



## **IAB Webinar**

### ***Gridley & Company LLC Perspective on Internet Ad Trends***





**September 28, 2011**

# Internet Ad Revenue +23%

**Driving the Increases...**








**Social**

“Unlocking of ad dollars into social channels”










**Brand**

“Accelerating shift of brand dollars to online channels”






**Technology**

“Continued evolution of Technology”



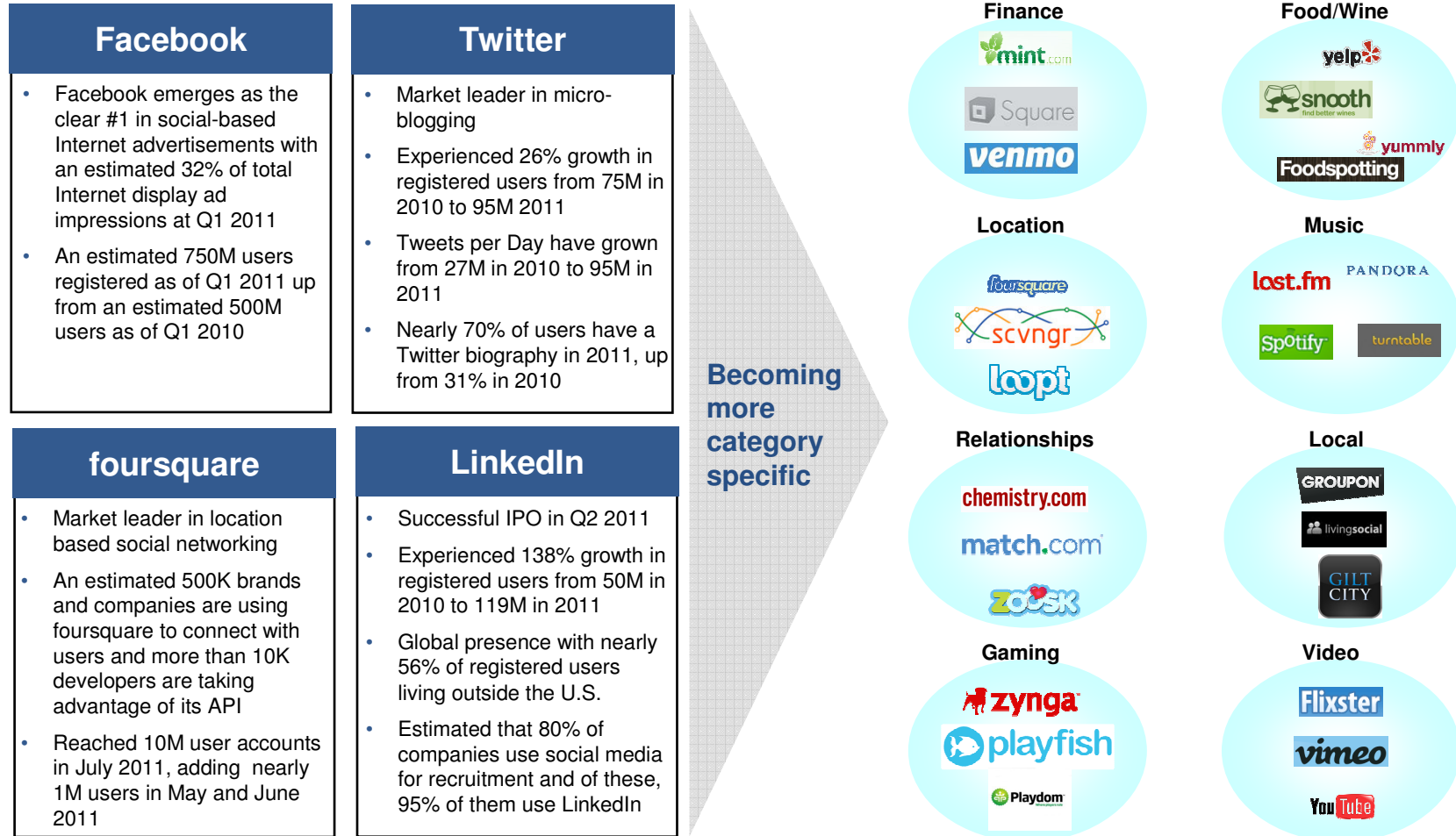
**Search**

“Remains primary form of discovery, both online as well as mobile”



