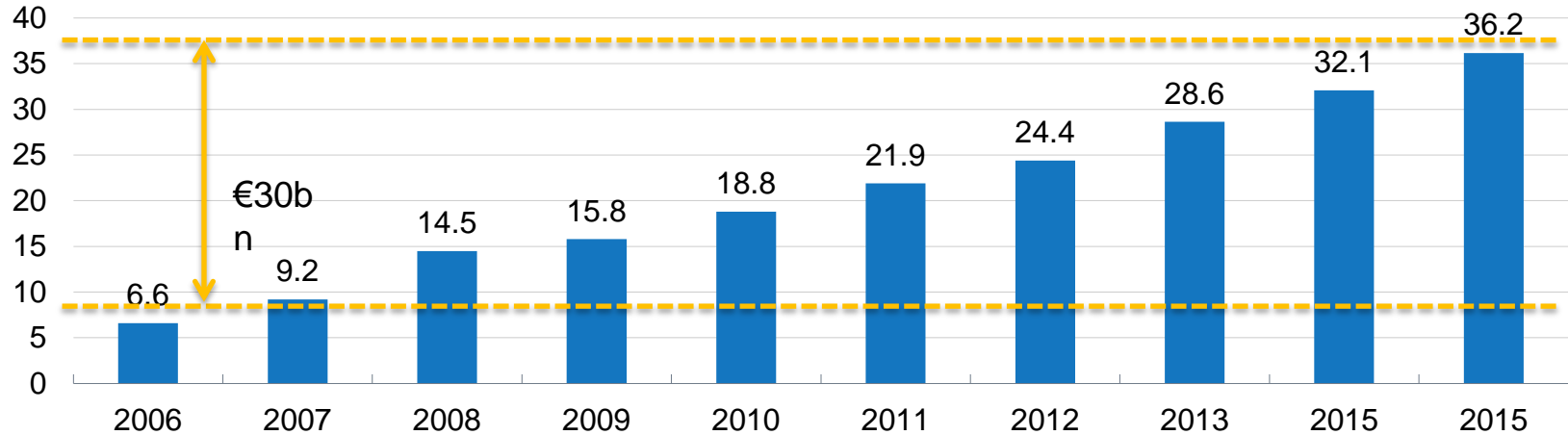


€30bn net addition to the European online ad market in 10 years...

Total online advertising spend (€bn)

