

# Internet Statistics Compendium

**E-consultancy**

*Last updated: Monday 20<sup>th</sup> October, 2008*

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## About this report

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This compendium is a collection of the most recent statistics and market data publicly available on online marketing, e-commerce, the internet and related digital media. The report is a **one-stop shop for internet stats** to help you quickly track down the latest data.

The information contained – including charts and graphs – is largely taken from third party sources, credited throughout the document and in the acknowledgements at the back of this guide.

If there is data that you feel is inaccurate, missing, or incorrectly credited then please get in touch with Linus Gregoriadis, E-consultancy: [linus@e-consultancy.com](mailto:linus@e-consultancy.com) or phone +44 (0)20 7681 4051. Likewise, if you would like to contribute data or research then contact us.

## About E-consultancy

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E-consultancy is an online publisher of best practice [internet marketing reports](#), research and how-to guides.

E-consultancy, named Publisher of the Year at the 2006 AOP Awards, also publishes buyer's guides and has a directory of 100,000+ third party [internet marketing white papers](#).

Since moving to a paid-content model in 2003 E-consultancy has amassed thousands of paying subscribers, 70,000 registered users and more than 145,000 unique users sessions per month (audited by ABC Electronic).

E-consultancy is popular among internet professionals around the world, for delivering time-saving advice and insight.

[Subscribers](#) pay from £195 per year to access the exclusive and highly practical content. E-consultancy has more than 100 [events](#) lined up for 2008, including roundtables and monthly [Supplier Showcases](#), where six suppliers pitch to an audience of pre-qualified buyers in a Central London venue.

E-consultancy also provides a range of public and in-house [training](#) programmes, such as seminars and workshops. Our training seminars cover a range of topics including Affiliate Marketing, Paid Search, Search Engine Optimisation and Email Marketing.

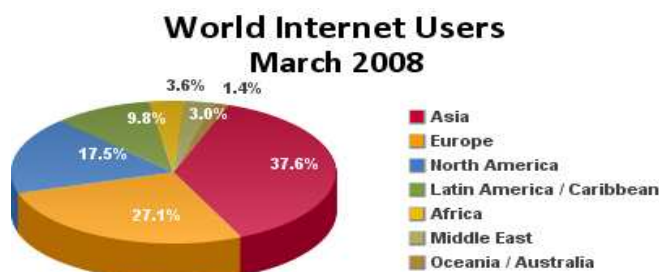
If you would like to know more about our training options then please visit our website or contact Craig Hanna on +44 207 681 4078 or email [him at Craig@e-consultancy.com](mailto:him at Craig@e-consultancy.com).

<http://www.e-consultancy.com/about/>

# 1. Usage and Demographics

## 1.1 Global Reach / Penetration of Interactive Services

- Total internet users in Europe and in the World: [Internet World Stats, April 2008]  
 Europe: 382,005,271  
 World: 1,407,724,920



Source: www.internetworldstats.com/stats.htm  
 Copyright © 2008, Miniwatts Marketing Group

- The total European internet audience grew to over 240m in June 2008, and Russia has the fastest growing online population. [Source: comScore, Aug 2008] **NEW**

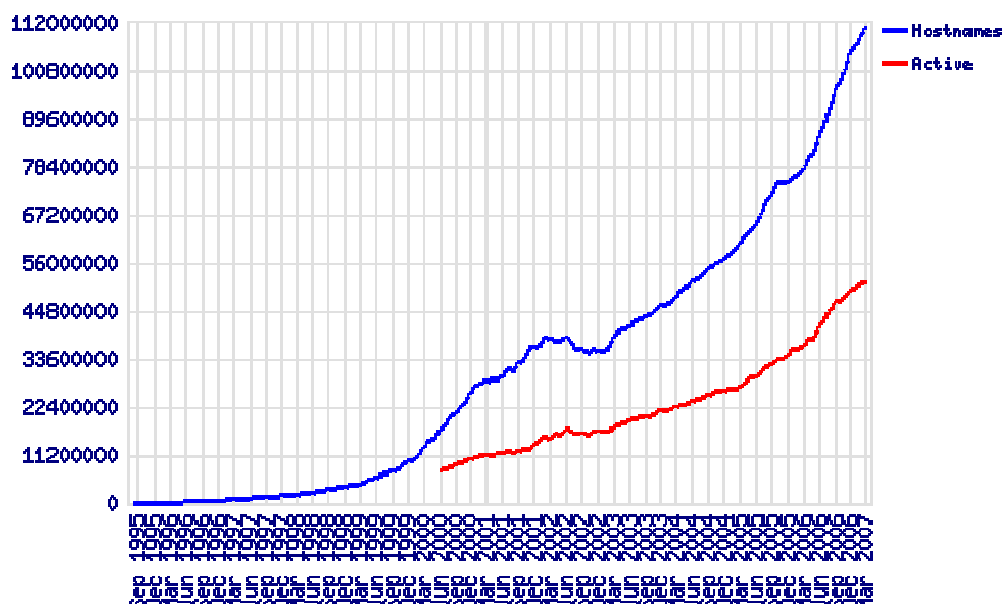
Growth of European internet Audiences			
Ranked by Year on Year Growth Rate*			
June 2008 vs. June 2007			
Source: comScore World Metrix			
Country	Jun-2007	Jun-2008	% Change
Europe	223,922	241,847	8%
Russian Federation	13,791	17,490	27%
France	26,106	31,463	21%
Spain	14,074	16,245	15%
Ireland	1,400	1,606	15%
Switzerland	3,743	4,183	12%
Denmark	3,109	3,437	11%
United Kingdom	31,669	34,860	10%
Belgium	4,807	5,237	9%
Italy	17,905	19,455	9%
Sweden	5,351	5,766	8%
Austria	3,767	4,056	8%
Norway	2,654	2,835	7%
Germany	32,857	34,986	6%
Finland	2,848	3,015	6%
Netherlands	11,287	11,227	-1%
Portugal	N/A	3,618	N/A

- Internet audience growth in the Asia Pacific region. [Source: comScore, July 2008]

<b>Internet Audience Growth in the Asia-Pacific Region</b>			
<b>April 2008 vs. April 2007</b>			
	<b>Total Unique Visitors (000)</b>		
	<b>Apr-07</b>	<b>Apr-08</b>	<b>% Change</b>
<b>Asia Pacific</b>	<b>280,418</b>	<b>318,623</b>	14
China	90,274	102,848	14
Japan	53,685	55,260	3
India	22,395	28,375	27
South Korea	26,323	25,652	-3
Australia	10,048	10,904	9
Taiwan	9,245	10,388	12
Malaysia	7,462	8,327	12
Hong Kong	3,525	3,718	5
Singapore	2,216	2,298	4
New Zealand	1,937	2,161	12

- Total internet users by country and share of world users: [Source: [Internet World Stats](#), October 2007]
  - US: 210,575,287 (18% share) [Nielsen//NetRatings, July, 2007]
  - China: 162,000,000 (13.8%) [CINIC, June, 2007]
  - Japan: 87,540,000 (7.4%) [eTForecasts, August, 2007]
  - Germany: 50,426,117 (4.3%) [Nielsen//NetRatings, August, 2007]
  - India: 42,000,000 (3.6%) [IWS, August, 2007]
  - UK: 38,512,837 (3.5%) [Nielsen//NetRatings, August, 2007]

**Total Sites Across All Domains August 1995 - March 2007**

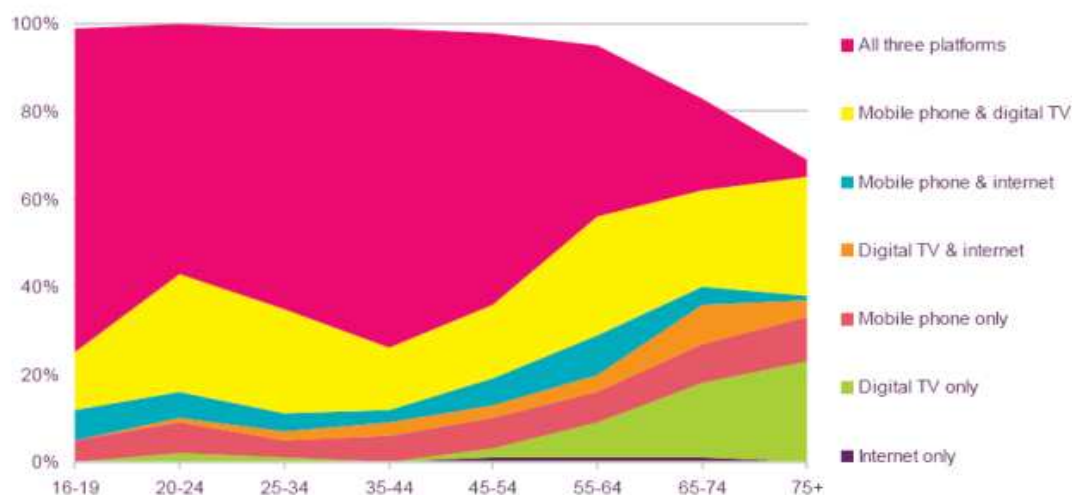


[Source: Netcraft, March 2007]

## 1.2. UK Reach / Penetration of Interactive Services

- Use of digital TV, mobile phones and the internet by age. [Source: Ofcom, Aug 2008] NEW

Figure 2.62 Take-up of DTV, mobile phones and the internet, by age

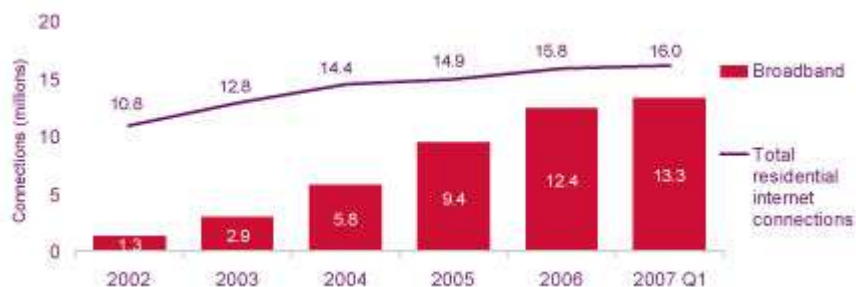


- The UK has the most active online population in Europe, with the highest average number of daily visitors (21.8m), the highest usage days per month (21 per user), and the highest average time spent per month per user (34.4 hours). [Source: comScore [via E-consultancy blog](#), June 2007]
  - European users average 16.5 usage days per month. Countries that have usage days below the European average are Russia (11.4 average usage days), Austria (12.0), Italy (12.9), Ireland (13.0), Portugal (13.4), Norway (14.7), Denmark (14.7), Switzerland (15.1), Belgium (15.5) and Finland (16.4).
- Around 29 million adults in Britain (63%) accessed the internet in the three months before February 2006. [Office for National Statistics, 2006]
  - The main place for internet use was at home (86%)
  - 46% said they use it at work
  - 28% said they used it at another person's home
  - 16% use the internet at a place of education
  - 10% use it at a public library.
  - Two-thirds of those who have ever accessed the internet have bought or ordered goods online, with adults aged between 25 and 44 the most likely to do so (73%).
- 26.5m people aged over 15 in the UK used the internet in December 2005 (56.3% of the total UK over-15 population) [BMRB, February 2006]
  - More than 23.5m were home users.
  - Growth in the number of online users was 13% in 2005 compared to 7% in 2003 and 2004.
  - Users were found to have used the internet, on average, for five and a half years.
- Over half (55%) of households in Great Britain (13.1 million) could access the internet from home in May 2005 [National Statistics Omnibus Survey, May 2005]



- **UK internet access**

- UK residential internet connections. [Source: Ofcom, August 2007]



- Just under one third (32%) of adults had never used the Internet in May 2005.
    - Of those who had not used the Internet:
      - 43% stated that they did not want to use, or had no need for, or no interest, in the Internet
      - 38% had no internet connection
      - 33% felt they lacked knowledge or the confidence to use it.
- [National Statistics Omnibus Survey, 2005]

### 1.3 Media Consumption Figures – Internet and Other Media

See Section 3.3.1 on Online Advertising for further information

#### 1.3.1 Consumption time by medium

- 221m internet users in the U.S spent an average of 19 hours and 42 minutes online during March 2008. [Source: Nielsen Online, April 2008]
  - An average of 52 seconds was spent on each web page visited.
  - The number of web pages viewed per person was 2,437.
- UK consumers spend an average of 50 hours a week on the phone, surfing the internet, watching TV or listening to the radio, according to a study by Ofcom. [Source: The Communications Market 2007 (Ofcom), August 2007]
  - Time spent using communications services (minutes per person):



[Source: Ofcom]:

Figure 1.28: Weekly communications consumption by age group

Usage per week	All age groups	16-24	Difference
TV viewing hours	25:34	18:21	-7h 13mins
Radio listening hours	20:06	18:18	-1h 48 mins
Mobile phone use			
Number of mobile calls	20	27	+ 7 calls
Number of SMS	28	70	+42 SMS
Internet hours	2:29	2:50	+ 21 m

Source: Ofcom / operators/ RAJAR / BARB/ TGI-BMRB

Note: TV and radio hours are per viewer/listener; SMS is the self-reported number of messages sent per mobile user; weekly internet hours are for Q4 of each year for adults 15+ who have used the internet in the last 12 months.

[Source: Ofcom Communications Market 2006 report]

- European consumers are now spending more time online than reading newspapers and magazines. [Jupiter Research, October 2006]
  - Internet consumption has doubled from two to four hours per week in the last two years, but is not cannibalising print and TV.
  - TV viewing rose from 10 hours per week to 12, while print consumption has remained static at three hours a week.

- The survey covered over 5,000 people in the UK, France, Germany, Italy and Spain.
- The average British internet user now spends 164 minutes online each day for personal use, the equivalent of over 41 days each year. This compares to 148 minutes spent watching television.
  - Two thirds (66%) of survey respondents were found to have increased their time online over the past 12 months, with the biggest growth seen among 16-24 year olds.
  - Men are still the highest internet users with an average of 172 minutes per day compared to 156 minutes for women.
  - Shopping has become one of the most popular online activities, with internet users now spending an average of £446 online each year.

[National Office of Statistics Time Use Survey/TNS Onlinebus Research Feb 2006]

- On average, internet users spend a quarter of their weekly media time on the internet. [BMRB Internet Monitor, January 2006]
  - The internet is the second most commonly used medium after television.
  - The research, carried out in November 2005, showed that 26.5 million people (half the UK population) used the internet during that month, compared to 23.4 million people in November 2004.

### 1.3.2 TV and the internet

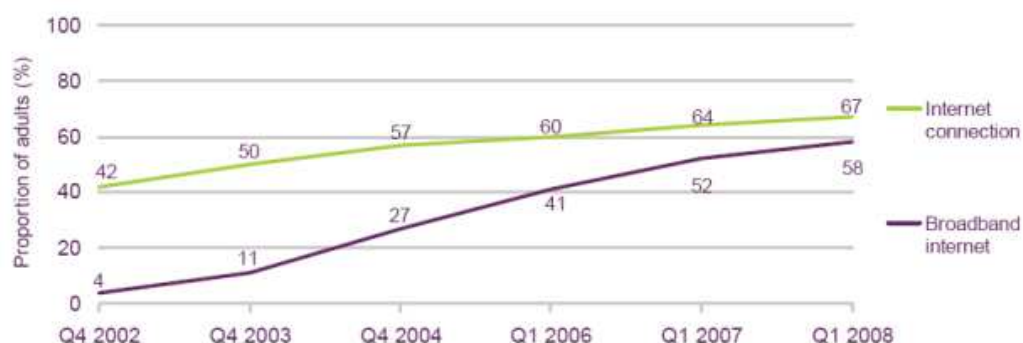
- TV remains the lead medium for the majority of adults - this is true for all age groups and is irrespective of internet access. [IPA, 2006]
  - The media hierarchy in hours for all adults between Monday and Friday is: 3.9 television, 1.3 hours radio and 0.8 internet. On Saturday and Sunday this changes to: 4.5 television, 1.5 radio and 1.0 internet. [IPA, 2006]
  - On a typical weekday a 15-24 year old home internet user spends 2 hours surfing the internet - this rises to 2.4 hours at the weekend and averages 14.8 hours for the week. [IPA, 2006]

## 1.4 Broadband Adoption

### 1.4.1 Levels of connectivity and broadband penetration

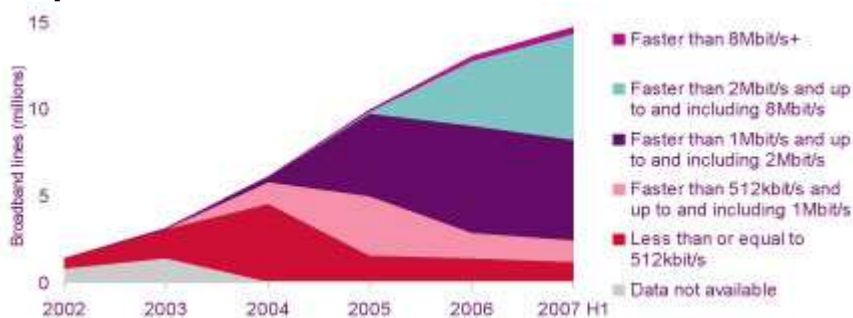
- The proportion of UK homes taking broadband services grew to 58% by Q1 2008, a rise of six percentage points on a year earlier. [Source: Ofcom, Aug 2008] NEW
  - The rate of growth is slowing though, after increases of 11% and 10% in the previous two years.
  - Mobile broadband emerged in 2008 as an increasingly popular means of accessing the internet. There were over 500k new connections in the five months from February 2008, with 133,000 connections in June 2008.
  - Seventy-five per cent of those with access to mobile broadband use it at home, 18% do so at work and 27% elsewhere.

**Figure 2.80 Broadband and internet penetration**



Source: Ofcom research, Jan – Mar 2008.  
Base: All households (2322)

- UK broadband connections by headline connection speed. [Source: Ofcom, August 2007]



- Theoretical time taken to perform online activities. [Source: Ofcom, August 2007]

Headline connection speed					
	56kbit/s	512kbit/s	2Mbit/s	8Mbit/s	24Mbit/s
Download 250kB webpage	36 seconds	4 seconds	1 second	0.3 seconds	0.1 seconds
Download 5MB music track	12 minutes	1 minute 18 seconds	20 seconds	5 seconds	2 seconds
Download 25MB video clip	1 hour	6 minutes 31 seconds	1 minute 40 seconds	25 seconds	8 seconds
Download low quality movie (750MB)	29+hours	3 hours 15 minutes	50 minutes	12 minutes 30 seconds	4 minutes 10 seconds
Download DVD quality movie (4GB)	6+ days	17 hours 22 minutes	4 hours 27 minutes	1 hour 7 minutes	22 minutes

- Internet users and penetration in the UK 2005-2011: [Source: eMarketer, October 2007]
  - 2005: 33.7 million (55.8%)
  - 2006: 35.1 million (57.9%)
  - 2007: 37.2 million (61.2%)
  - 2008: 39.1 million (64.2%)
  - 2009: 42.3 million (69.2%)
  - 2010: 44.2 million (72.1%)
  - 2011: 45.0 million (73.2%)
- An average of 75% of online consumers in Europe use broadband at their main point of internet connection. [Source: EIAA Mediascope Survey, November 2006]
  - Broadband penetration is up 14% across Europe year-on-year
  - 29% of all European home dial-up customers expect to upgrade to broadband in the next 12 months
  - Consumers in countries with greater broadband penetration are more likely to use the internet for entertainment purposes:
  - France, the UK and Scandinavia have the highest levels of broadband penetration in Europe. 29% of all European home dial-up customers expect to upgrade to broadband in the next 12 months.

Country	Broadband Penetration	% that listen to online radio at least once a month	% that download music at least once a month
France	87%	36	24
Norway	85%	30	35
UK	84%	33	33
Sweden	84%	43	23
Denmark	84%	35	22

[Source: EIAA Mediascope Survey, November 2006]

### International Broadband take-up

- Broadband penetration and number of internet users in 10 countries worldwide. [Source: eMarketer, December 2007]

**Internet Users and Broadband Households in Select Countries Worldwide, 2007 (millions and % of total)**

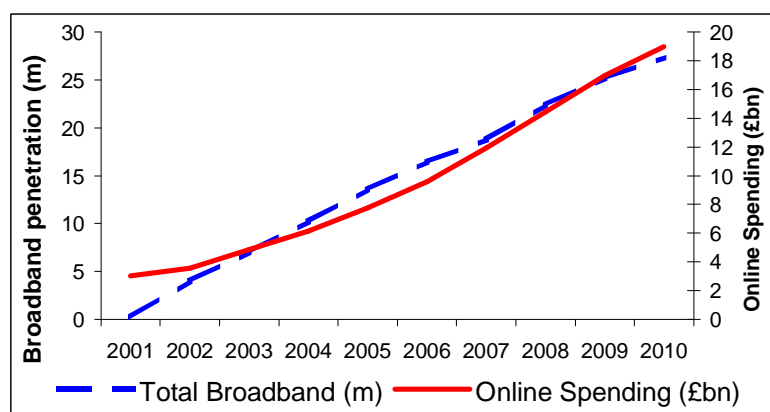
	Internet users	% of population	Broadband households	% of total households
1. Australia	13.6	66.7%	4.3	53.9%
2. Canada	21.8	65.3%	8.1	62.6%
3. France	30.9	50.6%	12.8	48.0%
4. Germany	42.0	51.0%	14.8	38.6%
5. Italy	30.1	51.8%	9.3	41.6%
6. Japan	89.1	69.9%	26.0	57.3%
7. South Korea	35.6	72.7%	13.0	79.8%
8. Spain	18.3	45.2%	6.3	47.5%
9. UK	37.2	61.2%	13.9	54.6%
10. US	188.1	65.2%	65.0	53.6%

*Note: eMarketer uses historical data from the International Telecommunication Union (ITU) as a baseline; penetration figures are based on population estimates from the US Census Bureau's International Data Base (IDB); an Internet user is defined as someone ages 3+ who uses the Internet at least once per month; broadband includes ADSL, cable, satellite, fixed wireless, fiber powerline, WiMAX and emerging broadband technologies accessed at home*  
 Source: eMarketer, November 2007

089775 www.eMarketer.com

### 1.4.2 Broadband's effect on E-commerce

- There is a strong correlation between broadband penetration and online spending [MetaPack, "Can Retailers Deliver", Feb 2005]



[Sources: Verdict, Forrester, Broadband Industry Group]

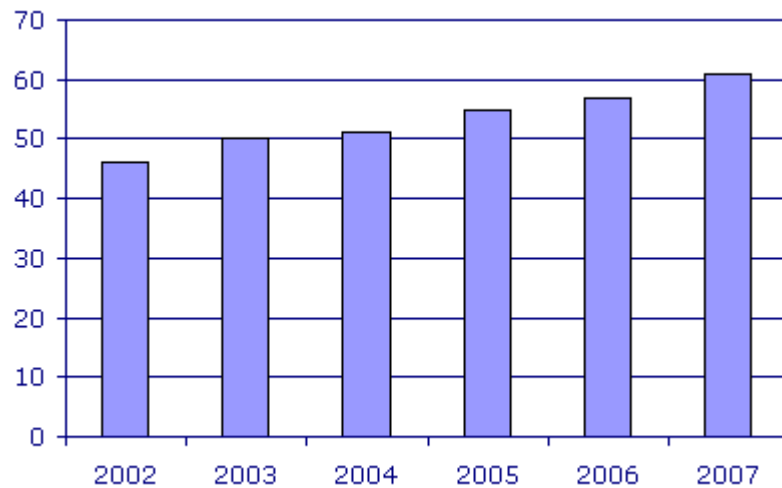
- 69% of retail purchases online in the United States were conducted via a broadband connection, compared to 31% transacted via narrowband or dial-up access during November 2004. [Nielsen//NetRatings, January 2005]

## 1.5 Usage Patterns by Location of Usage

### 1.5.1 Home

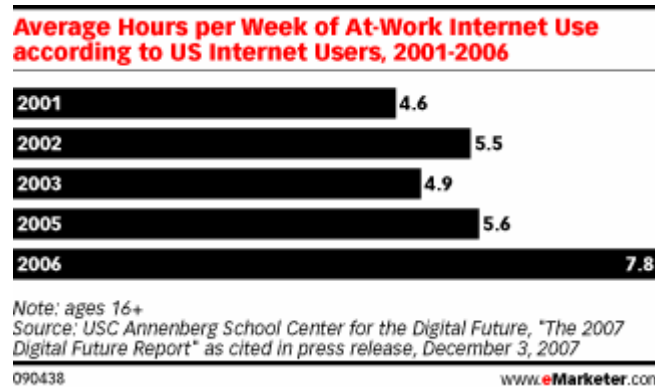
- In 2007, nearly 15 million households in Great Britain (61%) had internet access. This is an increase of just over 1 million households (7%) over the last year and nearly 4 million households (36%) since 2002. [Source: Office for National Statistics, July 2007]

*UK households with internet access:*



### 1.5.2 Work / Business

- The average US Internet user now spends an average of 7.8 hours per week online from work. [Source: eMarketer, December 2007]

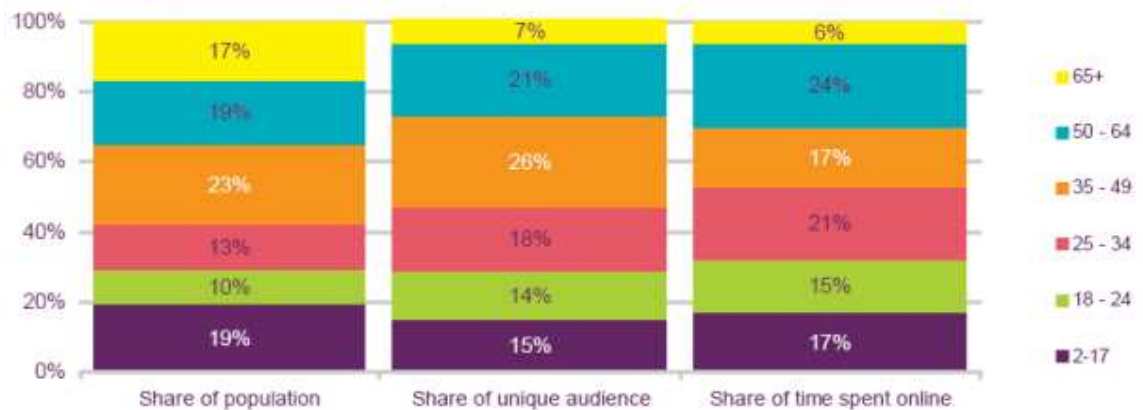


### 1.6 Age and Gender Usage Variations

- UK internet audience and time spent online by age. [Source: Nielsen Online via Ofcom, Aug 2008] NEW

Figure 2.82 Internet unique audience and time spent online, by age

Proportion of population/users/time spent online

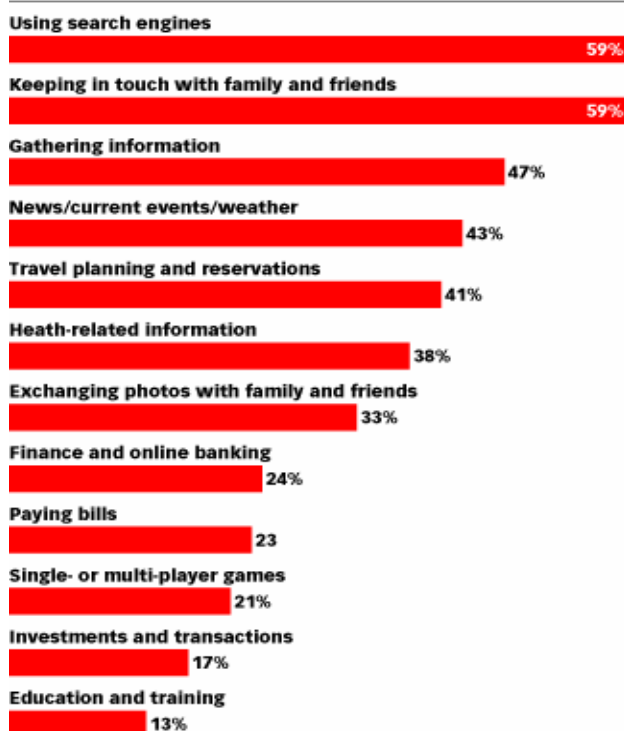


Source: Ofcom / ONS / Nielsen Online (April 2008)

Note: Home use only and Ofcom calculations

- More than one-third of US consumers born before 1946 use the internet, while more than half of the 62-71 age group are online. [Source: Pew Internet & American Life Project, May 2008]



**Leading Online Activities of US Senior Internet Users, 2008 (% of respondents)**

Note: ages 62+

Source: Focalyst and Dynamic Logic, "Matures 62+ On the Internet: An Overlooked Audience" as cited in press release, April 2008

094550

www.eMarketer.com

- US adult consumer use of TV, internet, radio and print media. [Source: Nielsen via eMarketer, May 2008]

**Demographic Profile of US Adult Consumers, by Average Time Spent per Day\* with Major Media, January 2008 (minutes)**

	TV	News-papers	Radio	Maga-zines	Inter-net
<b>Age</b>					
18-34	206.0	17.7	115.6	14.5	145.4
18-49	207.3	19.9	113.6	14.3	118.7
25-49	209.0	20.8	109.2	14.3	103.5
25-54	222.7	22.1	106.5	15.1	99.7
35-64	243.4	26.8	97.5	16.0	87.6
65+	271.6	43.2	67.7	22.8	48.1
<b>Household income</b>					
<\$25,000	278.9	20.3	97.4	15.6	63.8
\$25,000-\$50,000	277.5	26.0	97.5	16.9	111.9
\$50,000-\$75,000	238.9	23.7	101.8	16.8	108.2
\$75,000+	207.9	29.8	94.1	17.7	114.2
\$100,000+	206.8	31.5	99.7	17.5	138.3
<b>Education</b>					
High school graduate	274.1	22.6	103.6	12.4	57.1
Some college	241.3	24.8	98.1	17.7	99.9
College graduate or more	212.6	32.3	92.5	18.5	123.0
<b>Occupation</b>					
Professional/technical/manager/owner	195.1	26.1	105.6	15.8	140.0
Administrative/clerical/sales	254.6	20.9	121.0	10.9	104.1
Trade/service	263.4	20.1	142.1	21.0	155.4
<b>Total</b>	<b>236.6</b>	<b>26.7</b>	<b>98.0</b>	<b>16.7</b>	<b>98.5</b>

Note: \*yesterday

Source: Television Bureau of Advertising (TVB), "2008 Media Comparisons Study" conducted by Nielsen Media Research, May 7, 2008

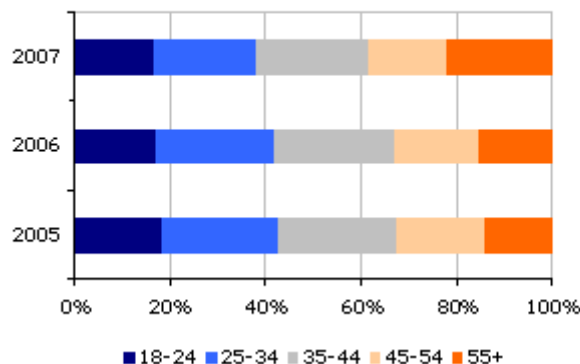
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www.eMarketer.com

- The average age of UK internet users is on the rise, thanks to the growing online presence of the over-55s, or 'silver surfers'. [Source: Nielsen [via E-consultancy blog](#), December 2007]
  - While the under-25s' share of the UK internet population has fallen from 29% to 25%, silver surfers' share has increased from 16% to 19%.
  - Gaming website Miniclip has the youngest average audience age at 28.1, while Marks & Spencer has the oldest, at 46.5.
  - The destinations with the oldest average visitor age were mainly familiar high street brands, including John Lewis, TUI, Nationwide and M&S.
  - The under-25s' favoured web destinations were predominantly entertainment and social sites, including Bebo, RockYou, and Disney Online.
- In the UK and the US, women use the internet more often than men. In the US, 52% of internet users are women and in the UK the internet is used equally by men and women except in the 18-34 age group where women spend more time online than men (57% compared with 43%). [Source: Ofcom, December 2007]
- [Ofcom's Communications Market Report 2007](#) found that over-65s spent the greatest amount of time online in 2006, racking up 42 hours of internet access every month. [Source: Ofcom, August 2007]
  - While only 16% of over-65s use the web, one quarter of all UK internet users are over 50 and that group accounts for 30% of the total time spent online.
- Figures for 2006 from the payment association Apacs show that over-55s provided the greatest proportion of new UK online banking customers in the past five years. [Source: APACS [via E-consultancy blog](#), Aug 2007]
  - The number of adults using online banking between 2001 and 2006 grew by 174%, with a 350% increase in the over 55 age group.

- The research found highest growth in uptake by 55-64 year olds - 425% in the period - although there was also a 275% rise in usage by people of 65+.
- The internet is becoming increasingly indispensable for women, with over two thirds (66.1%) saying their lives would be disrupted if they had to go without the web for a week. [Source: Burst Media, July 2007]
  - The study of 1,800 women aged 25 and over found four out of five females go online between 7am and midnight.
  - And some 51.4% of women of all age groups used the web to do shopping in the last year, mostly for travel (37.5%), adult clothing (32.4%), health and beauty products (27%), children's clothing (18.8%), financial products (15%) and groceries (14.9%).
- Young women are spending more time online, with the 18-34 age group accounting for 18% of the UK internet population. [Source: Nielsen//NetRatings [via E-consultancy blog](#), May 2007]
  - UK internet users are split almost equally between males (51.5%) and females (48.5%).
  - Women aged 18-34 account for 21% of all time spent on computers in the UK, which equates to 13 minutes out of every hour online.
  - 18-34 year olds are the biggest computer users, spending around 60 hours per month on their computer, while under 18s spend 16 hours.
- The largest demographic group online is currently the 35-44 age group, which accounted for 23.5% of internet visits in the four weeks up to 12<sup>th</sup> May 2007. Silver Surfers, the over – 55s, accounted for 22% of visits. [Source: Hitwise via [E-consultancy blog](#), May 2007]

**Hitwise UK: Share of UK Internet Visits by Age Group, May 2005, 2006 and 2007**



- An AXA report into the internet usage habits of over-65s in 11 countries found that internet use has overtaken traditional pastimes DIY and gardening. [Source: AXA [via E-consultancy blog](#), February 2007]
  - Four in ten retired people are regular e-shoppers, with travel tickets the most popular item, with 45% regularly booking online.
  - 84% use the internet for keeping in touch with friends and relatives via email. The next most popular online activity was 'looking for information', selected by 83%.
  - 35% go online for banking activities.
  - Pensioners in the US spend most time online, at an average of nine hours a week, closely followed by Canada and Australia at seven hours.

**Age of internet users in Great Britain**

- Aged 15-24: 19% of users (20%)
- Aged 25-34: 21% of users (25%)

- Aged 35-44: 23% of users (24%)
- Aged 45-54: 17% of users (17%)
- Aged 55-64: 13% of users (9%)
- Aged 65 or over: 6% of users (5%)

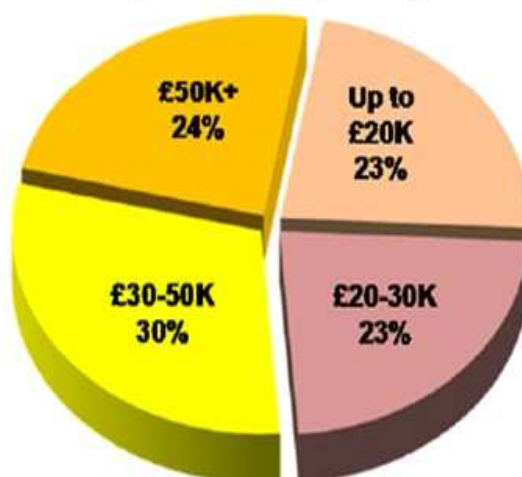
[Source: MORI Technology Tracker, 2005 – [Link to PDF](#)]

- In the last three years the amount of time women spent online has increased by 63%, compared to growth of 54% for men [European Interactive Advertising Association, March 2006].
  - Last year men spent an average of 11 hours online a week compared with women's nine hours.
  - Based on current trends, women's use of the internet is set to overtake men's in 2007.
- 52% of Internet users in Great Britain were male in September 2005 [[MORI Technology Tracker](#), September 2005]
- A survey of the active UK internet population found that the ten sites with the highest proportion of people in their 30s were retailers or banks. [Nielsen//NetRatings, 2006]
  - In comparison, a visitor to uSwitch is more than twice as likely as the average web user to be over 50.
- Women account for 51.6% of the US online population and nearly 100 million American women will be online by 2008. [eMarketer, April 2006]

## Income

A quarter of UK web users come from households with annual incomes of £50,000 or more. Finance and travel websites tend to have the greatest concentration of wealthy visitors. [Source: Nielsen//NetRatings, UK, home and work data, including Internet applications, June 2007]

How the UK Internet Population is composed by household income\*



Source: Nielsen//NetRatings, UK, home and work data, including Internet applications, June 2007

**Online Brands with the greatest concentration of UK £50K+ income households (home & work audience and home only audience) – June 2007**

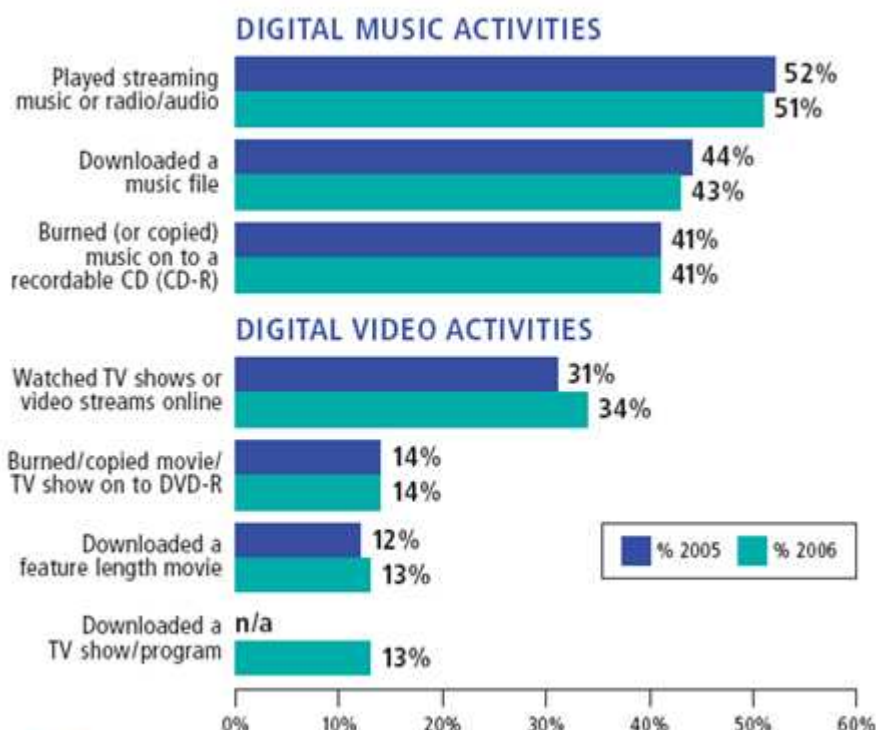
Rank	Brand (home & work Internet audience)	% of audience from £50K+ h-holds	Unique Audience (000s)	Brand (home Internet audience only)	% of audience from £50K+ h-holds	Unique Audience (000s)
1	Barclays Business Banking	59%	158	American Express	37%	107
2	Companies House	53%	243	Transport for London	33%	222
3	Freetranslation	51%	124	Sainsburys to you	32%	91
4	Interactive Investor	49%	87	Cricinfo	31%	90
5	Arsenal FC	43%	114	dabs	31%	102
6	CareerBuilder Network	43%	160	Liverpool FC	31%	114
7	Transport for London	42%	602	InterContinental Hotels Group	30%	145
8	LinkedIn	42%	114	Club Penguin	30%	130
9	Virgin Flights	42%	183	Flairview Travel Network	30%	116
10	American Express	42%	213	Hilton	30%	99

*Nielsen/NetRatings, UK, home & work data, and home only data, including Internet applications, June 2007  
E.g. In June 07, 59% of Barclays' Business Banking home & work audience was from a household with an annual income of at least £50K*

### 1.7 What Users are Doing and Looking at Online

- The Ipsos Face of the Web study sampled 6,553 adults 13 countries [Source: Ipsos, July 2007]

### Prevalence of Digital Media Activities among Global Internet Users



Source: Ipsos Insight  
© Ipsos Insight 2007  
Base: Internet User – Past 30 Day Users

- Top Global Web Properties (excluding traffic from public computers, internet cafes, PDAs and mobile phones). [comScore World Metrix, December 2007]

<b>Top Global Web Properties</b> <b>Ranked by Total Unique Visitors (000)*</b> <b>December 2007</b> <b>Total Worldwide, Age 15+ - Home and Work Locations</b> <b>Source: comScore World Metrix</b>		
<b>Property</b>	<b>Total Unique Visitors (000)</b>	<b>% Reach</b>
Google Sites	587,806	72%
Microsoft Sites	540,285	66%
Yahoo! Sites	484,674	59%
Time Warner Network	274,063	34%
eBay	251,847	31%
Wikipedia Sites	226,119	28%
Amazon Sites	170,599	21%
Fox Interactive Media	158,418	19%
Apple Inc.	137,355	17%
CNET Networks	126,451	16%
Ask Network	119,799	15%
Adobe Sites	111,112	14%
Facebook.com	97,792	12%
Viacom Digital	88,745	11%
The Mozilla Organization	81,253	10%
WordPress	71,027	9%
Lycos Sites	70,017	9%
Baidu.com Inc.	69,558	9%
New York Times Digital	69,435	9%
TENCENT Inc.	68,769	8%