# Social Ad Platforms Arrive

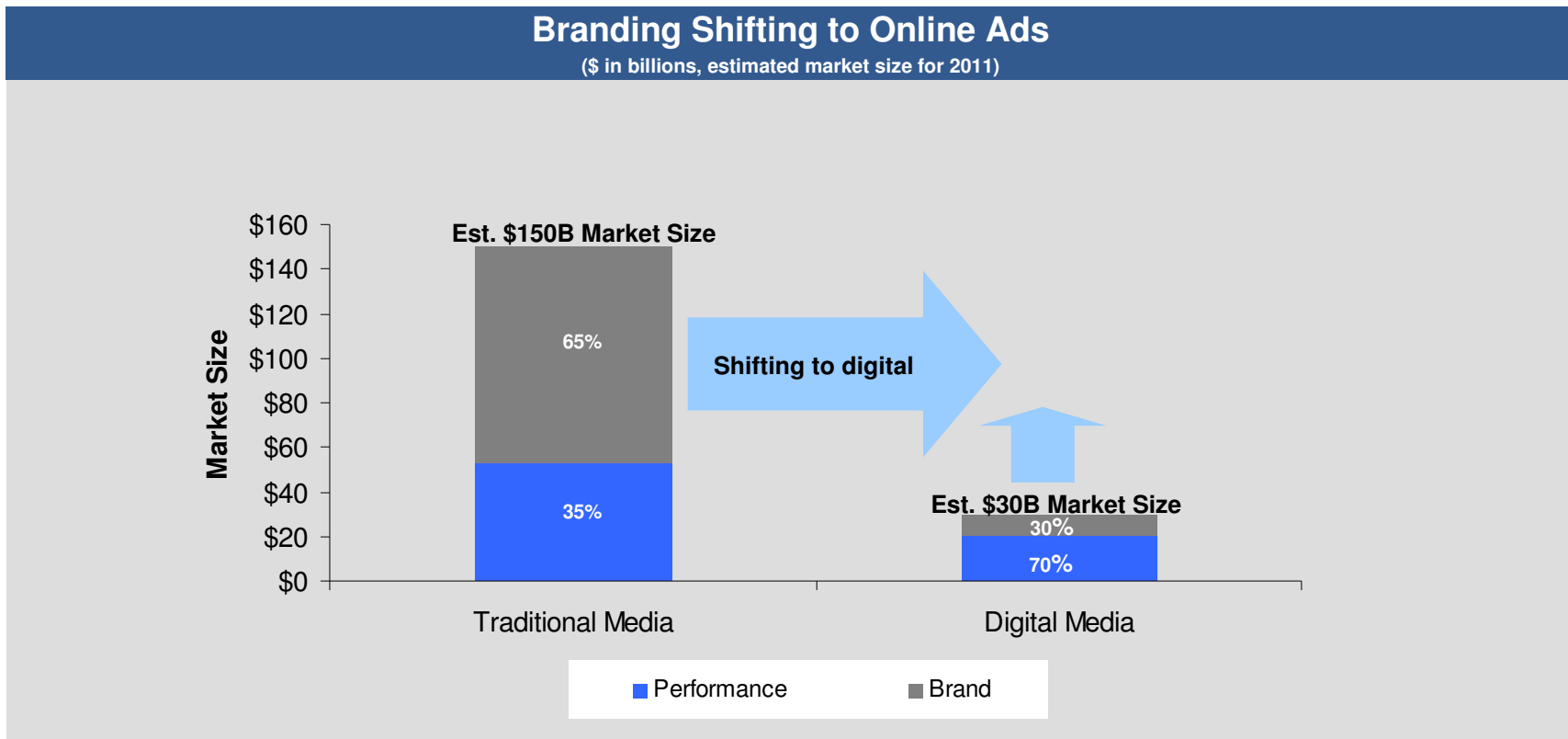
- Marketing firms are expected to spend over \$3B for online media ads in 2011 up from an estimated \$2B in 2010
- New social networks are rapidly developing that form tight connections across diverse categories



Source: Gridley estimates, Company Reports, Tech Crunch and Search Engine Journal