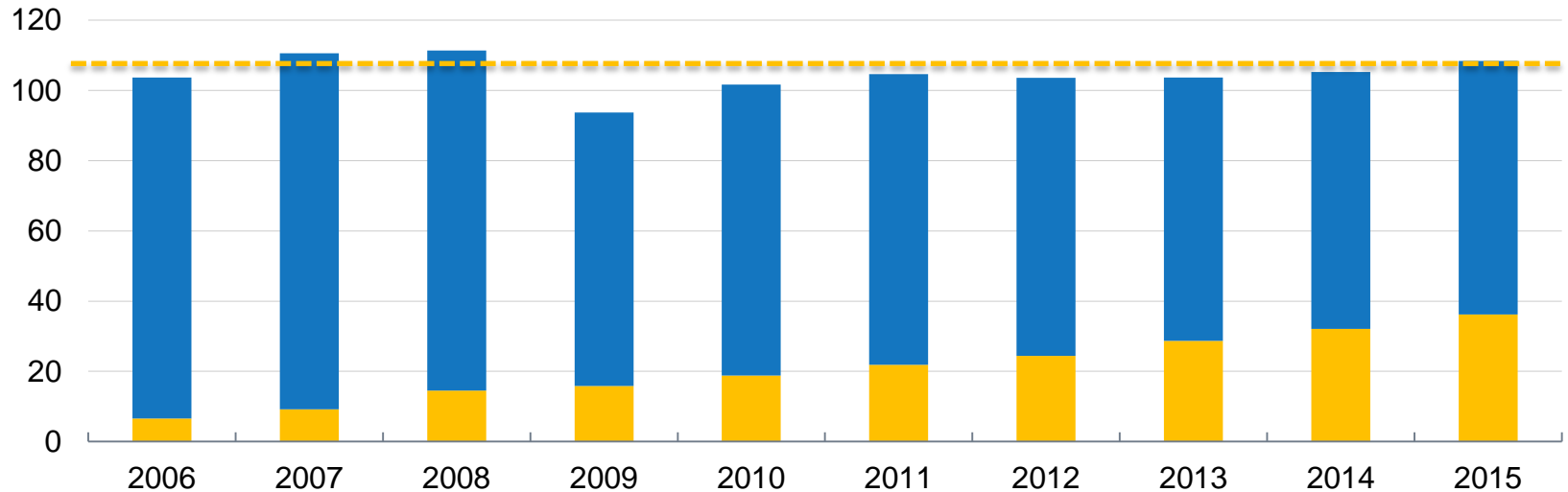


CAGR (2006-2015):
+20.5%

Source: IAB Europe for 2011-2015; 2006-2011 retropolated based on IHS growth rates

...in an otherwise flat media advertising market

Ad spend by category in Europe in 2015 (€bn)



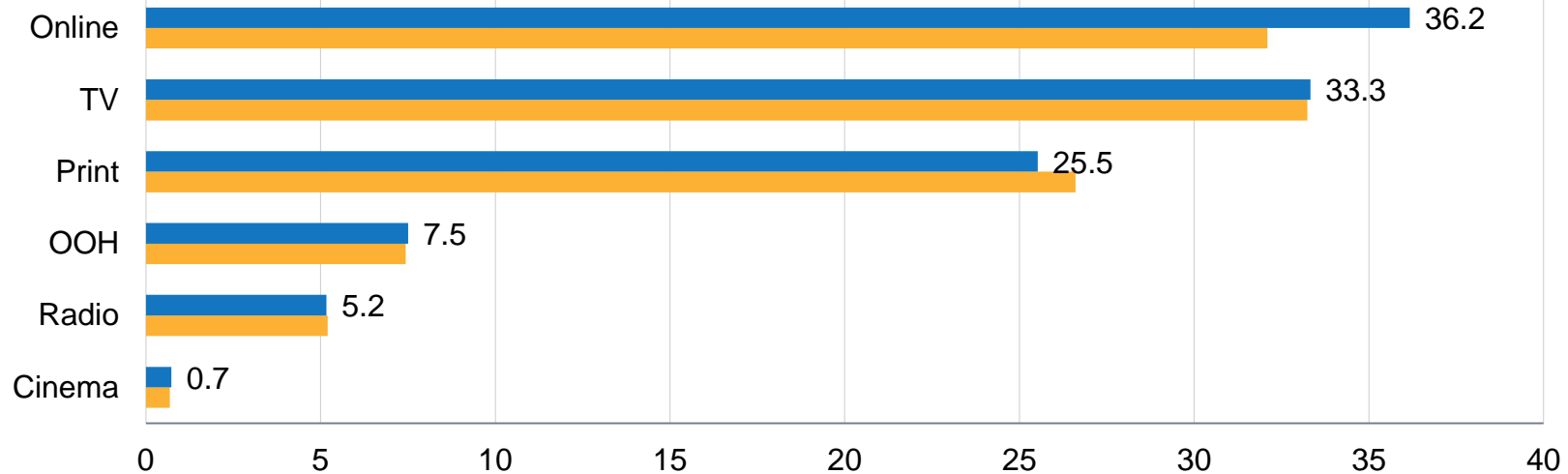
Source: IAB Europe for online and IHS for all other media

■ Digital ■ Traditional

© 2016 IHS

Online has overtaken TV to become the largest advertising medium in Europe

Ad spend by category in Europe in 2014 and 2015 (€bn)