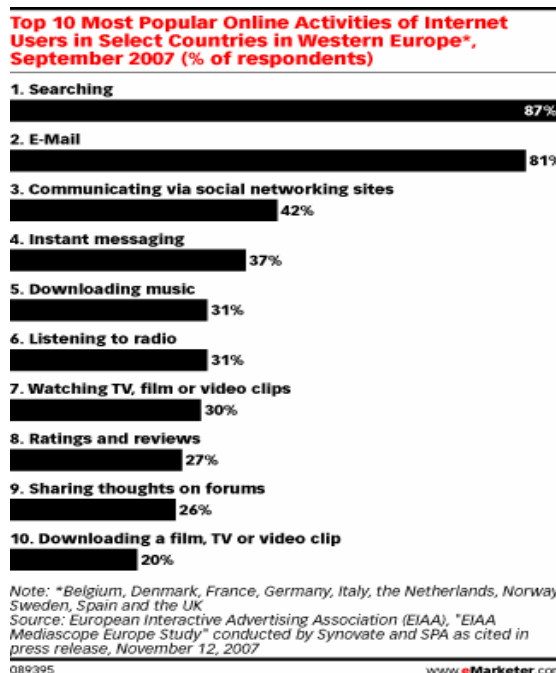
### 1.7.1 What European users are going online for

- Top web properties in France, May 2008. [Source: comScore, July 2008]

#### Top 25 Properties for May 2008

<b>Top 25 Properties by Number of French Unique Visitors*</b> <b>May 2008 vs. April 2008</b> <b>Total France, Age 15+ - Home and Work Locations**</b> <b>Source: comScore World Metrix</b>			
May-08 Rank	Apr-08 Rank	Property	Total Unique Visitors (000) May-08
N/A	N/A	Total Internet : Total Audience	31,066
1	1	Google Sites	23,054
2	2	Microsoft Sites	20,667
3	3	Orange Sites	16,031
4	4	Iliad/Free.fr Sites	13,478
5	5	eBay	12,257
6	6	Yahoo! Sites	12,057
7	7	Skyrock Network	11,922
8	8	Groupe Lagardere	11,548
9	10	Groupe Pages Jaunes	11,426
10	9	Groupe PPR	11,357
11	11	Wikipedia Sites	10,722
12	12	Dailymotion.com	9,783
13	17	Groupe PriceMinister	9,697
14	15	Benchmark Group	8,984
15	14	Groupe M6	8,443
16	13	AOL LLC	8,437
17	16	NextRadio TV	8,323
18	19	Commentcamarche.net	7,405
19	18	Lycos Europe Sites	7,387
20	20	Groupe Spir Communication	7,244
21	22	Groupe TF1	6,930
22	23	Groupe Hi-Media	6,532
23	21	Bestofmedia Group	6,381
24	28	Otto Gruppe	6,165
25	25	auFeminin.com Network	6,059

- Most popular online activities of Western European web users, Sept 2007. [Source: eMarketer, June 2008]



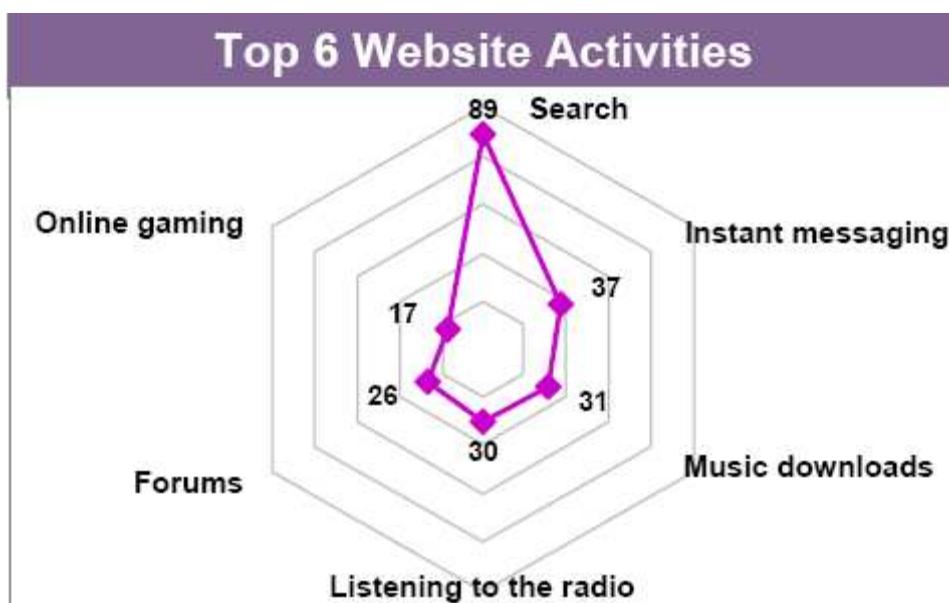
- 32.6m Germans went online during the month of April, the largest presence of any European country online. [Source: comScore, June 2007]
  - Google was the most-visited property in Germany, attracting 23m visitors, followed by Microsoft with 17.7m visitors and eBay with 17.4m visitors.
  - Google was also the most popular web destination in France, with 17.2m visitors, compared with Microsoft's 16.1m

<b>Top 10 Online Properties Ranked by German Unique Visitors, Age 15+ April 2007 Total Germany – Home and Work Locations* Source: comScore World Metrix</b>			
	<b>Mar.- 07 (000)</b>	<b>Apr.- 07 (000)</b>	<b>Percentage Change</b>
<b>Total German Internet Audience, Age 15+</b>	32,366	32,578	1%
Google Sites	22,968	23,012	0%
Microsoft Sites	18,139	17,740	-2%
eBay	17,883	17,435	-3%
United-Internet Sites	16,369	16,225	-1%
Time Warner Network	14,599	14,604	0%
Wikipedia Sites	13,212	12,583	-5%
T-Online Sites	12,976	12,116	-7%
Yahoo! Sites	11,794	11,196	-5%
Otto Gruppe	9,059	11,148	23%
Karstadt-Quelle	10,658	10,055	-6%



<b>Top 10 Online Properties                      Ranked by French Unique Visitors, Age 15+                      April 2007                      Total France – Home and Work Locations*                      Source: comScore World Metrix</b>			
	<b>Mar.-                      07                      (000)</b>	<b>Apr.-                      07                      (000)</b>	<b>Percentage                      Change</b>
<b>Total French Internet Audience, Age 15+</b>	<b>25,050</b>	<b>25,388</b>	<b>1%</b>
Google Sites	17,217	17,683	3%
Microsoft Sites	16,149	16,254	1%
France Telecom	14,125	13,886	-2%
Iliad/ Free.fr Sites	12,800	12,322	-4%
Groupe Pages Jaunes	10,707	10,668	0%
eBay	10,619	10,644	0%
Yahoo! Sites	11,163	10,577	-5%
Skyrock Network	8,432	8,562	2%
Wikipedia Sites	8,502	8,515	0%
Groupe PPR	8,030	7,602	-5%

- The EIAA Mediascope 2006 Europe survey found that the top web activities performed by online Europeans are web searches, instant messaging, music downloads and listening to the radio. [Source: EIAA, November 2006]



### 1.7.2 What UK users are going online for:

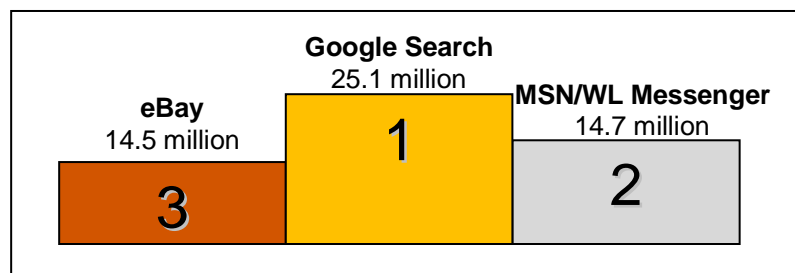
- Top UK websites and applications by minutes spent monthly. [Source: Nielsen Online, July 2008]

**Leading websites/applications by average total monthly UK minutes: June 2007 – May 2008**

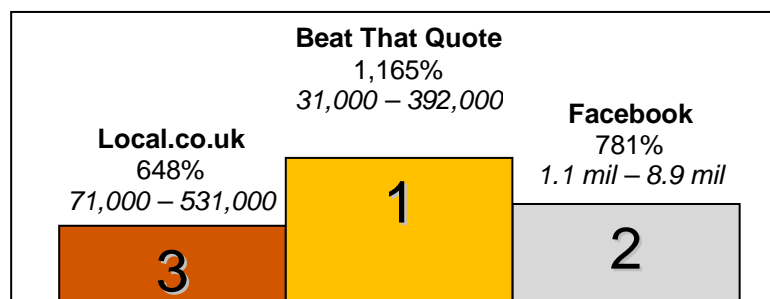
Rank	Website/Application	Average monthly UK minutes (millions)	Average monthly share of UK minutes	Core service
<i>All websites / applications</i>		33,641	100%	-
1	MSN Messenger	2,626	7.8%	Instant Messaging
2	eBay	1,630	4.8%	Auctions
3	Facebook	1,406	4.2%	Social Network
4	Google Search	872	2.6%	Search
5	Hotmail	705	2.1%	Email
6	Windows Media Player	694	2.1%	Media Player
7	YouTube	539	1.6%	Video
8	Bebo	530	1.6%	Social Network
9	iTunes	529	1.6%	Media Player
10	Yahoo! Mail	514	1.5%	Email

Source: Nielsen Online, UK NetView, home & work data, including applications, June 2007 – May 2008.  
E.g. From Jun 07-May 08, MSN Messenger averaged 2.6 billion UK minutes each month = 8% share of online-related\* time

- Google search was the most popular website in the UK in 2007, averaging 25.1m UK visitors each month. [Source: Nielsen Online, Feb 2008]
  - Most popular websites/applications by average monthly UK unique audience in 2007:



- Beat That Quote was the fastest growing website across 2007 - growing 1,165% from 31,000 Britons in Dec 06 to 392,000 in Dec 07.
  - Fastest growing websites/applications by UK unique audience: Dec 06 – Dec 07:



- UK adults spend more time on social networks than their European neighbours, with 4 in 10 UK adults saying that they regularly visit the sites. UK adults who visit the sites spend an average of 5.3 hours each month on them and return to them an average 23 times in the month. [Source: Ofcom, December 2007]

- Ten fastest growing online brands in the UK: [Source: Nielsen//NetRatings, Nov 2007]

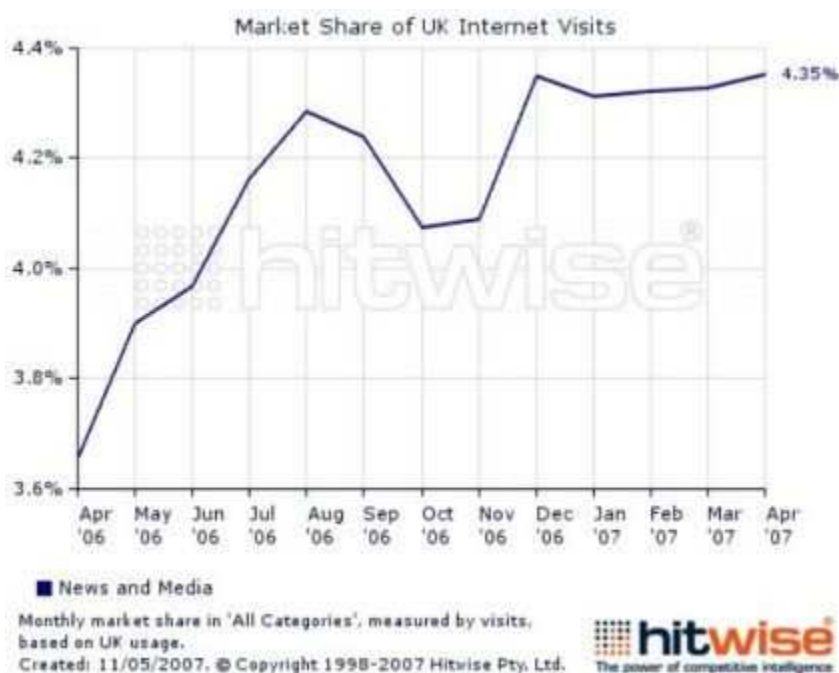
#### 10 fastest growing online brands by UK Unique Audience (UA)\*: October 2006 - Oct 2007

Rank	Brand	UK Unique Audience Growth Oct 06-Oct 07	UK UA Oct 07	UK UA Oct 06	UK Active Reach Oct 07	Nature of service
1	RockYou!	2,106%	1,900,189	86,139	5.8%	Social network tool
2	Facebook	1,646%	7,825,148	448,211	23.9%	Social network
3	Slide	649%	3,164,590	422,445	9.7%	Social network tool
4	HOT or NOT	503%	866,300	143,658	2.7%	Face rating / dating
5	Veoh	399%	659,877	132,367	2.0%	Videos
6	TravelRepublic	313%	557,231	135,007	1.7%	Travel agency
7	Metro Lyrics	306%	426,679	105,005	1.3%	Music lyrics
8	Bunnyhero Labs	297%	551,305	138,737	1.7%	Social network tool
9	LinkedIn	282%	461,212	120,705	1.4%	Professional network
10	About.com	265%	582,359	159,673	1.8%	Information / reference

Source: Nielsen Online, UK NetView, home & work data, including applications, October 2006-October 2007

\*Minimum requirement: Oct 06 Unique Audience  $\geq$  85,000. E.g. between Oct 06 & Oct 07, RockYou!'s UK Unique Audience grew by 2,106% from 86,139 to 1.9 million (now visited by 6% of Britons online)

- Top UK online properties by unique visitors: [Source: comScore, Sept 2007]
  - Google: 28,345,000 (88.8% reach)
  - Microsoft: 26,759,000 (83.8%)
  - eBay: 21,559,000 (67.5%)
  - Yahoo: 21,039,000 (65.9%)
  - BBC: 18,578,000 (58.2%)
  - Ask.com network: 14,815,000 (46.4%)
  - Time Warner: 14,322,000 (44.9%)
  - Amazon.com sites: 13,261,000 (41.5%)
  - Fox Interactive Media: 13,032,000 (40.8%)
  - Wikipedia: 11,534,000 (36.1%)
- Readers find web versions of newspapers and magazines easier to access, faster, and generally more convenient to use, according to an AOP survey. [Source: AOP, August 2007]
  - The survey asked 26,926 respondents across 37 AOP sites about their media habits, finding that 60% of newspaper readers found online easier to access than print media.
  - 81% of newspaper respondents and 74% of magazine respondents considered the print and online platforms to be equally trustworthy.
- The share of UK internet visits to news and media sites were up 19% year-on-year in April 2007. Print media sites are keeping pace, with visits up 17% year-on-year. [Source: Hitwise [via E-consultancy blog](#), May 2007]
  - In January this year, one in 24 UK internet visits went to a news and media site. The BBC accounted for 15.45% of these visits.




- Guardian Unlimited was the most visited newspaper site in March 2007, according to ABC Electronic figures. [Source ABCe via NMA, May 2007]
  - The Guardian website has just over 15m unique users in March, compared with 8m for Times Online, 7.7m for The Sun, and 7.3m for The Telegraph.
- A Nielsen//NetRatings study looked at the top 10 sites in the UK by time spent, total page views, and unique visitors. [Source: Nielsen//NetRatings, April 2007]

The biggest websites in the UK by total page views and pages per visitor\*

Rank	Website	Total Page Views (billions)	Website	Pages per Visitor*
1	Google	3.78	Facebook	466
2	eBay	3.73	Bebo	436
3	Yahoo!	2.03	eBay	256
4	MSN/Windows Live	1.99	Gala Bingo	253
5	Fox Interactive Media (MySpace)	1.43	Fox Interactive Media (MySpace)	205
6	Bebo	1.34	Faceparty	202
7	BBC	1.19	Piczo	167
8	Facebook	0.59	Google	147
9	Amazon	0.49	Stardoll	135
10	Virgin Media	0.40	Yahoo!	129



Source: Nielsen//NetRatings, UK NetView home & work data, excluding applications, Feb 07  
 \*Amongst the 500 most popular online websites by UK Unique Audience

The leading websites in the UK by total visits and visits per visitor\*

Rank	Website 	Total Visits (millions)	Website 	Visits per Visitor*
1	Google	431	Google	16.8
2	MSN/Windows Live	221	MSN/Windows Live	12.7
3	Yahoo!	178	Facebook	12.2
4	eBay	139	Yahoo!	11.2
5	BBC	130	Tiscali	10.5
6	Microsoft	59	Virgin Media	9.8
7	Virgin Media	54	Liverpool FC	9.7
8	AOL Media Network	53	eBay	9.5
9	Fox Interactive Media (MySpace)	52	RuneScape	8.4
10	Orange	37	BBC	8.3

Source: Nielsen//NetRatings, UK NetView home & work data, excluding applications, Feb 07  
 \*Amongst the 500 most popular online websites by UK Unique Audience

The most engaging websites in the UK by total time and time per visitor\*

Rank	Website 	Total Time (millions of hours)	Website 	Time per Visitor*
1	eBay	27.9	RuneScape	6hrs 32mins
2	Google	21.8	Electronic Arts Online	3h 07m
3	MSN/Windows Live	15.7	Bebo	2h 37m
4	Yahoo!	15.3	Facebook	2h 28m
5	BBC	12.6	eBay	1h 55m
6	Fox Interactive Media (MySpace)	8.3	King.com	1h 53m
7	bebo	8.0	Adventure Quest	1h 35m
8	RuneScape	4.9	Fox Interactive Media (MySpace)	1h 11m
9	YouTube	4.5	Club Penguin	1h 10m
10	AOL Media Network	3.6	Cartoon Network	1h 09m

Source: Nielsen//NetRatings, UK NetView home & work data, excluding applications, Feb 07  
 \*Amongst the 500 most popular online websites by UK Unique Audience

- The average online Briton spends just over 3½ hours on applications each month. [Source Nielsen//NetRatings, January 2007]
  - 25.3 million Britons used an Internet application in November 06, which equals 83% of the active UK Internet population
  - The three most addictive applications (measured by time spent) are all for playing poker, whilst media players account for four of the five most popular applications
  - Microsoft provides the two most popular applications, MSN Messenger and Windows Media Player – the former leapfrogging the latter to top spot over the last year.

Rank	Internet Application	Time Per Person (hh:mm)	Unique Audience ('000s)	Rank by Unique Audience	Type
<b>All Applications</b>		<b>03:33</b>	<b>25,321</b>	<b>n/a</b>	<b>n/a</b>
1	Pacific Poker	10:17	51	45	Poker
2	PokerStars	06:07	50	46	Poker
3	Party Poker	03:43	103	35	Poker
4	MSN Zone	03:28	521	14	Games
5	MSN Messenger Service	02:58	14,695	1	Instant messaging
6	BearShare	02:25	231	20	File sharing
7	AOL Companion	01:58	1,420	9	Portal assistant
8	Soulseek	01:58	80	39	File sharing
9	BitComet	01:55	210	23	File sharing
10	mIRC	01:44	74	41	Chat network

[Source Nielsen//NetRatings, January 2007]

Rank	Internet Application	Unique Audience ('000s)	Active Reach	Change in Rank since Nov 05	Type
<b>All Applications</b>		<b>25,321</b>	<b>83%</b>	<b>n/a</b>	<b>n/a</b>
1	MSN Messenger	14,695	48%	↗1	Instant messaging
2	Windows Media Player	13,998	46%	↘1	Media player
3	RealPlayer	7,854	26%	→	Media player
4	Apple QuickTime	7,147	23%	↗1	Media player
5	iTunes	5,610	18%	↘1	Media player
6	Yahoo! Messenger	2,951	10%	→	Instant messaging
7	Skype	2,332	8%	↗2	Voice chat (VoIP)
8	Google Earth	1,719	6%	→	Image mapping
9	AOL Companion	1,420	5%	↗2	Portal assistant
10	LimeWire	1,293	4%	↘3	File sharing

[Source Nielsen//NetRatings, January 2007]

- Top 25 web properties by UK unique visitors, October 2006. (Excludes traffic from public computers or access from mobile phones or PDAs.) [Source: eMarketer, December 2007]

<b>Top 25 Properties by U.K. Unique Visitors Age 15+*</b>			
<b>December 2007 vs. November 2007</b>			
<b>Total U.K. Home and Work Locations**</b>			
Dec Rank	Nov Rank	Property	Total Unique Visitors (000) Dec-2007
N/A	N/A	Total U.K. Internet Audience	32,981
1	1	Google Sites	29,292
2	2	Microsoft Sites	27,760
3	3	eBay	21,683
4	4	Yahoo! Sites	21,070
5	5	BBC Sites	18,016
6	6	Amazon Sites	16,309
7	9	Time Warner Network	14,387
8	7	Ask Network	13,937
9	8	Wikipedia Sites	12,567
10	11	Facebook.com	12,438
11	10	Fox Interactive Media	12,224
12	15	Home Retail Group	12,211
13	14	Apple Inc.	11,690
14	13	Bebo.com	11,212
15	12	Lycos Europe Sites	10,937
16	16	CNET Networks	9,626
17	17	Tesco Stores	9,587
18	18	DMGT	8,238
19	21	Dixons Stores Group	8,078
20	19	British Sky Broadcasting (BSkyB)	7,792
21	20	Play.com Sites	7,666
22	24	Viacom Digital	6,647
23	22	Adobe Sites	6,280
24	25	Kingfisher	6,109
25	23	Orange Sites	5,864

- Most searched-for brands in the UK: [Hitwise, October 2006]

Hitwise UK: Top 20 Most Searched for Brands		
	Sep-06	Sep-05
1	ebay	ebay
2	bebo	amazon
3	amazon	argos
4	argos	easyjet
5	myspace	ebay uk
6	bbc	ask jeeves
7	easyjet	ryanair
8	autotrader	autotrader
9	tesco	www.ebay.co.uk
10	ryanair	tesco
11	rightmove	bbc
12	youtube	multimap
13	cbbc	ebay.co.uk
14	ebay uk	faceparty
15	wikipedia	google
16	currys	currys
17	multimap	gaydar
18	google earth	cbbc
19	pc world	pc world
20	faceparty	comet

- One in three European web users have visited a career site. [comScore, July 2006]
  - Fifty million people visited career-related sites in May 2006, up 28% on May 2005.
  - Monster was the leading site with 9.2 million visitors.
- In 2006, 20.1% of UK survey respondents booked their last holiday online compared to 16.8% in 2005 and 12.4% in 2004. [GB TGI, 2006]
- 50% of internet users are now going online every day. Most popular online activities are:
  - Using email (91%)
  - Sourcing information (80%)
  - Browsing for fun (74%)
  - Making travel plans (62%)
  - Finding cinema/theatre/concert listings (52%)

[Source: TGI.net]

- 91% of adults who have ever used the Internet have used a search engine to find information. [Office of National Statistics, October 2005]
  - 81% sent an email with an attachment
  - 23% posted a message in a chat room or newsgroup
  - 17% had used peer to peer file sharing, such as exchanging music and films
  - 13% had created a web page

### 1.7.3 What US users are going online for:

- Top 20 US Web 2.0 properties. [Source: Hitwise, Aug 2008]

**Hitwise US: Top 20 Web 2.0 Properties Based on Share of US Internet Visits. Week to 2<sup>nd</sup> August 2008**

Rank	Website - [Show domain]	Market Share
1.	MySpace	44.14%
2.	eBay	16.22%
3.	Facebook	13.08%
4.	YouTube	9.88%
5.	Wikipedia	4.76%
6.	Craig's List	3.14%
7.	Yahoo! Answers	1.41%
8.	myYearbook	1.05%
9.	Tagged	0.95%
10.	Flickr	0.86%
11.	Bebo	0.71%
12.	Meebo	0.59%
13.	BlackPlanet.com	0.52%
14.	Galaonline.com	0.45%
15.	Blogger	0.40%
16.	Adam4Adam	0.35%
17.	hi5	0.35%
18.	WikiAnswers	0.33%
19.	IMEEM	0.31%
20.	LiveJournal	0.30%

- Top 50 US internet properties, August 2008. [Source: comScore, Aug 2008]

comScore Top 50 Properties (U.S.) August 2008 Total U.S. - Home, Work and Uni Locations Unique Visitors (000) Source: comScore Media Metrix					
Rank	Property	Unique Visitors (000)	Rank	Property	Unique Visitors (000)
	<b>Total Internet : Total Audience</b>	<b>188,937</b>			
1	Google Sites	144,738	26	Verizon Communications Corporation	28,496
2	Yahoo! Sites	141,549	27	Yellowpages.com Network	28,384
3	Microsoft Sites	123,466	28	Superpages.com Network	27,965
4	AOL LLC	110,623	29	Gorilla Nation	27,940
5	Fox Interactive Media	89,236	30	Bank of America	25,551
6	eBay	71,495	31	Photobucket.com LLC	25,003
7	Ask Network	58,482	32	Expedia Inc	23,926
8	Amazon Sites	57,942	33	United Online, Inc	23,920
9	Wikimedia Foundation Sites	55,423	34	Monster Worldwide	22,313
10	CBS Corporation	49,229	35	Real.com Network	22,262
11	Apple Inc.	47,578	36	ESPN	22,199



12	Turner Network	46,787	37	Demand Media	21,727
13	Viacom Digital	44,836	38	Gannett Sites	21,484
14	Glam Media	44,377	39	WordPress	21,419
15	New York Times Digital	43,367	40	Shopzilla.com Sites	21,320
16	FACEBOOK.COM	40,959	41	CareerBuilder LLC	20,803
17	Weather Channel, The	36,613	42	Weatherbug Property	20,767
18	craigslist, inc.	35,516	43	iVillage.com: The Womens Network	19,756
19	Time Warner - Excluding AOL	32,517	44	WhitePages	18,841
20	Disney Online	32,334	45	Answers.com Sites	18,700
21	Wal-Mart	31,958	46	Hearst Corporation	18,116
22	Target Corporation	30,533	47	WorldNow - ABC Owned Sites	18,104
23	Adobe Sites	30,172	48	WebMD Health	17,740
24	Comcast Corporation	29,725	49	Cox Enterprises Inc.	16,999
25	AT&T, Inc.	28,588	50	NBC Universal	16,811

- Top gaining website categories in 2007. [Source: comScore, Feb 2008]

	Total Unique Visitors (000)		
	Dec-06	Dec-07	% Change
<b>Total U.S. Internet Audience</b>	<b>174,199</b>	<b>183,619</b>	<b>5</b>
Politics	6,192	8,384	35
Community - Women	51,632	69,854	35
Entertainment - News	37,093	49,023	32
Classifieds	31,867	41,688	31
Career - Training and Education	7,865	10,279	31
Gay/Lesbian	1,843	2,367	28
Retail - Consumer Goods	28,829	35,936	25
Finance - News/Research	43,317	52,064	20
Teens	23,313	27,979	20
Religion	19,101	22,886	20

- Internet users are spending around half of their time online reading content and watching videos, more than that spent on e-commerce sites, search engines, and sending emails and messages. [Source: US Online Publishers' Association [via E-consultancy Blog](#), August 2007]
  - The OPA's figures, provided by Nielsen/NetRatings, show that the percentage of time spent on content has increased by 37% over the past four years, and stood at 49.6% in June 2007.
  - The share of time spent using search engines has also increased, from 3% in 2003, to 5% this year, while time spent on e-commerce sites has dropped by just 1%, from 16% in 2003 to 15% in 2007.
  - Time spent on communications has fallen more dramatically, from 46% four years ago, to 33% this year.

- The average US broadband user spent an hour and 40 minutes of a typical weekday spare time online. Over half of that time online was devoted to entertainment and communication. [Source: Media Screen via eMarketer, May 2007]

### Online Activities of US Broadband Users, 2007 (% of total time spent online)



Source: Media-Screen, "Netpop | Play" as provided to eMarketer, May 7, 2007

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- The audience for online newspaper sites in the US is growing at twice the rate of the overall web audience, according to new figures. [Source: Newspaper Association of America [via E-consultancy blog](#), May 2007]
  - An average of 59m people a month visited newspaper sites during the first quarter of 2007 - this represents 37.6% of active internet users.
  - This is an increase of 5.3% over the same period in 2006, and compares favourably with the overall web audience growth of 2.7%.
  - 88.1% of newspaper website visitors have made a purchase online in the last six months, compared with 78.9% of the overall internet audience.

### Select Technologies used by US Heavy Internet Users

Instant Messenger	68%
Price comparison websites	40%
Social Networking sites	28%
Peer-to-peer file sharing	21%
Podcasting	13%
RSS feeds	14%
VoIP	12%
IPTV	7%

[Source: eMarketer/Universal McCann/InsightExpress, August 2006]

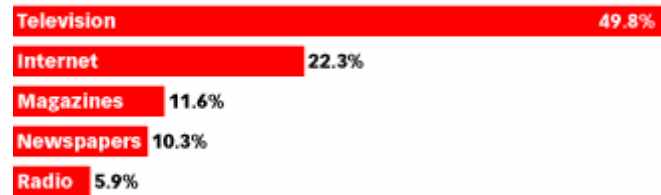
- While overall newspaper readership is falling, the number of **newspaper site visitors** jumped by nearly one third during the second quarter of 2006, compared to Q2 2005. [Newspaper Association of America and Nielsen//NetRatings (via ClickZ), August, 2006]
  - Readers spend about 6% more time on the sites on average each month.
  - An average of almost 55 million users per month visited newspaper websites in Q2 of 2006, compared to the 42.5 million who did so during the same period in 2005.
- The "Online Exclusive" audience - or the audience that reads a newspaper's website but not its printed version - accounts for 2% to 15% of the integrated newspaper audience of the publications. [eMarketer/Scarborough Research, August 2006]

- 54% of US internet users visited sites in the General News category in June 2006. [comScore Media Metrix, 2006]
  - Yahoo News had 31.2 million unique visitors in June (a third of all category visitors)
  - MSNBC had 23.4 million unique visitors in June (one-quarter of all category visitors).
  - AOL News had 20.4 million unique visitors in June (22% of category visitors).
  
- 46% of Americans go to a national TV news website such as CNN or MSNBC.
  - 39% go to portal websites such as Yahoo! or Google.
  - 32% go to websites of local daily paper.
  - 31% go to the website of a local TV news station.
  - 20% go to a website of a national daily newspaper.[Source: Pew Internet & American Life Project, March 22, 2006]
  
- Over a three-month study period, 45% of the US population visited **automotive** websites, amounting to 716 million unique visits. [comScore/Yahoo!, July 2006]
  - Only 6% of these people are engaged in shopping behaviour but they account for 36% of total visits to auto sites.
  - Of these engaged shoppers, 77% either bought a car or said they were planning on buying a car within a year although only 32% requested a quote on a specific model of car.
  
- Nearly three-quarters (73.6%) of summer **travellers** say they will use the internet to help plan their summer vacation, according to a recent survey of nearly 3,000 internet users aged 18 and over. [BurstMedia, July, 2006]
  - Use of the internet to plan summer travel grows as reported household income increases, going from 64.5% of respondents reporting incomes of \$35,000 or less, to 82.9 % of respondents reporting incomes of \$75,000 or more.
  
- 83% of US travellers used the internet to research or book summer travel. [Prospectiv CPI Poll, June, 2006]
  - Almost a third of online consumers are booking travel arrangements through online travel sites.
  - Slightly more than one fifth are making reservations at a hotel or destination's website
  - Nearly another third go online to research travel options, but do not book online.
  - 88% said that they would like even more information specific to their travel interests from online websites and e-mails. [eMarketer/Prospectiv CPI Poll, June, 2006]
  
- The internet is rapidly gaining influence and power as a medium. Nearly half (49.8%) of US respondents cited television as the media that captured their attention most effectively, followed by the internet, with magazines, newspapers and radio trailing. [eMarketer/Burst Media, May 2006]

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**Most Effective Media for Capturing the Attention of US Adult Internet Users, March 2006 (% of respondents)**

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*Note: n=3,766; numbers may not add up to 100% due to rounding  
Source: Burst Media, April 2006*

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- Searching is now level with emailing as the number 1 activity among internet users. [Pew Internet & American Life, December 2005 survey].
- At least 45% of Americans turn to the internet for advice in times of need. [Pew Internet, 2006]
  - 21 million Americans used the web to get further career training.
  - About 17 million accessed the web to deal with major health problems
  - 10 million used it to find a new house or flat. [Pew Internet, 2006]

### 1.7.4 What Asian users are going online for

- Top 10 web properties in Japan: [Source: comScore, Oct 2007]

<b>Top 10 Properties by Japanese Unique Visitors, Age 15+*</b> <b>September 2007 vs. August 2007</b> <b>Total Japan – Home and Work Locations**</b> <b>Source: comScore World Metrix</b>			
<b>Property</b>	<b>Total Unique Visitors (000)</b>		
	<b>Aug-2007</b>	<b>Sep-2007</b>	<b>% Change</b>
Total Japanese Internet Audience, age 15+	53,746	53,761	0
Yahoo! Sites	41,075	40,749	-1
Google Sites	30,842	32,047	4
Microsoft Sites	29,700	30,010	1
Rakuten Inc	28,730	28,530	-1
NTT Group	25,319	24,637	-3
FC2 inc.	25,093	24,099	-4
Nifty Corporation	21,889	21,990	0
Wikipedia Sites	19,586	20,629	5
Livedoor	20,013	19,720	-1
Amazon Sites	17,906	18,350	2

\*Ranking based on the top 100 Japanese properties in September 2007.

\*\* Excludes traffic from public computers such as Internet cafes or access from mobile phones or PDAs.

### 1.7.5 Downloading music

- The number of people downloading music online legally has increased this year: 51% of consumers had downloaded songs, compared with 47% in 2007. [Source: Entertainment Media Research Digital Music Survey, Oct 2008] **NEW**
  - The number of illegal downloaders in the UK has declined by 10% since 2007, deterred by the threat of action against them by ISPs and the availability of free legal music.
  - 72% of illegal downloaders say they would cease if contacted by their ISP
- The number of internet users in the UK who regularly buy music downloads dropped to 14% in 2007, compared with 16% in 2006. [Source: The Leading Question via NMA, May 2008]
- Global digital music sales totalled an estimated \$3bn (£1.5bn) in 2007, a roughly 40% increase on \$2.1bn in 2006. [Source: IFPI Digital Music Report, Jan 2008]
  - Single track downloads grew by 53% to 1.7 bn.
  - Digital sales now account for around 15% of the global music market, up from 11% in 2006 and zero in 2003.
  - In the world's biggest digital music market, the US, online and mobile sales now account for 30% of all revenues
  - Tens of billions of illegal files were swapped in 2007. The ratio of unlicensed tracks downloaded to legal tracks sold is about 20 to 1.
- An EU study predicted that online creative content revenues in Europe, including digital music downloads and video-on-demand (VOD), will reach €8.3 billion (£5.5 billion) by 2010. [Source: Interactive Content and Convergence: Implications for the information Society [via E-consultancy blog](#), January 2007]

- The online music download market will grow from £79 million in 2005 to £725 million by 2010.
- Mobile and online music distribution is expected to account for 20% of total European music revenues by 2010.
- According to Hitwise, visits to the iTunes Web site were up 413% on Christmas Day 2006 vs. Christmas 2005 as new iPod owners sought to download music. [Source: Hitwise, January 2007]
  - The market share of visits to Zune.net, Microsoft's music download site, showed an increase of 1,030% on December 25, 2006 versus the previous Monday (December 18, 2006).
  - The market share of visits to the iTunes website increased by 1,222% in the same period, and outnumbered visits to Zune.net by 30 to 1.
- Sales of digital music downloads in the US by month, 2004-2006, are shown in the table below: [Source: Nielsen SoundScan via eMarketer, January 2007]

**Sales of Digital Song Downloads in the US, by Month, 2004-2006 (millions)**

	2004	2005	2006
January	9	21	46
February	8	23	45
March	8	32	53
April	10	25	41
May	9	26	41
June	10	31	55
July	14	25	41
August	11	26	54
September	15	34	43
October	12	27	40
November	14	30	55
December	23	52	-

Source: Nielsen SoundScan, December 2006

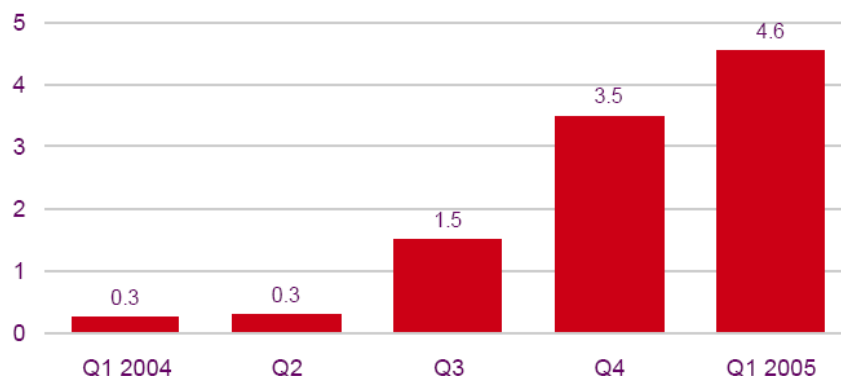
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- A report from the Digital Media Association (DiMA) suggests that the use of online music services leads to a widening of listening habits and an increase in listening and exploring new music. [Source: DiMA, January 2007]
  - 60% of those surveyed were listening to more music since they started using an online service.
  - About 25% reported having discovered a lot of new artists, while more than 60% of those surveyed say they have discovered some new artists.
  - Half of digital music consumers are spending more than \$200 per year on music, and nearly 30% are spending more than \$300.
- More than half of the online population, almost 33 million people, have downloaded music over the internet and 26 million own an iPod or other MP3 player. [Harris Interactive/Guardian Unlimited, October 2006]
  - 10.2% have uploaded music.
- Up to 80% of iPod users were found to never or hardly ever download music. [Jupiter Research (via NMA), September 2006]
  - The figure was higher for users of other brands of MP3 player, with up to 87% of these users preferring to get their music from other sources, such as borrowing or buying CDs.
- Research showed that the top five reasons for downloading music were as follows: [Entertainment Media Research/Olswang (via Media Week), September 2006]
  - Able to listen to immediately (41%)

- Download anywhere/anytime (29%)
  - To watch videos on mobile (22%)
  - Wouldn't need another device (22%)
  - Could pay easily using mobile (19%)
- 20 billion songs were downloaded illegally in 2005, compared with a legal digital market of about 500m tracks. [Financial Times/IFPI, July 2006].
    - 40 songs are being downloaded illegally for every legal music download.
  - 51% of 16 - 18-year-olds admit to illegally downloading music and file-sharing. [Initiative/REAL Youth, June, 2006]
    - 36% of 16 – 24-year-olds admit to illegally downloading music and file-sharing.
  - 46% of internet users bought music from an online store this, compared with 40% who bought music offline. [Nielsen//NetRatings, March 2006]
    - Users who pay for music spend an average of £158 on it per year.
    - Of this spend 37% is used for online purchases compared with 63% in stores.
    - 75% of users in the UK still rate the CD as their preferred format for owning music, while only 8% chose digital.
  - UK consumers will spend £1.7bn a year on downloading music, films and ebooks from the internet and on mobile phone content by the end of the decade. [PayPal, March, 2006].
    - Spending on internet and mobile phone downloads, and online gaming, could account for as much as 10% of all online retail spending in the UK by 2010.
    - Consumer spending on online music downloads will total £379m in 2010. [PayPal, March, 2006].
  - The proportion of music revenue in Europe from digital downloads will rise from 2.2% in 2005 to 16% in 2011. [Jupiter Research, March 2006]
    - 75% of the total £132.7m digital music revenue in Europe in 2005 was accounted for by royalties.
  - UK sales of digital music quadrupled in the UK in 2005, making it in the fastest growing European digital market. Britons downloaded 26 million tracks in 2005 which was four times as many as in 2004. [International Federation of the Phonographic Industry (IFPI), January 2006]
  - Global revenues from downloaded digital music grew by almost three times as much from £215.8m (\$380m) in 2004 to £624.8m (\$1.1bn) in 2005. [IFPI, January 2006]


### Total number of legal music track downloads in the UK

Downloaded tracks (millions)



[BPI/Ofcom]

#### 1.7.6 Online Radio

- The number of people who have listened to radio via the internet, (either live or listen-again services) had increased to 14.5 million by May 2008, up from 12.0 million six months earlier. And listening online was a weekly activity for 9.4 million people by May 2008, up from 8.1million in November 2007) [Source: Ofcom, Aug 2008] 
- 33m Americans aged 12+ listen to internet radio in an average week, up from 29m a year ago. [Source: Edison Media Research, March 2008]
- 8.1m people in the UK listen to the radio via the internet, either live or through a 'listen again' service. [Source: Rajar, Jan 2008]
- Almost three-quarters of web users not currently listening to online radio are unlikely to take it up in the next 12 months. [Continental Research, May 2006]
  - 73% of more than 1,000 web users not currently tuning in to radio online have no interest in the service. Only 19% expressed an interest.