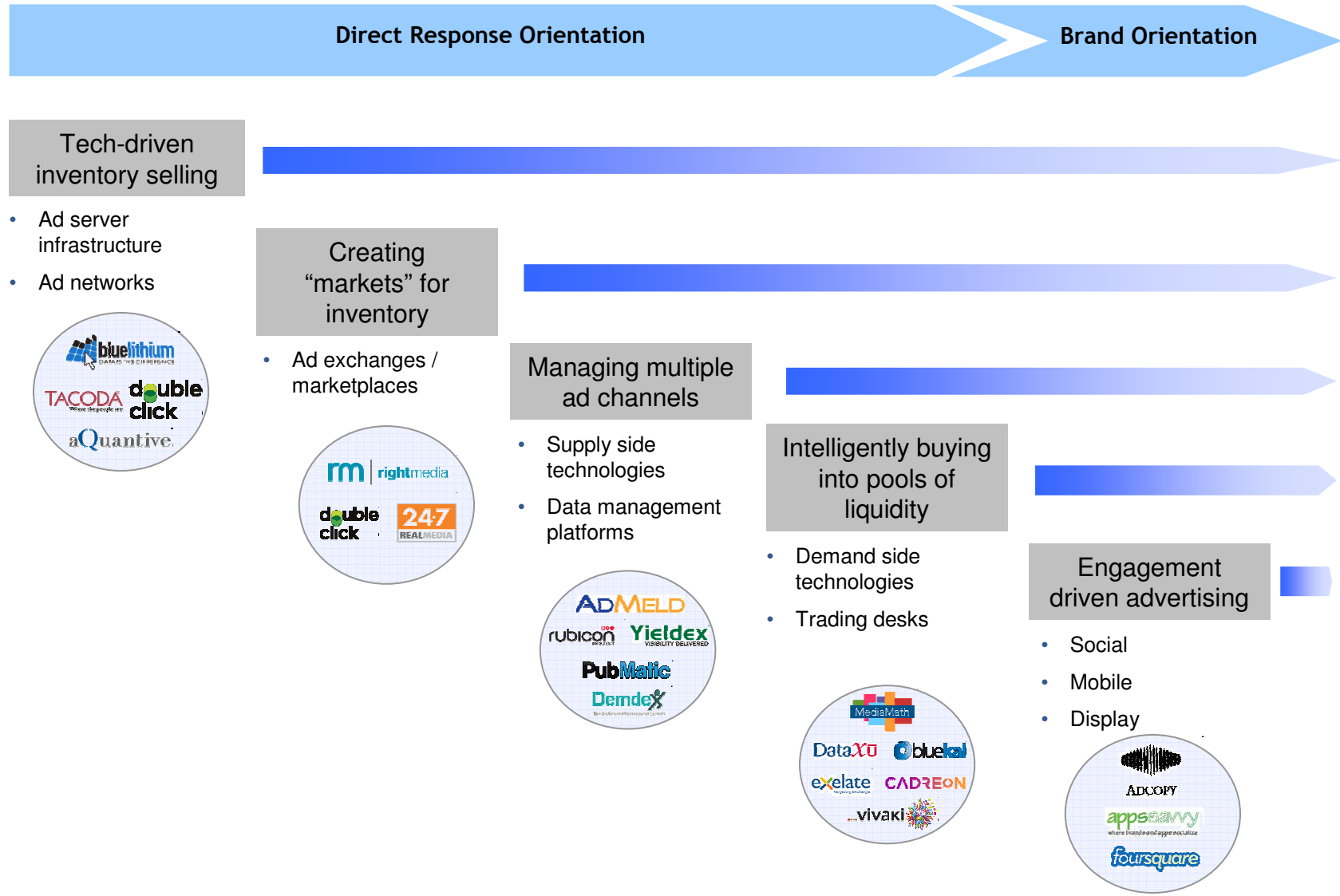
# Online Branding

- Brand spend continues to shift from traditional media to digital media
- Within digital media, advertisers are paying greater attention to branding opportunities, moving beyond performance-based campaigns