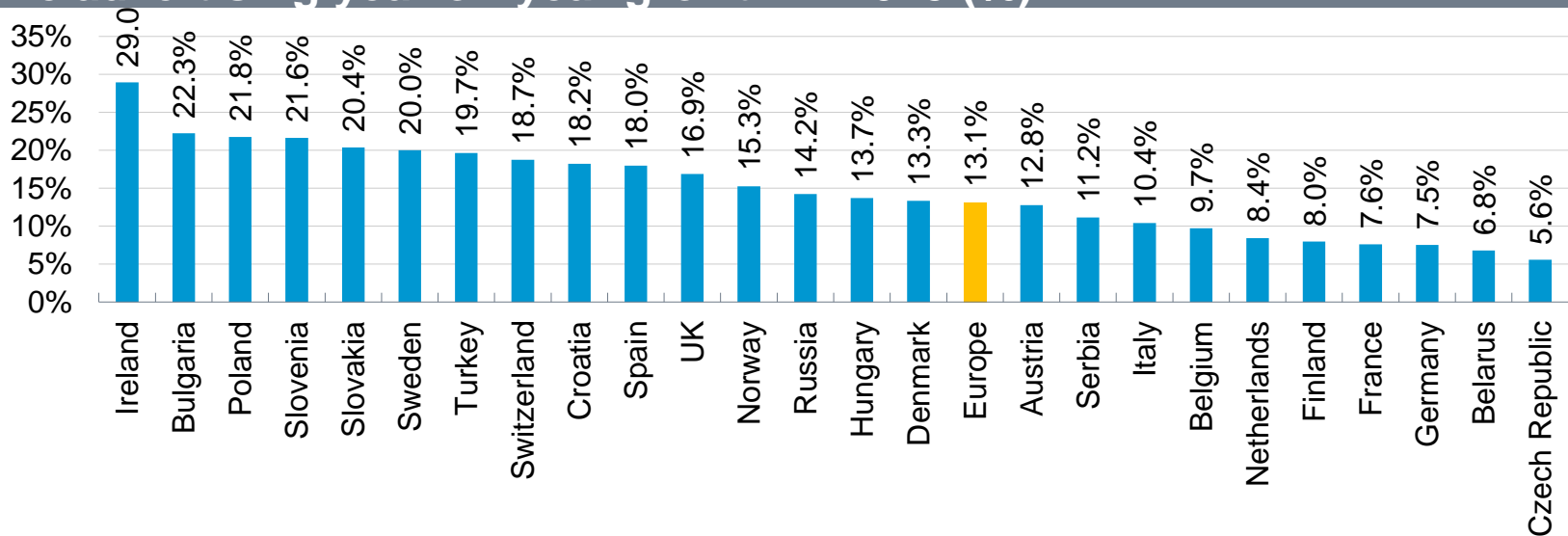


Source: IAB Europe for online and IHS for all other media

■ 2015 ■ 2014

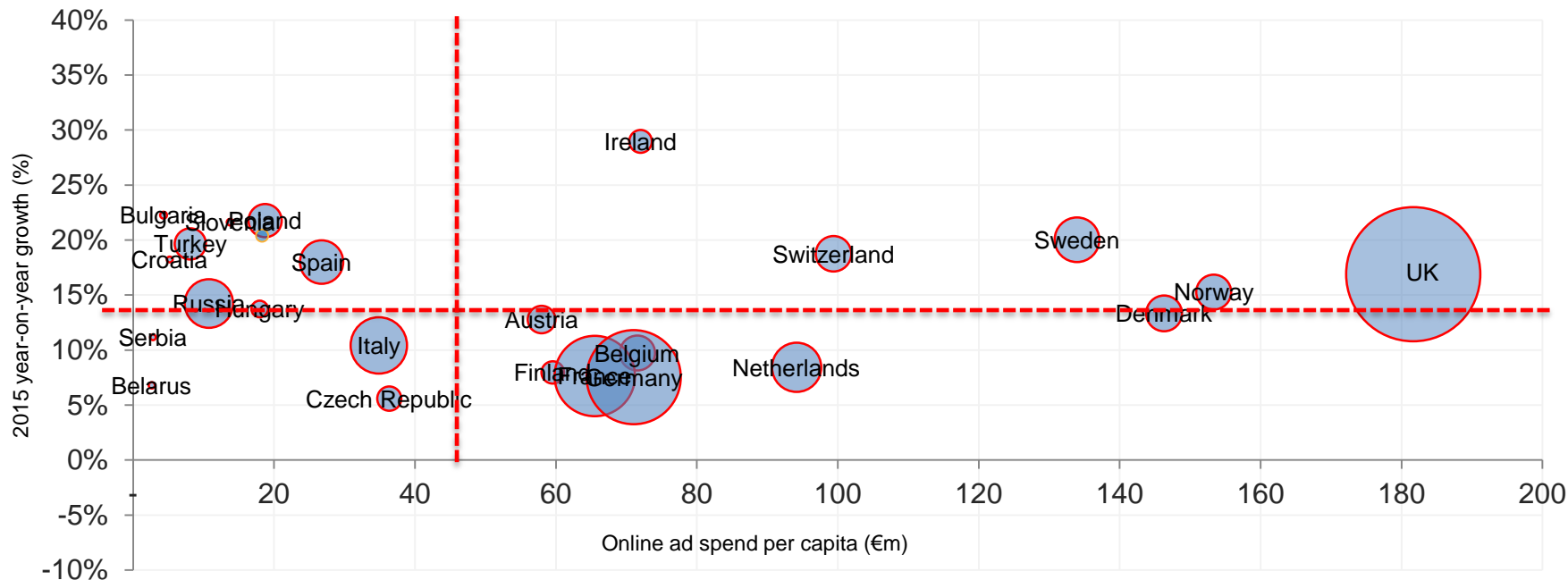
Strong growth across Europe in 2015...