#### 1.7.7 Instant Messaging (IM)

- Nearly 50% of Europeans who regularly go online have used instant messaging (IM). [comScore, April, 2006]
  - This is greater than the proportion of IM users in North America, where only 37% of the online population use IM.
  - IM usage is highest in Latin America where 64% of the online population use IM.
- Nearly one in four (23%) UK Internet users send as many or more Instant Messages than they do emails, with the number rising to nearly half (44%) amongst 18-24 year olds. [ICQ, November 2005]

#### 1.7.8 Voice over Internet Protocol (VoIP)

- 1.8 million homes are now using their broadband connections for internet telephone calls. [Ofcom, August 2006]
- Bebo, the social networking site, generates more than half (56%) of all UK visits to Skype, the VoIP provider [Hitwise, June, 2006]
  - Bebo hosts Skype buttons on every user's home page.



- Only 17% of web users are willing to pay more for broadband packages that enable them to make cheaper calls via VoIP. [Jupiter Research, June, 2006]
- Residential Voice over IP (VoIP) subscribers in the US will reach 44 million in 2010, up from 10.3 million in 2006. This would equate to 62% of all US broadband households adopting VoIP for their phone service by 2010. [IDC, June 2006]
- The number of US households using VoIP was estimated at 900,000 in 2004 and 2.78 million in 2005. The number is expected to swell to 12.25 million by 2010. [Forrester Research, 2005]
- The VoIP market is expected to explode from 3 million in 2005 to more than 27 million U.S. users by 2009. [IDC, 2005].
- The growth of VoIP in the consumer market will place further pressure on traditional charging structures in fixed-line telephony, as will the increasing convergence of fixed and mobile platforms. [Ofcom, August 2005]
- 2004 saw an increase in the uptake of VoIP products among business users, predominantly within large corporates. [Ofcom, July 2005]

### 1.7.9 IPTV / Television on demand / PVR/ Video on demand

See also section 7.1 on Digital Interactive TV Penetration

- US households with VOD (Video on demand) [Source: Magna via eMarketer, July 2008]

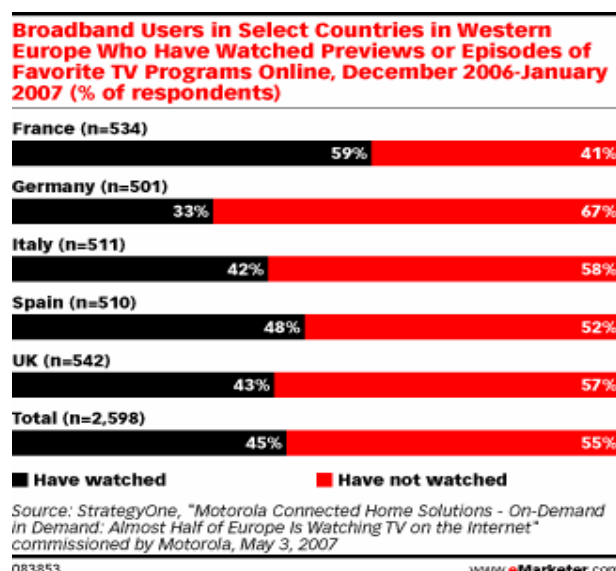
**US Video-on-Demand (VOD)-Enabled Households and Penetration, 2007-2012 (millions and % of TV households)**

	2007	2008	2009	2010	2011	2012
Video-on-demand-enabled households	36.3	43.4	50.8	57.7	64.2	70.9
TV households (1)	111.4	112.8	113.9	115.1	116.2	117.4
Video-on-demand penetration of TV households	32.6%	38.5%	44.6%	50.1%	55.2%	60.4%

Source: eMarketer, June 2008; (1) MAGNA Global, "MAGNA Global On-Demand Quarterly" with company reports, June 11, 2008

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- In January 2007, nearly half of all broadband users in France, Germany, Italy, Spain and the UK watched TV online. [Source: Motorola via eMarketer, May 2008]



- Some 56% of 18-34-year-old adults use DVRs, the internet, video on demand and MP3 players to follow their favourite TV shows, compared with 21% for viewers over age 55, according to a Nielsen study. [Source: Nielsen Media Research via Marketing Charts, Nov 2007]

**Table 1**  
When you miss an episode how do you get caught up (favorite broadcast series)?\*

	Total	Male	Female	Age 18-34	Age 35-54	Age 55+
Sample Size: N=	1,599	659	940	410	764	395
Watch it using your DVR	29%	32%	27%	37%	30%	18%
Watch a rerun	26%	26%	26%	19%	26%	35%
I don't do anything. I wait for the next episode	13%	13%	12%	5%	13%	20%
Watch it on the internet	7%	7%	7%	16%	5%	2%
Watch it using your VCR	7%	5%	9%	4%	9%	8%
Ask a friend what you missed	6%	4%	7%	6%	6%	7%
Wait for it to come out on DVD	5%	5%	4%	7%	5%	3%
Read Summary	2%	0%	2%	0%	2%	2%
Watch is using VOD service	1%	1%	1%	1%	1%	1%
Download and watch on MP3	1%	2%	1%	2%	1%	0%
Other	4%	5%	4%	3%	4%	6%

\* Results of in-person study conducted by Nielsen in October, 2007 with more than 1,500 adults at the CBS Television City research facility in Las Vegas

**Table 2**  
When You Watch Full Episodes Streamed on the Internet, What Sites Do You Go To?\*

	Total	Male	Female	Age 18-34	Age 35-54	Age 55-99
Sample Size	395	180	215	161	176	45
ABC.com	50%	43%	56%	52%	52%	36%
NBC.com	41%	43%	38%	50%	37%	31%
CBS.com	37%	38%	36%	32%	43%	33%
FOX.com	24%	31%	18%	24%	24%	27%
YouTube	17%	20%	14%	25%	10%	4%
iTunes	15%	17%	13%	20%	12%	4%
CWTV.com	8%	8%	7%	10%	5%	2%
BitTorrent	6%	8%	4%	10%	3%	0%
PBS.org	3%	4%	2%	2%	4%	4%
Other	15%	18%	13%	16%	12%	24%

\* Results of in-person study conducted by Nielsen in October, 2007 with more than 1,500 adults at the CBS Television City research facility in Las Vegas

- The European market for IPTV services will more than double this year, with much of this growth coming from the UK. [Source: Screen Digest via E-consultancy Blog, April 2007]
  - Subscriptions to IPTV services are predicted to rise from 2.9m in 2006 to 5.6m in 2007.
  - Revenues from IPTV are forecast to rise from €470m (£317.6m) in 2006 to over €1bn (£675m) by the end of 2007.
  - The UK is predicted to have the highest growth rate in 2007, with subscriber numbers growing from 80,000 to 300,000 by the end of the year.
- European digital VOD distribution will rise from £20 million in 2005 to £800 million, £659 million of which is expected to be from online VOD. [Source: EU Interactive Content and Convergence study, January 2007]
- The worldwide market for **online video content** will grow tenfold in the five years leading to 2010 [In-Stat (via MediaPost/Marketing Vox), August 2006].
  - The market for online content services worldwide is expected to expand by a factor of 10, growing from about 13 million households during 2005 to more than 131 million households by 2010.

- 12.8% of broadband households are already regularly viewing professional content via online content aggregators.
- The number of broadband households is expected to double between 2005 and 2010, to more than 413 million.
- 12.6% of UK homes have PVR. [NMA/Ofcom, July 2006]
  - Sky+: 7.8%; MediaCenter: 2.8%; Freeview PVRs: 1.6% (estimated); TV Drive: 0.4%
- 11.7% of UK homes have Video on Demand [NMA/Ofcom, July 2006]
  - 11.4% have VOD with NTL/Telewest, 0.3% have it with HomeChoice.
- The number of households subscribing to Internet Protocol TV (IPTV) services in Western Europe will grow from 3.3 million at the end of 2006 to 16.7 million by 2010. [Gartner]
- IPTV will account for up to 5% of the global digital TV market by the end of 2006. [Goldman Sachs/Deloitte Research, February 2006]
- The number of households with video-on-demand (VOD) services will increase significantly over the next five years as operators add more free services. By 2010, 350 million homes will take VOD or nearly video-on-demand (NVOD) services, equivalent to one-third of the world's total TV households. [Informa Telecoms, November 2005]
- Conventional real-time television viewing could drop to just 50% of the time spent watching television in the UK by 2012. [The Independent/Spectrum Strategy, September 2005]
- Television advertising revenues could fall by one-third by 2012 if on-demand viewing and personal video recorders (PVRs) take off. [The Independent/Spectrum Strategy, September 2005]

### 1.7.10 Use of streaming

- US streaming video market,: [Source: comScore, Jan 2007]

U.S. Streaming Video Market Overview*	
January 2007	
Source: comScore Video Metrix	
	Total U.S. Internet Audience
Unique Streamers& Downloaders (000)	122,872
Reach (% of Total U.S. Internet Audience)	70.0%
Streams& Downloads Initiated (MM)	7,239
Streams Per Streamer	58.9
Total Minutes (MM)	18,559
Minutes Per Streamer	151.0
Minutes Per Video Stream	2.6

## 1.8 Social Media

### 1.8.1 Social networking

- Top 10 social networks in the UK, June 2008. [Source: Hitwise, July 2008]

**Top 10 social networks in the UK, June 2008**

Rank	Website	Domain	June 08 market share	May 08 market share	June 07 market share
1	Facebook	www.facebook.com	45.29%	42.88%	15.75%
2	Bebo	www.bebo.com	25.04%	26.82%	33.50%
3	MySpace	www.myspace.com	14.75%	15.28%	29.37%
4	Windows Live Spaces	spaces.live.com	1.59%	1.49%	0.82%
5	Friends Reunited UK	www.friendsreunited.co.uk	1.55%	1.44%	2.64%
6	Club Penguin	www.clubpenguin.com	0.83%	0.95%	0.80%
7	Yahoo! Groups	groups.yahoo.com	0.81%	0.83%	1.69%
8	Nasza Klasa	www.nasza-klasa.pl	0.75%	0.72%	0.00%
9	Faceparty	www.faceparty.com	0.74%	1.17%	3.22%
10	Tagged	www.tagged.com	0.72%	0.48%	0.45%

Note: Data is based on UK Internet visits to a custom category of social networking sites  
Source: Hitwise

- Social network Facebook had 123.9m unique visitors in May 2008, compared with 114.6m for MySpace. [Source: comScore, June 2008]
  - Facebook had 50.6bn page views compared to MySpace's 45.4bn.
- The most popular social media sites in the UK: April 2008 [Source: Nielsen Online, May 2008]

Rank	Social Media Site	Unique Audience Apr 08 (millions)	YOY Change Apr 07 – Apr 08	Last Quarter Change Jan 08 – Apr 08
1	YouTube	11.6	+46%	+11%
2	Facebook	10.2	+277%	+19%
3	Wikipedia	8.9	+9%	-7%
4	Blogger	5.2	+30%	+1%
5	MySpace	4.7	-31%	-6%
6	Bebo	4.5	+25%	+9%
7	Yahoo! Answers	3.5	+51%	+5%
8	Slide	2.7	+108%	-19%
9	Windows Live Spaces	2.5	-8%	-21%
10	Wordpress	2.0	+128%	+1%

Source: Nielsen Online, UK home and work data, April 2007 - April 2008

- Advertising spending on social networks in the UK is expected to rise 77% to £115m in 2008. [Source: eMarketer, June 2008]

**UK Online Social Network Advertising Spending, 2007-2012 (millions and % change)**

	2007	2008	2009	2010	2011	2012
Dollars	\$130	\$225	\$336	\$432	\$486	\$533
Pounds	£65	£115	£175	£225	£260	£285
% change*	-	76.9%	52.2%	28.6%	15.6%	9.6%

Note: converted at average annual exchange rates (projected for future years); \*based on £ figures  
Source: eMarketer, May 2008

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www.eMarketer.com

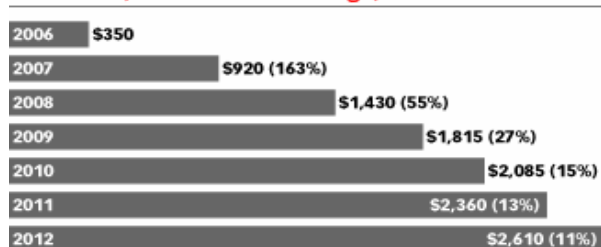
- Many branded pages on social networks are not attracting viewers, with half of advertisers' profile pages attracting less than 1,000 friends, while the European average was 6,494. [Source: Jupiter via NMA, June 2008]

**SOCIAL NETWORKERS' ATTITUDES TO BRANDED PAGES (%)**



- US social network ad spending is predicted to reach \$1.4bn in 2008, lower than previous estimates. [Source: eMarketer, May 2008]

**US Online Social Network Advertising Spending, 2006-2012 (millions and % change)**



Source: eMarketer, May 2008

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www.eMarketer.com

- Social networks Facebook, Bebo and MySpace reached a combined 33.8m unique UK users in March 2008, up from 30.8m in March 2007. [Source: comScore via NMA, April 2008]
- A recent YouGov study found that UK web users rate social networks as the least trustworthy online brands. [Source: YouGov via NMA, April 2008]
  - Facebook and YouTube were trusted by just 12% of internet users.
  - Amazon was rated the most trustworthy, by 62% of respondents, while Google was second with 57%.
- Top 10 social networks by US users, February 2008. [Source: Nielsen Online, March 2008]

**Top 10 Social Networking Sites for February 2008  
(U.S., Home and Work)**

Site	UA (000) Feb-08	UA (000) Feb-07	% Change
Myspace.com	55,419	53,362	4%
Facebook	20,043	9,923	102%
Classmates Online	12,955	12,815	1%
Windows Live Spaces	7,882	9,253	-15%
LinkedIn	7,392	1,990	271%
AOL Hometown	6,004	8,907	-33%
Club Penguin	4,727	3,233	46%
Reunion.com	4,323	4,348	-1%
AOL Community	3,337	4,641	-28%
Flixster	2,619	1,591	65%
Buzznet.com	2,526	1,332	90%

Source: Nielsen Online

- 127.3m unique visitors used social networks in August – 56% of the European online population. [Source: comScore, Oct 2007]
  - UK social networking usage proved to be the highest in Europe, with 24.9m unique visitors – 78% of the UK's web users.

**European Usage of Social Networking Sites – Selected Countries**

**Ranked by Total Unique Visitors Age 15+**

**August 2007**

**Source: comScore World Metrix**

Territory	Total Unique Visitors (000)	% Reach of Country's Total Online Population	Average Hours per User	Average Pages per User	Average Visits per User
Europe	127,297	56.4	3.0	523	15.8
U.K.	24,857	77.9	5.8	839	23.3
Germany	15,475	46.9	3.1	423	13.8
France	13,332	49.6	2.0	476	16.8
Spain	8,828	61.5	1.8	251	14.9
Italy	8,736	49.3	1.8	346	12.6

**\* Age 15+, home & work locations; Excludes traffic from public computers such as Internet cafes or access from mobile phones or PDAs.**

- In September 2007, Facebook was the 16th most visited web property in the US with 30.6m unique visitors, and the sixth most highly trafficked property in the U.S. with 14.7bn page views. [Source: comScore, Oct 2007]
  - Facebook was the sixth most visited web property worldwide with 73.5m unique visitors and the fifth most visited property worldwide with 34.5bn page views.
- The amount of UK web traffic retailers receive from social networks increased by 153% in the first nine months of 2007. [Source: Hitwise, [via E-consultancy blog](#), Oct 2007]
  - In September, 3.1% of visits to sites in Hitwise's Shopping and Classifieds category came from the top 25 social networks in the UK.

- According to Hitwise, eBay is the main beneficiary – it received almost a third (31.4%) of all downstream traffic from those sites.
- Facebook has overtaken MySpace for the first time in the UK in terms of unique visitors, with 6.5m to MySpace's 6.4m. [Source: Nielsen/NetRatings, September 2007]
  - Bebo was the third biggest social network with 4.4m users, followed by Windows Live Spaces on 2.3m and Friends Reunited on 2.1m.
- A recent study revealed the huge expansion of social networking across the globe, with several major social networking experiencing dramatic growth during the past year. [Source: comScore, August 2007]

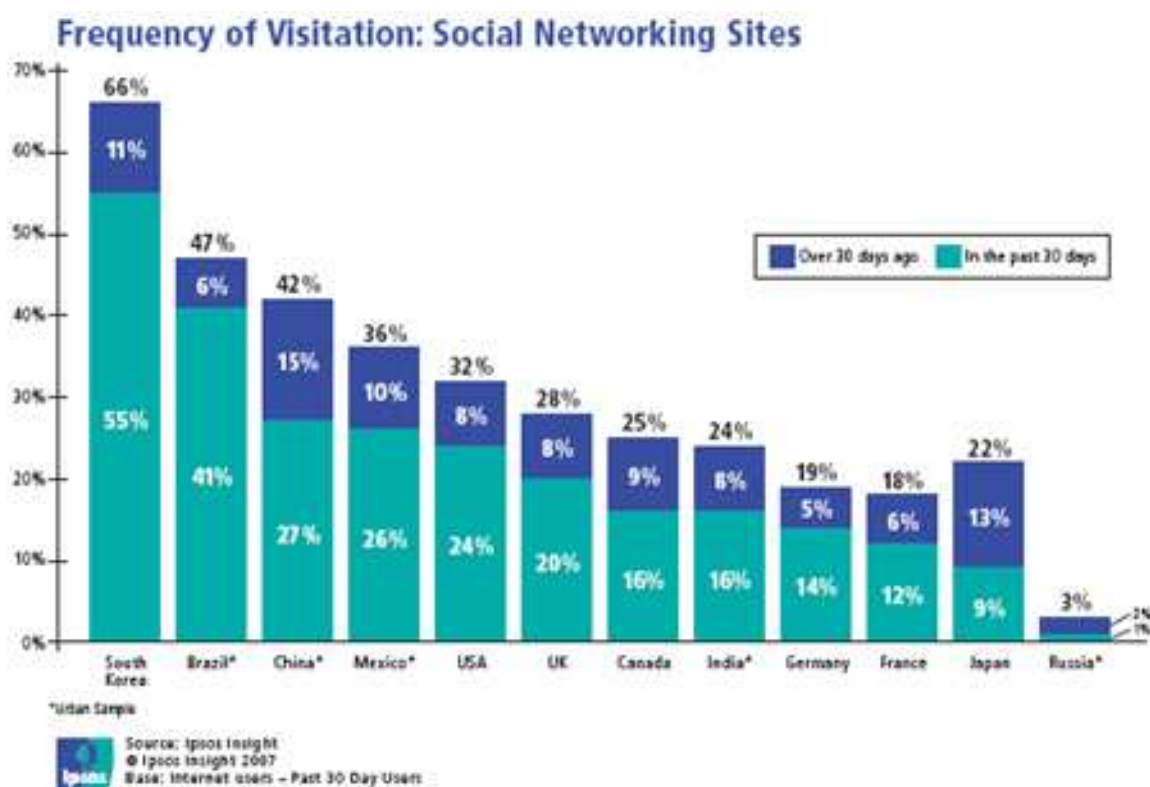
<b>Worldwide Growth of Selected* Social Networking Sites</b>			
<b>June 2007 vs. June 2006</b>			
<b>Total Worldwide Home/Work Locations Among Internet Users Age 15+</b>			
<b>Source: comScore World Metrix</b>			
<b>Social Networking Site</b>	<b>Total Unique Visitors (000)</b>		
	<b>Jun-06</b>	<b>Jun-07</b>	<b>% Change</b>
MySpace	66,401	114,147	72
Facebook	14,083	52,167	270
Hi5	18,098	28,174	56
Friendster	14,917	24,675	65
Orkut	13,588	24,120	78
Bebo	6,694	18,200	172
Tagged	1,506	13,167	774

<b>Worldwide Daily Visitation of Selected Social Networking Sites</b>			
<b>June 2007 vs. June 2006</b>			
<b>Total Worldwide Home/Work Locations Among Internet Users Age 15+</b>			
<b>Source: comScore World Metrix</b>			
<b>Social Networking Site</b>	<b>Average Daily Visitors (000)</b>		
	<b>Jun-06</b>	<b>Jun-07</b>	<b>% Change</b>
MySpace	16,764	28,786	72
Facebook	3,742	14,917	299
Hi5	2,873	4,727	65
Friendster	3,037	5,966	96
Orkut	5,488	9,628	75
Bebo	1,188	4,833	307
Tagged	202	983	386

- Facebook had 4.8m visitors in May, up 30% from April and 2123% from May last year. It was the site's third consecutive month of 30%+ gains, according to comScore. {Source: comScore [via E-consultancy blog](#), June 2007}



- MySpace experienced a 300,000 drop in visitors last month, according to new stats from Nielsen/NetRatings, with unique visitors from the UK falling from 6.8m to 6.5m in May – only the second monthly drop it has experienced since November 2005. [Source: Nielsen/NetRatings [via E-consultancy blog](#), June 2007]
  - The figures also indicate that rival Facebook's audience has grown 19 times faster over the last six months.
  - MySpace (6.5m) still has many more unique visitors from the UK than Facebook (3.2m) and Bebo (4m), according to the figures.
- Social networks – frequency of visits. [Source: Ipsos, July 2007]



- Almost 50% of brand marketers will target social networking sites this year, according to a report by JupiterResearch. [Source: JupiterResearch [via E-consultancy blog](#), March 2007]
  - The report says that 48% of brand marketers will deploy marketing on social networking channels, compared to 38% in 2005.
- Users of **social networking sites** are becoming impervious to traditional ads and turning instead to their friends and colleagues for information and product recommendations. [Compete Inc (via [E-consultancy news blog](#)), October 2006]
  - Peers hold more influence over social networkers' purchases than any other source of information, while over one-third of 'online socialites' spend less time watching TV or reading newspapers or magazines as a result of their usage.
  - The study found that people join a social networking site for four reasons; to meet people (78%); find entertainment (47%); learn something new (38%); and influence others (23%).
  - Their annual discretionary income is also 20% higher than other consumers, and they spend nearly 25% of their disposable income on online purchases (versus 17% for others).

- Nearly half (46%) of MySpace's US-based visitors in September 2006 were aged 35 and older, up from 38% a year ago. Visitors in the 12-17 age group slipped from 31.5% of the total audience to 20.0%. [Nielsen//NetRatings, October, 2006]
- Users of MySpace.com and Friendster.com generally skew older, with people age 25 and older constituting 68% and 71% of their user bases respectively. [comScore (via Marketing Vox), October 2006].
  - Facebook.com, which began as a site for college students, has a younger user base: 34% of Facebook users are 18-24 years old, approximately three times the representation of that age segment in the general internet population.
  - Xanga.com has a younger user profile, with 20% of its users aged 12-17, about twice as high as that segment's representation in the total internet audience.

Demographic Profile of Visitors to Select Social Networking Sites					
Percent Composition of Total Unique Visitors					
August 2006					
Total U.S. – Home/Work/University Locations					
Source: comScore Media Metrix					
	Percent (%) Composition of Unique Visitors				
	Total Internet	MySpace.com	Facebook.com	Friendster.com	Xanga.com
Unique Visitors (000)	173,407	55,778	14,782	1,043	8,066
Total Audience	100.0	100.0	100.0	100.0	100.0
Persons: 12-17	9.6	11.9	14.0	10.6	20.3
Persons: 18-24	11.3	18.1	34.0	15.6	15.5
Persons: 25-34	14.5	16.7	8.6	28.2	11.0
Persons: 35-54	38.5	40.6	33.5	34.5	35.6
Persons: 55+	18.0	11.0	7.6	8.1	7.3

- Almost a quarter of visitors to social networking sites said they have a “massive” or “big” impact on their **music purchases**, while 31% said they had bought music they had discovered on these sites.
  - Nearly half (49%) also said they regularly or occasionally recommended artists to other users of social networking sites. [2006 Digital Music Survey, Entertainment Media Research, September 2006]
- MySpace attracted 30.2 billion page views in the second quarter of 2006, a 385% increase on the same period last year. [comScore, August, 2006]
- The top five member communities in the UK in July 2006 were: [Nielsen // NetRatings, 2006]
  - MySpace (3.16 million users)
  - Bebo (2.67m)
  - MSN Spaces (2.46m)
  - Blogger (2.19m)
  - Yahoo! Geocities (1.97m)
- UK MySpace users accounted for 1.3 billion page views and spent an average of 79 minutes on the site during June 2006. [Nielsen // NetRatings, 2006]
- Bebo is more popular than MySpace with teenagers, with 54% of its audience under 18 compared with 31% for MySpace. [Nielsen // NetRatings, 2006]
  - Only 28% of Bebo's audience is over 35 compared with 40% of MySpace's users.
  - 56% of Bebo users are female compared with 46% on MySpace.

- Social media sites accounted for half of the top 10 fastest-growing internet brands for July 2006. [Nielsen//NetRatings, August 2006]
  - MySpace grew 183% year-on-year from July 2005, growing from 16.2 million unique visitors in July 2005 to 46 million uniques 12 months later.
- More than half of the UK's 16-24 year olds are using social networking sites such as MySpace and Bebo at least once a week, as young people turn their back on television, radio and newspapers in favour of online communities. [Financial Times / Ofcom, August 2006]
  - More than 70% of 16-24 year olds visit social networking sites, and 54% used them at least weekly.
  - Only about 12% of internet users aged 35 or over used such sites weekly.
  - The under-24 year olds watch about 18 hours of TV a week – seven hours fewer than the average viewer and one-and-a-half hours fewer than in 2004.
  - This age group is spending just 59% of that time watching the five main terrestrial television channels, down from 70% four years ago.
  - The 16-24 year olds were far more likely to have reduced their consumption of newspapers, magazines, radio or games consoles as a result of their internet use.
  - One in five of this age group has his/her own website or blog.
  - Half of the group owns a games console and/or an MP3 player.
- MySpace has reached 100 million members, adding 10 million new members in July 2006 alone. [NMA.co.uk, August 2006]
- MySpace has just over 66 million active members. [comScore, August 2006]
- MySpace will generate an estimated \$180 million in US ad revenue this year, two-thirds of total revenue in the social networking category. [eMarketer, August 2006]
- 1% are creators, 10% are synthesisers, 100% are consumers. [[Bradley Horowitz](#), Yahoo, February, 2006]
  - An emerging rule of thumb suggests that if you get a group of 100 people online then one will create content, 10 will “interact” with it (commenting or offering improvements) and the other 89 will just view it. [The Guardian, July 2006]
  - 50% of all Wikipedia article edits are done by 0.7% of users, and more than 70% of all articles have been written by just 1.8% of all users. [Church of the Customer, 2006]
  - However. For YouTube, the ratio of uploads to downloads is only 0.065%. [The Guardian, July 2006]
- In April 2006, MySpace ranked number 1 among Net Communities and Chat websites in the UK with 13% market share of UK visits. [Hitwise, April, 2006]
  - Bebo ranked number 2 with nearly 12% market share.
  - In the US, MySpace is more dominant, capturing 45% market share of US visits compared to Facebook, ranked number 2, with 5.14% of US visits.

**Top 10 Net Communities and Chat Websites, Based on Share of UK Visits**

Rank	Website - [Show domain]	Market Share	Apr '06	Mar '06
1.	MySpace	13.00%	1	1
2.	Bebo	11.98%	2	2
3.	Piczo	5.87%	3	4
4.	MSN Spaces	5.69%	4	3
5.	Faceparty	4.02%	5	5
6.	Friends Reunited UK	2.45%	6	6
△	7. YouTube	2.09%	11	16
▽	8. hi5	1.92%	7	9
△	9. Yahoo! Groups	1.58%	10	10
▽	10. MSN Groups	1.52%	8	8

Source Hitwise UK

**Teen websites (UK)**

Website	Market share (%)
1. MySpace.com	46.41
2. Bebo	39.08
3. Habbo Hotel UK	2.62
4. Mykindaplace	0.13
5. blissmag.co.uk	0.12
6. More Magazine	0.05
7. ElleGirl.com	0.03
8. CosmoGIRL!	0.03
9. Seventeen.com	0.02

[Source: Hitwise.com]

- The photo website builder tool and community site Piczo increased its amount of unique users by 97 times from 12,500 visitors in 2004 to 1.2 million in December 2005. [Nielsen, January 2006]
  - By November 2005 females under the age of 18 accounted for 45% of its users.
  - It was the UK website most likely to be visited by females under the age of 18.
- In any given online community, around 90% of users will not participate (upload videos, take part in discussions etc. [Jakob Nielsen via [E-Consultancy News Blog](#), October 2006]
  - 9% of users will contribute occasionally, while the majority of content is produced by around 1% of users.
  - For Wikipedia, around half of all article edits are done by just 0.7% of users, and more than 70% of all articles have been written by just 1.8% of users.

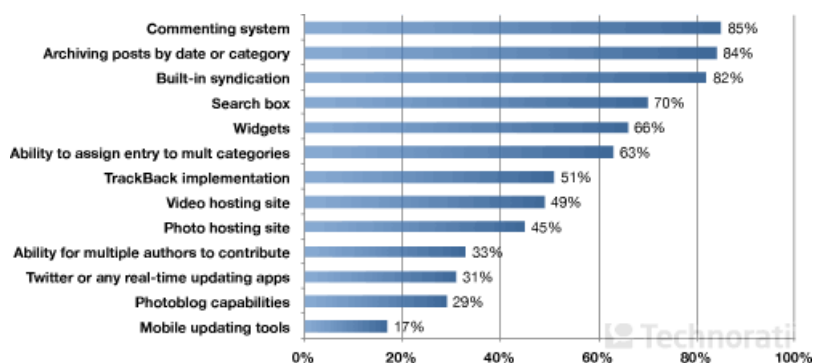
## 1.8.2 Blogging

- As of September 2008, blog search engine Technorati has indexed a total of 133 blogs since 2002. [Source: Technorati State of the Blogosphere report, Sept 2008] **NEW**
  - None all of these blogs are active though; only 1.5m were posted on in the previous 7 days.

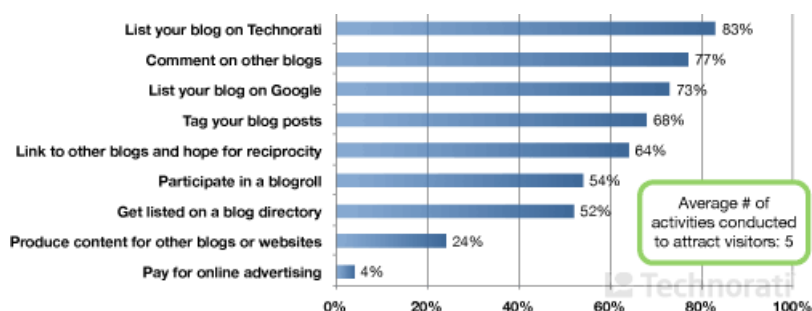
### Global demographics of bloggers:

Demographics	U.S. Bloggers (N=550)	European Bloggers (N=350)	Asian Bloggers (N=173)
Male	57%	73%	73%
Age			
18-34 years old	42%	48%	73%
35+	58%	52%	27%
Single	26%	31%	57%
Employed full-time	56%	53%	45%
Household income >\$75,000	51%	34%	9%
College graduate	74%	67%	69%
Average blogging tenure (months)	35	33	30
Median Annual Investment	\$80	\$15	\$30
Median Annual Revenue	\$200	\$200	\$120
% Blogs with advertising	52%	50%	60%
Average Monthly Unique Visitors	18,000	24,000	26,000

- Many bloggers are using a variety of tools to improve their blogs, such as commenting systems, widgets, and videos. [Source: Technorati, Sept 2008] **NEW**



- How bloggers attract visitors:

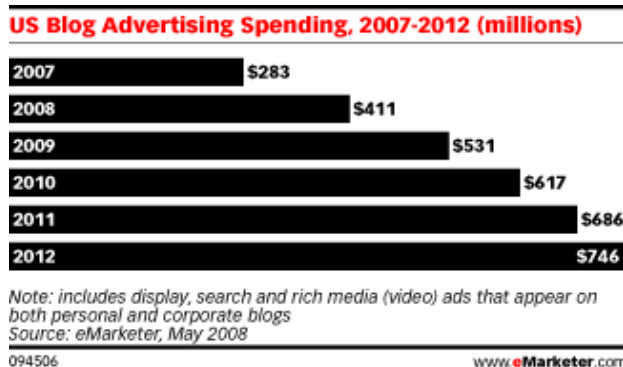
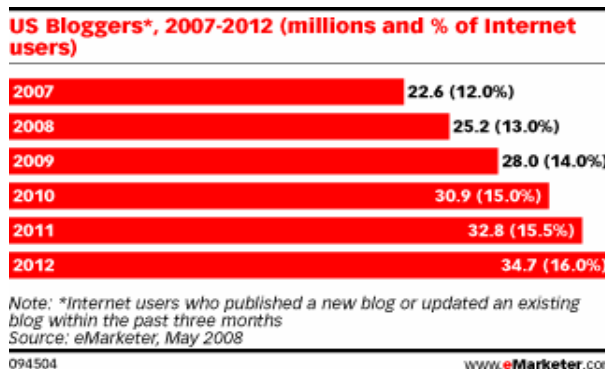


- Blogs attracted 77.7m unique visitors in the US in August 2008, according to comScore. [Source: comScore Media Matrix, Sept 2008] **NEW**
- Blogs and personal websites accounted for 1.19% of all UK traffic in the first week of June 2008, equivalent to one in every 84 internet visits. [Source: Hitwise, June 2008]
  - Over the last 3 years UK Internet traffic to the Blogs and Personal Websites category has increased by 208%, compared to 70% for News and Media.

**Top 10 British blogs based on UK Internet visits, May 2008**

Rank	Website	Domain	Market Share
1	BBC Blog Network	www.bbc.co.uk/blogs	20.20%
2	Guardian Unlimited Blogs	blogs.guardian.co.uk	12.72%
3	Times Online Comment Central	timesonline.typepad.com	3.49%
4	Telegraph Blogs	blogs.telegraph.co.uk	3.39%
5	News of the World: Extreme Showbiz	blogs.notw.co.uk	2.50%
6	Guido Fawkes' Blog	www.order-order.com	2.33%
7	Gizmodo UK	uk.gizmodo.com	2.21%
8	Neave.com	www.neave.com	1.94%
9	Iain Dale	www.iaindale.blogspot.com	1.93%
10	Tech Digest	www.techdigest.tv	1.59%

- The number of bloggers in the US is predicted to reach over 35m by 2012, which would equate to around 16% of the total online population. [Source: eMarketer, May 2008]

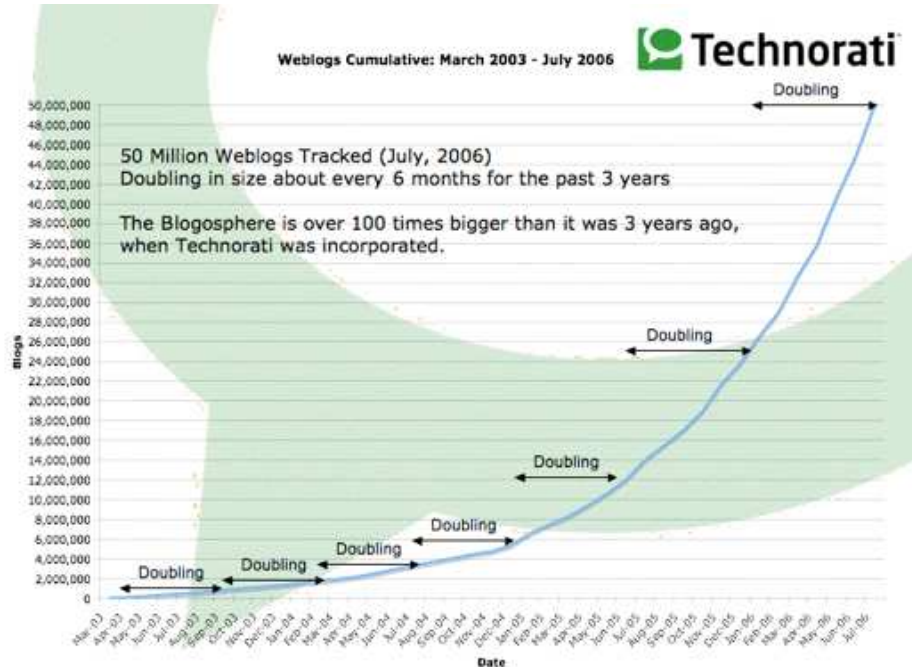


- Top 10 US blog sites, February 2008. [Source: Nielsen Online, March 2008]

Top 10 Blogger Sites for February 2008 (U.S., Home and Work)			
Site	UA (000) Feb-08	UA (000) Feb-07	% Change
Blogger	37,241	23,572	58%
WordPress.com	16,510	5,340	209%
Six Apart TypePad	9,603	9,122	5%
tmz.com	8,102	7,932	2%
TheHuffingtonPost.com	3,749	1,098	241%
LiveJournal	3,707	4,225	-12%
Gadling	3,637	443*	721%
Thatsfit	2,407	820	194%
Xanga.com	2,196	2,969	-26%
Engadget	2,114	1,175	80%

- Around 30% of Wordpress blogs are 'splogs' (automated spam blogs) according to founder Matt Mullenweg. [Source: Wordpress [via E-consultancy blog](#), March 2008]
  - The popular blogging platform powers 2.5m blogs, and has deleted 800,000 splogs.
- Marketers are increasingly incorporating social media tools into their marketing plans, according to Forrester Research. [Source: Forrester via Marketing Vox, March 2007]
  - 40% of marketers now use RSS in their marketing communications, up from 10% in 2005.
  - Use of blogs is also up, with 34% of marketers now using them as opposed to the 13% in 2005.
  - Moreover, 25% of marketers now use podcasts, and 22 % user-generated content. Social networks have the lowest rate of adoption, at 20%.
- According to a McKinsey global survey of 2,847 businesses, more than three-fourths of executives who responded to a McKinsey survey say they plan to maintain or increase their investments in technologies that encourage user collaboration, such as peer-to-peer networking, social networks, and Web services. [Source, McKinsey, July 2007]
  - More than half say they are pleased with their past Internet investments, though some regret not boosting their own capabilities to exploit technology. More executives said they should have acted faster than slower.
- Web traffic to the blog pages of the top 10 online newspapers in the US grew 210% year over year in December 2006. [Source: Nielsen/NetRatings via eMarketer, January 2007]
  - Overall unique audience growth for these online newspapers was 9% year over year, but visitors to blog pages accounted for 13% of their December 2006 Web traffic.
- 35% of companies are planning to use corporate blogs in the next 12 months; 17% are using them already. [Source: E-Consultancy [Customer Engagement Report](#), November 2006]
- 9.2% of the UK online population have created a blog and 30.8% have read a blog. [Harris Interactive/Guardian Unlimited, October 2006]
- The number of bloggers in China has now topped the 17 million mark, and 34 million have signed up for blog accounts [China Internet Network Information Centre (via [E-consultancy news-blog](#), October 2006)]
  - Some 75 million people read blogs on a regular basis in China, more than half of the 123 million internet users in the country.
  - Blog search site Technorati is currently tracking some 56.3 million blogs worldwide, so China's bloggers represent almost a third of that total, and the numbers are growing rapidly.
  - Chinese-language blogs make up some seven per cent of Technorati's most popular blogs.

- Around half of that 17 million are described as 'active' by the CNNIC; active blogs being those that are updated at least once a month. This figure is expected to reach 10 million by the end of 2006.
- On July 31, 2006, [Technorati](#) tracked its 50 millionth blog. The blogosphere that Technorati tracks continues to show significant growth [Technorati, 2006].



