period depicted both within the survey process and as interpreted by survey respondents.

Note: Totals may not equal 100% due to rounding.

Source: IAB/PwC Internet Ad Revenue Report, HY 2018



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Highlights of the 2018 IAB Report

- | | | |
|---|---|--|
| 2 Executive summary:
Revenues increase 23.1% from HY 2017 | 9 Historical revenue mix:
The first 6 months reach \$49.5b | 15 Digital video (desktop vs. mobile):
Mobile digital video revenue hit \$4.2b |
| 3 Half year growth:
Year-to-date revenues continue to show strong growth | 10 Revenue concentration:
Top 10 companies command 76% of the market | 16 Social media:
\$13.1b of digital ad revenue attributable to social |
| 4 Key growth drivers:
Agility, commerce, audio, Gen Z's, and digital video highlight this year's growth drivers | 11 Half year 2018 results:
Search still leads all formats at 46.1% | 17 Digital audio:
Total digital audio ad revenues approach \$1b |
| 6 Quarterly growth:
Revenues grew 22.9% between Q1 and Q2 2018 | 12 Q2 2018 results:
Video climbs to a 13.6% share of overall revenues | 18 Pricing models:
Hybrid shoots up to 4.6% of total ad revenues |



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What Comes Next?

Today privacy and trust are viewed as compromised esp. in social networks

Big New Opportunity?

- Read: Time Magazine article on social media & Facebook: 28 Jan 2019
- Watch : “The Great Hack” on Netflix (about Cambridge Analytica)

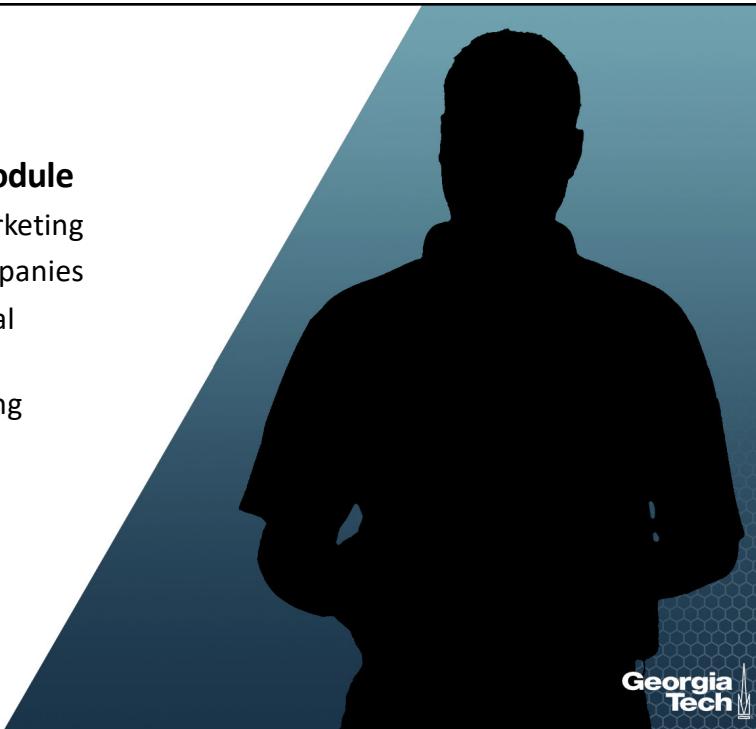


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Summary

Outline of This Marketing Module

1. Traditional Advertising & Marketing
2. Evolution of Advertising Companies
 - Overview of Systems of Digital Advertising
3. Overview of Digital Advertising Market



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