Online advertising year-on-year growth in 2015 (%)



Source: IAB Europe and IHS

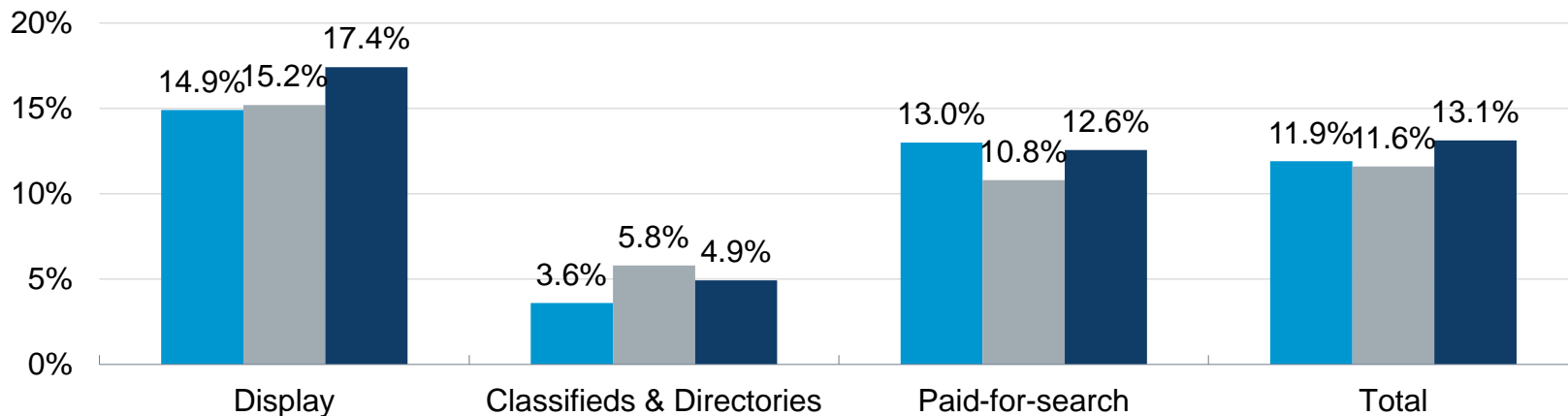
...at all levels of market maturity and market size



Source: IAB Europe and IHS

Display continues to drive online advertising growth

Year-on-year growth (%)