- The blogosphere is 100 times larger than it was just three years ago. [Technorati, via [E-consultancy news blog](#), August 2006]
  - Blogging activity is doubling in size every 200 days, or about once every six and a half months.
  - About 175,000 new weblogs were created every day in the last three years - the equivalent of two every second.
  - Technorati, which tracks over 50 million blogs, says total posting volume continues to rise, with 1.6 million new postings per day, or just under 19 posts per second.
- Blogs are the least trusted medium, according to a UK survey which indicated that people trust just 24% of the information they receive from this. [Telecom Express, August 2006]
  - The research, which asked 1,000 people the percentage of information they believed to be accurate from various sources, gave television the highest score.
  - TV scored 66%, as well as coming top when people were asked to say with which organisations they felt the closest affinity.
  - Radio (55%) came below national newspapers (63%) in the survey, but above websites, which scored only 36%.
- 76% of corporate blog owners said web traffic and media attention increased because of blogs, [Russell Research/Cymfony/Porter Novelli, July 2006]
  - 42% said at least one post on their blog has affected the company or brand (mainly in a positive way).
  - 57% said their companies do not have blogging guidelines
  - 63% said the company's blog was started because of a perceived need to participate in the blogging phenomenon rather than to reach a specific objective
  - 37% blog at least once or multiple times per day



- 39% blog several times per week
  - 24% blog once a week or less.
- 60% of UK bloggers use their blog as an online diary [MSN Spaces, July 2006]
  - 28% of UK bloggers write about a hobby compared to 12% who write about world events.
  - A quarter of internet users in the UK write a blog.
- 65% of people in the US who write a blog do not consider it to be journalism. [Pew Internet and American Life Project, July 2006].
  - More than half of the respondents said that they tried to verify facts in their posts “sometimes” or “often”.
- There are 12 million bloggers in the US. [Pew Internet and American Life Project, July 2006].
  - Bloggers are more likely to create content online.
  - 77% of bloggers have shared artwork, photos, stories or videos online, compared to 26% of all internet users.
- US traffic to blogs continues to grow, up 56% over the past year to 58.7 million visitors, representing 34% of the total internet audience. [eMarketer/comScore/iMedia Connection May 2006]
  - 11.9% of these visitors are in the 12-17 age bracket
  - 30.0% are aged 18-34
  - 19.4% are aged 35-44
  - 19.5% are aged 45-54
  - 14.2 are aged over 55

#### Top 10 blog networks among US at-home, at-work and university internet users (May '06)

	Unique users (000s)
1. Blogger	20,811
2. MySpace Blogs	14,434
3. MSN Spaces	9,566
4. xanga.com	7,146
5. Yahoo! 350	4,936
6. TypePad.com	4,608
7. LiveJournal.com	3,904
8. AOL Journals	1,367
9. GreatestJournal.com	666
10. WordPress.com	571

[Source: eMarketer/comScore/iMedia Connection May 2006]

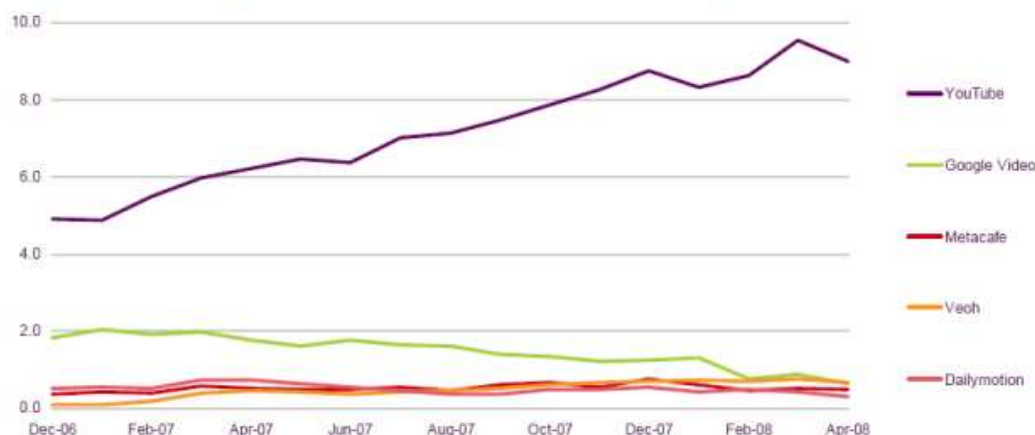
- 77% of Fortune 1000 senior executives believe their company should have corporate policies to address the writing of blogs sanctioned by the company. [eMarketer/Harris Interactive/Makovsky & Co, May 2006]
  - 40% believe their company should have corporate policies to address the writing of blogs *unrelated* to the company or its activities.
  - 30% have a thorough understanding of the term ‘internet blog’.
  - 21% read business-related blogs at least once a week.
  - 15% say someone in their company is currently writing a blog related to the company or its activities.
  - 12% say their company has taken legal or other action in response to a blog.
  - 8% say their company is organising a team of dedicated people to write sanctioned blogs about the company and its activities.

- 3% say the company has changed its product, service or policies because of publicity generated by a blog written about it.  
[eMarketer/Harris Interactive/Makovsky & Co, May 2006]
- 70% of UK publishers see no threat from the popularity of blogs and user-generated content [Deloitte, July 2006]
  - Digital revenue generation is averaging 17% of overall revenue
  - Most publishers agree that the growth of online ad spend has boosted [revenues] overall, rather than cannibalising existing print revenues.
- While 55% of new bloggers are still posting 3 months later, 45% are not. [Greg Jarboe, SEO-PR/Technorati, Search Engine Strategies Presentation, June 2006]
- 35% of large companies plan to start corporate blogs by the end of 2006, in addition to the 34% of large companies who are already doing it. [JupiterResearch report, *Corporate Weblogs: Deployment, Promotion, and Measurement*, June 2006].
  - According to the report, 64% of executives say they spend less than \$500,000 to deploy and manage corporate blogs.
  - Only 32% of marketing executives said they use corporate blogs to generate word-of-mouth around their company's products or services
- According to a US report, combined spending on Blog, Podcasting and RSS advertising channels rose by 198% in 2005 to a total of \$20.4 million. Spending is expected to grow by another 145% in 2006 to reach nearly \$50 million. [PQ Media, April 2006]
  - Blog advertising amounted to \$16.6 million in 2005
  - Podcast advertising amounted to \$3.1 million in 2005
  - RSS advertising generated \$650,000 during 2005.
- 65% of senior marketing executives said they had no plans to make blogging part of their marketing strategy. [Unica/Ovum, April 2006]
- Click-through rates (CTRs) vary considerably between different blogs and are much lower for blog ads than pay-per-click. CTR on blog ads typically returned one in 2000 as opposed to the anticipated one in 20 for PPC campaigns. [Receptional, April, 2006]
- According to research carried out in December 2005, one in five internet users read blogs frequently or occasionally. However, blog readership hasn't increased over the last year even though Americans are spending more time online. [Gallup, February 2006]
  - 9% of internet users say they frequently read blogs
  - 11% read them occasionally
  - 13% rarely read them
  - 66% never read them
- 77% of UK consumers would use information from blogs to influence their purchasing decisions. [Hostway, September, 2005]
- 19% of actively online teens create blogs and 38% read them [Pew, 2005]
  - Of those, 62% read solely friends' blogs and 36% read those of friends and others

### 1.8.3 Online video and Video-sharing

- UK viewers of selected video sites, Dec 2006 to Apr 2008. [Source: Nielsen Online via Ofcom, Aug 2008] **NEW**

Figure 2.50 Unique visitors to selected video-sharing sites



Source: Nielsen Online

- The BBC's iPlayer online catch up TV service received 100m requests to view programmes between December 2007 and June 2008. [Source: BBC via [E-consultancy blog](#), July 2008]
  - It averaged 700,000 requests to view programmes per day in May 2008.
- 74% of the total online population in the US in May. [Source: comScore, July 2008]
  - 4.1bn videos were viewed on Google sites alone.
  - On average, videos lasted 2.7 minutes and viewers watched 85 videos each.

Top U.S. Online Video Properties* by Videos Viewed May 2008		
Total U.S. – Home/Work/University Locations		
Source: comScore Video Metrix		
Property	Videos (000)	Share (%) of Videos
Total Internet	12,086,273	100.0
Google Sites	4,205,700	34.8
Fox Interactive Media	778,168	6.4
Yahoo! Sites	346,825	2.9
Microsoft Sites	245,899	2.0
Viacom Digital	206,047	1.7
Time Warner - Excl. AOL	145,113	1.2
ABC.COM	126,589	1.0
Disney Online	107,876	0.9
AOL LLC	104,681	0.9
HULU.COM	88,284	0.7

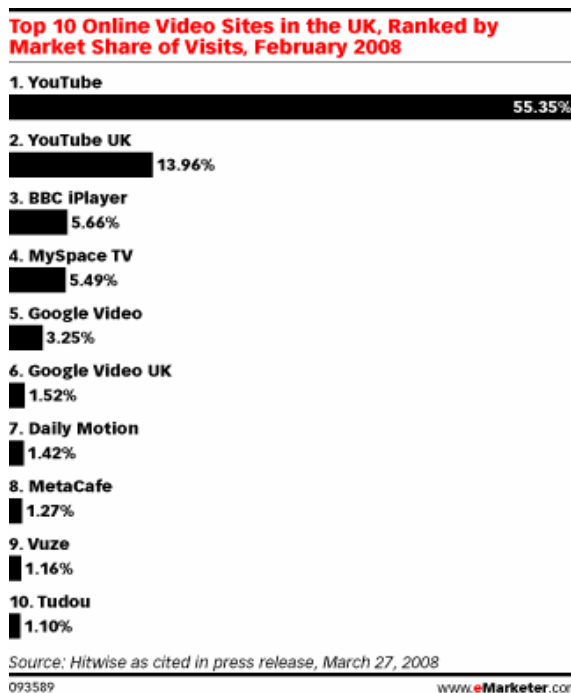
\*Rankings based on video content sites; excludes video server networks. Online video includes both streaming and progressive download video.

- 94% of US adults said they prefer watching programming on a TV set rather than online. [Source: Nielsen Research, July 2008]
  - A third of broadband users in the US have watched a TV show online.
- The number of online videos viewed in the US rose by 13% in March to 11.5bn. [Source: comScore, May 2008]

- 73.7% of the total US online audience watched online video.
- 84.8 million viewers watched 4.3 billion videos on YouTube.com (50.4 videos per viewer).
- 47.7m viewers watched 400m videos on MySpace.com (8.4 videos per viewer).
- The average online video duration was 2.8 minutes.
- The average online video viewer watched 235 minutes of video.

<b>Top U.S. Online Video Properties* by Videos Viewed</b>		
<b>March 2008</b>		
<b>Total U.S. – Home/Work/University Locations</b>		
<b>Source: comScore Video Metrix</b>		
<b>Property</b>	<b>Videos (000)</b>	<b>Share (%) of Videos</b>
Total Internet	11,476,886	100.0
Google Sites	4,358,306	38.0
Fox Interactive Media	477,621	4.2
Yahoo! Sites	328,087	2.9
Viacom Digital	249,285	2.2
Microsoft Sites	245,453	2.1
Time Warner - Excl. AOL	159,009	1.4
Disney Online	108,055	0.9
ABC.COM	100,051	0.9
AOL LLC	100,044	0.9
ESPN	89,760	0.8

- UK Internet traffic to online video sites rose by 178% year on year in February 2008, while the top 25 video sites in the country accounted for 2.22% of all UK site visits. [Source: Hitwise via eMarketer, April 2008]



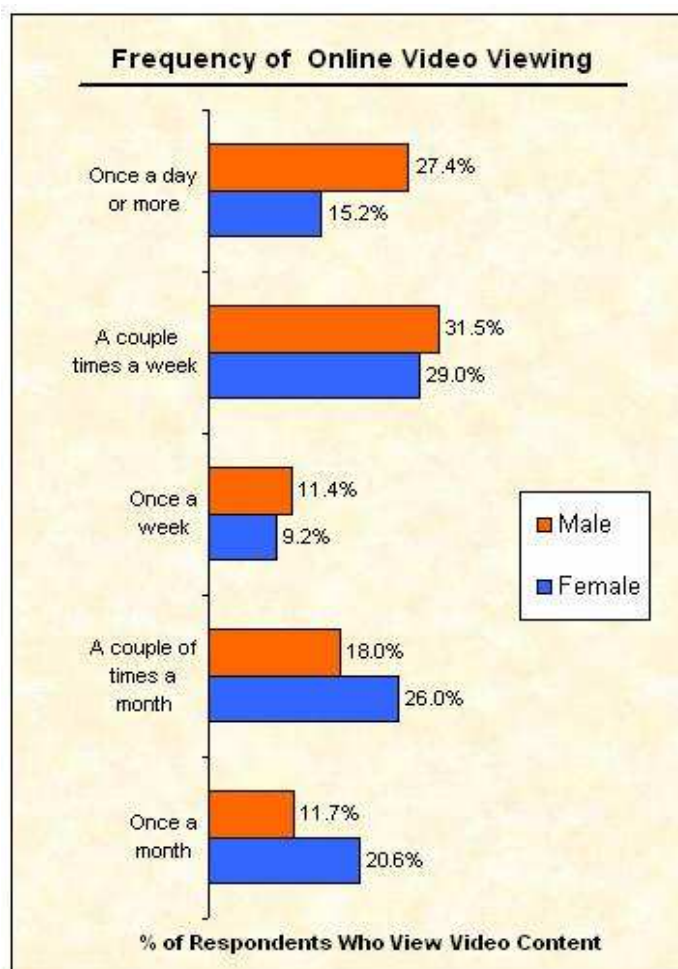
- U.S. Internet users viewed more than 10 billion online videos in February, 3% more than January, and 66% more than the same month in 2007. [Source: comScore, April 2008]
  - Google sites controlled 35.4% of the online video market, ahead of Fox Interactive with 5.8%.
  - Almost 135m U.S. internet users spent an average of 204 minutes per person viewing online video in February 2008.
- More than 75% of US internet users watched a video online in November 2007, an average of 3.25 hours per person. [Source: comScore via Marketing Vox, Jan 2008]
  - 74.5m people viewed 2.9 billion videos on YouTube.com (39 videos per viewer).
  - 43.2 m people viewed 389 million videos on MySpace.com (9 videos per viewer).

<b>Top U.S. Online Video Properties* by Videos Viewed November 2007</b>		
<b>Total U.S. – Home/Work/University Locations</b>		
<b>Source: comScore Video Metrix</b>		
<b>Property</b>	<b>Videos Viewed (MM)</b>	<b>Share (%) of Videos</b>
Total Internet	9,491	100.0%
Google Sites	2,966	31.3%
Fox Interactive Media	419	4.4%
Yahoo! Sites	328	3.5%
Viacom Digital	245	2.6%
Time Warner Network	184	1.9%
Microsoft Sites	181	1.9%
Disney Online	96	1.0%
ABC.com	88	0.9%
ESPN	87	0.9%
Break	47	0.5%

- Ad revenues on UGC video sites stand to grow from \$200m last year to \$875m by 2010, but this will account for just 15% of the total online video advertising budget. [Source: Screen Digest, January 2007]
- User-generated video made up 47% of the total online video market in the US in 2006. [Source: Screen Digest, January 2007]
  - By 2010 more than half (55%) of all the video content consumed online in the US will be user generated, representing 44 billion video streams.
- Almost three-quarters of people who publish amateur video content online are under 25, and of those, 86% are male. [Interpublic (via ClickZ), August 2006]
  - 57% are more likely to post multiple videos per month, and almost half create video for upload in less than one hour.
  - 73% of content generators notice internet advertising, a significantly higher proportion than for the male 18 to 24 year-old demographic as a whole
  - 62% are motivated by gaining personal recognition, while 60% are driven by cash compensation. Top US online video properties by videos viewed, July 2007. [Source: comScore, September 2007]

<b>Top U.S. Online Video Properties* by Videos Viewed</b>		
<b>July 2007</b>		
<b>Source: comScore Video Metrix</b>		
<b>Property</b>	<b>Videos (MM)</b>	<b>Share (%) of Videos</b>
<i>Total Internet</i>	9,077	100.0%
Google Sites	2,454	27.0%
Yahoo! Sites	390	4.3%
Fox Interactive Media	298	3.3%
Viacom Digital	281	3.1%
Disney Online	182	2.0%
Time Warner Network	181	2.0%
Microsoft Sites	149	1.6%
ESPN	75	0.8%
Veoh.com	53	0.6%
Comcast Corporation	51	0.6%

- A Burst Media survey of 2,600 internet users found that 69.5% of respondents watch video content on the web. [Source: Burst Media via Marketing Vox, December 2006]
  - Men are more likely to view video content, with 76% doing so, compared with 60.2% of women.
  - 69.5% of respondents watch video content on the web.
  - 56.3% recall seeing advertising in online video clips they have watched.
  - One in two (52.7%) say they would typically continue watching video content containing advertising.
  - One in four (25.7%) respondents say they pay more attention to the video ad than they typically do to other ad formats on the same web page.
  - 41.8% say they pay neither more nor less attention to video ads.
  - 77.5% say video ads are intrusive, and 62.2% say such ads disrupt their online experience.
  - A quarter (27.9%) of those who will stop watching video content containing advertising would also leave the website immediately.



**Chart 1 – Frequency of Viewing Online Video Content**  
**Source: Burst Proprietary Research, Nov. 2006, n=1,815**

- More than four in five users find in-stream ads on web video clips “annoying”, according to a study by Forrester Research. [Forrester Research [via E-consultancy Blog](#), November 2006]
  - Of the web video viewers polled, over 80% found ads inserted into content annoying, while 75% said they ignored them. Half were happy with placements, while only 19% were annoyed by text links.
- Google has agreed to acquire YouTube Inc. for \$1.65 billion in shares. [[E-consultancy](#), October 2006]
- YouTube.com served an average of 100 million video streams per day in July 2006. [comScore, October 2006]
  - In July, more than 63 million people (Age 15+) worldwide visited YouTube.com, 16 million of whom came from the U.S.
  - On a daily basis, the site attracted an average of 6.2 million visitors worldwide, with 1.6 million residing in the U.S.
  - The site also ranked as the 17th most visited property worldwide during the month
- MySpace accounted for some 20% of the 7.2 billion video streams viewed via the web in July 2006, ahead of Yahoo, YouTube and Google. [comScore, September 2006]
  - Some 37.4 million unique visitors watched a video on MySpace in July, collectively watching a total of 1.4 billion videos.
  - Yahoo visitors watched 812 million video streams but ranked as the Number 1 site in terms of unique streamers.

- YouTube was third with 649 million video streams in July.
- Time Warner was fourth with 258 million streams.
- Six of 10 internet users have watched online videos according to comScore.
  
- More than half of all US internet users watch and download online video. About three-quarters of those viewing prefer ad-supported content to paid. [AP/AOL, September 2006]
  - 54% of US web users watch clips and full-length video.
  - 32% of those watching online video say they watch more online video than they did a year ago.
  
- YouTube dominates the UK video-sharing market with a 60% share, more than twice that of Google and 10 times more than MySpace. [Hitwise, September 2006]
  - In the United States, YouTube accounts for around 43% of the online video market.
  - Google takes second and third place in the UK with its generic video site - [video.google.com](http://video.google.com) (16.63% of the UK market) - and the country-specific Google Video UK ([video.google.co.uk](http://video.google.co.uk)) which ranks third (6.78%).
  - MySpace video, [videos.myspace.com](http://videos.myspace.com), is the clear second-ranked video-sharing site in the US with 20% of the US market, and is the fourth most popular in the UK, with a 5.49% share.



### 1.8.4 Ratings and Reviews

- Attracted by the potential uplift in sales, adding online reviews is the top Web 2.0 spending priority for many US online retailers. Other priorities include the addition of blogs and video. [Source: Internet Retailer vis eMarketer, Sept 2008] **NEW**

**Emerging Technology Priorities this Year Among US Online Retailers, by Business Model, August 2008 (% of respondents in each group)**

	Store-based retailer	Catalog retailer	Web-only retailer	Consumer brand manufacturer	Total
Customer ratings and reviews	58.3%	63.6%	57.1%	54.5%	56.7%
Blogs or forums	45.8%	54.5%	54.3%	36.4%	50.0%
Video or interactive rich media	50.0%	45.5%	50.0%	54.5%	48.3%
Social networking	45.8%	36.4%	44.3%	36.4%	42.5%
Personal product recommendations	50.0%	45.5%	38.6%	36.4%	40.8%
Really simple syndication (RSS)	25.0%	54.5%	25.7%	18.2%	26.7%
Digital downloads or streaming media	16.7%	18.2%	15.7%	36.4%	17.5%
Mobile commerce or marketing	29.2%	0.0%	15.7%	18.2%	17.5%
Other	0.0%	9.1%	5.7%	9.1%	7.4%

Note: n=124  
Source: Internet Retailer, "Emerging Technology" conducted by Vovici Corporation, September 2008

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- 27m people watched more than 3bn videos online in the UK in June 2008. [Source: comScore, Aug 2008] **NEW**

**Top U.K. Online Video Properties\* Ranked by Videos Viewed**

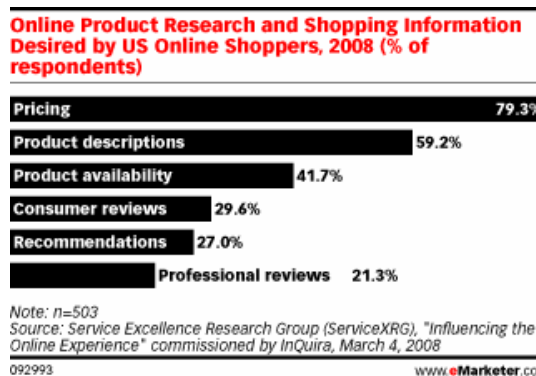
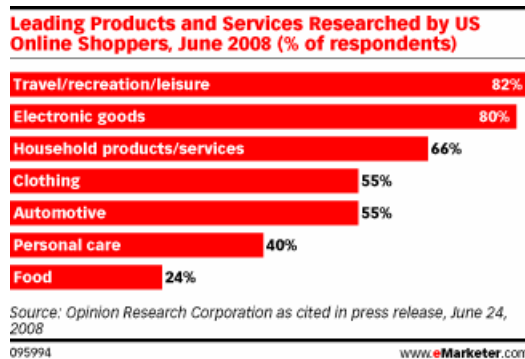
**June 2008**

**Total U.K. – Age 15+, Home & Work Locations\*\***

**Source: comScore Video Metrix**

Property	Videos (000)	Share (% of Videos)
Total Internet : Total Audience	3,229,476	100.0
Google Sites	1,592,477	49.3
BBC Sites	45,014	1.4
Microsoft Sites	25,984	0.8
Fox Interactive Media	21,910	0.7
ITV Sites	18,008	0.6
Yahoo! Sites	16,643	0.5
DAILYMOTION.COM	13,204	0.4
Channel4	13,045	0.4
MEGAVIDEO.COM	11,477	0.4
VEOH.COM	10,914	0.3

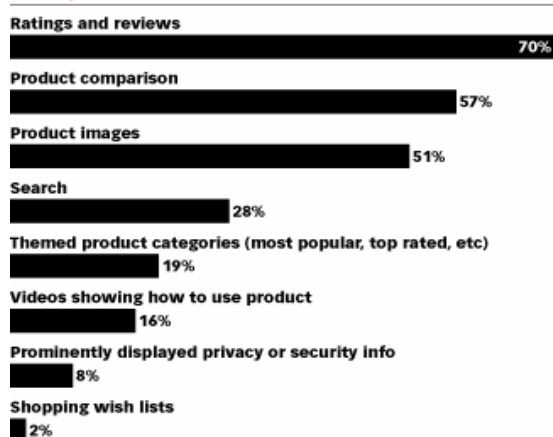
- 61% of respondents to an Opinion Research Corporation survey said they had checked online reviews, blogs and other online customer feedback before buying a new product or service. [Source: Opinion Research Corporation via eMarketer, July 2008]



[Source: Service XRG via eMarketer, July 2008]

- Online message boards, blogs and communities are the most likely source of negative reviews, according to a Millward Brown survey. [Source: Millward Brown via NMA, April 2008]
  - 31% of people surveyed said they had found negative reviews on such sites, compared with 29% from friends and 21% from independent reviews.
- Bazaarvoice's recent study of online product reviews and ratings show that British consumers are more positive than Americans. 88% of British consumers gave ratings of 4 or 5 stars out of 5, compared with 81% of Americans. [Source: Bazaarvoice, April 2008]
- Trust in online user reviews is highest when the positive and negative sides of a product are discussed, or when both positive and negative reviews were shown. [Source: Bazaarvoice/Jupiter Research via eMarketer, April 2008]

### Most Useful Retail E-Commerce Web Site Features according to UK Online Shoppers\*, December 2007 (% of respondents)



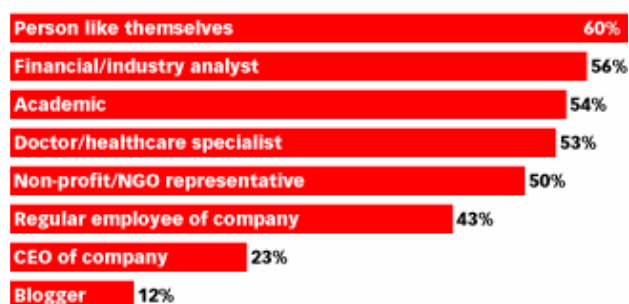
Note: n=821; respondents could select up to three choices; \*who are researching an online or offline purchase  
Source: Bazaarvoice and JupiterResearch as cited by Marketing Charts, February 14, 2008

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- According to an Edelman survey, the most credible source of information about a company is people like themselves. [Source: Edelman via eMarketer, March 2008]

### Credible Sources of Information about a Company according to US Opinion-Elite Consumers\*, October-November 2007 (% of respondents)



- More than half of consumers said they spent 10 minutes or more reading reviews before deciding whether to purchase. [Source: Theetailing Group, Feb 2008]
  - 65% of consumers read reviews 'all' or 'most of' the time. Of these users, 76% were more likely to shop on a website that offered user reviews.
  - 68% felt that at least four reviews of a product were needed to make a purchase decision.
  - Foretailers, the top three reasons for adding user reviews were customer experience, customer loyalty and driving sales.

- Positive consumer-generated reviews can have an impact on offline behavior, with 24% using online reviews prior to paying for a service delivered offline. [Source: comScore / Kelsey Group, Nov 2007]

<b>Purchase Behavior Subsequent to Online Review Consultation October 12-18, 2007</b>	
<b>Service</b>	<b>Percent of Review Viewers Subsequently Making a Purchase of Stated Service</b>
Restaurant	41%
Hotels	40%
Travel	27%
Automotive	24%
Home	19%
Medical	14%
Legal	8%

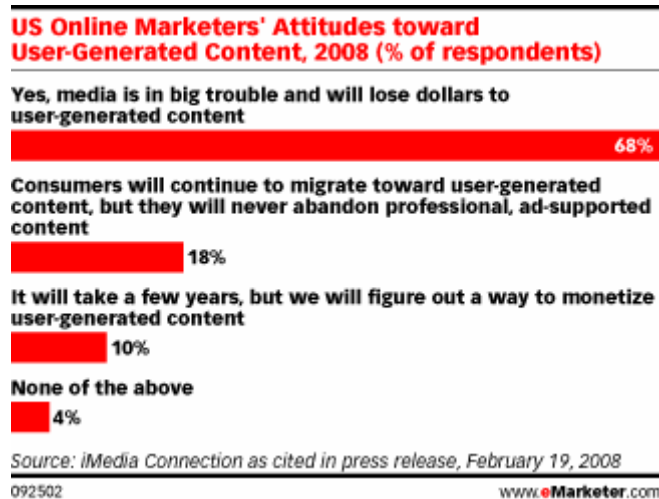
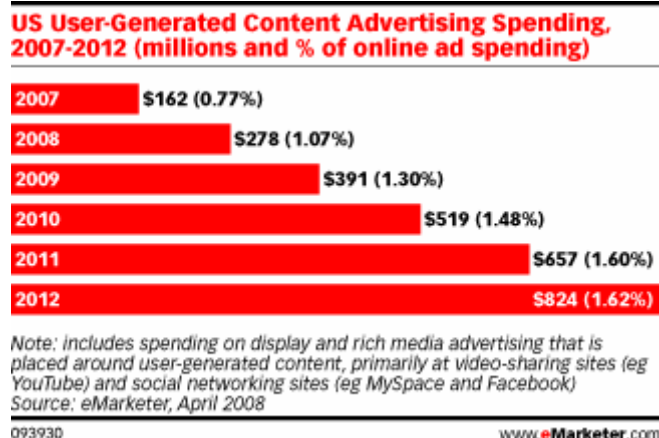
<b>Online Review Influence on Purchase Decision October 12-18, 2007</b>	
<b>Service</b>	<b>Percent of Review Users Identifying Review as Having a Significant Influence on their Purchase*</b>
Restaurant	79%
Hotels	87%
Travel	84%
Automotive	78%
Home	73%
Medical	76%
Legal	79%

- The vast majority of product reviews left by consumers on websites are positive, while most of the reviewers are motivated by the desire to help others make better purchase decisions, according to a Bazaarvoice study. [Source: Bazaarvoice via E-consultancy blog, December 2007]
  - The study found that reviewers were likely to be active internet users, with 77% sending ten or more emails every day, 25% active on social networks, and 20% leaving comments on blogs and forums.
  - For 90%, the motivation was to help inform others' purchase decisions. 70% wanted to help retailers improve their product ranges, while 79% wrote reviews to reward companies.
  - Bazaarvoice has previously found that the average rating in online reviews is 4.3 out of 5, and 87% of reviews left by the survey group were generally positive.
  - Consumers are more likely to post reviews directly onto a retailer's site than on independent review sites, while 65% post reviews of product they purchase offline.
- Providing web shoppers with bad quality recommendations could be worse than offering no recommendations at all, according to a new survey. [Source: MarketTools [via E-consultancy blog](#), December 2007]
  - Of the 811 shoppers it surveyed, 46% said they had been provided with bad recommendations in the past.
  - The negative impact of poor recommendations was largest for frequent and high-spending customers. For example, 69% of shoppers that had spent over \$1,000 online in the last six months said they were more likely to make purchases at sites that offered personalised suggestions.

- 43% defined poor recommendations as products they had already purchased, while 41% cited “inappropriate” suggestions, such as handbags for men. 37% were most irked by products that didn’t match their preferences.
- 39% were less willing to return to sites that provided poor quality recommendations, while 35% were less willing to buy items from those etailers.
- More than half of UK online customers say reviews are extremely or very important in making an online purchase, and more than half say they have more trust and respect for brands that show product reviews. [Source: Bazaarvoice/Vizu Research, 2007].
- Customer ratings and reviews are being used by 28% of online sellers, with more than half (52%) saying that they were considering the use of this feature on their websites, according to [E-consultancy’s Social Commerce Report 2007](#). [Source E-consultancy/Bazaarvoice, August 2007]
  - The research revealed that online retailers are increasingly tapping into user-generated content (UGC) as a way of increasing sales and improving customer satisfaction: more than half of all online sellers (51%) consider UGC as either extremely important or very important to company strategy over the next year.

### 1.8.5 User generated content

- According to eMarketer, US user-generated content ad revenues will rise to \$824m in 2012, up from \$162m in 2007. By 2012, this total will represent 1.62% of US online advertising spending, up from 0.77% in 2007. [Source: eMarketer, April 2008]



- A media consumption survey from Deloitte has found significant demand for user generated content (UGC) across all ages of US consumers. [Source: Deloitte [via E-consultancy blog](#), Oct 2007]
  - 51% of all those surveyed were viewing or reading UGC. For the 13 - 24 age group, this figure rose to 71%.
  - 55% of 13-24 year olds read blogs and 62% watched YouTube, while for the 25-41 age group, 42% read blogs and 41% watched online video.
  - 40% of all age groups were creating their own content, though this covers editing movies and photos as well as creating blogs. 13-24s were doing this most, but 25% of over 60s also created content.
- Online spending by US users of web 2.0 technology: [Source: comScore via eMarketer, Oct 2007]

**Online Spending of US Users of Web 2.0+ Technology,  
by Product Category, Q2 2007 (billions)**

Computer hardware	\$4.5
Apparel	\$3.8
Office supplies	\$2.4
Consumer product goods	\$1.8
Consumer electronics	\$1.6

Note: \*online video, Flash images, social networks and blogs  
Source: comScore Networks Inc., "Web 2.0 in Retail Today" as cited by  
Internet Retailer, September 20, 2007

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- 42% of companies are planning to apply user-generated content (UGC) to their websites in the next 12 months; 23% are using it already. [Source: E-Consultancy [Customer Engagement Report](#), sponsored by cScape, November 2006]
- Over the next several years **user-generated content** (UGC) will boost website revenue, mainly from advertising. [In-Stat (via eMarketer), October 2006]
  - The research firm estimates the volume of views and downloads at these sites will surpass 65 billion by 2010, and at the same time revenues will exceed \$850 million.
  - The bulk of the revenues will come from advertising — including banners, embedded video ads and branded channels or pages.

**Top UGC sites** (source: comScore)

Selected Properties* Featuring User-Generated Content (UGC)					
Based on Top 50 UK Internet Properties					
July 2006 vs. July 2005					
Total UK – Home and Work Locations					
Source: comScore Media Metrix					
Property	Rank Among Top UK Properties		Unique Visitors (000)		
	Jul-05	Jul-06	Jul-05	Jul-06	% Change
Wikipedia Sites	78	16	1,852	6,545	253
MySpace.com	89	27	913	5,173	467
Piczo.com	91	43	820	4,049	393
YouTube.com	N/A	47	N/A	3,918	N/A
Bebo.com	90	48	912	3,902	328

\*eBay is excluded from list of user-generated content sites because it is primarily a retail site

- The three fastest-growing online brands in the UK depend on **user-generated content** (Nielsen//NetRatings, September, 2006).
  - YouTube, Flickr and MySpace all focus on technologies that allow users to define the content that their peers are looking at online.
- Photobucket, the photo and video sharing website, and social network site Bebo are also in the top 10 fastest-growing UK online brands.

### Top 10 Photography Web Properties by European Unique Visitors (Age 15+)

August 2006 vs. July 2006

Total Europe - Home and Work Locations

Source: comScore World Metrix

	Jul-06 (000)	Aug-06 (000)	Percentage Change
Total European Photo Site Visitors	57,512	60,595	5%
IMAGESHACK.US	11,806	13,013	10%
FLICKR.COM	5,834	6,454	11%
PICZO.COM	5,826	6,390	10%
Photobucket.com LLC	3,606	4,132	15%
IMAGEVENUE.COM	3,846	3,973	3%
Yahoo! Photos	3,627	3,906	8%
Webshots.com	3,407	2,865	-16%
Putfile.com	2,463	2,407	-2%
Pbase.com	1,978	2,327	18%
Eastman Kodak	1,940	1,957	1%

#### 1.8.6 Widgets

- Just over a fifth of global internet users are now using widgets, but Europe is lagging behind North America in their adoption, according to figures from comScore. [Source: comScore via E-consultancy blog, June 2007]
  - 21% of internet users viewed a widget in April. Widget penetration was highest in North America, where 40.3% of users visited a site with a widget, followed by Europe on 24.3% and Latin America on 17.5%.

#### Web Widget Viewers Worldwide, by Region, April 2007 (thousands and % of total internet users)

	Unique viewers	% of Internet users
North America	81,011	40.3%
Western Europe	43,792	24.3%
Asia-Pacific	33,514	10.9%
Latin America	10,074	17.5%
Middle East-Africa	4,805	12.6%
Eastern Europe	4,581	7.6%
<b>Worldwide</b>	<b>177,777</b>	<b>21.0%</b>

*Note: widgets are defined as embedded flash (.swf) objects; includes individual widgets, not the platforms that deliver them; excludes desktop widgets*

*Source: comScore Widget Metrix as cited in press release, June 13, 2007*

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[Source: eMarketer, June 2007]



### 1.8.7 Online PR & Reputation Monitoring

- Most 'traditional' PR people in the UK don't believe in their peers' ability to deliver results on the web, according to a new survey. [Source: webitpr via E-consultancy blog, August 2007]
  - The research found that 55% of respondents – either agency, in-house and freelance PRs – thought their fellow practitioners were “incapable” of performing comprehensive online PR campaigns.
  - 99% of respondents thought online coverage was either important or very important to their organisation or clients. The majority of respondents saw SEO, the archived nature of coverage and the internet's global reach as the main benefits of online news coverage.
  - 90% said that online coverage had become more important to their organisation or clients in the last 12 months.
  - 99% said the web was either important or very important for PR purposes.
- More than half of internet users believe that brands should be engaging with them online, though brands need to play by the rules of new media, according to a Shiny Red survey. [Source: Shiny Red via E-consultancy blog, July 2007]
  - 51% of respondents believe that brands should be engaging with them online.
  - 46% said their awareness of brands increases if they see information about them online, with 35% more likely to visit a company's website if they have read about it online.

#### How US Companies Monitor Word-of-Mouth Opinion Online (%)

Web Search	60%
Free tool	43%
Do not monitor	27%
PR agency	10%
Interactive agency	7%
Specialised service	6%

#### How US Companies Handle Word-of-Mouth Criticism (%)

Internal Group	49%
Internal and external groups	21%
PR agency	14%
Interactive agency	4%

### 1.9 Accessibility

- All of eight popular UK travel websites included in Travolution's survey failed to meet basic accessibility criteria, meaning disabled users would find these sites hard to use. [Source: Travolution, Feb 2008]
- There are 8,945,000 deaf and hard of hearing people in the UK, with 2,474,000 aged 16 to 60. [Source RNID, April 2007]
- A study of FTSE 100 companies' websites showed that only three terms & conditions pages achieved the WCAG standard of Single-A compliance. [Nomensa, October 2006]
  - All homepages failed.

## 2. E-commerce

- Top 20 UK e-commerce websites, based on market share of visits. [Source: Hitwise, Oct 2007]

1.	www.ebay.co.uk	41.01%
2.	www.amazon.co.uk	7.24%
3.	www.ebay.com	4.87%
4.	www.argos.co.uk	2.72%
5.	play.com	2.64%
6.	www.ebaymotors.co.uk	2.2%
7.	www.tesco.com	2.14%
8.	www.amazon.com	1.6%
9.	www.euro.dell.com	1.34%
10.	direct.tesco.com	1.17%
11.	www.marksandspencer.com	1.08%
12.	www.next.co.uk	1.05%
13.	uk.shopping.com	1.04%
14.	www.hmv.co.uk	1.03%
15.	www.kelkoo.co.uk	0.9%
16.	www.currys.co.uk	0.8%
17.	www.johnlewis.com	0.77%
18.	www.tesco.com/grocery	0.72%
19.	www.dell.com	0.68%
20.	www.comet.co.uk	0.66%

- Most loved Online Shopping brands: [Joshua ConsumerCheck, May 2006]

- 2) eBay
- 3) Amazon
- 4) Tesco.com
- 5) Argos
- 6) Yahoo!

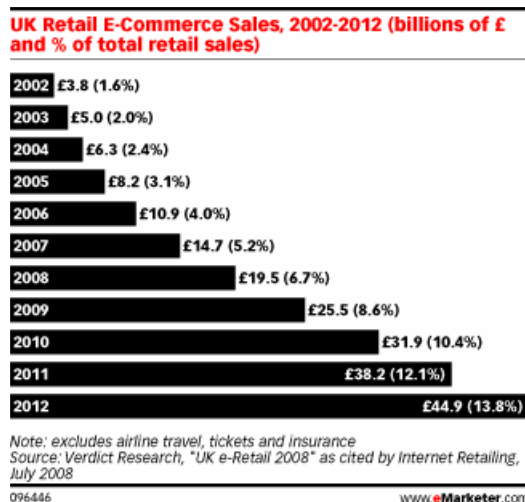
- Most hated Online Shopping brands [Joshua ConsumerCheck, May 2006]

- 1) Carphone Warehouse
- 2) eBay
- 3) Fingleaves
- 4) Kelkoo
- 5) Sainsbury's to you

## 2.1 Market Values and Trends

### 2.1.1 UK market

- Online retail sales in the UK are predicted to reach £44.9bn in 2012, up from £19.5bn in 2008. [Source: Verdict Research via eMarketer, Sept 2008] **NEW**



- Top 50 online retailers in the UK by number of visits, August 2008. [Source: IMRG/Hitwise Hot Shops List, Aug 2008] **NEW**

- |                     |                          |
|---------------------|--------------------------|
| 1. Amazon UK        | 26. B&Q                  |
| 2. Argos            | 27. Odeon Cinemas        |
| 3. Play.com         | 28. Ticketmaster UK      |
| 4. Tesco.com        | 29. First Choice         |
| 5. Next             | 30. British Airways      |
| 6. Amazon.com       | 31. Debenhams            |
| 7. Thomson Holidays | 32. GAME                 |
| 8. Marks & Spencer  | 33. Screwfix Direct      |
| 9. Tesco Direct     | 34. O2 Shop              |
| 10. easyJet         | 35. LOVEFiLM             |
| 11. Expedia.co.uk   | 36. ASDA                 |
| 12. lastminute.com  | 37. Vue Entertainment    |
| 13. RyanAir         | 38. Topshop              |
| 14. John Lewis      | 39. Littlewoods          |
| 15. PC World        | 40. Travelodge UK        |
| 16. ASOS            | 41. TravelRepublic.co.uk |
| 17. Dell EMEA       | 42. The Orange Shop      |
| 18. Currys          | 43. River Island         |
| 19. Apple Computer  | 44. Sainsbury's          |
| 20. HMV.co.uk       | 45. QVCUK.com            |
| 21. Thomas Cook     | 46. Carphone Warehouse   |
| 22. Ebuyer          | 47. Boots                |
| 23. Comet UK        | 48. HP                   |
| 24. Woolworths UK   | 49. Thomsonfly           |
| 25. Staples         | 50. Symantec Store       |

- The 100 biggest UK online high street retailers received 19.3% more visits during July 2008 than the 100 largest online only retailers in July 2008. [Source: Hitwise, Aug 2008]
  - NEW**
    - Between July 2007 and 2008, traffic to the online properties of high street retailers increased by 18.7%, compared with a drop of 10.2% for pureplays.
    - The top 100 high street retailers online accounted for 1.85% of all UK Internet visits in July 2008, equivalent to one in every 5 visits to an online shopping website.
    - The top 5 online high street retailers in July were: Argos (1.69% share of UK visits in the Shopping And Classifieds category), Tesco (1.27% ), Next (0.9%), M&S (0.74%) and John Lewis (0.58%).
- Online shoppers in the UK spent £26.5bn in the first half of 2008. [Source: IMRG, July 2008]
  - This represents an increase of 38% on the £19.2bn spent online in the first half of 2007.
  - 17p in every £1 was spent online in this period.
  - Online clothing sales increased by 32% over last year, with a total of £1.76m spent in this sector.
- The UK's online retailers generated £46.6bn in sales in 2007, up 54% on 2006. [Source: IMRG, Jan 2008]
  - Online shopping peaked in the first week of December, later than previous years – a sign that consumers delayed purchases to make the most of pre-Xmas discounting.
  - 4m people also shopped online on Christmas Day thanks to online sales promotions by the likes of M&S, Comet and Dixons. They spent an estimated £84m between them, according to the IMRG figures.
- Free delivery offers are the main driver behind online shoppers' purchase decisions according to a survey of 10,500 visitors to 30 top retail websites in the UK. [Source: ForeSee Results [via E-consultancy blog](#), Feb 2008]
  - 34% cited free delivery as the most important factor in their last purchase decision. A positive site experience was the only other thing mentioned by a significant amount of respondents (15%).
  - More than a third visited one of the Top 30 retailers because they knew the brand or product. This group was also the most satisfied with the retailers they used, and more likely to purchase.
  - Email was responsible for 16% of site visits - as was search. However, visitors from search engines were 20% less likely to make a purchase than those who visited because they were familiar with a product or brand.
- Total UK online sales for the last quarter of 2007 are expected to come in at £17.6bn, up 82 per cent on the £9.6bn recorded for the same period in 2006, according to the Interactive Media in Retail Group. [Source: IMRG, January 2008]

***Please see Section 2.6 below for Christmas 2007 online retail stats.***

- UK internet sales increased to a record £4.2bn in July, up from £2.34bn in the same month last year. [Source: IMRG, August 2007]
  - Sales of electrical goods more than doubled, while turnover from clothes and accessories increased 56%.
  - The last few months have already been majorly lucrative for retailing firms – the [IMRG](#) said Q2 revenues were up 52.5% year-on-year. June's sales were up 55% on 2006.
- The IMRG's annual statement says retail is growing faster than ever before, and predicts online sales in the UK will reach £78bn a year by 2010. [Source: IMRG [via E-consultancy blog](#), May 2007]

- The group says £42bn will be spent online by UK shoppers in 2007, up from £30.2bn last year, while worldwide online sales will hit £250bn this year.
- The average UK online shopper will spend £1,600 in 2007.
- 38% of online shopping takes place outside normal shop hours, either before 9am or after 6pm, peaking between 7pm and 9pm.
- UK e-commerce grew 3,500% between April 2000 and December 2006.
- Tesco recently announced that its online sales during the year reached £1.226bn, with profits of £83.4m. The supermarket giant's sales rose by 29.2% and profits were up by 48.5% on last year.
  