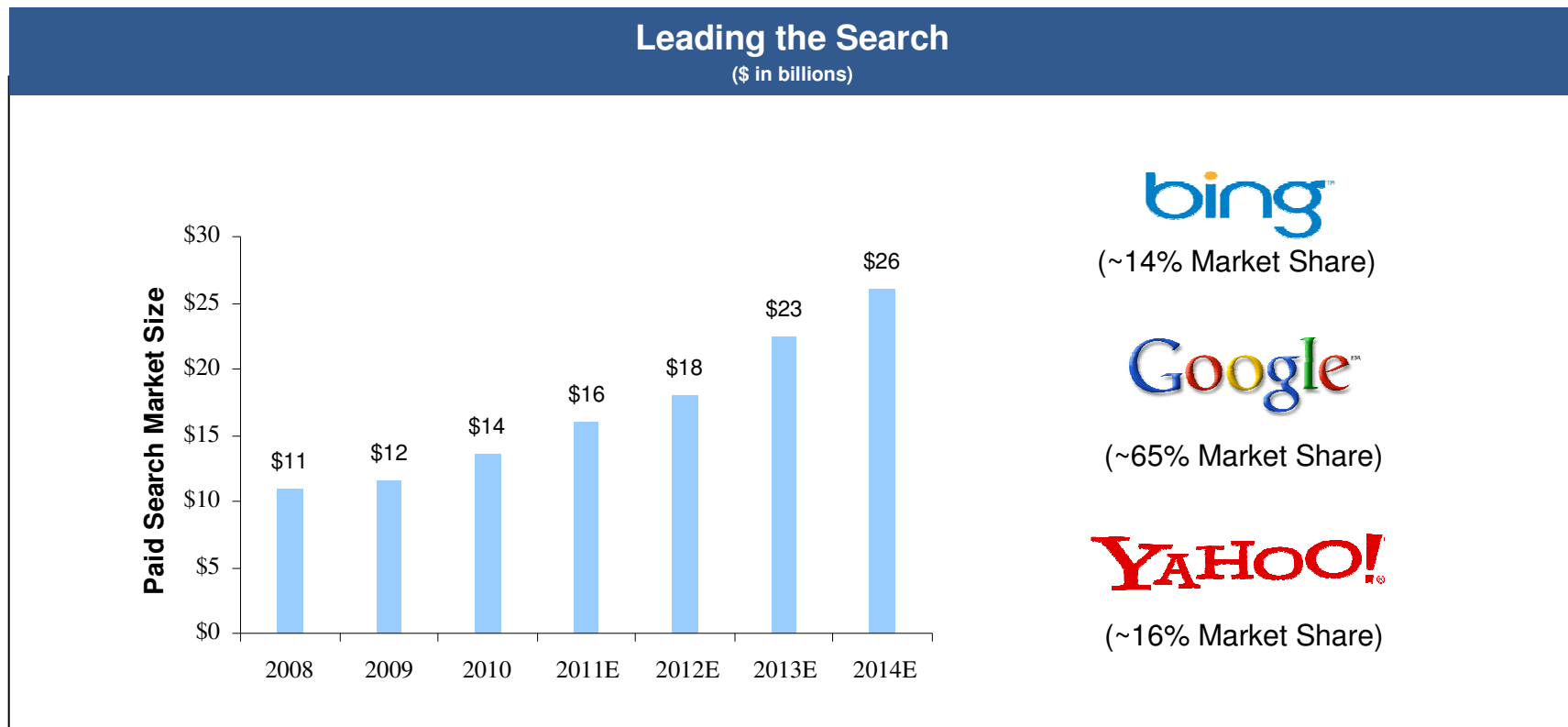
Source: Credit Agricole Securities, Gridley estimates