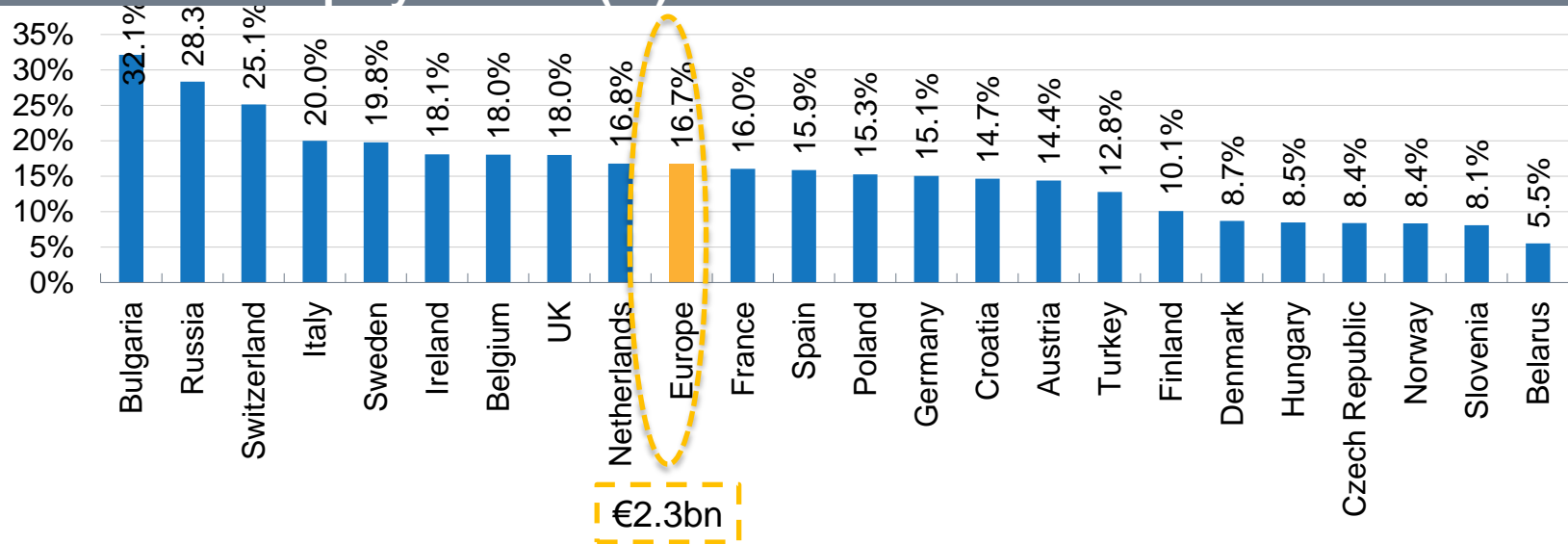


Source: IAB Europe and IHS

■ 2013 ■ 2014 ■ 2015

Video is an increasingly important part of display

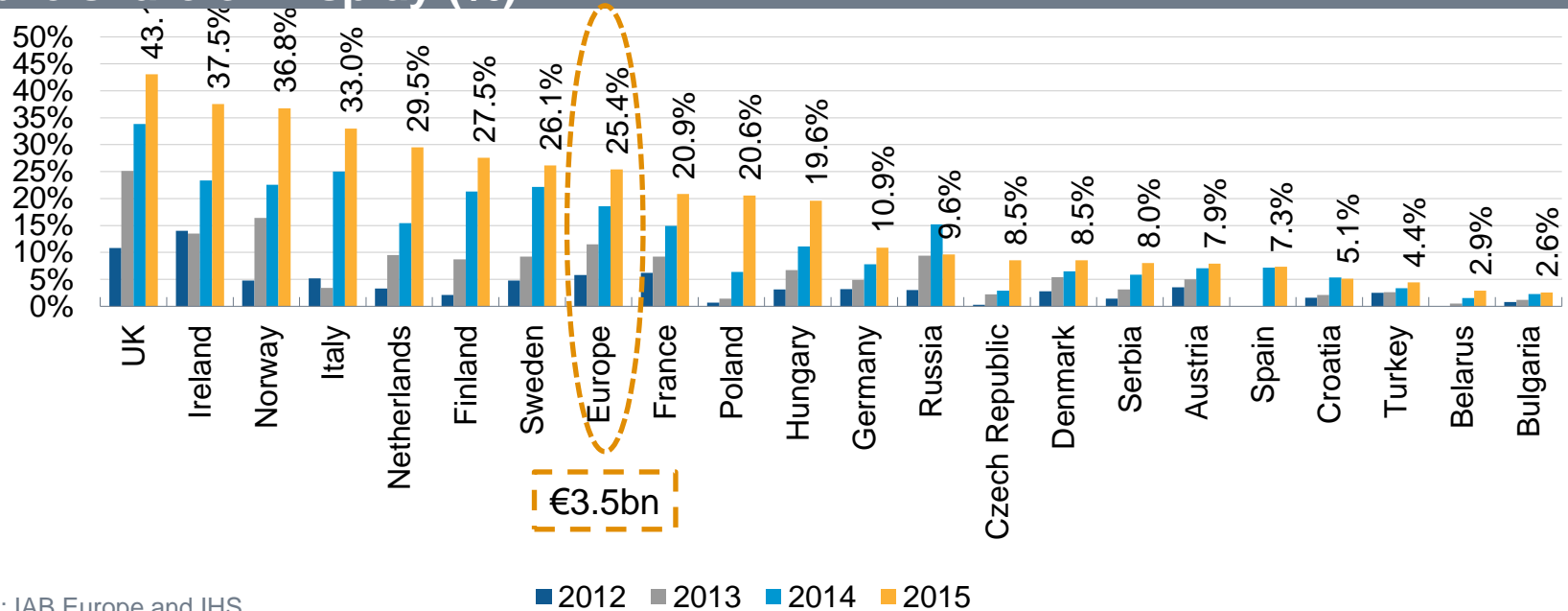
Video share of Display in 2015 (%)