- UK shoppers will soon have spent more than £100bn since internet shopping began, according to figures from the IMRG. [Source: IMRG via E-consultancy blog, May 2007]
  - Online sales for April 2007 amounted to £3.46bn, a rise of 55% on April 2006.
  
- Retail analysts Verdict Research say spending by online consumers rose by a third in 2006, and is set to triple over the next five years. [Source: Verdict Research [via E-consultancy blog](#), May 2007]
  - The group estimates that the online market for goods grew by 33.4% to £10.9bn last year, and will grow to £28.1bn, or about 8.9% of the UK's total retail sales, by 2011.
  - Verdict's research focused purely on goods, hence its figures being lower than other online retail estimates for the UK.
  
- Research by online shopping comparison service uSwitch has predicted that online retail will account for 40% of UK retail sales by 2020. [Source: uSwitch [via E-consultancy blog](#), February 2007]
  - Online sales will reach £40bn this year - 15% of UK retail sales.
  - 8m UK households spend on average two hours a day shopping online.
  - The average household spends £980 a year online, representing 10% of their annual shopping bill.
  - According to the survey, the most popular products bought online are holidays, music and films.
  - Average online savings are 13% on grocery items, 21% on services and 15% on travel and leisure activities.
  
- Online now accounts for 10% of all retail sales in the UK, compared to just 0.5% in 2000. [Source: IMRG [via E-Consultancy Blog](#), January 2007]
  
- According to a Barclaycard survey of 1,000 retailers, two-thirds (69%) of UK retailers are missing out on potential revenues by not offering their goods or services online. [Source: Barclaycard [via E-Consultancy Blog](#), December 2006]
  - 23% claimed the cost of setting up online was a major barrier.
  - 13% were put off by the technical knowledge required to set up a website.
  
- The total value of internet sales by businesses reached £103.3 billion in 2005, a rise of 56% from the 2004 figure of £66.2 billion. [ONS [e-commerce survey](#), October 2006]
  - The survey showed that businesses are making more and more use of Information and Communications Technologies.
  - 14% of all businesses traded over the internet in 2005; a rise from 12% in 2004.
  - 56.3% of businesses made purchases via the internet, compared with 50.3% in 2004.
  - Internet purchases by businesses rose by 50.4%; from £48.4 billion in 2004 to £72.8 billion.
  - 69.8% of businesses had a website in 2005, a rise from 66.9% in 2004.

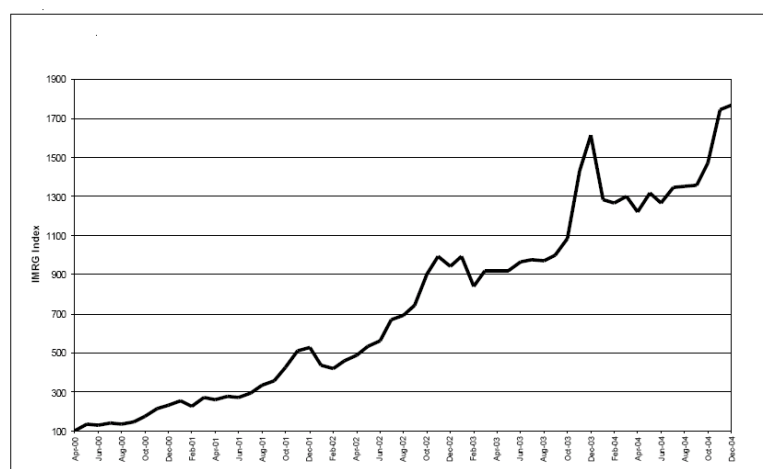
- Three-quarters of the UK population shop online and spend an average of £89 per month. [SciVisum (via Revolution), September 2006]
  - But 78% of e-shoppers have turned off a computer out of frustration with site performance
  - 57% cited speed as the main reason for buying online.
  - 47% said that sites that crashed mid-transaction were a major cause of web rage.
  - 54% were frustrated by the inability to ask questions over the phone, while others cited usability issues such as complicated registration (47%), inability to find information (46%) and inability to amend orders (45%).
- In 2006, the online retail market is predicted to grow 56% over 2005 when the market was worth £19.2 billion. [IMRG, July 2006]
  - A further £20 billion of non-traditional retail spending will take place online this year with another £30 billion of offline retail sales affected by customers conducting online product research.
  - Online sales have risen by an average of 45% year-on-year for the past six months and have grown by 2,000% since 2000.
- Online spending by UK shoppers will reach an estimated 76.41 billion euros by 2011, compared to 43.07 billion Euros in 2006.[Forrester, August, 2006]
- More than 50% of UK adults made an online purchase with their credit or debit cards in 2005. [Apacs (via [E-consultancy news blog](#)), August 2006]
  - 25 million adults (52% of all adults and 74% of internet users) bought goods online during 2005, an 11% rise over the previous year.
  - £2.8 billion was spent on auction sites alone last year, through 79 million transactions.
  - Overall, online card transactions were up from 262 million in 2004 to 310 million in 2005.
  - The value of these transactions increased from £16 billion in 2004 to £22 billion last year.
  - According to the group, 49% of internet spending was conducted through credit cards last year, compared to just 6% of payments offline. About 13% of all personal credit card spending is now made online.
- Internet retail sales in the UK hit €9.79bn (£6.7bn) in 2005 compared to Germany's €9.71bn and France's €6.5bn. [Mintel, July 2006]
- Britons are spending more money online than their European counterparts, as total European spending hits £70 billion. [Forrester research, July 2006].
  - On average, UK residents are spending £1,200 on goods over the Internet, higher than citizens of any other European country.
  - The 100 million Internet shoppers in Europe are spending an average of £700 per person. [Forrester research, July 2006]
- Half the UK population makes money by selling online, making £8.5 billion in the last year, an average of £341 a head. [Orange Broadband, 2006]
  - 54% of UK residents are using online sales websites to make extra funds.
  - 12% of people over the age of 30 claim to have made in excess of £500 by selling online.
- In the UK, people in the Midlands are the *most regular* online shoppers, over a quarter saying that they purchase something online every week. [SciVisum, July/August 2006]
  - Overall Northerners seem to be the *biggest* spenders.
  - A third of consumers in the North-east spend an above-average £50 to £100 each month.
  - The biggest purchases may come from the North-west. Here, almost one in five had no qualms about spending £5,000 or more on a single purchase.

- The top 5 UK retail websites in July 2006, by unique visitors, were:
  - eBay (43% active reach)
  - Amazon (26.2%)
  - Tesco (14.5%)
  - Yahoo! Shopping (12%)
  - Argos (10.9%)

[Source: Nielsen//NetRatings (via eMarketer), July 2006]

- Tesco.com captured two thirds of all **online grocery orders** in the first seven months of 2006, generating sales of approximately £2.5 million per day. Its closest competitor was Asda online, which took 16%, followed by Sainsburystoyou.com with 14%. [comScore (via [E-consultancy news blog](#), August 2006)]
  - Customers of Sainsbury's spent the most per order, averaging almost £90 compared to £80 for both Tesco and Asda, with both averaging 69 units per order compared to Tesco's 58.
- Tesco sells more groceries over the internet than all online retailers in the US combined. [The Times, April 2006]
- Internet shopping accounts for 10% of all retail sales in the UK, with online spending expected to amount to £30 billion for 2006 [Interactive Media In Retail Group (IMRG), May, 2006]
  - This would represent a 56% increase on the £19.2 billion spent in 2005.
  - A further £20 billion of non-traditional retail spending online (e.g. gambling and financial services) is also forecast in 2006.
  - Another £30 billion of conventional high street retailing will be affected by the internet as consumers research and look for information online, according to the IMRG.
  - £3.6 million was spent on average each hour in online shopping in April 2006, resulting in a total of £2.6 billion for April.
  - Since April 2000, when the IMRG began to track online sales, British shoppers have spent more than £64 billion.
  - The IMRG has raised its forecast for growth in 2006 to 40%, up from 36% previously. [The Times, May, 2006/IMRG]
- Around 130,000 UK businesses now sell online, in a market which represented about 2.5% of all household spending in 2004. [Office of Fair Trading/ONS, April, 2006]
  - In the last 5 years, internet retail sales in the UK rose by 350% compared with growth of only 20% for all retail sales.
  - In 2005, the typical online shopper spent £560 online, and forecasts suggest that this could grow to over £860 per year by 2010.
- Sales from internet *retail* shopping rose to £8.2bn in the UK during 2005, up 29% from £6.4bn in 2004. [Verdict Research, February 2006]
  - By comparison, sales from high street department stores amounted to £9.4bn during 2005.
  - Overall UK retail sales grew by just 1.5% in 2005, representing the slowest rate since the early 1960s.
- The IMRG estimates that 24 million people spent £1.6 billion online in September 2005, an average of £67 each. September's e-retail growth rate was double that at the beginning of 2005. [IMRG, October, 2005]
- Consumers spent £1.54 billion online in August 2005 [IMRG]
- In 2004 the value of internet sales made to households by UK non-financial business was £18.1 billion, up from £10.8 billion in 2003, an increase of 68%. [Office for National Statistics, 2005]

- E-commerce sales were worth £71.1bn in terms of products and services sold in 2004, up from £39.9bn in 2003. [Office for National Statistics, 2005]
- By April 2010, online shopping will be worth approaching £60 billion per annum in the UK, representing almost 20% of all retail. IMRG estimates that 36 million Britons will shop online by 2010. (IMRG, May 2005)
- 20% of the UK population made a purchase online in early 2006, spending on average £70 a month, almost £10 more than online buyers in the US. [comScore Europe]
  - Nine out of 10 online UK women visited retail sites regularly at the start of 2006 compared to eight out of 10 in the United States.
  - 89% of online UK men visited a retail site compared to 78% in the US.
- The IMRG's E-retail Index (Interactive Media in Retail Group) has shown strong growth over the last 5 years (see chart below)



[IMRG E-Retail Index: April 2000 - January 2005]



## 2.1.2 European Market

- Online travel sales in the five major travel markets of Europe — France, Germany, Italy, Spain and the UK — will total nearly £24.3bn this year, up 27% over 2006. [Source: eMarketer, June 2007]

### Online Leisure/Unmanaged Business Travel Sales in Western Europe\*, 2006-2011 (billions and % increase vs. prior year\*\*)

2006	\$36.1
2007	\$48.5 (27.2%)
2008	\$59.5 (20.8%)
2009	\$66.9 (16.8%)
2010	\$73.8 (12.9%)
2011	\$80.7 (10.2%)

Note: converted at average annual exchange rates (projected for future years); \*France, Germany, Italy, Spain and the UK; \*\*based on euro figures  
Source: eMarketer, June 2007

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- A Mediascope Europe 2006 Study found that 78% of European Internet users shop online, spending an average of €750 per year. [Source: eMarketer, January 2007]

### Online Spending and Purchases by Internet Users in Select Countries in Western Europe, September 2006 (average)

	Spending	Purchases
Belgium	Eur790	6
Denmark	Eur1,159	11
France	Eur509	8
Germany	Eur521	10
Italy	Eur454	7
Netherlands	Eur681	7
Norway	Eur1,406	7
Spain	Eur452	5
Sweden	Eur1,013	9
UK	Eur1,201	18

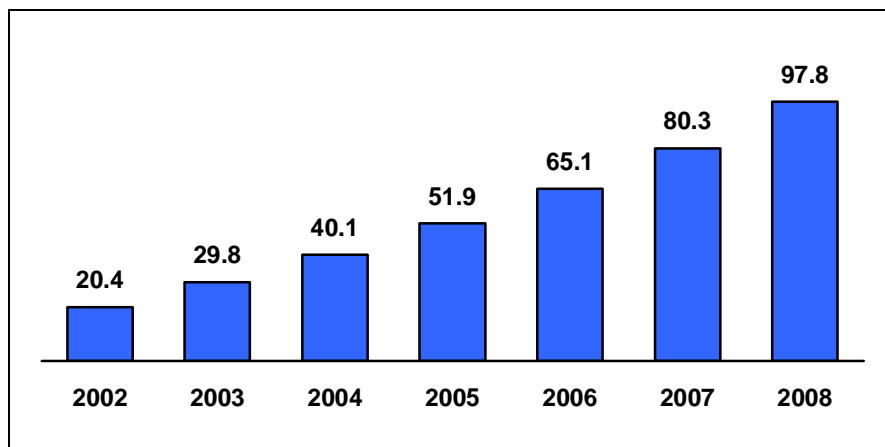
Source: Synovate and SPA Market Research - UK for the European Interactive Advertising Association (EIAA), January 2007

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- Internet retail sales in the UK hit €9.79bn (£6.7bn) in 2005 compared to Germany's €9.71bn and France's €6.5bn. [Mintel, July 2006]
- The European market for online information is valued at €3,070m in 2004, increasing by 10% at current prices compared to 2003.
  - Online business information is the largest market segment, accounting for 66% of total online sales in Europe in 2004. [IRN Research, 2005]

**IAB Forecasted European e-commerce revenues in billions of Euros:**

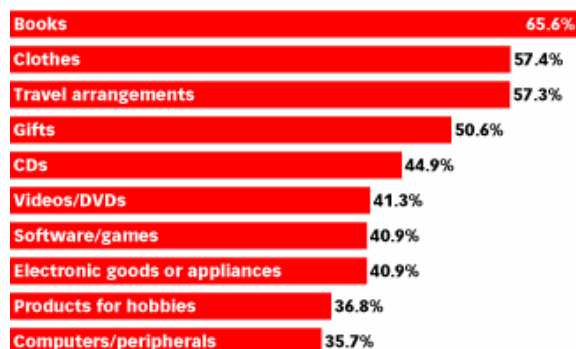


[Source: IAB, Jupiter, 2003/4]

**2.1.3 United States market**

- Products and services purchased by online shoppers in the US, 2007. [Source: eMarketer, July 2008]

**Leading Products or Services Purchased by US Online Buyers, 2007 (% of respondents)**



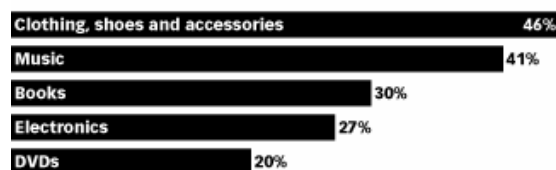
Source: USC Annenberg School Center for the Digital Future, "The 2008 Digital Future Project - Year Seven," January 2008 as cited in "Web Insight," June 9, 2008

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- Nearly six out of 10 US teens have made a purchase online. [Source: OTX / Intelligence Grp via eMarketer, July 2008]

**Products Purchased Online by US Teen Online Buyers, 2008 (% of respondents)**



Note: ages 13-17

Source: OTX and The Intelligence Group, "Teen Topix" as cited in press release, June 18, 2008

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www.eMarketer.com

**Annual Spending by US Children and Young Adults, by Age, 2007 (billions)**

13-21	\$120
8-21	\$132

Source: The Harris Poll, "2007 Youth Pulse" as cited in Harris Interactive, "Trends & Tudes," February 2008

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www.eMarketer.com

- eMarketer predicts that online shoppers in the US will spend \$240bn online by 2012. [Source: eMarketer, Feb 2008]

**Comparative Estimates: US Retail E-Commerce Sales, 2007-2012 (billions)**

	2007	2008	2009	2010	2011	2012
<b>eMarketer*, February 2008</b>	<b>\$136.4</b>	<b>\$158.3</b>	<b>\$179.6</b>	<b>\$200.3</b>	<b>\$220.3</b>	<b>\$240.2</b>
Forrester Research, January 2008	\$175.0	\$204.0	\$235.4	\$267.8	\$301.0	\$334.7
JPMorgan**, January 2008	\$151.3	\$178.0	\$209.1	\$245.5	-	-
JupiterResearch, February 2008	\$128.0	\$148.0	\$166.0	\$182.0	\$199.0	\$215.0
Oppenheimer & Co., June 2007	\$130.0	\$154.0	\$180.2	-	-	-

- PayPal and other non-credit card payments services have grabbed more than 30% of the U.S. online payments market, though PayPal is the leader, making up roughly 24% of the market. [Source: eMarketer via Business Week, Nov 2007]
- The US retail e-commerce market is continuing to grow rapidly, with spending up 23% in the third quarter of 2007 to \$23.8bn (£11.6bn). [Source: comScore [via E-consultancy blog](#), Oct 2007]
  - US e-commerce spending in the first nine months of the year amounted to \$143bn (£69.6bn) and will reach the \$200bn mark for the year.
- US online consumer spending picked up in the second quarter of the year, reaching a total of \$27.2bn (£13.4bn), an increase of 23% on the same period last year. [Source: comScore via E-consultancy Blog, July 2007]
  - The figure of \$27.2bn is for non-travel e-commerce - the online travel market was worth \$20.3bn (£10bn) in Q2, an increase of 14%. Total e-commerce spending for the first half of 2007 was \$95bn (£47bn).
  - The report also predicts that total US e-commerce spending will hit \$200bn (£99bn) for the full year, compared with £170.8bn (£84.4bn) in 2006.
- Growth in the US online travel market is slowing: while 17% growth is predicted between now and 2010, it falls short of the 28% annual growth rate between from 2002 2006. [Source: eMarketer, March 2007]

**US Online Leisure/Unmanaged Business Travel Metrics, 2006 & 2010**

	2006	2010	CAGR* 2005-2010
Online travel sales (billions)	\$78.8	\$145.8	16.6%
Households that book travel online (millions)	37.1	51.1	8.3%
Average annual spending per household that books travel online	\$2,122	\$2,854	7.7%

Note: \*CAGR=compound annual growth rate  
Source: eMarketer, March 2007

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- Total non-travel E-commerce spending in the US reached \$102 billion in 2006; up 24% from 2005. [Source: comScore, January 2006]

<b>E-Commerce Spending Summary (2006 vs. 2005)</b>			
<b>Non-Travel (Retail) Spending</b>			
<b>Excludes Auctions and Large Corporate Purchases</b>			
<b>Source: comScore Networks</b>			
	<b>Billions (\$)</b>		
	<b>2005</b>	<b>2006</b>	<b>Pct Change</b>
Full Year (Jan. 1 – Dec.31)	\$82.3	\$102.1	24%
Holiday Season (Nov. 1 – Dec. 31)	\$19.6	\$24.6	26%

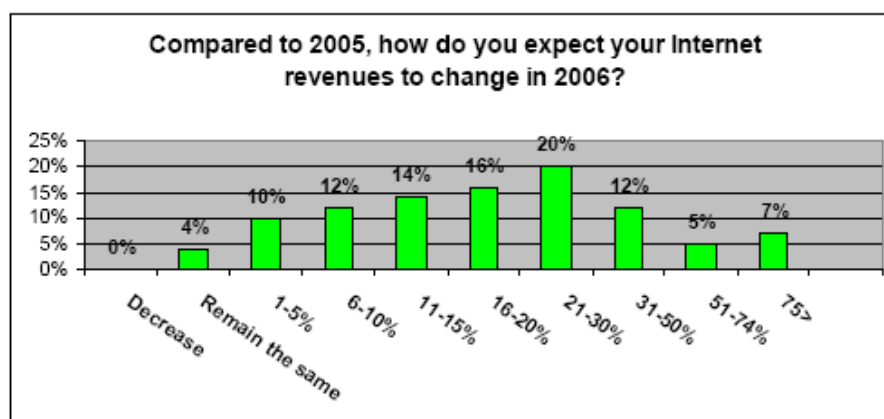
- Total online spending by US consumers in the first half of 2006 amounted to an estimated \$80.8 billion, a 20.1% increase over the same period in 2005. [comScore, (via Marketing Vox), August 2006]
  - Online retail (non-travel) spending increased 24.6% to \$46.1 billion compared to the first half of 2005.
  - Online travel spending reached \$34.7 billion, a 14.7% gain.
  - Total online retail spending in 2006 is forecast by comScore to reach approximately \$170 billion.
  - Non-travel e-commerce spending is expected to reach \$102 billion.
  - Approximately \$24 billion is expected to be spent on non-travel online sales during the 2006 holiday season (November 1 to December 31).
- Internet spending for 2005 in the US grew 22% over 2004 spending, reaching a total of \$143.2bn. [comScore Networks]
- A survey of direct marketers found that the share of internet sales will increase to 43% of all catalog, retail and e-commerce sales in 2007 - and 46% by 2009. [Multichannel Marketing 2005 Report, Direct Marketing Association, October 2005]
  - In 2004, 38% of orders were placed online.
  - 33% of web-based sales in 2004 were new customers, while 53% had shifted from phone or mail - up from 42% in 2003.

### 2.1.3.1 US Merchants survey

- A survey of US merchants found that online sales represent 1-10% of overall business for 39% of those surveyed. [The E-tailing Group, 5<sup>th</sup> Annual Merchant Survey, April, 2006]
  - More than 41% of overall business comes from the internet for 34% of those surveyed.
  - “Larger retailers tend to have lower single digit penetrations given their store footprint while those with entrenched direct organizations may reach into the 20-30% range.”

Rank the importance of each of these initiatives to your strategic goals.	2006	2005
	<b>Very Important</b>	
Profitability	69%	68%
Customer experience	63%	57%
Customer retention	63%	63%
Customer service	61%	58%
Customer acquisition	60%	61%
Drive qualified traffic to site	40%	51%
Improve KPIs (key performance indicators)	39%	67%
Onsite merchandising	36%	27%
Branding	30%	NA
Technology and systems initiatives	28%	27%
Multi-channel integration	27%	27%
Senior management support	25%	20%
Marketing growth	23%	26%
Grow internal resources (personnel/funding)	17%	17%
Inventory management/liquidation	13%	13%

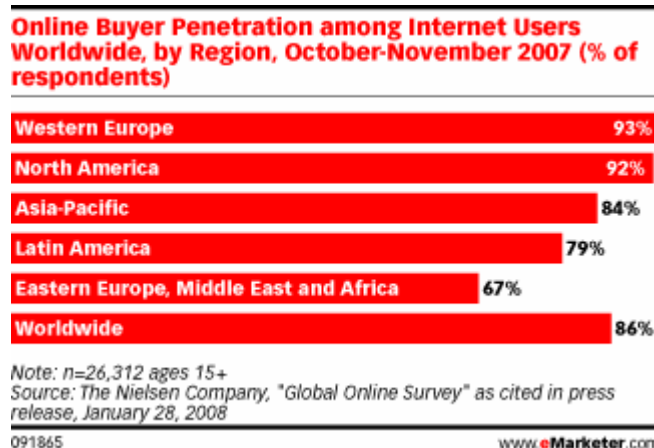
Proprietary study conducted by the e-tailing group, inc. For further information contact: Lauren Freedman via email [lf@e-tailing.com](mailto:lf@e-tailing.com) or by phone 773-975-7280



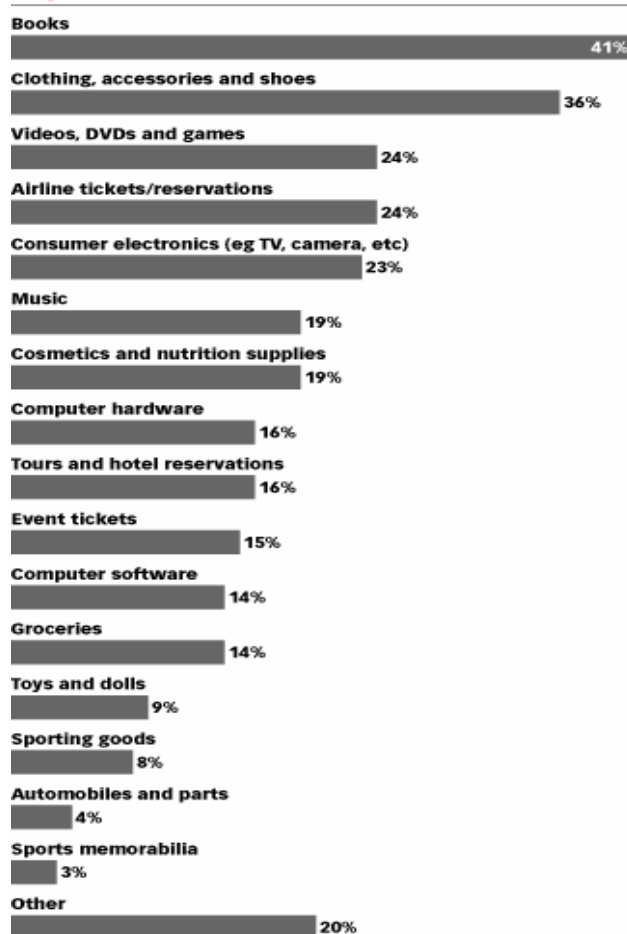
[Source: The E-tailing Group, [5<sup>th</sup> Annual Merchant Survey](#), April, 2006]

### 2.1.4 Worldwide

- Only around only 25% of Chinese internet users shopped online in 2007. [Source: China Internet Research Centre, July 2008]
  - Excluding online travel, 55m Chinese internet users shopped online in 2007, spending a total of \$8.25bn (£4.2bn).
  - In the first quarter of 2008, online shopping in China reached \$3.46 bn (£1.7bn), which is a 151.8% year-over-year increase. The number of online shoppers is expected to hit 75m at the end of the year.
- More than 85% of the world's internet users surveyed have purchased something online, according to the Nielsen Company. [Source, Nielsen, Feb 2008]



**Products Purchased by Online Buyers Worldwide in the Last Three Months, October-November 2007 (% of respondents)**



Note: ages 15+  
Source: The Nielsen Company, "Global Online Survey" as cited in press release, January 28, 2008

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- Online leisure/unmanaged business travel gross bookings in India amounted to \$295 million in 2005 and will grow nearly 700% in just three years to go beyond \$2.0 billion by 2008. [PhoCusWright/eMarketer, September 2006]

### 2.1.5. User Buying and Activity Patterns

- UK online shoppers spend an average of three minutes on an e-commerce site, according to a study of 60 retail websites. [Source: Pindar via NMA, May 2008]
  - 41.5% start on the homepage when they visit a site, 20.1% land on category pages and 16.4% on product pages.
  - Most visitors (66%) arrived via search engines, while 23% went directly to the site.
- According to a recent survey of US adults, 75% of online shoppers have used an alternative payment method when shopping online. [Source: TrialPay, May 2008]
  - 54% have actually looked for different payment options when making a purchase.
  - 59% said they would be more likely to buy online if Google Checkout, PayPal or other alternative payment methods were available.
- The average time between a customer first visiting an retailer and completing their purchase has risen over the past two years, and shoppers take an average of 34 hours

and 19 minutes from the first visit to purchase, according to an analysis of 2.6m online sales. [Source: ScanAlert, July 2007]

- Payments made over the internet have grown rapidly: 24.9 million people made a card purchase online last year. [Source: APACS via The Guardian, April 2007]
- Internet clothing sales in the UK reached £1.2bn in 2006 and have increased by 461% over the last five years. [Source: Mintel [via E-consultancy blog](#), February 2007]
  - Online clothing sales still only account for 3% of the overall market - a lower proportion than in other sectors.
  - Online clothing sales are predicted to reach £2.9 billion by 2011.
- 26.4 million adults made an online purchase in the first half of 2006; this equates to 56% of the population and 75% of Internet users. [Source: APACS, Nov 2006]
  - 62% of Internet users aged 65 and over bought online whereas nine in 10 of Internet users aged 25-34 made a purchase over the Internet.
  - The average number of purchase made by online shoppers now stands at 23.2 per year, or almost once every two weeks. This has increased from once a month in the same period in 2004.
  - 35-44 years olds make the most purchases making 32.4 each in the last year.
  - More and more people are buying goods online from high street websites, 18% of adults made their most recent purchase from these sites in the first half of 2006 compared to 13% a year earlier.
  - Auction sites remain the most popular type of site with 21% of adults making their most recent purchase from this type of site.
- More than half of all internet users have bought CDs, DVDs or video games online. [Benchmark Research/Contact MC, May 2006]
  - 53% of users have bought CDs, DVDs or video games online.
  - 38% have used the web to research products in this category prior to purchase.
  - Travel tickets (52% of users) and holidays (47% of users) are the second and third most purchased items online.
- While general online shopping increases steadily as the length of usage increases, grocery shopping doesn't see a significant rise until shoppers have been online for more than six years. [Marketing Week/Ipsos MORI Retail, May 2006]
  - Three times as many adults have bought groceries online after six years' access compared to up to one year (16% versus 5%)
- 18.7 million people in the UK bought something over the internet during November 2005 compared to 15.7 million people shopping online in November 2004. [BMRB Internet Monitor, January 2006]
- Almost 19 million UK internet users bought a product or service online in the last six months of 2005. [BMRB, February 2006]
- The average UK internet shopper spent approximately £875 and bought 12 items online in 2005 (compared to the European average of £452 and five items). [European Interactive Advertising Association (EIAA), January 2006].
  - The average transaction value in the UK was £73 compared to £90 in the rest of Europe. [EIAA, January 2006]
- The average UK online woman spent £579 at retail sites on products (excluding services) during 2005 compared to £541 for men. [Verdict Research, 2005]
  - The top 5 online purchases for woman in the UK during 2005 were DVDs/CDs (66%), books (60%), fashion (52%), holidays (48%) and flights (47%). [iVillage, 2006]



- The top 5 online purchases for men in the UK during 2005 were books (24%), CDs (23%), DVDs (19%), Clothing (19%), Electricals (17%). [iVillage, 2006]

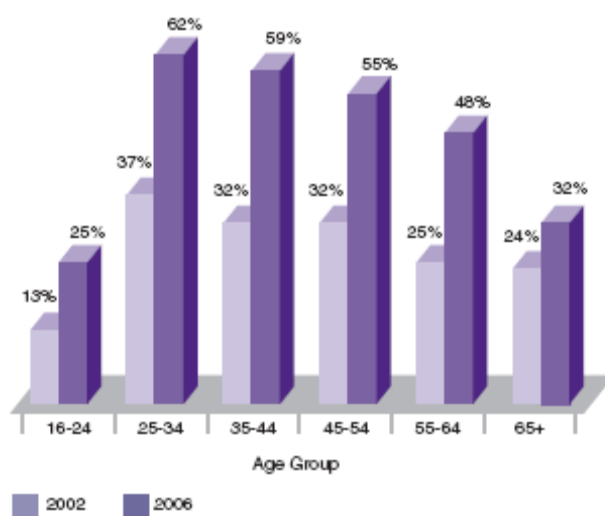
### 2.1.6. Online Banking

- The number of adults in the UK using online banking has increased by 174%, from 6.2m in 2001 to 17m last year, with a 350% increase in usage among the over 55s. [Source: APACS, September 2007]

	2006	2001	Change
<b>People using online banking</b>	17.0 m	6.2 m	+ 174%
16-24	1.8 m	0.8 m	+ 125%
25-34	4.1 m	2.1 m	+ 95%
35-44	4.2 m	1.4 m	+ 200%
45-54	3.1 m	1.1 m	+ 182%
55-64	2.1 m	0.4 m	+ 425%
65+	1.5 m	0.4 m	+ 275%
People using telephone banking	15.7 m	11.5 m	+ 37%
People shopping online	28.3 m	11.0 m	+ 157%
Purchases per online shopper	24.0	8.4	+ 186%

- In 2006, 18.1m Britons banked online, with the number exceeding those using telephone banking. Today, half of all internet users in the UK bank online. [Source: APACS [via E-consultancy blog](#), May 2007]
  - 53% of internet bank users bank online because they believe it is convenient, while 11% say they use internet banking because they can't always get to a branch.
  - Internet banking is regularly used by 37% of adults in the UK.
- Figures for 2006 from the payment association Apacs show that over-55s provided the greatest proportion of new UK online banking customers in the past five years. [Source: APACS [via E-consultancy blog](#), Aug 2007]
  - The number of adults using online banking between 2001 and 2006 grew by 174%, with a 350% increase in the over 55 age group.
  - The research found highest growth in uptake by 55-64 year olds - 425% in the period - although there was also a 275% rise in usage by people of 65+.
- In 2002 28% of internet users banked online; in the last four years this has risen to 48%, over a third of the adult population. [Source: APACS, Nov 2006]
  - There has been growth in the use of internet banking across all age groups; 16-24 years olds have shown the greatest growth in the last four years, almost doubling from 13% in 2002 to 25% in 2006.
  - 16.9 million adults now bank online; the number using telephone banking has fallen for the first time to 15.4m from 16m in the same period
  - There is an age split between those under 55 who prefer to use the Internet for their banking and those aged 55 and over where more people use telephone banking.

Figure 2: Proportion of Internet users who bank online



## 2.2 Shopping Comparison Sites

- Price comparison sites by unique monthly UK users, March 2008: [Source: Nielsen Online via NMA, May 2008]

<i>Shopping.com</i>	4.2m
<i>Kelkoo</i>	2.5m
<i>Shopzilla.com</i>	2.3m
<i>Ciao!</i>	2.2m
<i>Google Product Search</i>	1.5m

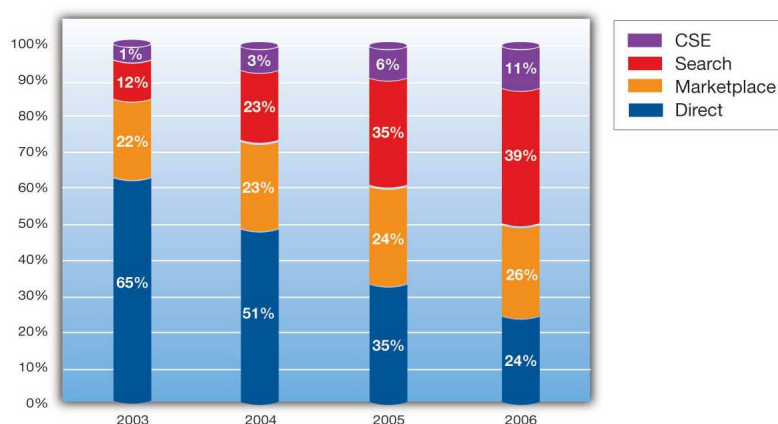
- According to ChannelAdvisor, comparison shopping engines drove an estimated £7 billion in UK online sales in 2007 (excluding travel and financial services), based on its estimate that this channel is now responsible for 15%-16% of sales made through the internet. [Source: [Comparison Engines Buyer's Guide 2008](#), April 2008]
  - The proportion of traffic coming from comparison engines to retail websites has increased from 1% in 2003 to 11% in 2006, according to ChannelAdvisor and that figure is now closer to 15% according to unpublished data.
  - The combined value of retail shopping comparison markets for UK, France and Germany is estimated **at €500-€600 million for 2006** [Source: E-consultancy Shopping Comparison Roundtable Briefing, May 2007]
- **The sector is growing:** comparison shopping engines (CSEs) accounted for 11% of online retail sales in 2006, compared to 6% in 2005 and 1% in 2003 [According to Channel Advisor – see stats section below]

## UK Market for Shopping Comparison sites

The data below, provided by **Nielsen//NetRatings**, shows the number of UK unique users and active reach for those comparison sites profiled in E-consultancy's *Comparison Engines Buyer's Guide 2008*.

Brand/Channel	Unique Audience Jan 08 (000s)	Unique Audience Jan 07 (000s)	YoY % of Change	Active UK Reach %
Moneysupermarket	3660	2421	0.511772	11.1
Yahoo! Shopping (Kelkoo)	3098	4094	-0.24328	9.4
Ciao	2903	1954	0.48567	8.8
Shopping.com	2703	3154	-0.14299	8.2
Cheapflights	2084	2001	0.041479	6.3
PriceRunner	1696	1338	0.267564	5.2
Motley Fool	921	997	-0.07623	2.8
PriceGrabber.com	863	1156	-0.25346	2.6
Shopzilla.com	757	663	0.14178	2.3
MSN Shopping	751	635	0.182677	2.3
uSwitch.com	685	919	-0.25462	2.1
Gocompare.com	447	-	-	1.4
Kayak	366	489	-0.25153	1.1

- The percentage of online retail sales deriving from comparison sites is growing



[Source: Channel Advisor, 2007 (Combined UK and US figures)]

- In the UK, 35% of consumers cite *websites* as how they first became aware of the product or service they most recently purchased, followed by 15% or less citing search engines, word of mouth, and stores. [Source: DoubleClick TouchPoints IV Study, May 2007]
- The growth of aggregator sites like [Confused.com](#) and [Moneysupermarket.com](#), which allow consumers to quickly compare a range of quotes, is diverting consumers from insurers' sites. Aggregator sites were used by 66% of online insurance customers this year. [Foolproof 2006 Online Shopping Survey via E-consultancy blog]
  - Only three brands, Tesco, Norwich Union and Direct Line are sought out by consumers directly. With 82% using the internet as the primary source of insurance information, insurers need to improve their visibility on both search engines and aggregator sites.