# Evolution in Ad Technology is Enabling this Growth



# Search

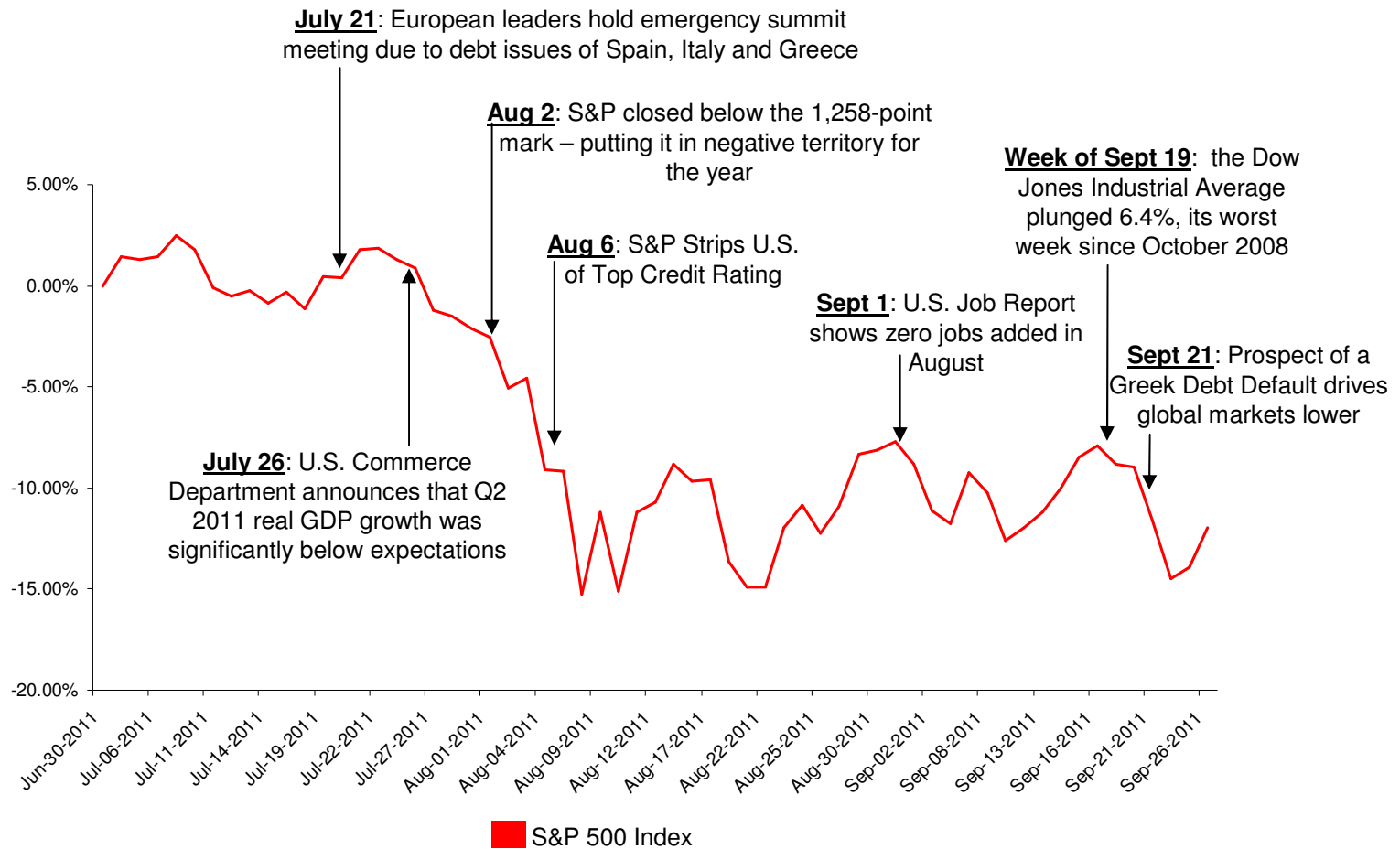
- Worldwide Internet users conduct over 200 billion searches each month
- Google drives roughly 46% of overall online ads with annual growth estimated at +20%
- Search should continue to be driven by leaders Google, Yahoo! and Bing
- Search expected to benefit from growth of the mobile Internet



Source: Baird Equity Research, Gridley estimates and Search Engine Journal

# Perspective Since Q2 2011

There are strong headwinds at the “Macro Economy” level...