Source: IAB Europe and IHS

Mobile accounts for a quarter of all European display ad spend, approaching 50% in most advanced markets

Mobile share of Display (%)



Source: IAB Europe and IHS

Drivers

- Programmatic and automation
- Proliferation of e- and m-commerce
- Rise of online video consumption
- Growth in premium video inventory – attracting TV budgets
- Improvement in ad quality
- Shift to a mobile-first advertiser mentality
- Social media advertising
- Native advertising
- Sports events in 2016
- Favourable macro-economic climate

Hurdles

- Ad blocking
- Viewability & fraud
- Lack of applied data strategy
- Lack of digital currency
- Fragmentation of ad tech value chain
- Desktop to mobile migration
- Macroeconomic environment and adverse political conditions
- Regulatory uncertainty & restrictions
- Asymmetric competition with US

Key numbers at a glance

€46bn

invested in online
advertising

€31bn

revenue generated
by publishers

30.4%

of all ad revenue
generated online

€22bn

direct GVA to EU-28
economy

€113bn

GVA to EU-28
economy incl. indirect
effects

€473bn

GVA contribution to
EU-28 economy incl.
wider ripple effects

0.9m

jobs directly in EU-28
online ad industry

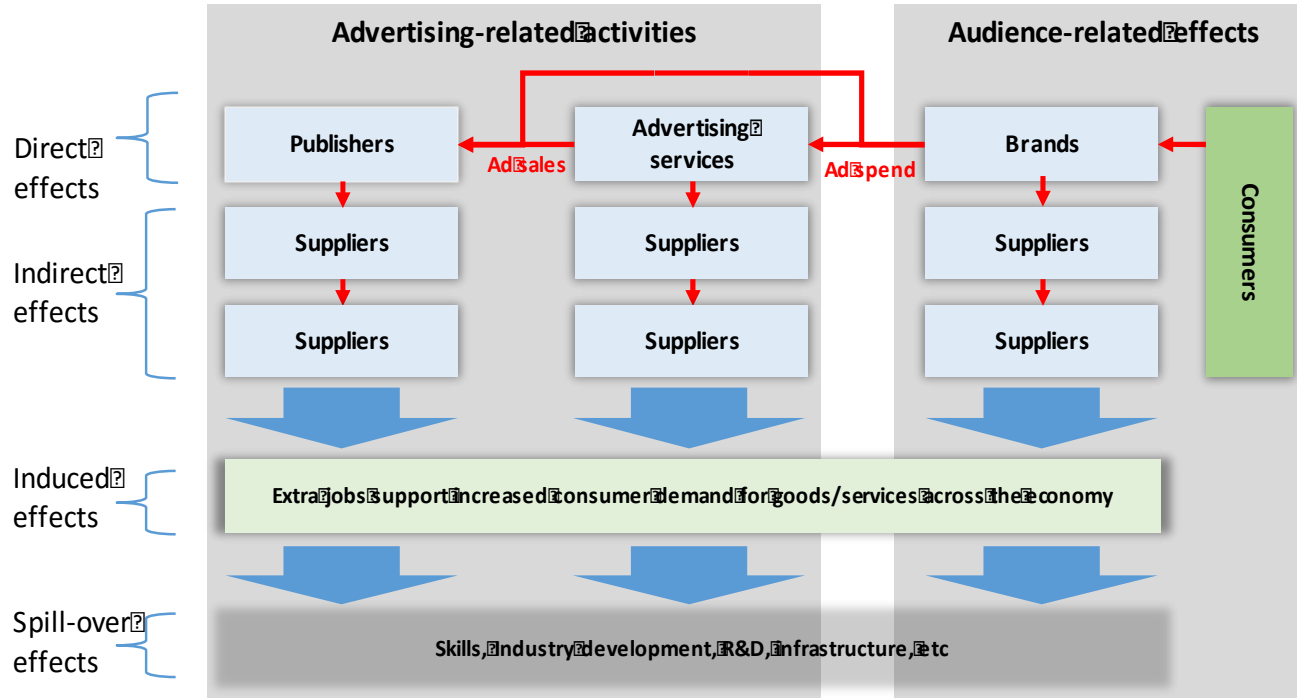
1.4m

jobs supported by
wider online ad
industry

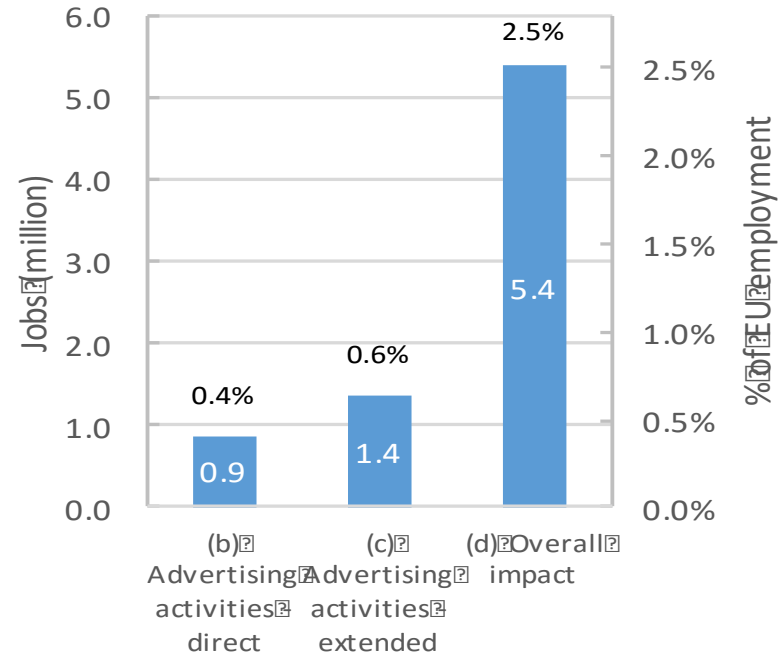
5.4m

jobs supported if
broader effects taken
into account

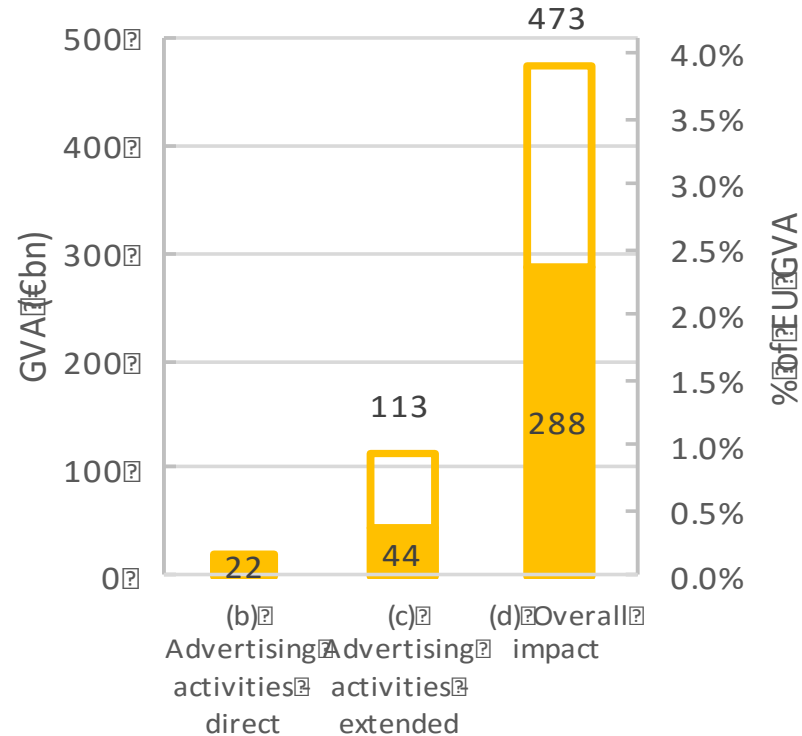
Overview of economic impact flows of advertising