- According to comScore figures for October 2006, shopping comparison sites now have 50% reach among UK internet users (compared to 49% in October 2005) [Source: comScore, via [E-Consultancy Shopping Comparison Roundtable Briefing](#), December 2006]

#### UK Shopping Comparison sites – Oct 2005 compared to Oct 2006:

	Total Unique Visitors (000)			% Reach		
	Oct-05	Oct-06	% Change	Oct-05	Oct-06	% Change
Total Internet : Total Audience	28,883	29,553	2	100.0	100.0	0.0
Comparison Shopping	14,054	14,844	6	48.7	50.2	3.2
1 [M] Shopping.com Sites	6,420	5,088	-21	22.2	17.2	-22.6
2 [C] Kelkoo Sites	6,306	3,768	-40	21.8	12.8	-41.6
3 [P] Shopzilla.com Sites	2,620	3,036	16	9.1	10.3	13.3
4 [P] Ciao Sites	1,697	2,410	42	5.9	8.2	38.8
5 [P] Pricerunner AB	1,621	1,326	-18	5.6	4.5	-20.1
6 [P] Nextag.com Sites	1,245	1,189	-5	4.3	4.0	-6.7
7 [P] SHOPGENIE.CO.UK	1,093	202	-81	3.8	0.7	-81.9
8 [C] MSN Shopping	955	1,194	25	3.3	4.0	22.3
9 [P] Dooyoo Group	944	1,545	64	3.3	5.2	60.0
10 [P] COMPARESTOREPRICES.CO.UK	907	962	6	3.1	3.3	3.7
11 [C] Kelkoo Shopping on Yahoo!	812	709	-13	2.8	2.4	-14.7
12 [C] Yahoo! Shopping	792	878	11	2.7	3.0	8.3
13 [P] PriceGrabber	687	1,092	59	2.4	3.7	55.2
14 [M] MONSTERMARKETPLACE.COM	631	440	-30	2.2	1.5	-31.8
15 [P] Shop.com Sites	585	1,551	165	2.0	5.3	159.4
16 [P] SHOPPERUK.COM	546	133	-76	1.9	0.5	-76.1
17 [P] IWANTONEOFTHOSE.COM	453	518	14	1.6	1.8	11.9
18 [P] DEALCLICK.CO.UK	384	64	-83	1.3	0.2	-83.8
19 [P] SHOPSAFE.CO.UK	336	369	10	1.2	1.3	7.4
20 [S] CNET Reviews	335	319	-5	1.2	1.1	-6.7
21 [P] ABCAZ.COM	321	352	9	1.1	1.2	7.0
22 [P] FAITH.CO.UK	298	352	18	1.0	1.2	15.2
23 [M] BuyCentral Sites	297	229	-23	1.0	0.8	-24.7
24 [P] BODEN.CO.UK	261	356	37	0.9	1.2	33.4
25 [P] CHEAPSEEK.CO.UK	225	78	-65	0.8	0.3	-66.2
26 [P] PRICE-PARADISE.COM	195	63	-68	0.7	0.2	-68.4
27 [P] THEUKHIGHSTREET.COM	178	106	-40	0.6	0.4	-41.6
28 [P] SIMPLYBE.CO.UK	139	113	-19	0.5	0.4	-20.4
29 [P] SOMUCHEASIER.CO.UK	129	308	140	0.4	1.0	134.2
30 [P] 9MALLS.COM	123	73	-41	0.4	0.2	-42.3
31 [P] Mezi Media Sites	115	357	211	0.4	1.2	204.0
32 [M] MYSIMON.COM*	105	153	45	0.4	0.5	42.2
33 [C] AOL Shopping	100	819	716	0.3	2.8	697.4
34 [P] SECUREHOSTING.COM	78	41	-48	0.3	0.1	-48.7
35 [P] ROUTEONE.CO.UK	77	74	-4	0.3	0.3	-6.2
36 [P] ACTIVESHOPPER.COM	66	54	-18	0.2	0.2	-20.3
37 [P] BULLNET.CO.UK	60	31	-49	0.2	0.1	-49.8
38 [P] BARGAINPAGES.CO.UK	47	42	-10	0.2	0.1	-12.3
39 [P] BECOME.COM	47	48	1	0.2	0.2	-1.3
40 [S] CNET Shopper.com	45	48	7	0.2	0.2	4.8

## Hitwise: Top 20 Shopping & Classifieds - Rewards & Directories websites by share of visits, February 2006 [Hitwise, March 2006]

Rank	Website - [Show domain]	Related	Market Share
1.	Kelkoo United Kingdom		11.72%
2.	Shopping.com UK		4.64%
3.	Pricerunner.com UK		3.78%
4.	DealTime UK		3.53%
5.	Froogle UK		2.90%
6.	Bizrate UK		2.46%
7.	Review Centre		2.26%
8.	MSN Shopping		2.19%
9.	Ciao.co.uk		1.98%
10.	Shopzilla.co.uk		1.87%
11.	NexTag UK		1.78%
12.	CompareStorePrices.co.uk		1.76%
13.	dooyoo Europe		1.62%
14.	Virgin Money UK		1.59%
15.	The High Street Web		1.51%
16.	Monster Marketplace		1.50%
17.	Shopping.net		1.21%
18.	Kelkoo Shopping on Yahoo! UK & Ireland		1.20%
19.	Virgin.com		1.13%
20.	AirMiles UK		1.09%

- Shopping comparison engines made between £120m and £140m in UK revenue during 2005. [[Shopping Comparison Engines Buyer's Guide](#), E-consultancy, March 2006]
  - The UK shopping comparison market is growing at 30% year-on-year, according to figures from comScore Media Metrix.
  - In the UK, there were **14.9 million unique visitors** to shopping comparison websites in February 2006 compared to 11.5 million for the same month in 2005. [comScore Media Metrix]
- According to Hitwise figures released in the US, Google and Yahoo! Search sent 25% more visits to the ten leading shopping comparison sites in November 2005 than in the same period in 2004 (for the week ending November 19, 2005 versus the week ending November 20, 2004). [Hitwise, November 2005]

## 2.3 Travel Price Comparison and Vertical Search

### Hitwise UK Price Comparison and Travel Vertical Search

Website	Market Share (of total travel agencies traffic)
Cheapflights.co.uk	2.71%
Teletext Holidays	2.61%
Travel Supermarket	1.95%
SkyScanner	0.89%
Kelkoo UK Travel	0.59%
This is Travel	0.59%
Yahoo! Travel UK and Ireland	0.47%
SideStep UK	0.42%
This is Flight	0.15%
Cheapflights.com	0.14%
Low Fare Flights UK	0.14%

[Source: Hitwise – based on share of UK internet visits within Travel Agencies, week ending May 20, 2006]

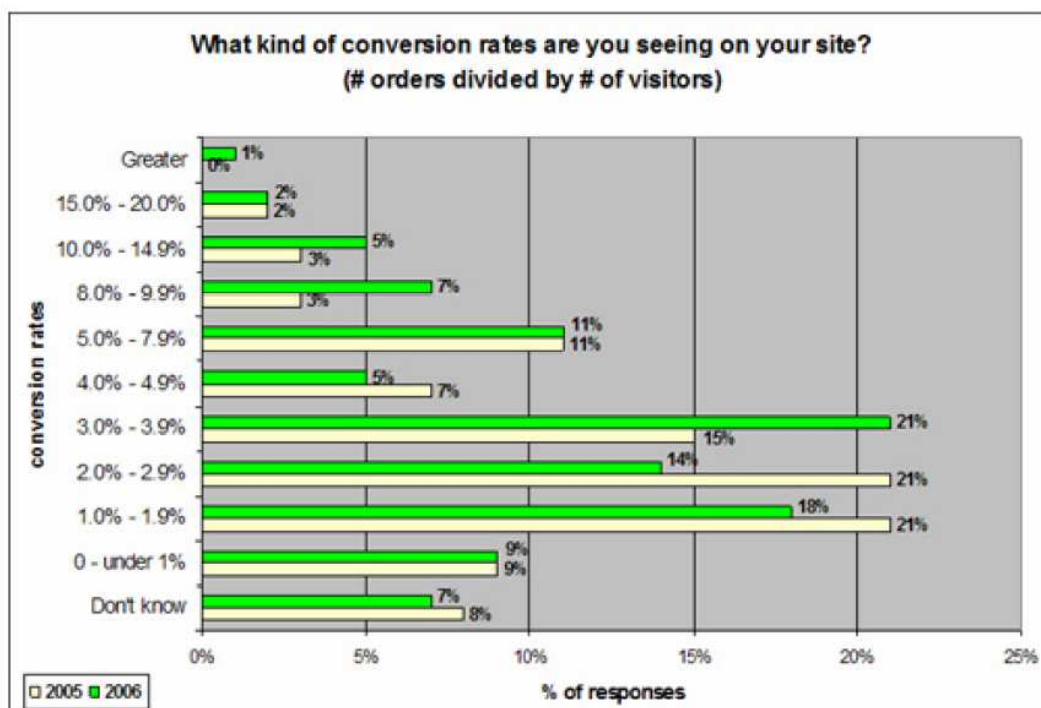
### Hitwise US Travel Vertical Search Websites

Website	Market Share
SideStep	1.60%
Kayak	1.50%
Yahoo! FareChase	0.55%
Mobissimo	0.07%

[Source: Hitwise – based on share of US internet visits within Travel Agencies, week ending May 20, 2006]

### 2.4 Conversion Rates

- Web analytics firm Coremetrics released conversion rates for UK retailers in August. [Source: Coremetrics via davechaffey.com, Aug 2008] NEW
  - The average order value for Aug 2008 was £56.90, down 7.41% from August 2007.
  - Average shopping cart conversion rate was 45.85%, down from 50.68% in the same period in 2007.
  - The average cart abandonment rate was 50.05%.
  - The average new visitor conversion rate was 2.93%, down 9.01% from 2007.
- According to a survey of US merchants, conversion rates are still improving but at a slower rate because the industry is maturing and it is harder to get performance improvements. [The E-tailing Group, [5<sup>th</sup> Annual Merchant Survey](#), April, 2006]



[Source: The E-tailing Group, [5<sup>th</sup> Annual Merchant Survey](#), April, 2006]

**Conversion Rate – New vs. Repeat Visitors**  
**Q1 2006**

Visitor Type	All Categories	Computers & Electronics	Apparel
New Visitors	1.55%	1.49%	1.37%
Repeat Visitors	12.61%	23.12%	7.56%

[Source, WebSideStory, 2006]

According to Nielsen//NetRatings 2005, **top site conversion rates** at Feb 2005 (% of visitors) were:

- QVC 16.3%
  - Lands' End 14.8%
  - sportsmansguide.com 13.5%
  - FTD.com 13.4%
  - llbean.com 13.4%
  - Amazon 12.8%
  - Coldwater Creek 12.7%
  - eBay 12.3%
  - Yahoo! Shopping 12.1
- US retail websites convert an average of 2%-3% of their site visitors into buyers.  
 [Source: Forrester Research, July 2007]

Website conversion rates (US) 2005-2007 [Source: the e-tailing group, April 2007]

<b>Retail E-Commerce Web Site Conversion Rates according to US Online Retailers, 2005-2007 (% of respondents)</b>			
	<b>2005</b>	<b>2006</b>	<b>2007</b>
0%-<1%	9%	9%	7%
1.0%-1.9%	21%	18%	16%
2.0%-2.9%	21%	14%	20%
3.0%-3.9%	15%	21%	16%
4.0%-4.9%	7%	5%	10%
5.0%-7.9%	11%	11%	12%
8.0%-9.9%	3%	7%	3%
10.0%-14.9%	3%	5%	5%
15.0%-20.0%	2%	2%	2%
21.0%+	0%	1%	0%
Don't know	8%	7%	9%

Note: n=167  
 Source: the e-tailing group, April 2007

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**Select Web Site Improvements US Online Retailers Plan to Implement, 2005 & 2006 (% of respondents)**

	2005	2006
Enhanced onsite merchandising features	71%	75%
More targeted e-mail programs	76%	74%
Adding or improving onsite search	77%	70%
Site redesign/upgrades	64%	64%
Content development	53%	60%
Cross-sells/up-sells	65%	58%
Overhauling shopping cart	33%	50%
Personalization	35%	41%
Gifting features	42%	40%
Product enhancement tools	38%	40%
Enhancing customer service	30%	36%
Analytics package	40%	34%
Increased personnel	22%	32%
Tools that automate functionality	20%	30%
Interactive tools	32%	27%
Multi-channel capabilities	23%	17%
Increased capacity	16%	17%
Live chat	7%	14%
International sites	15%	12%

Note: n=190

Source: the e-tailing group, April 2006

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[Source: eMarketer, April, 2006]

### Registration

- 2-3% of visitors complete an optional or free registration process. [E-consultancy, Nov 2004]
  - When added to buyers (who also have to register) companies frequently find they have the personal details of about 5% of visitors. [E-consultancy.com, Online Marketing Benchmarks, June 2003]
- More actively selling the benefits of registration can increase uptake to 10 – 12% and incentivising registration can increase uptake as much as 50%. [E-consultancy.com, Online Marketing Benchmarks, June 2003]
- In a William Hill case study it was shown how reducing the number of steps in the registration process from 4 to 3, registration completion increased by 10%. [E-consultancy.com, Online Marketing Benchmarks, June 2003]
- Visitor to paid-subscription conversion falls between 0.5 and 8%. [E-consultancy, Online Marketing Benchmarks, 2004, UK]
- Costs per acquisition online range from under £9 for bricks and mortar retailers to £300 for online share traders and telecoms providers and an impressive £450 for one online mortgage company. [E-consultancy, Online Marketing Benchmarks, 2004, UK]



### 2.4.1 Site search

- The size of the UK market for Site Search technology on customer-facing websites will grow to £26 million by the end of 2006, a 30% rise from £20 million in 2005, according to research published in [E-consultancy's 2006 Site Search Buyer's Guide](#).
  - **Key market trends in 2006**
    - Greater client-side awareness about the commercial benefits of best-of-breed site search, both for revenue and brand-building objectives.
    - Increased focus on user experience, including emphasis on search in conjunction with navigation.
    - Greater desire for more efficient information retrieval driven by explosion of content and need for regulatory compliance.
    - Increased focus byetailers on measurement and optimisation to drive incremental improvements.

### 2.4.2 Merchandising

A survey of US merchants found that merchandising was the top initiative planned to improve website performance for 75% of e-tailers. [The e-tailing group, 5<sup>th</sup> Annual Merchant Survey, April 2006]

<b>What initiatives are you planning to improve website performance? Survey respondents checked all that applied</b>	<b>2006</b>
Enhanced onsite merchandising features	75%
More targeted email programs	74%
Adding or improving onsite search	70%
Site redesign/upgrades	64%
Content development	60%
Cross-sells/Up-sells	58%
Overhauling shopping cart	50%
Personalisation	41%
Gifting features	40%
Product enhancement tools	40%

[Source: The e-tailing group: 1<sup>st</sup> quarter 2006 – 5<sup>th</sup> Annual Merchant Survey]

### 2.4.3 Shopping carts / drop out rates

- By failing to optimise e-commerce strategies, the UK retail industry is losing out on over £2.3bn revenue per year, according to a report by Verdict Consulting. [Source: Verdict, Sept 2008] **NEW**
  - The report calculates that an e-commerce site converting just 1% more visitors could generate an additional £678m in revenue.
  - Barriers to purchase, such as concerns over delivery of goods and delivery charges can contribute to £992.4m in missed or lost sales every year.
- Conversion rates for US e-commerce sites were actually up 3.96% year on year in Q1 2008. [Source: MarketLive via eMarketer, May 2008]
  - The average shopping basket abandonment rate rose 2.68% to 59.43%.

#### Average Conversion and Shopping Cart Abandonment Rates for US Online Retail Sites, Q1 2007 & Q1 2008 (% of total visits)

	Q1 2007	Q1 2008	% change
Conversion rate	3.94%	3.96%	0.51%
Shopping cart abandonment rate	57.88%	59.43%	2.68%

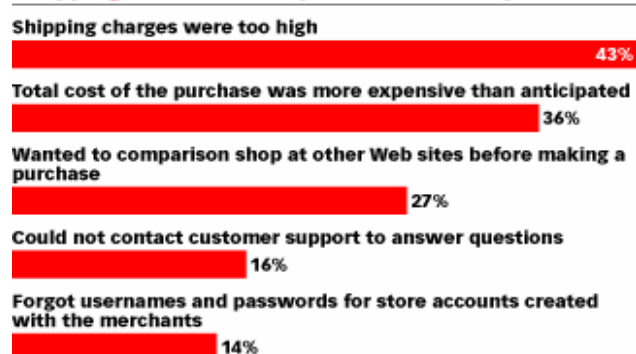
Source: MarketLive, "The MarketLive Performance Index - Volume 4," May 2008

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- A PayPal / comScore study of US consumers looked at the reasons for cart abandonment, finding that shipping costs was the main reason for dropping out. [Source: PayPal / comScore, May 2008]

#### Reasons that US Online Shoppers Have Abandoned Shopping Carts, March-April 2008 (% of respondents)

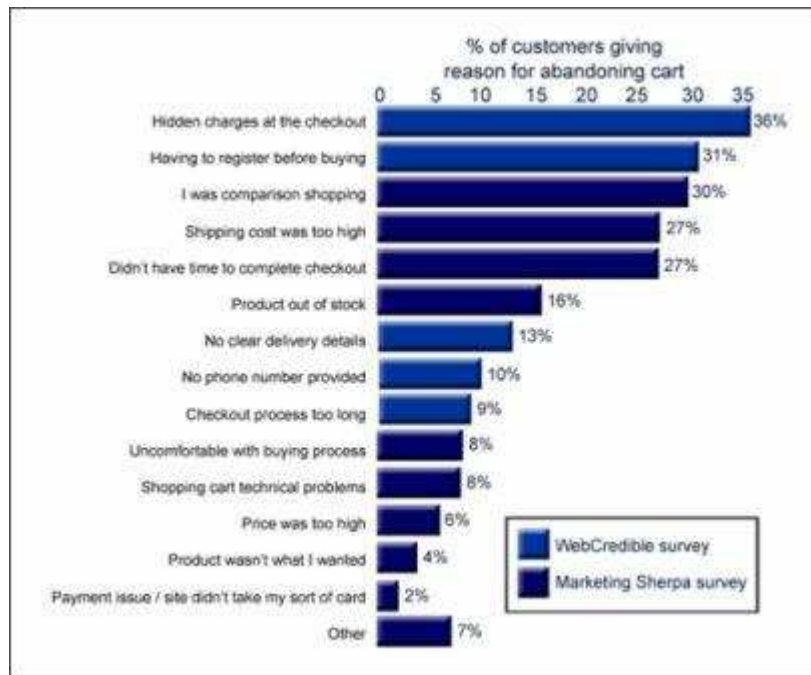


Source: PayPal conducted by comScore as cited in press release, May 28, 2008

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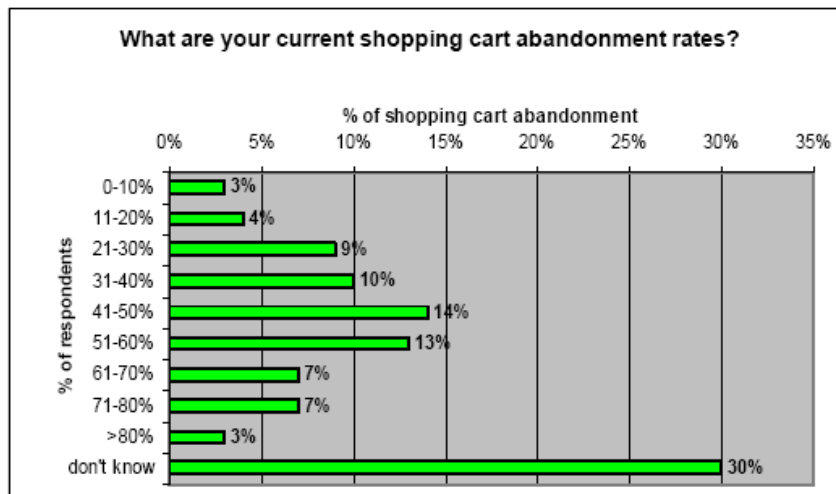
www.eMarketer.com

- According to Pindar's survey of 60 e-commerce sites, a well-performing site gets one third of all visitors to the basket page. [Source: Pindar Graphics, May 2008]
  - Basket drop-out rates average 44%, although best performers can achieve less than 30%
  - The best performing sites were achieving conversion rates of more than 8%, which is four times the average.
- The average abandonment rate for shopping carts is 60%, of which 12% give up before hitting the checkout. This means 48% of potential customers bail out at the checkout stage. [Source: Marketing Sherpa, June 2007]
  - There are big variations, with abandonment rates ranging from as low as 15% to as high as 90%.



[Source: Marketing Sherpa / WebCredible, June 2007]

- 37% of US merchants reported cart abandonment rates of between **31% - 60%**.
  - 6% claim rates over 80%
  - [The E-tailing Group, [5<sup>th</sup> Annual Merchant Survey](#), April, 2006]



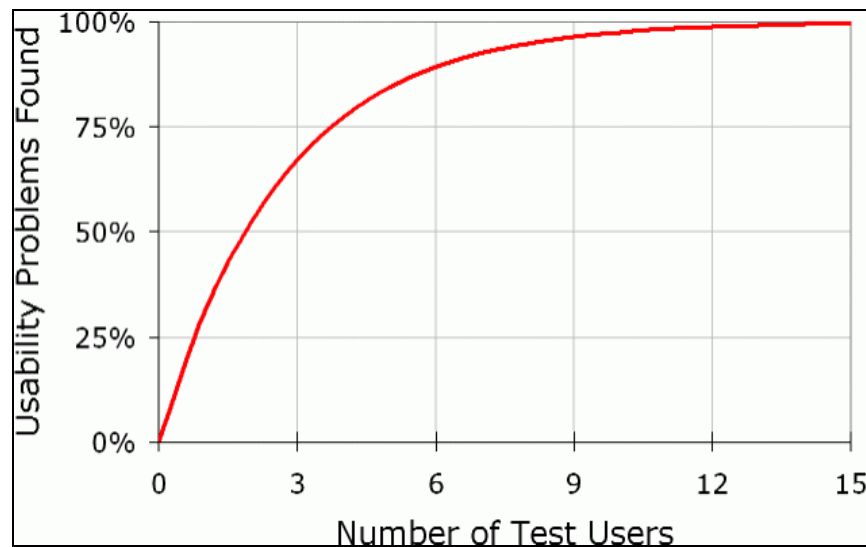
[Source: The E-tailing Group, [5<sup>th</sup> Annual Merchant Survey](#), April, 2006]

#### 2.4.4 Site content optimisation

- An example from TUI showed that clearer forward navigation & buttons and more prominent price presentation increased online conversion by 65%. [E-consultancy, Online Marketing Masterclasses, 2004]
  - For hotel promotion, video footage could increase conversion by up to 120% depending on quality of footage.

#### 2.4.5 Usability

- The UK's travel websites were criticised for poor standards of usability in a recent Webcredible study. [Source: Webcredible [via E-consultancy blog](#), April 2008]
  - The highest scoring website was Opodo with 67%, while Monarch came off worst on 38%.
- Average returns from usability work have fallen "substantially" in the last few years, according to a Nielsen study. [Source: Nielsen [via E-consultancy blog](#), Feb 2008]
  - The average ROI from the projects surveyed was 83% - down from 135% six years ago, but high enough to show that they are still well worth the effort.
- The UK market for usability and accessibility will grow by 20% in 2007 to a value of around £180 million from £148m in 2006, according to E-consultancy's [Usability and Accessibility Buyer's Guide](#) [Source: E-consultancy, June 2007]
- The combined **UK Usability and Accessibility market** was worth £115.2m in 2005, a 28% jump from £90m in 2004. The market will grow by a further 25% in 2006, resulting in a value close to £150m. [E-consultancy, [Usability & Accessibility Buyer's Guide 2006](#)]
- The standards of some of the UK's biggest retailers are slipping when it comes to the usability of their websites, with half of the sites studied by the firm offering a lower level of online service compared to last year. [Source: Webcredible via E-consultancy blog, Oct 2007]
  - Among the fallers were Marks & Spencer, whose score dropped from 81 last year to just 55, and John Lewis, which fell by nine points from 71 to 62. HMV topped the rankings this year with 70, while Game rose from 18th to 2nd.
- Site navigation, the checkout process and product descriptions are the three most important factors for making a decision to buy over the internet. [Questus, January 2006]
- Regarding number of users in a test group, typically just five people will iron out 85% of the problems (see Jakob Nielsen chart below), so a small group of between six and twelve people would be a good sample for the testing process. [E-consultancy, Usability Roundtable, 2004]



[Source: Useit.com, "Why You Only Need to Test with 5 Users", 2004]

### High-importance areas

- Consumers judged the following criteria out of 100:
  - Order Processing..... 68
  - Site Functionality..... 66
  - Content..... 64
  - Security..... 78
  - Site Navigation..... 54
  - Account Set-up..... 55

[E-consultancy, Retail: Online Marketing Benchmarks, June 2004]

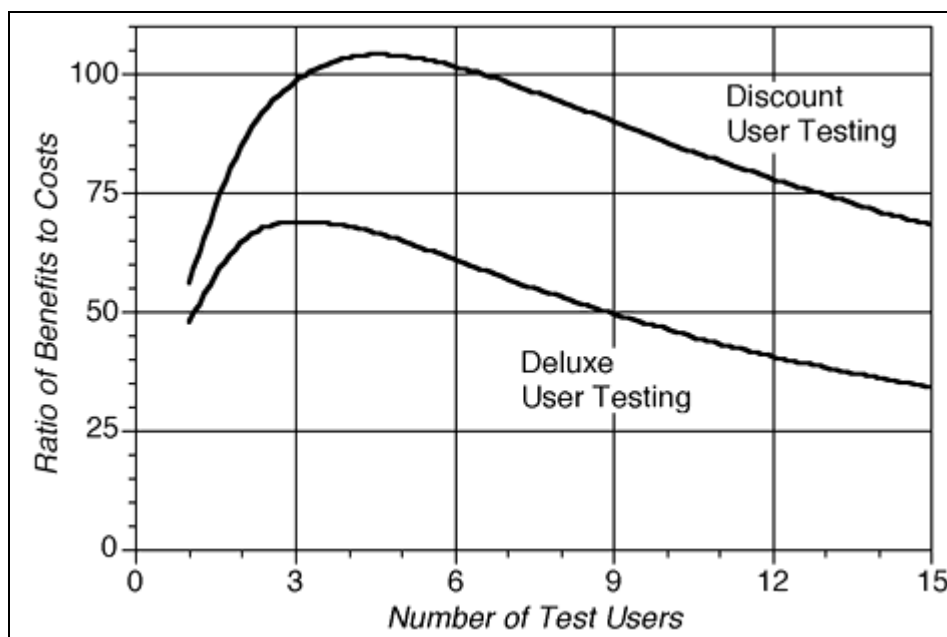
### Response time limits

- **0.1 second** is the limit if the user is to feel that the system is reacting instantaneously.
  - No special feedback is necessary except to display the result.
- **1.0 second** is about the limit for the user's flow of thought to stay uninterrupted, even though the user will notice the delay.
  - Normally, no special feedback is necessary during delays of more than 0.1 but less than 1.0 second, but the user does lose the feeling of operating directly on the data.
- **10 seconds** is about the limit for keeping the user's attention focused on the dialogue.
  - For longer delays, users will want to perform other tasks while waiting for the computer to finish, so they should be given feedback indicating when the computer expects to be done. Feedback during the delay is especially important if the response time is likely to be highly variable, since users will then not know what to expect.

[Source: [useit.com](http://useit.com) (Jakob Nielsen)]

### ROI

- The Usability Company's work with Victor Chandler's site resulted in a 50% increase in bets taken. [The Usability Company, 2004]
- Ratio of Benefits to Cost of Deluxe and Discount Usability Testing Across User Number



[Source: Useit.com, 2004]

### 2.4.6 Ratings, Reviews and Recommendations

*This information is now contained in Section 1.8.4 on 'Ratings and Reviews'*

## 2.5 Average Order Values

Top Online Product Categories by Average Order Value	
Non-Travel (Retail) Spending	
Excludes Auctions and Large Corporate Purchases	
Holiday Season to Date (Nov. 1 – Dec. 3, 2006) vs. Corresponding Days in 2005	
Source: comScore Networks	
Retail Category	Avg. Order Value
Computer Hardware	\$292
Consumer Electronics	\$153
Video Game Consoles & Accessories	\$141
Jewellery & Watches	\$128
Event Tickets	\$123

[Source:comScore, Dec 2006]

## 2.6 Christmas

### 2007

#### UK market

- eBay was the most popular retailer online during the 2007 Christmas shopping period - visited by an average of 15 million Britons per month in November and December.

[Source: Nielsen Online, Feb 2008]

- Of the ten most popular retailers, Asda (+68%) and Marks & Spencer (+54%) experienced the strongest audience growth since 2006.

Rank	Retailer	Average UK monthly Unique Audience in Nov/Dec 07 (millions)	Average UK monthly Unique Audience in Nov/Dec 06 (millions)	% UA increase from Nov/Dec 06 to Nov/Dec 07
1	eBay	15.0	14.9	1%
2	Amazon	14.0	11.4	22%
3	Argos	7.0	5.3	31%
4	Tesco	6.7	5.9	14%
5	Play.com	4.8	3.6	34%
6	M&S	3.4	2.2	54%
7	Currys	2.9	2.2	31%
8	John Lewis	2.8	2.1	33%
9	HMV	2.7	2.0	39%
10	Asda	2.6	1.6	68%

Rank	Retailer*	Average UK Unique Audience in Nov/Dec 07 (000s)	Average UK Unique Audience in Nov/Dec 06 (000s)	% increase from Nov/Dec 06 to Nov/Dec 07
1	Swarovski	355	118	201%
2	Superdrug	338	122	177%
3	Matalan	444	197	126%
4	Morrisons	381	173	120%
5	Ernest Jones	219	104	111%
6	Game	1,814	897	102%
7	H&M	226	114	98%
8	La Senza	347	184	88%
9	Monsoon	442	247	79%
10	BHS	392	222	76%

- More than 80% of adults in the UK shopped online in 2007, which is a rise of 5% on 2006's figures. [Source: Logan Tod, Jan 2008]
  - UK shoppers find the convenience of 24-hour shopping (67%) and lack of crowds (68%) the key benefits to shopping online over the Christmas period.
  - However, the most important consideration for shoppers (69% of those questioned) is price.
- Boxing Day was the busiest day of 2007 for the UK's online retailers, with December 2<sup>nd</sup> and December 9<sup>th</sup> coming second and third respectively. [Source: Hitwise, December 2007]
  - High street retailers received over twice as many UK Internet visits on Boxing Day as online-only retailers. The top 50 high street retailers' websites accounted for 5.39% of all UK Internet visits on Boxing day, compared to 2.37% for top 50 online-only retailers.
  - The five high street retailers with the most visited websites were: Argos, Currys, Comet, Marks & Spencer and Next.
- 4.4m people bought goods online on Christmas Day 2007 and spent a total of £84m, which is 269% more than last year and an average of £19.09 per shopper. [Source: IMRG, December 2007]

- Online spending reached £5.4bn in November according to the 'IMRG Capgemini e-Retail Sales Index' – which equates to £891 spent online for every person in the UK. This was an increase of 22.5% compared to October 2007 and 65% higher than the £3.2bn in November 2006. [Source: IMRG, December 2007]
- The UK's online shoppers reportedly spent £767,500 in just 60 seconds at 1.09pm on December 10th, breaking previous records. [Source: Retail Solutions [via E-consultancy blog](#), December 2007]
- The British Retail Consortium and Nielsen are predicting that sales of Christmas related goods will reach £12bn in the UK this year, a 5% increase on last Christmas. [Source: BRC/Nielsen [via E-consultancy blog](#), December 2007]
  - According to the figures, the average person will spend £435 on Christmas gifts, 12% more than last year. Clothes, books, films and music are predicted to be the biggest sellers.

## US market

- \$29.2 billion was spent online during the US holiday season, which runs from November 1<sup>st</sup> to December 31<sup>st</sup>. This is 19% more than for the same period last year. [Source: comScore, January 2008]
  - Monday, December 10 was the busiest online shopping day, with \$881m spent.
  - The week ending December 16 was the busiest week with \$4.7bn spent online.

2007 vs. 2006 Full Holiday Season (November 1 – December 31)			
Non-Travel (Retail) Spending			
	Billions (\$)		
Holiday Season to Date	2006	2007	Pct Change
November 1 – December 31	\$24.57	\$29.17	19%
Thanksgiving Day (November 22)	\$0.21	\$0.27	29%
"Black Friday" (November 23)	\$0.43	\$0.53	22%
"Cyber Monday" (November 26)	\$0.61	\$0.73	21%
"Green Monday" (December 10)	\$0.66	\$0.88	33%

- In the US, £26.2bn was spent online between November 1 and December 21, 19% more than the same period in 2006. [Source: comScore, December 2007]

## 2006

- According to Hitwise, visits to the iTunes Web site were up 413% on Christmas Day 2006 vs. Christmas 2005 as new iPod owners sought to download music.[Source: Hitwise, January 2007]
  - The market share of visits to Zune.net, Microsoft's music download site, showed an increase of 1,030% on December 25, 2006 versus the previous Monday (December 18, 2006).
  - The market share of visits to the iTunes website increased by 1,222% in the same period, and outnumbered visits to Zune.net by 30 to 1.

## UK market

- High street retailers were among the biggest gainers for Christmas 2006, Hitwise's stats show large increases in market share of UK internet visits among the top 100 retailers. [Source: Hitwise [via E-consultancy blog](#), January 2007]
  - *25% increase in market share of UK internet visits for M&S.*



- 26% increase for Woolworths.
  - 58% for HMV.co.uk.
  - 23% for John Lewis.
  - 103% for Waitrose
- The value of goods bought on the internet this holiday season has jumped by 50% to over £7bn for the 10 weeks up to Christmas. [Source: IMRG via The Independent, December 2006]
  - Tesco.com received 1.3 million visitors over the Christmas period, with overall sales up 30% on last Christmas. [Source: Tesco [via E-Consultancy Blog](#), January 2007]
  - Over the Christmas period, 24 million parcels from online retailers failed to be delivered first time, and 4 million didn't arrive at all. [Source: IMRG via Times Online (Sunday Times), January 2007]

**US market**

- comScore figures for November 1 to December 26 2006 showed an increase of 26% in online sales compared with the same period in 2005. [Source: comScore, December 2006]

2006 Holiday Season To Date vs. Corresponding Days in 2005			
Non-Travel (Retail) Spending			
	Billions (\$)		
	2005	2006	Percent Change
November 1 – December 26	\$18.28	\$23.11	26%
Mon. – Fri. before Christmas (12/18 – 12/22)	\$1.63	\$2.25	38%

- Top US sites ranked by sales (not including auction sites) [ Source: comScore, January 2007]

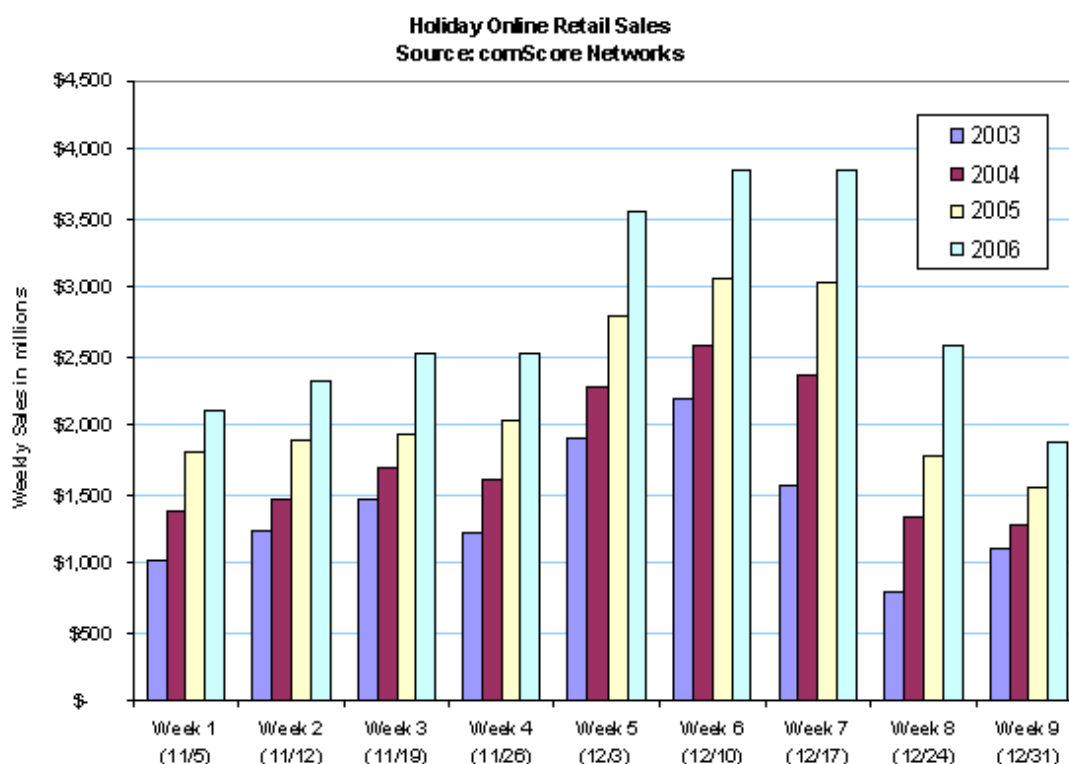
Top Retail Web Sites, Ranked by Dollars Spent*	
Non-Travel (Retail) Spending	
2006 Holiday Season to Date (Nov. 1 – Dec. 26)	
2006 Sales Rank	Retail Site
1	Amazon.com
2	Dell.com
3	Yahoo.com
4	Walmart.com
5	Ticketmaster.com
6	JCPenney.com
7	Apple.com
8	Bestbuy.com
9	Victoriassecret.com
10	Circuitcity.com

- Top 12 days of US E-commerce spending in 2006. [ Source: comScore, January 2007]

Top 12 Days of 2006 E-Commerce Spending, Ranked by Dollars Spent Non-Travel (Retail) Spending
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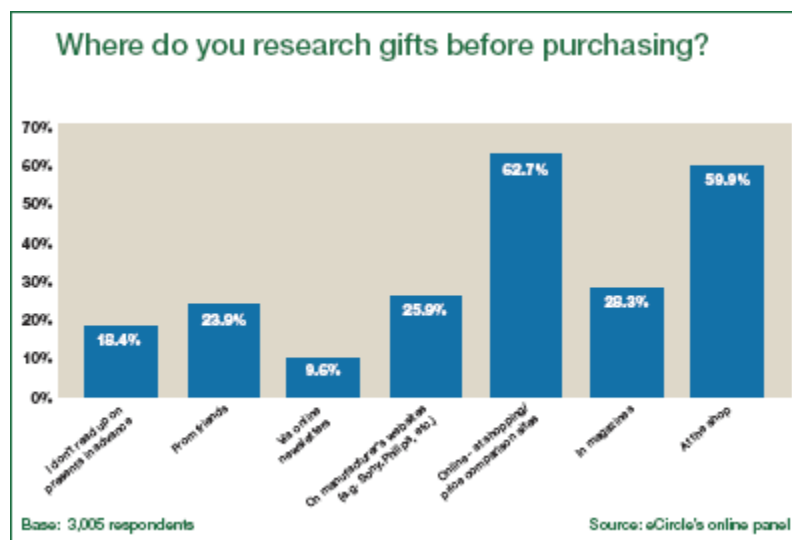
Excludes Auctions and Large Corporate Purchases Source: comScore Networks		
Rank	Date	E-Commerce Spending (\$ Millions)
1	Wednesday, December 13	\$666.9
2	Monday, December 11	\$660.8
3	Monday, December 4	\$647.5
4	Friday, December 8	\$638.2
5	Thursday, December 14	\$634.4
6	Wednesday, December 6	\$630.6
7	Thursday, December 7	\$629.4
8	Friday, December 15	\$623.9
9	Tuesday, December 12	\$619.8
10	Tuesday, December 5	\$612.3
11	Tuesday, November 28	\$608.2
12	Monday, November 27 - "Cyber Monday"	\$607.6

- US holiday online retail sales [Source:comScore, January 2007]

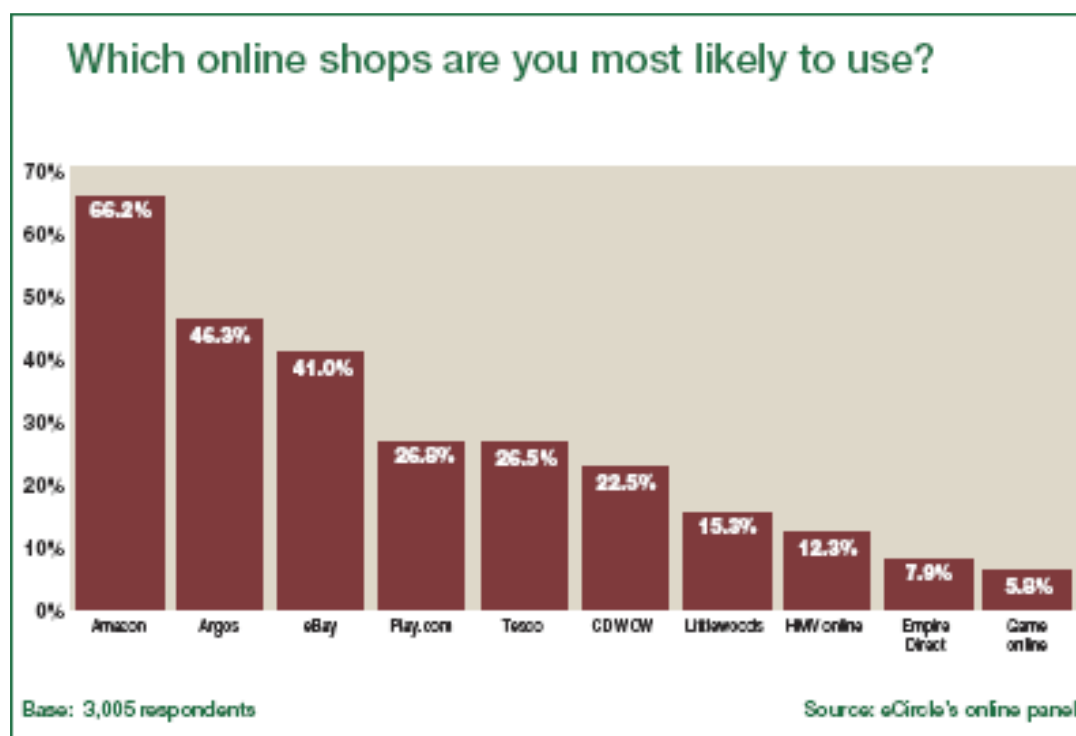


**UK/European market**

- eCircle interviewed 3,000 UK consumers to analyse the behaviour of internet users at Christmas 2006. [Source: eCircle Inside Digital Marketing, November 2006]
  - Over 90% of interviewees plan to buy their Christmas gifts at a retailer, of which more than 60% are online or mail order retailers.
  - 53% intend to buy at least one present online.
  - If people research gifts in advance almost two-thirds would look online.



[Source: eCircle via Marketing Week, December 2006]



[Source: eCircle (via Marketing Week), December 2006]

- comScore's analysis revealed that the week ending 3 December was the most active online shopping week to date in both the U.K. and Germany [Source: comScore, December 2006]

European Holiday Cyber Shopping Index\*:  
Visits to Secure Sections of Online Retailing Sites in U.K., France and Germany

Holiday Season Shopping Periods	U.K.	France	Germany
Pre-Holiday Base Period Index	100	100	100
Week 1 (10/30 - 11/5)	137	153	157

Week 2 (11/6 - 11/12)	146	162	153
Week 3 (11/13 - 11/19)	151	165	156
Week 4 (11/20 - 11/26)	165	179	163
Week 5 (11/27 - 12/3)	169	179	172

\*Defined as the change in number of visits to secure sections of retail sites compared to the pre-holiday base period, which is the average of weekly visits to secure sections of online retail sites from 28 August - 29 October. An index of 165 should be read as 65 percent more visits to secure sections of retail sites took place, compared to the average (100) during the pre-holiday period.

- During the week ending 3 December, Argos captured the highest share of online shopping visits on 12%, followed by Amazon on 11% [Source: comScore, December 2006]

Top Retail Sites by Weekly Share of Cyber Shopping Visits from U.K. Users for the Week ending 3 December.