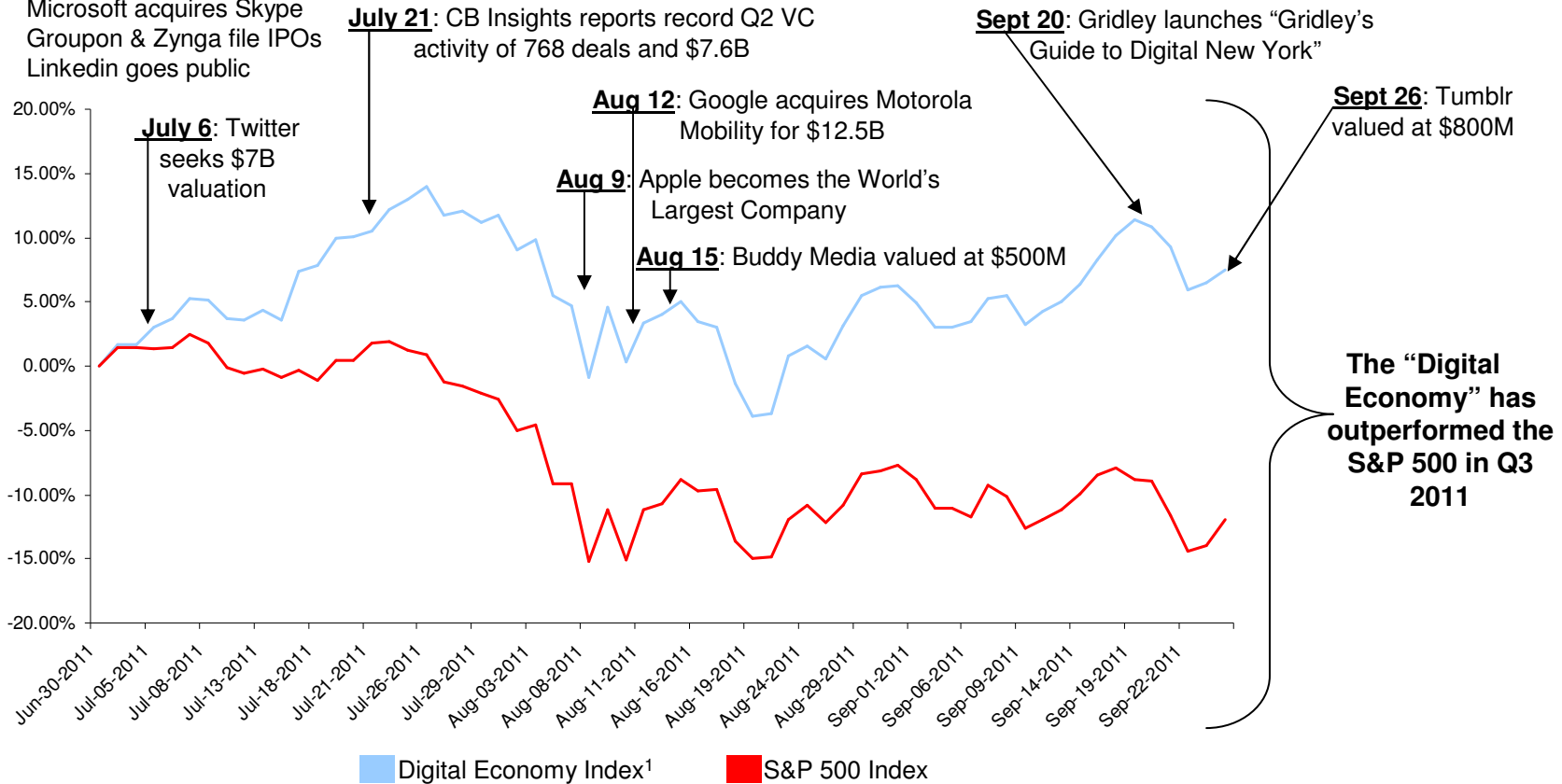


# Perspective Since Q2 2011

...but the “Digital Economy” continues to achieve significant milestones

## Q2 Momentum:

- Coupons.com valued at \$1B
- Foursquare valued at \$600M
- Microsoft acquires Skype
- Groupon & Zynga file IPOs
- LinkedIn goes public



(1) The “Digital Economy” Index includes Microsoft, Adobe, Omnicom, Apple, Amazon, Ebay, Google, IAC, IPG and WPP

# What is Next?

- Gridley believes that innovations in commerce, social, mobile and video will create opportunities for established companies and new entrants

<b>Commerce</b>
<ul style="list-style-type: none"><li>• New business models have been disruptive to traditional commerce channels<ul style="list-style-type: none"><li>– Flash sales, daily deals, subscription commerce</li></ul></li><li>• Digital commerce beginning to converge with offline retail, potentially tapping into a new trillion dollar market</li></ul>

<b>Social</b>
<ul style="list-style-type: none"><li>• Social now driving disproportionate amount of consumer attention globally</li><li>• Social developing into a true “platform”</li><li>• Social beginning to drive all forms of internet consumption – communication, content, entertainment, commerce and discovery</li></ul>

<b>Mobile</b>
<ul style="list-style-type: none"><li>• Mobile quickly becomes a primary media consumption device, in line with TV usage</li><li>• Mobile applications quickly broadening out into areas of commerce, social and payments</li><li>• Google has publicly stated that it expects mobile to account for over 50% of its search volumes over time</li></ul>

<b>Video</b>
<ul style="list-style-type: none"><li>• Online video consumption growing at 40%+ y-o-y</li><li>• Online video just beginning to have an impact on traditional channels<ul style="list-style-type: none"><li>– 8 of the 9 largest subscription-TV providers in the U.S. lost subscribers in Q2 2011</li><li>– Netflix’s shift to streaming testament to opportunity for IP video</li></ul></li></ul>