Indicative estimates of jobs supported by online advertising in EU-28 countries in 2013



Indicative estimates of GVA supported by online advertising in EU-28 countries in 2013



Digital Advertising in the EU Economy

IAA What's Coming Next, Paris, 15th June



Good news, bad news

- Digital economy is top of the agenda in Brussels
- Online advertising is under intense regulatory scrutiny
- Strong focus on data protection & narrative of tough legal framework => consumer trust => digital economy
- Political process can throw up surprising outcomes



Digital Advertising in the EU Economy

IAA What's Coming Next, Paris, 15th June



Key EU dossiers that will affect online advertising

- Data protection (GDPR, Cookie Directive, Privacy Shield)
- Digital contracts
- Online platforms
- Audio-visual media services Directive revision
- Broad review of consumer protection rules

Digital Advertising in the EU Economy

IAA What's Coming Next, Paris, 15th June



Data protection

General Data Protection Regulation (GDPR) of 2016

- Broad definition of personal data – almost everything!
- Arguably narrower legal bases => lack of legal certainty
- Consent especially looks problematic – will ads-only model survive?
- Fines for non-compliance up to 4% of annual worldwide turnover

Digital Advertising in the EU Economy

IAA What's Coming Next, Paris, 15th June



Data protection

General Data Protection Regulation (GDPR) of 2016

- One-stop-shop (*or not!*) for enforcement
- New transparency requirements
- Jurisdictional clarification – anyone targeting or profiling a natural person physically in the EU
- Regulation v directive
- Regulation will only be applicable as from May 2018

Digital Advertising in the EU Economy

IAA What's Coming Next, Paris, 15th June



Data protection (cont'd)

ePrivacy Directive (“Cookie Directive”)

- *Here we go again!*
- Wider scope than GDPR – includes non-personal data
- ePD can be read to make consent the one and only legal basis for online
- IAB Europe arguing that cookie rule is no longer needed – minority view for now
- DG CNECT clearly taking aim at OBA



Digital Advertising in the EU Economy

IAA What's Coming Next, Paris, 15th June



Data protection (cont'd)

Safe Harbour / EU – US Privacy Shield



- EU Court threw out Safe Harbour in 2015
- US and EU Commission have agreed replacement text
- Text already challenged on EU side
- Commission aiming for sign-off in June
- Agreement looks vulnerable to legal challenge
- Status of BCRs & Model Clauses unclear

Digital Advertising in the EU Economy

IAA What's Coming Next, Paris, 15th June



Contracts for the supply of digital content

- “Full harmonisation” for digital contracts
- Introduces novel concept of data as a “counter-performance” comparable to money, with similar remedies
- Key issue is *physical restitution* / *giving back* of data automatically generated in the course of a contract, including non-personal data
- Obligation goes well beyond GDPR, would be disproportionately onerous and technically impossible

Digital Advertising in the EU Economy

IAA What's Coming Next, Paris, 15th June



Other DSM dossiers - online Platforms, AVMS, review of consumer *acquis*

- Online advertising platforms called out but not regulated – for now
- AVMS will extend offline advertising content rules online
- Review of consumer *acquis* may encourage all-up coherence but digital contracts is already on the table

Digital Advertising in the EU Economy

IAA What's Coming Next, Paris, 15th June



Ad blocking from a policy & regulatory point of view

- Ad blocking detection is not illegal!
- Urgent need to help policymakers understand how advertising supports media plurality & independence
- To get involved, reach out to your national and EU-level trade bodies!

Digital Advertising in the EU Economy

IAA What's Coming Next, Paris, 15th June



Conjunction of strong regulatory scrutiny and rise of ad blocking must be an opportunity!

- Urgent need to help policymakers understand:
 - How digital advertising works
 - What it does and does not entail WRT processing of personal data
 - How it supports media plurality & independence
- Double down on self-regulation – making transparency & control even easier
- Op-eds, letters to the EU institutions, blogposts, etc. to educate users, EU & national officials, influencers about value of advertising to EU consumers & citizens

Digital Advertising in the EU Economy

IAA What's Coming Next, Paris, 15th June

Thank you for your attention.

Daniel Knapp, Senior Director, Advertising, IHS Technology

daniel.knapp@ihs.com

Townsend Feehan, CEO, IAB Europe

feehan@iab europe.eu