U.K. Share of Weekly

Cyber Shopping Visits  
Week Ending 3 December

Top U.K. Retail Sites***	100%
Argos	12%
Amazon Sites	11%
Tesco Stores	6%
Littlewoods Shop Direct Group	6%
Play.com Sites	6%
Apple Computer, Inc.	4%
NEXT Group	4%
Ticketmaster	3%
Groupe PPR	3%
The Carphone Warehouse Group	2%

\*Percentage of total weekly shopping visits to secure sections of retail sites

\*\* Excludes traffic from public computers such as Internet cafes or access from mobile phones or PDAs.

\*\*\*Not including eBay

- A third of UK consumers will be spending less on the high street this Christmas as they make the move to online shopping. [Mutual Points, September 2006]

## 2005

- Internet shopping increased almost 50% in the UK during the build up to Christmas 2005 with customers spending nearly £5bn online, compared with £3.3bn over the same period in 2004 [IMRG, February 2006]
  - Half the adult UK population shopped online during the 2005 festive season.
- 34% of Christmas shopping was done online in 2005, according to a survey of 4,500 consumers. [YouGov, 2006]
- E-traders saw online orders in November and December rise by 110% on average, compared with the same period 12 months earlier. [Actinic, 2006]
- Research commissioned by Lycos predicted that UK online spend would be £3.9bn for November and December 2005 compared to £5bn for the same period predicted by IMRG. [Lycos & IMRG]

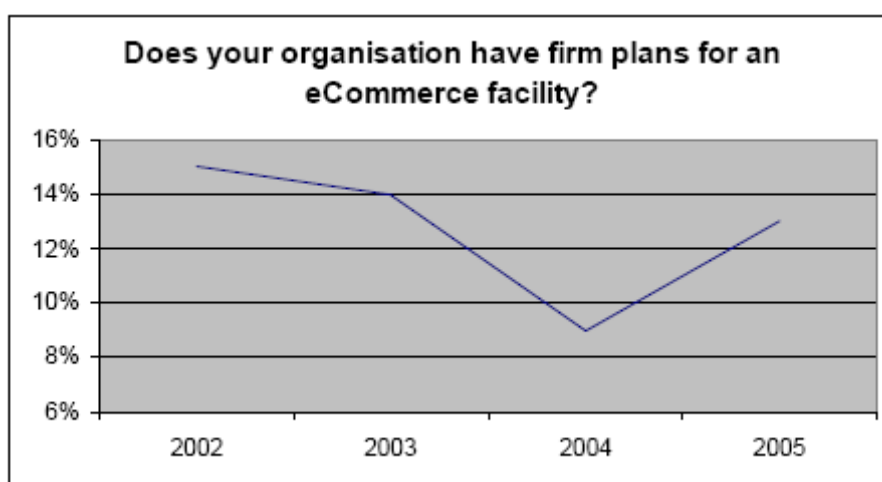
- Visits to retail sites were up 14% year on year for December 2005 [Hitwise, December 2005]
  - For the week ending 31 December, visits to retail sites were up by 16% on the previous year.
  - The online auctions sector grew by 29% year-on-year for December, apparel & accessories by 24%, house & gardens by 14% and toys & hobbies by 13%.
- Internet sales increased 50% in the pre-Christmas period of 2005 period at a time when High Street sales went up by just 0.9%. [IMRG, December 2005]
- Visits to music downloading websites went up by 50% rise on Christmas Day 2005. [Hitwise, December 2005]

## 2004

- UK shoppers spent £2.6 billion online in the three-month run-up to Christmas.
  - Retail analysts recording an average £220 per person spent online. [The Scotsman, 2005, UK data]
- Reasons for shopping online during Christmas:
  - Avoiding crowded stores
  - Lower prices and sales
  - Wider selection and availability. [Goldman Sachs, 2005, US data]
- Online sales using Visa credit cards during Christmas week 2004 were \$1.8 billion. [Information Week, 2005, US data]
  - This was up 58% over the same 2003 period.
  - Online transactions reached 24 million; this was up 43% over the same 2003 period.
- US visits to shopping websites made up 8.72% of all visits to the internet during Christmas week. [Hitwise, 2005]
  - This meant an increase of 19.86% from 2003.
- Amazon.com reported 99% of Christmas goods delivered on time. [The Scotsman, 2005]
  - 400,000 items were delivered in one day at the Christmas peak.
- Online retailers on average claimed to deliver 99% of goods on time. [The Scotsman, 2005]
  - This left an estimated shortfall of around 500,000 undelivered presents by Christmas day.
- Royal Mail was due to deliver 55 million items ordered online by Christmas. [Royal Mail, 2005]
  - This is compared with 40 million in 2003 and 20 million in 2002.

## 2.7 SMEs

- The proportion of small and medium businesses in the UK **retail** sector that own web sites has risen from 7% in 2004 to 25% in 2005. [Actinic, October 2005]
  - The percentage of SMEs using e-commerce has also increased from 3% in 2004 to 8% in 2005.
  - Among companies with a web site, the proportion using ecommerce fell from around 40% in 2004 to 32% in 2005.
  - ASP ecommerce solutions are growing in popularity, up from 7% of all e-commerce sites in 2004 to 29% in 2005.
- In 2005, 13% of companies with a website, but without online stores, had firm plans to implement e-commerce, a sharp rise from 7% in 2004. [Actinic, October 2005]



Actinic, 2005 [Link to PDF report](#)

## 2.8 B2B E-commerce

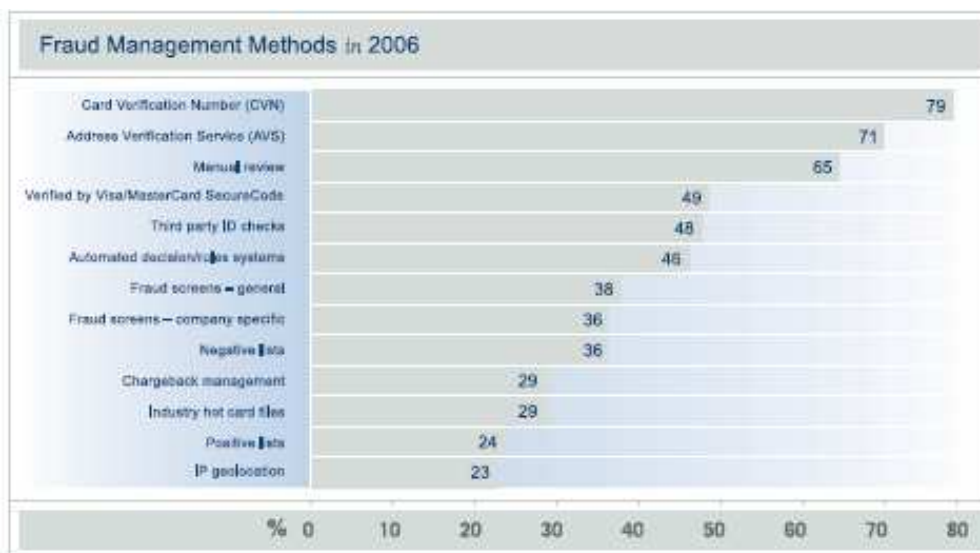
- Small and Medium enterprises are driving the growth of the online services market. [Silicon.com/Yankee Group, July 2006]
  - Online marketing is "too complicated" for the average SME so they choose to rely on online services companies which can advise them on how to get the most out of their web presence.
  - 65% of SMEs have websites and 39% offer ecommerce, up 5% from a year ago.
  - These trends have led to solid growth in sales for web hosting (which will hit \$5.4bn by 2010), web-based services (\$4.1bn by 2010) and online marketing (\$9.3bn by 2010). [Silicon.com/Yankee Group, July 2006]
- 77% of B2B companies regard the primary purpose of the website as a 'source of company and product/service information'. [B2B Marketing/IAB, April 2006]
  - 12% of B2B companies cited online sales as the primary objective of the website.

## 2.9 Security and Fraud

*Please also refer to sections on [Click Fraud \(3.1.7\)](#) and [Spam/Virus Email/Phishing \(3.2.11\)](#)*

- Online retailers are increasing expenditure on anti-fraud measures but there is a lack support from government and law enforcement authorities, according to a new survey of 165 UK businesses and 1000 consumers. [Source: CyberSource [via E-consultancy blog](#), Feb 2008]
  - Only 17% of retailers surveyed believed that the police were "effectively challenging online fraud".
  - 54% of consumers said that they still shop online, but are now more careful as a result of media coverage, though 30% said this had not changed their online shopping habits.
  - 56% now use a credit rather than a debit card, while 84% look for signs that a website is secure before making a purchase.
  - Media scare stories have been enough to dissuade 4% of respondents from shopping online altogether, while 10% shop less often as a result.
  - 24% of consumers feel that responsibility for dealing with online fraud rests with retailers, and just 4% believe that this is a police issue.
- Figures from payments association APACS indicate that online banking fraud losses have declined by 67% over the past year, though online card fraud continues to be a problem. [Source: APACS [via E-consultancy blog](#), Oct 2007]
  - Online banking fraud losses, including those from phishing, have dropped from £22.4m for January to June 2006, to £7.5m for the first six months of this year.
  - The figures weren't so good on other types of fraud - phishing incidents are on the rise, from 5,087 in the first six months of last year, to 7,224 for the same period in 2007, a rise of 42%.
  - Card not present (CNP) fraud continues to increase, up by 44% for January to June this year, with losses of £137m in total.
- Worries about credit card fraud remain a significant factor behind poor uptake of e-commerce by small and medium sized enterprises (SMEs), according to the Federation of Small Businesses (FSB). [Source: FSB, August 2007]
  - FSB said only 18% of UK SMEs were trading online in 2005, while less than 1% were generating all their sales through the web.
  - Although only 6% of small firms had experienced online credit card fraud, its threat was a significant concern to 19% of businesses, the FSB added.
- 12% of British internet users (or 3.5m people) fell victim to online fraud last year, with around half of them losing out while shopping. [Source: Get Safe Online [via E-consultancy Blog](#), March 2007]
  - 2,441 respondents to the survey reported an average £875 loss in 2006
  - Around 6% of all users were defrauded while shopping online, 5% by other methods and 4% had their bank accounts compromised.
- Online fraud figures released by APACS, the UK payments association, show a 44% rise in online banking fraud last year. [Source: APACS [via E-consultancy blog](#), March 2007]
  - £33.5m was stolen in 2006 from online bank accounts in the UK - a rise of 44% from 2005's figure of £23.2m.
  - The number of phishing attacks also rose sharply - in 2005 the number of reported attacks was 1,173; in 2006 the figure was a massive 14,156.
- In Cybersource's Third Annual online fraud survey of 150 UK e-tailers, 73% said that losses from fraud have fallen or stalled as a proportion of revenue. [Source: Cybersource [via E-consultancy blog](#), January 2007]

- 58% reported that losses to fraud in terms of monetary value have either fallen or remained the same.
- 60% of those surveyed have increased their spending on fraud management, though many still rely on manual review.
- 38% of companies had no plans to introduce automated fraud detection solutions.



[Source: Cybersource [via E-consultancy blog](#), January 2007]

- CyberSource estimates that web merchants in the US and Canada will lose \$3 billion to online payment fraud in 2006. [Source: CyberSource via eMarketer, December 2006]

**Online Revenue Loss due to Online Payment Fraud according to Internet Retailers in North America, 2000-2006 (billions)**

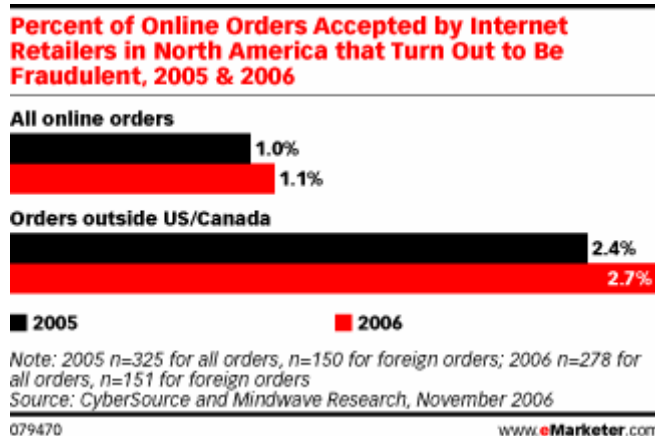


Note: 2000 n=132; 2001 n=220; 2002 n=341; 2003 n=333; 2004 n=348; 2005 n=404; 2006 n=351  
 Source: CyberSource and Mindwave Research, November 2006

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- More Britons fear internet crime than they do burglary. Some 21% of respondents felt most at risk from net crime, while 16% worried most about being burgled. [Get Safe Online, October 2006]
- Online retail fraud rates in the US are now similar to the fraud rates suffered at bricks-and-mortar stores. [eMarketer/Merchant Risk Council (MRC), May, 2006]
  - MRC figures indicate that card-present fraudulent chargeback rates in stores are usually less than 0.1% of sales. In the MRC survey, 48% of the online retailers said that their chargeback rates are at the same level.
  - This was a significant improvement on previous years when online fraud outpaced card present fraud by as much as 500%. [MRC]
- Online fraud increased during 2005 - but not as a proportion of transaction volumes and spend. [CyberSource, January, 2006 UK Online Fraud Report]
  - Around a third of merchant respondents (35%) noted no change in their incidences of fraud, and almost a third (30%) said that they had fallen.
  - When considering fraud as a proportion of total revenues, just 16% of participants reported it as rising.
  - Respondents believe that the growing sophistication of anti-fraud tools and techniques will play the biggest part in bringing online fraud down further, with 87% citing such tools and authentication technologies as key.
- 1% of accepted orders in the UK were fraudulent, down from 1.6% on the previous survey. This matches the US finding of 1%, a decrease of 0.3% from last year's result. [CyberSource, 2006 UK Online Fraud Report]
- Merchants declined 4% of orders due to suspicion of fraud, a 2% decrease on the previous year. Similarly, in the US, the overall order rejection rates have fallen from 5.9% to 3.9%. [CyberSource, 2006 UK Online Fraud Report]
- 42 percent of US adults said their concerns about phishing attacks affect their online shopping. Worse, three out of 10 consumers said they purchase fewer items because of security concerns. [Gartner 2005]
- 39% of merchants currently have no automated systems to screen online orders. [CyberSource, 2005 Fraud Report, UK]
  - The majority of merchants are using basic fraud protection techniques, including manual review, Address Verification Service (AVS), and Card Security Code (CSC) checks.
    - 73% of merchants surveyed named manual review as a method of managing fraud, making it the preferred tool for fraud prevention, along with Address Verification Service (AVS).
  - Most merchants employ a toolkit approach, using on average 5 different anti-fraud tools.

- Only 23% are currently using the card association schemes Verified by Visa and MasterCard SecureCode.
    - 43% more merchants plan to introduce the systems in 2005.
- The cost of direct fraud is 1.6% of online orders. [CyberSource, 2005 Fraud Report, UK]
  - Further indirect costs of fraud include:
    - 6% of orders are rejected – some are valid – and 20% of orders manually reviewed (fraud management costs).
- In 2003 £400 million loss was attributed to online fraud. [CyberSource, 2005 Fraud Report, UK]
- 70% of merchants accept orders from outside the UK. [CyberSource, 2005 Fraud Report, UK]
  - Countries identified (by the UK) as highest offenders concerning online fraud were Nigeria, the US and Indonesia.
    - Respondents in the US survey found that Nigeria and Indonesia posed the highest risk of fraud.
- Four in five Internet users (80%) are at least somewhat concerned that someone could steal their identity from personal information that is on the Internet. 45% say they worry *a lot* and 35% say they worry *some*. [[Consumer Reports WebWatch](#)/Princeton Survey Research Associates International (PSRAI). October 2005]
  - Nearly nine out of ten users (86%) have made at least one change in their behaviour because of fears about identity theft.
  - 53% say they have stopped giving out personal information over the internet.
  - 30% say they have reduced their overall use of the internet.
  - 25% say they have stopped buying things online.

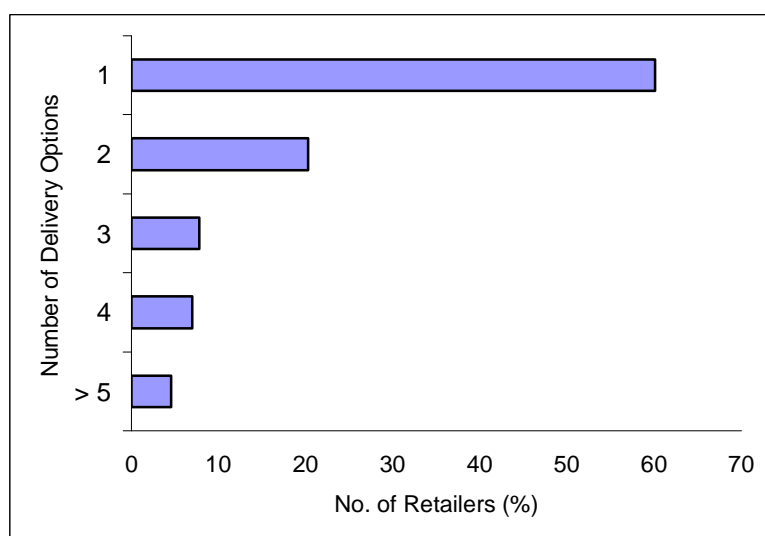
### Address Verification Service (AVS)

- 73% of UK merchants use AVS. [CyberSource, 2005 Fraud Report, UK]
  - If a merchant were to use only AVS, they would falsely reject 25% of valid orders and not detect 61% of fraudulent ones.

## 2.10 Fulfilment and Delivery

- The UK's e-tailers are fulfilling customer orders faster than before and have become more flexible with their delivery options, according to new research. [Source: Snow Valley [via E-consultancy blog](#), Sep 2007]
  - The study of 71 online retailers found that delivery speeds were increasing - although some retailers would like to be more flexible but are limited by carrier costs.
  - 54% of e-tailers in the study managed to deliver within two days of their standard delivery rates, up from 36% in last year's study. 90% of online orders arrived within the stated timeframe.
  - 64% gave the customer at least 2 delivery options, up from 56% in 2006. 21% of online retail sites gave customers the option of a specific delivery date, while 20% let them pick a specific time for delivery.
  - 15% of retailers offered free delivery as standard, while 30% offered this if the order was over a certain amount. The most popular price bracket was £3 - £3.99.
- 60% of retailers provide only one delivery option and a further 20% provided just two (see chart below). [MetaPack, "Can Online Retailers Deliver?", Feb 2005]

## Delivery Options Provided By Retailers



[MetaPack, "Can Online Retailers Deliver?", Feb 2005]

- Other key finding from MetaPack research, "Can Online Retailers Deliver?", Feb 2005:
  - Where a single delivery option was offered, this was most commonly an unspecified delivery window such as "3 to 5 working days".
  - Second delivery options, where available, were typically an express version of the first option, typically offering delivery "within 2 working days" for an additional charge.
  - Just 20% of retailers were able to deliver the customers' goods on a Saturday.
  - Less than 12% of online retailers allowed customers to choose a specific delivery date for their goods.
  - The major grocery retailers provided customers with the option to select a delivery day – once these were excluded, just 9% of non-grocery online retailers allowed customers to do this.
  - Multi-Channel retailers provided the least choice, with 70% offering only one delivery option and a further 16% providing just two.
  - Catalogue retailers provided the most choice, with 37% providing 3 or more delivery options.
  - 47% of pure-play and 41% of Catalogue retailers provided a free 'standard delivery' service, compared to only 21% of Multi-Channel retailers.
  - On average, the free standard delivery service from pure-play retailers offered delivery in 4-5 working days, compared to 2-3 working days from Multi-Channel and Catalogue retailers.
  
- Amazon.com reported 99% of Christmas goods delivered on time. [The Scotsman, 2005]
  - 400,000 items were delivered in one day at the Christmas peak.
  
- Online retailers on average claimed to deliver 99% of goods on time. [The Scotsman, 2005]
  - This left an estimated shortfall of around 500,000 undelivered presents by Christmas day.

## 2.11 Online Customer Service

- Customers are not shy in spreading the word when they have had a bad experience with an online retailer, with many telling friends about their troubles, either in person or on the phone, while others will use online reviews, blogs and message boards. [Source: Tealeaf via eMarketer, Oct 2008] 

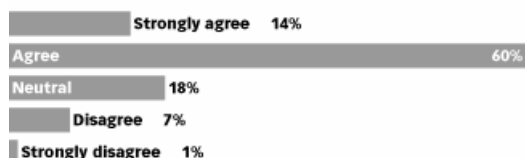
### How US Online Shoppers Who Have Experienced Problems Conducting Online Transactions Share Their Experiences with Others, August 2008 (% of respondents)



Note: ages 18+  
Source: Tealeaf Technology, "2008 Online Transactions" conducted by Harris Interactive as cited in press release, September 16, 2008  
098058 [www.eMarketer.com](http://www.eMarketer.com)

- Firms ignore customer service at their peril, according to a study in which 90% of customers say they choose firms based on previous customer care experience. [Source: Society for New Communications Research via eMarketer, May 2008]

### Agreement of US Internet Users that Their Choice of Companies and Brands Is due to Customer Care Experience Information Shared Online, February-March 2008 (% of respondents)



Note: n=320  
Source: Society for New Communications Research, "Exploring the Link Between Customer Care and Brand Reputation in the Age of Social Media" commissioned by Nuance Communications, April 23, 2008  
094433 [www.eMarketer.com](http://www.eMarketer.com)

- A recent Transversal report shows the poor performance of many UK firms when responding to customers' emails. [Source: Transversal [via E-consultancy blog](#), March 08]
  - 100 leading organisations were tested by sending them routine questions by email. Less than half (46%) answered those questions "adequately" and the average time they took to respond was almost two days (46 hours).
  - Performance has become worse since 2006, when companies adequately answered 60% of queries and responded on average within 33 hours.
- Etailers need to respond to online enquiries within at least 24 hours to retain customers, according to a Lifestyles Online survey of 7,637 European web shoppers. [Source: Lifestyles Online, Feb 2008]

- 84% said they wanted a response within at least 24 hours. Just 16% felt that a response after 24 hours was satisfactory. 36% think an answer within the hour should be possible.
- 85% of consumers say that if their contact is ignored they will not bother with that same retailer again.
- When asked to rate customer service features that are most important to them when buying online, 74% of consumers rated a perpetual shopping cart as an important feature. [Source: Allurent via MarketingCharts, Feb 2008]
- Major UK firms take an average of 46 hours to respond to customers' emails, according to a new study that shows pretty mixed levels of customer service online. [Source: Transversal via E-consultancy blog, December 2007]
  - Websites, on average, could only provide answers for 50% of common customer queries.
  - Telecoms, insurance, travel, electronics, grocers and utility performed worst - all were unable to answer 60% of consumer queries online.
  - Grocery and electronics retailers slipped since last year's study, with average correct responses to emails falling from 80% to 55% and 90% to 55% respectively.
  - Travel websites have performed badly in the last two surveys. They fail to answer 60% of common questions and had an average email response time of 58 hours.
- Etailers are getting better at customer service, with 76% of shoppers saying they were happy with the help they were offered on websites, according to the IMRG's E-Customer Service Index. [Source: IMRG via E-consultancy blog, November 2007]
  - 73% were satisfied with responses from online retailers via telephone and email, though this still leaves 27% of customers presumably unhappy with the way their queries / problems were handled.
- A new study of the UK's online retailers has revealed that many e-commerce sites are not offering customers a range of contact details, while many offer limited delivery options and no customer feedback features. [Source: NetExtract via E-consultancy blog, Sept 2007]
  - 60% of UK online retailers provided no telephone number on their website, 43% displayed no business address, while 39% had no contact email address.
  - In addition, 30% of sites profiled provided no telephone number or email address.
- UK banks have again been heavily criticised over their online customer service by a new study that shows their websites fail to provide answers to routine customer queries. [Source: Transversal [via E-consultancy blog](#), August 2007]
  - On average, bank sites could only answer 50% of "routine questions" – the majority rely on static and complex FAQ pages. Still, that's better than the company's findings in 2006, when the average was 30%.
  - 30% struggled to answer more than 2 out of 10 queries about products and services, while 30% didn't offer the opportunity to send questions by email.
  - 30% responded to emails correctly, down from 40% last year, while for those offering email, the average reply time was 30 hours – up from 22 hours last year.
  - 60% had a customer search function, compared to 40% in 2005, while 80% had FAQ pages for customers, compared to half in 2005.
- UK online retailers have widely differing levels of speed and accuracy when dealing with customer enquiries, according to a new study. [Source: Talisma via E-consultancy blog, June 2007]
  - A test of leading etailers by Talisma found 45% failed to reply to customer emails, while only 47% of those that did provided "accurate and complete information" in their responses.

- The UK market for Online Customer Service Solutions is growing at 50%, according to a [new report](#) published by E-consultancy. [Source: E-consultancy, May 2007] [Online Customer Service Solutions Buyer's Guide 2007](#)
- A third of UK companies are not responding to email queries from customers quickly enough, while some are ignoring them altogether, according to a survey of 125 major UK firms. [Source: eGain via E-consultancy blog, May 2007]
  - Only 36% responded to customer emails within 24 hours, and only 16% within one hour.
  - Just 19% of companies provided an accurate response to their customers' queries, and only 18% sent an automatic acknowledgement in response to the customer's email.
  - The retail sector was the best overall performer with a 70% response rate, though only 49% of these responses were of a good quality, and only 10% of retailers managed to respond within an hour.
  - Telco firms were the worst offenders, with 58% ignoring e-mails and 15% offering no e-mail facility on their website. Less than 15% of telco firms answered emails within an hour.
- The use of OCS solutions, particularly by companies in the **financial services** and **telecoms** sectors, is becoming increasingly widespread. [E-consultancy, 2005]
- The online customer service ratings for Britain's banks have fallen to an all-time low according to research which found that 50% of the major banks were unable to answer a single one of 10 basic customer questions asked via their websites. [Transversal (via [TheWiseMarketer](#)), August 2006]
  - Overall, the banking sector averaged a score of only 2.5 out of 10, successfully answering one-quarter of common questions asked.
  - The general level of online customer service in 2006 was substantially worse than in 2005 (when only two banks scored zero and the sector successfully answered an average of three questions out of ten).
- 14 out of 32 UK Government websites failed to respond to email requests for basic information on services offered, only a marginal improvement on a similar 2002 study when 50% of all departments failed to respond. [Porter Research/Precedent, March 2006]
- Research has shown that 64% of leading consumer websites surveyed could answer fewer than two out of ten most often asked consumer questions. [Transversal, 2005]
  - Only 16% of websites could answer five or more questions successfully.
  - Nearly half of the organisations surveyed (44%) also failed to respond to customer questions escalated by email. Those that did took an average of 33 hours to reply.
  - Telecoms websites were the worst performers, answering 1 out of 10 questions, on average
  - Travel websites could answer fewer than 2 questions.  
[Transversal, 2005]
- 36% of 224 websites that received test emails took longer than three days to reply or did not respond at all. [JupiterResearch, December 2004]
  - 59% of consumers said they would not purchase from a company again if they were dissatisfied with their customer-service experience. [JupiterResearch, December 2004]
- It is estimated that a company that spends about \$8 per phone incident could reduce its support costs to less than \$2 per incident if it uses email, live chat and self-help features on its website. [Sento Corp, March 2005]

## 2.12 Customer Experience and Customer Engagement

- 80% of consumers say they would be less likely to return to a retailer's website after a negative online shopping experience. [Source: Allurent via MarketingCharts, Feb 2008]
  - Nearly 40% said a frustrating online shopping experience would make them less likely to shop at that retailer's high street store.
  - 60% reported that a frustrating shopping experience online negatively impacts their overall opinion of the retailer/brand.
- The overwhelming majority of company respondents (90%) say that online customer engagement is either 'essential' or 'important' to their organisations, while three-quarters of respondents (77%) say that its importance has increased in the last 12 months. [Source: E-Consultancy's [Online Customer Engagement Report 2008](#), sponsored by cScape.]
  - Blogging and video-sharing sites are the methods most commonly being employed to engage with an audience online, with 21% of company respondents using each of these tactics.
  - These are the tactics most commonly being *planned* by companies:
 

1) Web-based widgets / badges / gadgets	39%*
2) Blogging sites	36%
3) Desktop-based applications / widgets/ gadgets	35%
Joint 4) Social networks	32%
Joint 4) Social news sites / bookmarking	32%

*\*Percentage of company respondents planning to use tactic*

- A quarter of online retailers could be affecting their customers' loyalty by failing to provide information about how they can return unwanted purchases, according to a study by Snow Valley of 70 UK e-commerce companies. [Source: Snow Valley [via E-consultancy blog](#), Oct 2007]
  - 26% of brands enclosed no return instructions with the goods and only a third displayed a link on their homepage containing the word 'return'.
  - However, once goods had been sent back, 90% were able to process returns and refunds without further action from the customer and half of the refunds were made within two working days.
  - 39% of retailers with offline stores did not allow shoppers to return goods bought online to their outlets.
- While increasing numbers of adults have moved travel research and bookings online, there is still a need to improve the customer experience, and increase conversion rates to fuel sales growth. [Source: Logan Tod/YouGov, August 2007]
  - 31% of British web users intend to do all of their holiday planning, including bookings, online in 2008. 36% plan to do the majority of planning online, while only 4% will not use the internet for travel in 2008.
  - People are booking holidays online because of its easier and quicker process (84%); the ability to find better prices online (82%); and 24/7 availability (76%).
  - While 76% of holiday planning Brits use the Internet to research their destinations, only 66% use it to book flights and accommodation.
  - 70% trust advice from friends and family when booking online; while 47% trust UGC reviews and only 22% trust advice from travel agents or holiday firms.
- Nine out ten respondents to a US survey have experienced problems when making a transaction online, and 42% of those that have defected to a rival or abandoned the process. [Source: Harris Interactive [via E-consultancy blog](#), Sept 2007]
  - 53% of respondents that hit difficulties online would contact customer service. But of those, 49% said they did not have their issue resolved.

- The main problems encountered were error messages (34%), navigation problems (37%), login problems (30%) insufficient, incorrect or confusing information (29%), endless loops that block transactions (22%), poor search function (21%)
- Just under four fifths (78%) of internet shoppers are happy with the retailers they use online, according to IMRG. [Source: IMRG [via E-consultancy blog](#), June 2007]
  - The web was customers' preferred channel for two categories of goods - 64% of respondents preferred to buy books, DVDs and CDs online, while 56% preferred to shop online for travel bookings and tickets.
  - However, only 13% preferred the web for home and DIY, and food and drink.
- eDigital Research's E-Retail Customer Service Index (CSI), produced in conjunction with iPoints, painted a positive picture on the e-commerce market. [Source: eDigital via NMA, February 2007]
  - Satisfaction rates for online shopping averaged 80%.
  - Almost 40% of respondents said they strongly preferred to shop online for products such as books, CDs and games.
  - 30% preferred to shop online for travel products such as flights and car hire.
- '*Lack of resources (budget and time)*' is the biggest barrier to cultivating better online customer engagement - regarded as a great barrier by 60% of responding organisations, according to E-Consultancy's [Online Customer Engagement Report 2008](#).
  - The next most significant issues were found to be '*complexity of organisation*' and '*organisational incoherence, culture or (lack of) will*', regarded as great barriers by 42% and 38% of organisations respectively.
- Nearly 70% of internet users said they found themselves on an improperly functioning site at least once a week. [Empirix, 2006]
  - More than 90% of respondents give up on a web transaction after three failed attempts to buy something.
  - After this, 30% never use the site again and 20% will not deal with the company again – on or offline.
- Three-quarters of the UK population shop online and spend an average of £89 per month. [SciVisum (via Revolution), September 2006]
  - But 78% of e-shoppers have turned off a computer out of frustration with site performance
  - 57% cited speed as the main reason for buying online.
  - 47% said that sites that crashed mid-transaction were a major cause of web rage.
  - 54% were frustrated by the inability to ask questions over the phone, while others cited usability issues such as complicated registration (47%), inability to find information (46%) and inability to amend orders (45%).
- Three quarters of Britons now shop online despite 78% of them complaining of bad service. [NMA/SciVisum, July 2006]
  - Less than half of online shoppers would give their favourite websites more than two chances before trying the competition or returning to the high street.
  - The reason for website discontent were:
    - Not being able to ask questions over the phone (54% of respondents)
    - Website crashes (47%)
    - Complicated registration (47%)
    - Not being able to find information (46%)
    - Not being able to amend orders (45%)



- 96% of UK FTSE 100 companies believe that in future managing the customer experience online will be more important than offline. [Foviance/London Business School, 2006]
  - 71% already think the online customer experience is more important than offline, while 25% view them equally.

### 3. Online Marketing

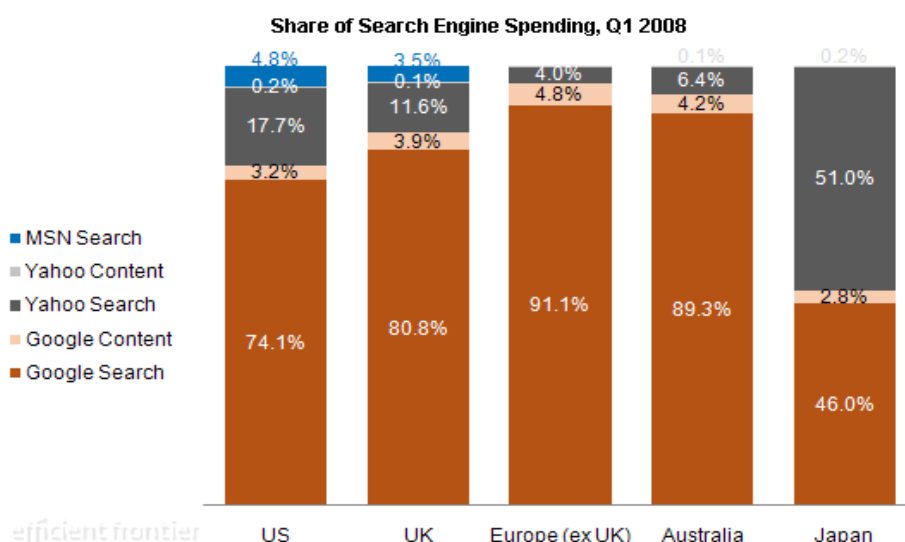
#### Budget

- Just under a quarter of UK marketing budgets were increased in the first quarter of 2006, the weakest rise since 2002. [Q1 2006 Bellwether Report]
  - Traditional media budgets were cut for the sixth quarter in a row but internet advertising continued to grow.
  - Internet advertising was the only media to have budgets increased in Q1 - the strongest gain since Q1 2004.
    - 25.8% of firms increased internet budgets.
- Online marketing budgets were revised upwards by an average of 28.7% in Q4 2005 compared with 27.2% in Q3 2005. [Q4 Bellwether Report/NTC Research]
- 80% of advertisers include the internet in their marketing mix, a figure which is expected to increase to 90% by 2008. [Outsell, Inc, February 2006]
  - Online marketing spending is expected to increase 19% in 2006 compared to an expected 2.4% rise for TV & radio and 3.3% for print.
  - Search engine ad spending is set to grow 26% in 2006. Budget allocation for Google amounts to \$3.7 million; \$4.6 million for Yahoo!; and \$4.6 million for MSN. [Outsell, Inc, February 2006]
- 26.5% of marketers increased their online budget in Q4 2004. [NMA, Jan 2005]
  - This increased by 2.6% from Q3 2004.
  - Online spend represented 3.5% of all UK marketing spend for 2004.

### 3.1 Search Engine Marketing

#### 3.1.1 Overall market figures

- In the UK, Google had 87.3% of the search market in June this year, compared with 79.5% in June 2007. [Source: Hitwise, July 2008]
  - Yahoo's share of UK searches has fallen from 7.7% to 4% year on year, MSN from 5.7% to 3.7, and Ask.com from 4.6% in June 2007 to 3.1% last month.
- Google's share of US searches increased from 63.9% in June 2007 to 69.1% in June this year. [Source: Hitwise, July 2008]
  - Yahoo's share has dropped from 21.3% to 19.6% over the same period, while MSN has fallen more dramatically, from 9.8% to 5.4%.
- Advertisers spent £1.69bn on search engine advertising in the UK last year, an increase of 45% on 2006. [Source: Efficient Frontier, May 2008]
  - Search advertising accounted for 58% of UK online ad spending in 2007
- Google grabbed 84.7% of search engine advertising spending in the first quarter of 2008. Yahoo accounted for 11.7%, and MSN 3.6%. [Source: Efficient Frontier, May 2008]



- SEMPO (Search Engine Marketing Professional Organisation) predicts that search spending in North America will grow to \$25.2bn in 2011 from \$12.2bn in 2007. [Source: SEMPO via eMarketer, April 2008]

**Search Engine Marketing (SEM) Spending in North America, 2007-2011 (billions)**



*Note: Includes paid placement, organic search engine optimization (SEO), SEM technology and paid inclusion*  
 Source: Search Engine Marketing Professional Organization (SEMPO), "The State of Search Engine Marketing 2007" conducted by Radar Research via IntelliSurvey, Inc., February 2008

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**US Search Engine Marketing Spending, by Type, 2006-2011 (% of total and millions)**

	2006	2007	2008	2009	2010	2011
Paid search advertising	63.5%	62.0%	61.2%	59.4%	58.0%	56.7%
Contextual advertising	12.9%	13.9%	14.7%	15.5%	16.5%	16.9%
Paid inclusion	6.3%	5.7%	4.8%	4.5%	3.9%	3.6%
Search engine optimization (SEO)	17.4%	18.4%	19.3%	20.6%	21.6%	22.8%
<b>Total</b>	<b>\$8,229</b>	<b>\$10,574</b>	<b>\$13,625</b>	<b>\$16,285</b>	<b>\$19,006</b>	<b>\$21,490</b>

*Note: Search engine marketing includes both advertising and non-advertising (non-media buy) components; search advertising includes paid listings for search engine results (also called "paid placement"), contextual text links that appear alongside content on third-party publisher sites and paid inclusion for guaranteeing that a marketer's URL is indexed by a search engine; search engine optimization (SEO) includes those techniques used to create better placement in the natural, or organic, search results; numbers may not add up to 100% due to rounding*  
 Source: eMarketer, January 2008

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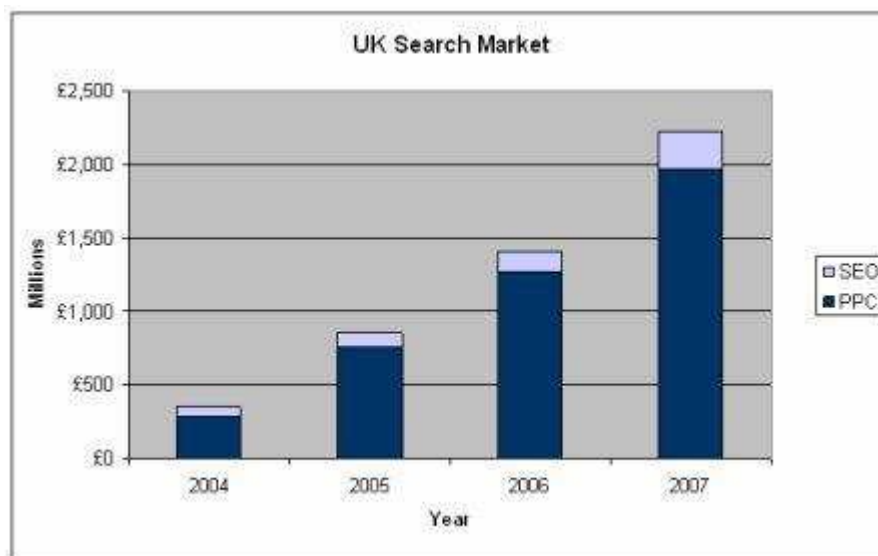
www.eMarketer.com

- US search engine rankings, December 2007. [Source: comScore, Jan 2008]

<b>comScore Core Search Report* December 2007 Total U.S. – Home/Work/University Locations Source: comScore qSearch 2.0</b>			
<b>Core Search Entity</b>	<b>Share of Searches (%)</b>		
	<b>Nov-07</b>	<b>Dec-07</b>	<b>Point Change Dec-07 vs. Nov-07</b>
Total Core Search	100.0%	100.0%	0.0
Google Sites	58.6%	58.4%	-0.2
Yahoo! Sites	22.4%	22.9%	0.5
Microsoft Sites	9.8%	9.8%	0.0
Time Warner Network	4.5%	4.6%	0.1
Ask Network	4.6%	4.3%	-0.3

- E-consultancy estimates that the value of paid search alone will near the £2bn mark this year, reaching around £1.97bn, up 56% from 2006. [Source: E-consultancy's [2007 Search Engine Marketing Buyer's Guide](#), August 2007]
  - We forecast that UK spending on Search Engine Marketing will increase 58% this year to £2.22bn - and although that growth rate is down from 65% in 2006, the market still looks to have plenty of room for growth in the future.

- For the first time, spending on organic search will grow more quickly, increasing 68% to £252m. Our estimate includes payments to agencies, as well as investment in client-side staff to manage SEO and implement changes.



- US search market size estimates, 2004 – 2011. [Source: Metrics 2.0, August 2007]


U.S. Search Market Size Estimates (\$ Billions)								
	2004	2005	2006	2007	2008	2009	2010	2011
Paid Search		10.0	14.0				33.0	Piper Jaffray
Paid Search	2.6					5.4		JupiterResearch
Search Marketing		5.8	7.2	8.3			11.1	SEMPO
Search Marketing	4.7	6.2	7.9					MarketingSherpa
Local Paid Search			1.0	1.8			4.0	Borrell Associates
Local Search		3.4					13.0	The Kelsey Group
Mobile Search			0.03					1.5 Informa
B2B Vertical Search						1.0		Outsell
Enterprise Search		1.0					2.6	IDC

Metrics 2.0 (www.metrics2.com)

- Six out of 10 marketers are planning to increase both their paid search and natural search budgets over the next 12 months, a higher percentage than for any other digital marketing channel. [Source: [E-consultancy UK Search Engine Marketing Report 2007](#), April 2007]
  - Half of respondents are getting an ROI of more than 300% from PPC. For natural search, two thirds of respondents are getting returns of more than 300%.
  - For return on investment, Google is rated as the best search engine by 80% of company respondents compared to 11% for MSN and 8% for Yahoo!.
- In the US, 65% of advertisers said they expect to increase investment in search, while a mere 7% were likely to cut spending. The rest expected search spending to remain constant. [Source: Jupiter Research, April 2007]
  - 26% of large advertisers in companies with revenues of \$50m + plan to increase spending on search marketing by over 25% this year.
  - 28% of these advertisers plan spending increases of between 11 and 25%, while 21% said investment in search will remain the same.
  - Of these 'larger advertisers', 27% were 'very satisfied' with ROI, 40% were 'satisfied', 25% were neither, while just 9% were unhappy with their returns.

- Search-related ad spending in North America neared \$10 billion in 2006, growing 62% over 2005. [Source: Search Engine Marketing Professional Organization (SEMPO), February 2007]
  - \$8 billion, or 86%, was spent on paid search.
  - \$1.1 billion, or 12% of overall spending, was on SEO.
  - Organic SEO is still the most popular search marketing tool, with almost three-quarters of advertisers using it. Paid placement was a very close second with 71%.
- Paid Search generated an estimated \$10 billion globally in 2005 and that figure is expected to grow 41% in 2006 to more than \$14 billion. [Piper Jaffray, January 2006]
  - In 2005, advertisers spent an estimated \$10bn on paid search networks such as Google, Yahoo! and MIVA.
- Advertisers spent \$5.75 billion on search engine marketing in North America in 2005, a 44% increase from 2004 [Search Engine Marketing Professional Organization (SEMPO), 2006]
- UK spending on Search advertising grew 78.8% year on year to £768.4 million for 2005. [IAB, PwC, WARC, March 2006]
- Search engine marketing (including paid listings, contextual search, site optimisation, and paid inclusions) will generate €1.4 billion of spending in Europe in 2005, a 65% increase compared with 2004. By 2010, European marketers will spend almost €3 billion — up from €856 million in 2004 — on search marketing. [Forrester, March, 2005]
- Keyword costs, which are rising due to the popularity of this performance-based auction-model of advertising, will be up to five-times more expensive in the US than in Europe by 2007, [Forrester]

### 3.1.2 Search trends

- 88% of UK Internet searches in 2008 are for branded search terms, up from 65% in 2005. [Source: Hitwise, Aug 2008] 
  - One in ten brand searchers end up at a website other than the brand's .
- SEO and paid search, along with email marketing, are the most commonly used methods for generating online leads according to a survey of 600 digital marketers. [Source: [E-consultancy Online Lead Generation \(B2C\) Report](#), June 2008]
  - Natural search (79%), email marketing - in-house lists (75%) and paid search (71%) are the most commonly used online methods for lead generation.
  - More than half of company respondents (52%) said that natural search was "very effective". Just under half (48%) said that paid search (PPC) was very effective.
  - PPC is getting a bigger proportion of online lead generation budgets (33%), even though natural search is perceived to be better value for money.
- Occupying the top of organic and paid search listings can not only pay off in terms of performance marketing – it can also have a big impact on consumers' perception of brands, according to a Google sponsored study from Enquiro Research. [Source: Enquiro via E-consultancy blog, December 2007]
  - Using Honda as the test brand and 'fuel-efficiency' as the test brand attribute, the Google-sponsored study focused on consumers that were at an early stage in the process of selecting and buying a car.
  - It found that when Honda appeared at the top of the paid search and organic rankings, consumers were 16% more likely to think of the manufacturer's cars as fuel efficient than when its brand didn't appear on the page.

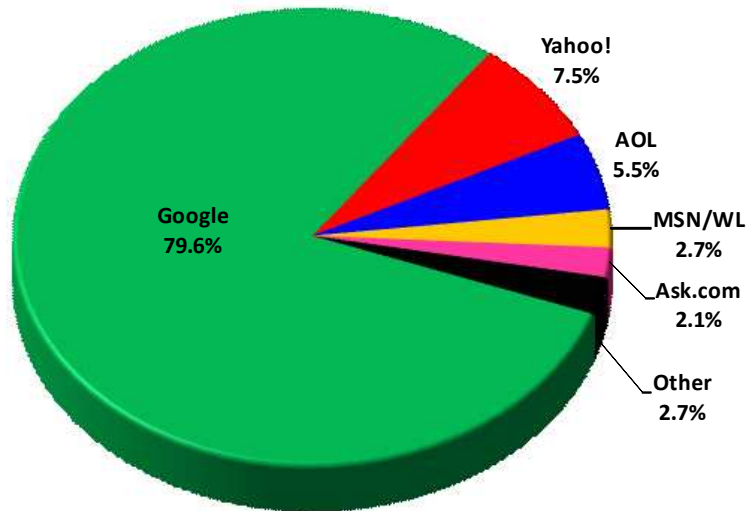
- Participants were also 42% more likely to recall Honda if it was highest in both listings, rather than just top in the organic rankings.
- Small businesses are more reliant on search engines to drive their traffic, according to a Hitwise study of the Internet Retailer Top 500 list. [Source: Hitwise [via E-consultancy blog](#), Oct 2007]
  - Half of merchants ranked 400-500 in the list received more than half of their visitors via Google, Yahoo! et al.
  - This trend was reversed for the larger etailers, with the majority of the top 100 relying on search engines for between 11% and 30% of their monthly traffic.
  - Only 13 of the top 100 etailers generated between 30% and 40% of all site traffic from search engines; 50 received between 20% and 30% of visits via search, while six etailers generated less than 10% of traffic in this way.
  - On average, the 224 retailers in the list that sold online only attracted 64% of their monthly visits from search engines, while the 89 catalogue firms attracted 30%, chain stores 28%, and brand manufacturers 27%.
- According to a recent comScore/ SEMPO study, search marketing is crucial in building brand awareness and driving offline sales for Consumer Packaged Goods Companies. [Source: comScore/SEMPO, October 2007]
  - The study also found that customers arriving at the site via search engines spent an average of 20% more than non-searchers.

<b>Search as a Driver of Traffic to CPG Web Sites</b>			
<b>February 2007 – April 2007</b>			
<b>Total U.S. Market</b>			
<b>Source: comScore Digital Shelf Study (Behavioral)</b>			
<b>Web Site Category</b>	<b>Unique Visitors to Category Sites (MM)</b>	<b>Unique Visitors that Used Search to Reach Category Sites (MM)</b>	<b>Percent of Unique Category Visitors that Used Search to Reach Category Sites</b>
Food Products	93.7	43.8	47%
Personal Care Products	35.9	9.8	27%
Baby Products	26	15.7	60%
Household Products	7.3	1.7	23%

- In July 2007 UK web users clicked on over 1.3bn search results, which equates to 29,000 every minute. [Source: Nielsen/NetRatings, September 2007]
  - Sectors receiving the most click-throughs from UK searches: July 2007:

<b>Rank</b>	<b>Sector</b>	<b>Millions of UK click-throughs to sector</b>	<b>% of all UK click-throughs</b>	<b>Leading brand in sector (illustration only)</b>
1	Multi-category Travel	41.6	4.7%	<i>Lastminute.com</i>
2	Member Communities	40.2	4.5%	<i>MySpace</i>
3	Research Tools	39.3	4.4%	<i>Wikipedia</i>
4	Search	37.4	4.2%	<i>Google</i>
5	Mass Merchandiser	33.9	3.8%	<i>Amazon</i>
6	Government	32.4	3.6%	<i>Directgov</i>
7	Adult	31.5	3.5%	<i>FriendFinder Network</i>
8	Videos/Movies	27.8	3.1%	<i>YouTube</i>
9	Current Events & Global News	27.2	3.1%	<i>BBC News</i>
10	Online Games	27.0	3.0%	<i>Miniclip</i>

Share of UK clickthroughs by search engine, July 2007:



- In the UK, search engines are the largest website category, traffic-wise, having overtaken adult Web sites in October 2006. [Source: Enquisite via Search Engine Watch, March 2007]
  - Market share of visits to UK search engines was up 22% year on year in December; but other categories grew faster, including a 34% increase for Net Communities, 24% for News and Media sites.
  - Google was used for 77% of UK internet searches in month before February 10, 2007; Yahoo Search powered 8%, while Ask.com and MSN Search both powered 5% of searches.
- Google's audience has grown almost 2.5 times the rate of search's. It now has almost 3 times the audience of Yahoo Search. [Source: Hitwise via Search Engine Watch, March 2007]
  - Google had a 71.6% share of the global search market between August 2006 and January 2007.
  - In the same period, Yahoo had an 11.1% share of the market.
  - From January 20 to February 12 this year, Google's share dropped to 67.1%.
- 256m people visited a search engine in December 2006 – this represents 81% of global internet users. [Source: Nielsen/NetRatings via Search Engine Watch, March 2007]
  - The global search audience has grown by 10% over the last year, while the total Internet audience grew 8%.
  - Search engine use grew dramatically in France (27%) and Spain (21%), ahead of the US (8%), though the US remains the largest search market
  - Search is most popular in the UK (85%), France (83%) and Spain (83%). For the US, the figure is 77%.
  - The average search engine user views 93 search pages a month, taking an average of 27 minutes.
- A Burst Media survey of over 2,000 web users who plan to travel in the next three months found that nearly half (47.2 %) of respondents who will use the web to plan their upcoming travel say the internet will be their primary travel resource.[Source: Burst Media via Marketing Vox, February 2007]
  - The 25-34 age group are most likely to use the internet as their primary travel resource (53.2%)
  - The 55+ age group are least likely (41.1%).

- Two-thirds (66.9%) will conduct travel research as well as make an online travel transaction - and 33.1% will use the web solely as an information resource.
- Google made \$10.5 billion in ad revenue in 2006, up 75% from 2005. [Source: SEMPO, 2007]
- Google has increased its dominance of the UK's search market this year, according to new figures that also show almost 1m searches are being conducted per hour by British web users. [Nielsen//NetRatings (via [E-consultancy news blog](#)), October 2006].
  - Google was responsible for 68% of UK click-throughs in August, a 2.8% rise over February, while second-placed Yahoo! only managed a 0.1% increase to 9.1%.
  - Third, fourth and fifth-placed Ask.com, MSN/Windows Live and AOL all saw their shares fall by around 1%, ending up with shares of 7.8%, 5.8% and 4.1% respectively.
  - The figures also show 706m searches were undertaken by UK internet users in August, an increase of 30m from February.
  - That, according to the research group, equates to 22.8m per day; 949,000 per hour; 15,800 per minute and 264 per second.
  - Some 546m of August's searches were clicked on – an 18% rise.
- 45% of search marketers are using agencies for one or more of their campaigns. [JupiterResearch, August 2006]
- The number of people searching on the internet is still growing. According to comScore, there were 1,160 million searches in the UK in February 2006 compared to 893 million searches in February 2005 which represents 30% year-on-year growth in terms of the number of searches. [E-consultancy Search Engine Marketing Buyer's Guide 2006 & comScore, May 2006]

#### How Search has grown as proportion of online advertising market

	<i>Search</i>	<i>Classifieds</i>	<i>Display</i>
2003	34.7%	23.4%	41.9%
2004	39.5%	24.7%	35.6%
2005 H1	40.2%	26.8%	33.0%

[Source: MMXI Europe, 2005]

- Google dominates the UK search market, powering 77% of UK internet searches. [Hitwise, June, 2006]
  - MSN and Yahoo! each powers just over 7% of UK internet searches.
  - Ask.com has 5% market share.
  - Google UK is the most visited site in the UK, receiving twice the share of visits as MSN Hotmail, the number 2 site.
  - Visitors to Google UK spent an average of 13 minutes and 30 seconds on the site in the week ending 20<sup>th</sup> May 2006 – the longest session duration for a search engine.
  - The highest volume searches on Google UK were 'ebay', 'hotmail', 'bebo', 'yahoo' and 'argos'.
  - 84.5% of visits to Google properties go to the UK or .com search engine.
  - Google images is the most popular sub-domain after the main Google search engine.
  - Yahoo!'s portal and email service are its strongest properties, with 30% of visits to Yahoo!'s top 20 properties going to the UK or .com portal and 31% going to



- the UK or .com mail site. By comparison, less than half that volume (15%) went to Yahoo! Search properties.
  - o MSN's Hotmail, accounted for nearly half (44%) of visits to MSN's top 20 properties. [Hitwise, June, 2006]
- There was a 23% increase in search engine usage from 2004 to 2005 (60.7 million users in September 2005 up from 49.3 million in September 2004). [ComScore Media Metrix, 2005]
- Retailers are losing between 30% and 40% of sales because they are failing to provide specific destination pages for products when consumers click on PPC links. [Logan Tod, October 2005]
- Search spend alone was 50% larger than cinema in Q3 2004. [IAB, 2004]
- About 10 million people in the UK used a search engine in January 2005, compared with about 13 million Germans and 6.7 million in France. [Nielsen//NetRatings, 2005]
- Google had 68.6% of the UK Search market in January 2006 compared to 21.6% for Yahoo!, 21.2% for MSN, 14.6% for Ask.com and 9.8% for AOL. [Nielsen//NetRatings, January 2006]
  - o 23 million people in the UK, 84% of the UK online population, visited a search engine in January 2006.
  - o 33% of Search users clicked through to retailers.
  - o 31% of Search users clicked through to shopping directories.
- Search Engines and Directories contributed 17.9% of all visits to the **Shopping & Classifieds** category for the week ending December 3, 2005. [Hitwise, December 2005]
  - o Google led **search engine referrals** by providing 10.8% of visits to online retailers compared to 4.1% for Yahoo! Search and 0.8% for MSN Search.
  - o For the week ending December 3, 2005, the largest category sending visits to Shopping & Classifieds sites was shopping sites themselves at 49.5%, indicating that internet users are visiting multiple retailers within an Internet session. [Hitwise, December 2005]
- Search is closing in on email as the primary daily online activity (77% email; 63% search). [SearchEngineWatch / The Kelsey Group, June 2006]
  - o 35% of online shoppers reported loyalty to one search engine
  - o 53% said that they used two or three search engines
  - o 10% indicated that they used four or more search engines regularly
- 76% of users use more than one search engine and 56% regularly use two or three search engines. [Harvest Digital, April, 2006]
  - o Nearly half (47%) of internet users spend over 30% of their time online searching.
  - o 24% of users believe advertisers have paid to come top of the ranking.
  - o 43% of users click on links because they are on the first page compared to a third of users who click because the description describes what they are looking for. [Source: Harvest Digital, April, 2006]
- The web is the preferred channel for 50% of UK users searching for **financial and travel items**. [Equi-Media, February 2006]
  - o When searching for car insurance, 50% of consumers go online, significantly higher than any other channel.
  - o Only a quarter of consumers preferred to research products on the high street. [Equi-Media]
- Marketers who credit only the last search result a person clicks on before converting are missing the full value of **“assist” clicks** . [360i (via ClickZ), August 2006]

- 60% of conversions were completed with one click on a marketer's natural or paid listings.
- The other 37.3% of transactions were completed with at least one "assist" click on a marketer's search listings.
- Multi-click conversions accounted for two-thirds of the total clicks measured.
- Four out of 10 searchers tend to click on links on the first page of search results but then revise their search query or try another search engine if they don't find what they want. [iProspect / JupiterResearch, April 2006] ,
  - 62% of searchers click on a link within the first page of results, up from 60% in 2004 and 48% in 2002.
  - 90% click on a link within the first three pages, up from 87% in 2004 and 81% in 2002.
  - 82% of search engine users re-launch an unsuccessful search using the same search engine as they used for their initial search, but add more keywords to refine the subsequent search. This compares to 68% in 2002.
  - 36% of search engine users believe that the companies whose websites are returned at the top of the search results are the top brands in their field.
- Only 10% of **online travel transactions** linked to Search occurred immediately after the initial search referral. [comScore/Yahoo!/Media Contacts, July 2006]
- Only 11.4% of searchers use one-word queries, 28.9% use two-word queries, 27.85% use three-word queries.
  - Four-word queries account for 17.1%, five-word for 8.25% and six-word queries for 3.7%.
  - Canadians are more likely to search with four-word queries, Germans use two-word queries 40% of the time and then 28% use one-word queries. [[OneStat.com](http://OneStat.com) (via SearchEngineWatch), August 2006].
- Approximately 50% of online purchases are preceded by research on a search engine. [DoubleClick / Performics / comScore, "Search Before the Purchase", March 2005]
  - In travel nearly 75% of travel buyers used search engines before making a purchase.
  - The number of searches prior to purchase varies by category:
    - Buyers on fitness/sports sites conducted 2.5 relevant searches in the 12 weeks preceding a purchase;
    - Apparel buyers made 4.7 relevant searches;
    - Computer hardware buyers, 4.9,
    - Travel buyers averaged 6 relevant searches
  - The majority of pre-purchase search activity (both searches and clicks) involves generic terms. Buyers clearly prefer generic terms early in the buying cycle – for example, "running shoes," as opposed to a merchant brand.
    - Brand-specific searches accounted for only 18.1% to 28.5% of all searches
    - A small minority of all the searches (4% or less for each category) were for "Brand + Item Searches";
    - Though the volume of searches on these Brand + Item terms is low, they do drive a comparatively high proportion of clicks per search - for Apparel sites, only 1% of searches but 3.7% of clicks.
- The top 3 searches on the MSN portal for 2004 were:
  - Big Brother
  - Inland Revenue
  - Horoscopes [i-Level, 2005]
- The four leading search engines powered 81% of UK internet searches in September 2005. When the UK and .com properties of Google, MSN Search, Yahoo! Search and Ask are combined, that figure reaches 94%. [Hitwise UK Search Report, October 2005]

- Google UK dominates the UK search engine market, powering 63% of all internet searches in September 2005. Collectively, Google UK and Google.com powered 70% of UK internet searches. [Hitwise UK Search Report, October 2005]
- Google accounts for more than 50% of all UK web searches, generating three times as many search requests as Yahoo! in the UK market. [Nielsen//NetRatings 2005]

### 3.1.2.1 News Search

- Yahoo! UK & Ireland News is the most popular News Vertical Search site, capturing 30% of visits within the custom category in September. [Hitwise UK Search Report, October 2005]
  - Combined with the .com property, Yahoo! News captures 41% of visits to the News Vertical Search custom category.
  - Google News UK is the second largest News Vertical Search site. Combining the UK and .com properties, Google News captures 33% of visits to News Vertical Search sites.

#### Top 7 News Vertical Search Custom Category Rankings Based on Market Share of UK Visits in September 2005 [Hitwise UK Search Report, October 2005]

Rank	Name	Domain	Market Share	Average Session Duration
1	Yahoo! UK & Ireland News	uk.news.yahoo.com	29.93%	3:01
2	Google News UK	news.google.co.uk	26.83%	5:51
3	NewsNow	www.newsnw.co.uk	12.77%	11:01
4	Yahoo! News	news.yahoo.com	10.64%	3:19
5	BBC NewsSearch	newssearch.bbc.co.uk	9.45%	3:32
6	Google News	news.google.com	6.47%	6:35
7	MSN UK – News and Weather	www.msn.co.uk/news	3.91%	2:00

### 3.1.2.2 Image Search

- Google UK Image Search dominates image search with 85% market share of visits in September. Combined, Google UK Image Search and Google.com Image Search accounted for more than 93% of visits to Image Search Engines in September. [Hitwise UK Search Report, October 2005]

#### Image Vertical Search Engines, Based on Market Share of UK Visits to the Custom Category in September 2005

Rank	Name	Domain	Market Share	Average Session Duration
1	Google UK Image Search	images.google.co.uk	84.52%	13:25
2	Google Image Search	images.google.com	8.83%	11:06
3	Yahoo! Image Search	images.search.yahoo.com	3.47%	13:21
4	AltaVista – Image Search	www.altavista.com/image	1.90%	16:36
5	Ask Jeeves UK – Picture Search	pictures.ask.co.uk	1.28%	9:59

[Hitwise UK Search Report, October 2005]

### 3.1.2.3 Local Search and Internet Yellow Pages

- 68 million US internet users performed an Internet Yellow Pages (IYP) search online in July 2006. [comScore, October 2006]
  - This represents a 46% increase versus year ago.

- When analysing the total share of IYP searches, Yahoo! Sites and Verizon SuperPages had the largest share, with 23.9% and 20.1%, respectively.
- Google Sites ranked third in IYP searches, capturing 12.5%, followed by Yellowpages.com with 12.0 percent.

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#### Share of Total Internet Yellow Pages Searches by Site (Top 8)

July 2006

Total U.S. Home, Work and University Internet Users

Source: comScore IYP Report

	Total Yellow Pages Searches
Total Internet	100.0%
Yahoo! Sites	23.9%
Verizon SuperPages	20.1%
Google Sites	12.5%
Yellowpages.com	12.0%
Time Warner Network	7.7%
Local.com	5.9%
InfoSpace Network	5.1%
Dexonline.com	4.1%

- About 109 million people, 63% of US internet users, performed a local search online in July – 43% more than a year earlier. [comScore (via Marketing Vox), September 2006]
  - Google (30%) and Yahoo (29%) sites accounted for the largest share of local searches in July.
  - Microsoft sites account for 12%, followed by the Time Warner network sites with 7%.
  - 47% of local searchers in the second quarter of 2006 said they visited a local merchant as a result of their search behaviour.
  - 41% made other offline contact and 37% made contact online as a result of conducting a local search.
  - About 41% of those conducting a local search searched for something in their home area rather than information on businesses in locales they intended to visit.
  - Among those searching in their home area, 59% searched for a restaurant or something entertainment-related, such as a theatre.
- Share of visits to the Local Vertical Search category increased by 13% year-on-year in September. [Hitwise UK Search Report, October 2005]
  - Yell.com captured 64% of visits to Local Vertical Search sites in September 2005. The site is more than ten times larger than its nearest competitor, Local.co.uk, based on share of visits within the custom category.

#### Top 5 Local Vertical Search Sites Based on Market Share of UK Visits in September 2005

Rank	Name	Domain	Market Share	Average Session Duration
1	Yell.com	www.yell.com	63.58%	06:30
2	Local.co.uk	www.local.co.uk	6.03%	02:53
3	ThomsonLocal.com	www.thomsonlocal.com	5.70%	03:52
4	Touch Local	www.touchlocal.com	5.14%	01:55
5	thelocalweb.net	www.thelocalweb.net	4.55%	02:04

[Hitwise UK Search Report, October 2005]

### 3.1.2.4 Categories Visited Via Search Engines

- Shopping & Classifieds sites receive the most 'downstream' visits from all of the major search engines. [Hitwise UK Search Report, October 2005]

### Top Downstream Categories from Leading Search Engines, August 2005

	Hitwise Category	Google UK	MSN.co.uk Search	Yahoo! UK & Ireland Search	Ask Jeeves UK
1	Shopping & Classifieds	15%	14%	14%	16%
2	Travel	10%	13%	12%	12%
3	Entertainment	10%	7%	9%	7%
4	Business & Finance	9%	10%	10%	11%
5	Lifestyle	5%	5%	5%	5%
6	News & Media	5%	3%	4%	4%
7	Education	6%	3%	4%	5%
8	Sports	3%	2%	2%	2%
9	Government	3%	3%	3%	3%
10	Automotive	2%	3%	2%	2%

[Hitwise UK Search Report, October 2005]

### 3.1.3 Search outside the UK

#### 3.1.3.1 Search in Germany

- Germany was Europe's second largest market for search advertising in 2004 (after the U.K.), with about €165 million (£114 million / \$199.5 million) spent on paid listings and organic search marketing programs. [Forrester 2005]
  - Compound growth in this area is expected to slow to a modest 11% through to 2010, when German companies will spend almost €400 million on search annually.

#### 3.1.3.2 Search in France

- France is expected to account for about 19% of search marketing spend in Europe by the end of 2005 [Forrester, 2005]

#### 3.1.3.3 Search in United States

##### Consumer use:

- In December, Google Sites' share of searches was 58.4%. Yahoo! was second with 22.9%, followed by Microsoft on 9.8%, Time Warner Network on 4.6% and Ask at 4.3%. [Source: comScore, Feb 2008]
- Google attracted 55.2% of searches by US web users in the month, up from 54.9% in June and 46.2% in July 2006. [Source: comScore [via E-consultancy blog](#), August 2007]
  - Yahoo!, meanwhile, declined from 23.8% in June to 23.5% in July, while Microsoft raised its share slightly, from 12.2% to 12.3%.
- Search results from a general search engine account for 71% of site visits, with another 8% coming from **vertical search engines**. [Forrester, October 2006].

- Those results are similar across generations, with "Gen X-ers", those between age 27 and 40, being slightly more likely than other age groups to use general search engines like Google and Yahoo, and Younger Boomers, age 41-50, more likely to use vertical search engines, like travel and health search engines.
- In the 4-week period ending May 20, 2006, Google.com powered 59% of all searches, compared to Yahoo's 22%, MSN's 12% and Ask.com's 4%. [Hitwise, June, 2006]
- Google attracted 48.5% of all searches conducted in the United States during February 2006. [Nielsen//NetRatings March, 2006]
  - Yahoo attracted 22.5% of searches
  - MSN: 10.7%
  - AOL: 6.6%
  - My Way Search: 2.7%.
- Google had 42.7% share of US searches, Yahoo! had 28%, MSN 13.2%, AOL 7.6% and Ask 5.9%. [comScore/SearchEngineWatch.com, March 2006]
- The total number of searches reached 5.3 billion in February 2006, up 39% from 3.8 billion in February 2005. [Nielsen//NetRatings March, 2006]
  - In February 2006, users conducted, on average, 43.1 searches, up 30% from 33.2 searches in Feb 2005. The number of unique searchers was up 6%.
  - Image search grew 91% year-on-year. Google accounted for 71.9% of image searches in February 2006, followed by Yahoo (19.1%), Ask.com (3.5%), MSN (2.3%) and AOL (1.4%).
- Search engine marketing sales jumped 72% year-on-year in the first financial quarter of 2006. [Performics, June, 2006]
  - The average "cost per keyword" (CPK, the total monthly cost of a keyword, determined by the sum of the click costs) fell significantly in the first quarter of 2006, to around \$30, from a 4Q high of around \$59 in December 2005.
    - Although CPK was relatively flat year on year.
  - The average number of active keywords per campaign (those receiving at least one click or conversion per month) increased 36%
  - The total number of clicks increased 24%. [Performics, June, 2006]
- The number of searches in the US increased in December 2005 was 55% higher than in December 2004. [Nielsen//NetRatings, February 2006]

Search Engine	Dec 2004 Search Share	Dec 2005 Search Share	Change (%)
Google	43.1%	48.8%	5.7%
Yahoo!	21.7%	21.4%	-0.3%
MSN	14.0%	10.9%	-3.1%

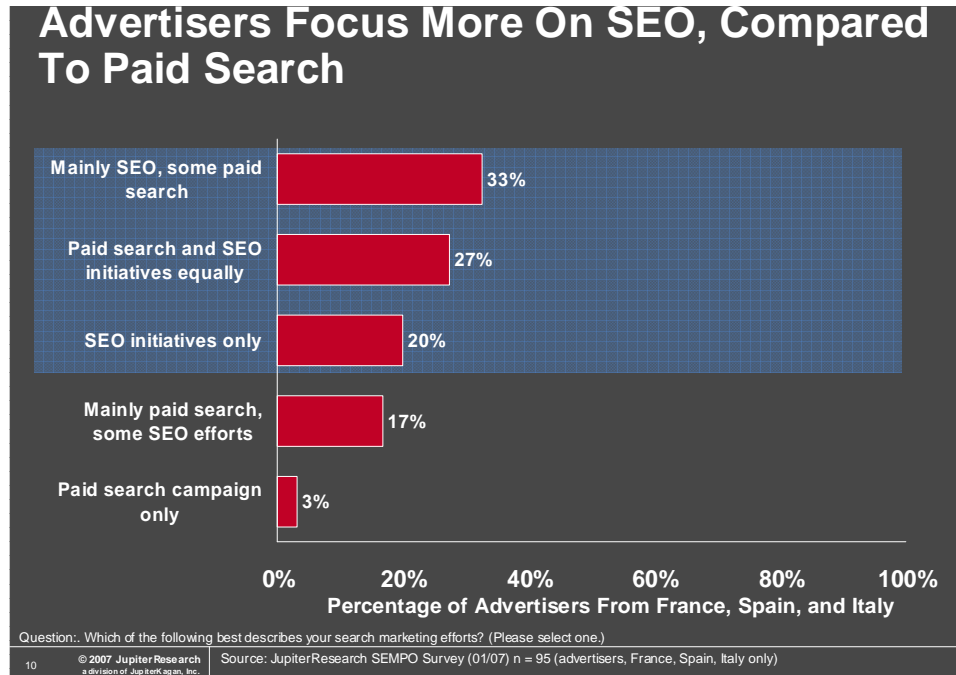
[Source: Nielsen//NetRatings, 2006]

- 84% of online Americans have used search engines, and, on any given day, 56% of people online are using them. [Pew Internet & American Life Project, January 2005]
- Search engine users are often unaware of paid versus unpaid search results. Only 38% of users are aware of the distinction between paid, or "sponsored" results, and unpaid results. [Pew Internet & American Life Project, January 2005]
- In the US, Yahoo! Search is a stronger competitor to Google than in the UK. Among US internet users, Google.com powered 60% of all searches, compared to Yahoo! Search at 27% in the four-week period ending 1st October 2005. [Hitwise, October 2005]
- Most users are happy with their search engines: 87% say they have successful search experiences most of the time. [Pew Internet & American Life Project, January 2005]

- Search engine users also are brand loyal: about 47% use one engine regularly, while about 48% use two or three and only about 7% use three or more. [Pew Internet & American Life Project, January 2005]

**Business Use:**

- A SEMPO survey asked which SEM programs advertisers in Europe engaged in:



[Source: SEMPO, 2007]

- Only 17% of the top 100 Internet Retailer sites are fully using search engine optimization and marketing. Of the top 100 sites, only 17% were well optimized, 25% moderately optimized, 35% nominally optimized, and 23% not optimized at all [Oneupweb, October 2005].

## Top sponsored link impressions in the United States [Nielsen//NetRatings/ClickZ]

<b>Top 25 Companies by Sponsored Link Impressions, December 2006</b>			
<b>Company</b>	<b>Sponsored Link Impressions, December 2006 (M)</b>	<b>Sponsored Link Impressions, November 2006 (M)</b>	<b>Change From Previous Month (%)</b>
eBay	3,871.3	3,068.0	26.19
Amazon.com	623.0	543.6	14.59
John Wiley & Sons Inc.	598.7	16.7	3,486.56
NexTag.com	579.4	706.4	-17.98
Time Warner Inc.	504.3	346.5	45.55
Vonage Holdings Corp.	408.5	250.2	63.25
BizRate.com	407.7	371.8	9.66
Shopzilla International	394.5	332.0	18.80
Target Corp.	372.9	372.6	0.07
Wal-Mart	360.0	318.4	13.09
Yahoo Inc.	303.7	312.5	-2.80
SoulMate Calculator	302.6	N/A	N/A
Smarter Living	299.6	96.3	211.01
Overstock.com	287.9	210.9	36.53
Google Inc.	263.5	39.3	569.75
InterActiveCorp	263.0	254.3	3.41
The Walt Disney Co.	210.6	132.1	59.41
Smarter.com	209.4	159.7	31.17
Low.com	206.2	124.1	66.15
ComparisonWarehouse	205.6	N/A	N/A
Shop.com	203.2	150.6	34.92
Pickamortgage	194.2	656.8	-70.43
Interchange Corp.	192.9	152.4	26.60
Business Financial Publishing	184.9	153.4	20.54
Eastman Communications Inc.	179.2	199.2	-10.08
Source: Nielsen//NetRatings, 2006			



### 3.1.3.4 Search in China

- Baidu.com is the market leader in China with 67%
- Yahoo!'s share of the market was 60% and Google's was 40% [NMA/Nakamura Communications, June 2006]

### 3.1.3.6 Search in Russia

- Yandex powered 49.2% of searches. [NMA/Rax.ru, June 2006]
  - Rambler had 25.8% of the market
  - Google had 14.2%

### 3.1.3.7 Search in Korea

- Naver had 58.4% of the Search market (Search referrals). [NMA/ZDNet Research, June 2006]
  - Daum had 48%.
  - Yahoo! had 32%.

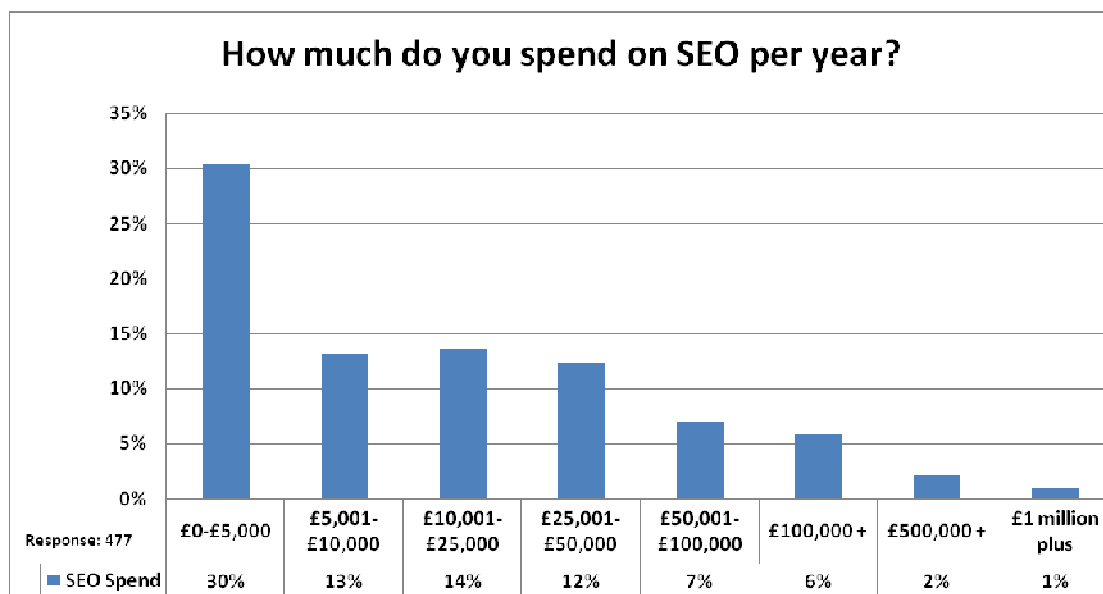
## 3.1.4 Natural Search/SEO/Organic search

- According to a study from JupiterResearch for Yahoo, 68% of people try another search if they can't find what they want on the first page of search results. [Source: Yahoo, iProspect, and JupiterResearch, June 2008]

When search engine users were asked "When you perform a search on a search engine and are looking over the results, approximately how many results do you typically review before clicking one?" they responded as follows:

	2008	2006	2004	2002
Only a few	27%	23%	24%	16%
The first page	41%	39%	36%	32%
The first 2 pages	17%	19%	20%	23%
The first 3 pages	7%	9%	8%	10%
More than 3 pages	8%	10%	12%	19%

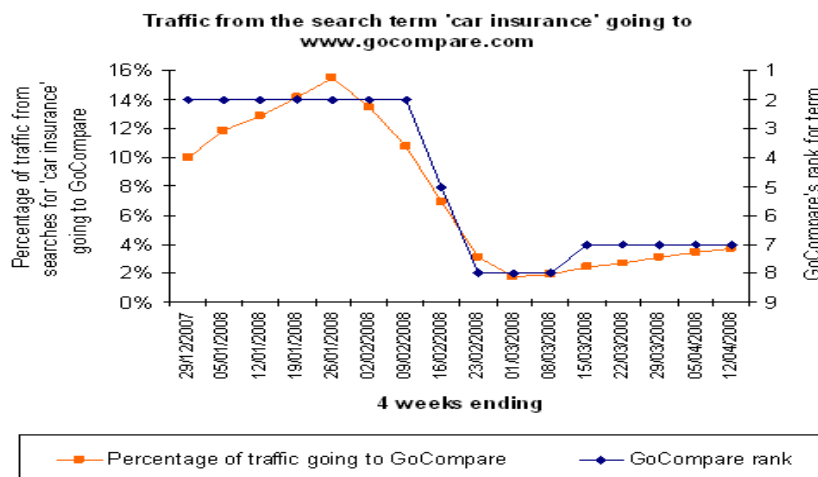
- 91% prefer using natural search results when looking to buy a product or service online, according to Tamar's 2008 Search Attitudes Report. [Source: Tamar, May 2008]
  - 31% of consumers said they chose natural over paid search results as they trust their search engine to give them the most relevant results.
  - 51% start with a search engine when looking to purchase from a retailer online and 42% start with a search engine when looking to make a travel purchase.
  - Women favour search engines more when it comes to retail purchases with 54% preferring to begin with a search engine in comparison with 46% of men.
- 16% of companies surveyed for E-consultancy's recent Search Engine Marketing Report are spending at least £50,000 on SEO every year. [Source: E-consultancy / Guava (\*) [UK Search Engine Marketing Report 2008](#), April 2008]
  - Just under a third of organisations (30%) are spending £5,000 or less annually.



- According to an iProspect survey, seven out of ten respondents said they clicked a search result within the first page of results, while 92% clicked a result within the first three pages of search results. [Source: iProspect via eMarketer, April 2008]
  - Only 8% of users ventured beyond the third page of results.
  - Over 90% of respondents changed the search term if they did not find what they wanted in the first three pages of search results.

#### Effects of Google penalties

- Gocompare was penalised by Google for boosting its ranking by buying paid links. The company had a search term traffic share of 16% when it ranked number 1 for "car insurance" but that dropped to 2% during the penalty and is still less than 5%, even though it is ranking in the top 10. [Source: Hitwise [via E-consultancy blog](#), April 2008]



- An eye-tracking study by Dutch market research firm De Vos & Jansen found that people who search with a view to buying looked at more results than those who merely searched for information. [Source: De Vos&Jansen, February 2007]
  - Organic results were viewed most often – 98% viewed these results, while 95% looked at the sponsored results at the top, and only 31% the sponsored results on the right of the page.

- On average, 9.2 search results were viewed before the first click. The average number of organic results viewed was 6.6. Of the sponsored links, 2.6 views was the average for those on the top of the page, and 0.6 for those on the right.
  - On average, consumers spent 10.4 seconds on a page to view the search results. Organic results were viewed 8.8 seconds on average. The sponsored results at the top and on the right attracted less attention, and were viewed for 2 and 0.2 seconds respectively.
  - The average viewing time for a search result was 1.1 seconds. For organic results this was 1.3 seconds, for sponsored result at the top this was 0.8 seconds, dropping to 0.2 seconds for those on the right.
  - Searchers looking to carry out a transaction viewed more results, 9.9 on average, compared with 8.5 for information seekers.
  - Buyers also spent more time viewing results, 11.4 seconds compared with 9.4 seconds for searchers.
- More than two-third of searchers take the time to *view* the first two search results and more than a third view spots two to five. That number drops to less than 10% when you get down to the listings in positions nine and ten. [[Search Engine Guide](#)/Cornell University, September 2005]
    - Just four in ten searchers *click* the first listing in a search result.
    - Position two tended to receive about 16% of clicks
    - Position three received about 10%
    - Positions four, five and six all received around 5% or 6% of clicks.

*“Unless you hold the first or second ranking, your position in the top ten may not matter near as much as you thought it did. In fact, it has been the experience of many marketers that their conversion rates tend to increase as their rankings decrease.”* - [Search Engine Guide, 2005](#)

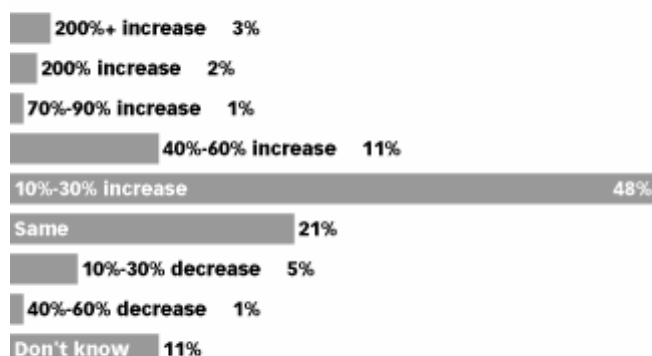
- The split of organic to paid links on a search engine is approximately 4 to 1. [E-consultancy, Online Marketing Benchmarks, 2003]
- 38% of web searchers know the difference between paid-for and organic listings. [ITFacts, 2005, US data]
  - Of those, only 47% say they can always tell which are paid.
    - That equates to 18% of searchers knowing when a link is paid.
    - 45% of searchers say they would stop using search engines if they thought they weren't being clear about such advertising.
      - Yet somehow 92% say they are confident about their searching abilities.

### 3.1.5 Paid Search / Pay per click (PPC)

- 9% of companies surveyed for E-consultancy's Search Marketing Report are spending more than £1 million annually on paid search. [Source: E-consultancy / Guava [UK Search Engine Marketing Report 2008](#), April 2008]
  - 63% of companies are planning to increase their paid search budget and 61% are planning to increase their SEO budget over the next 12 months.
  - According to company respondents, the biggest problems preventing paid search marketing success are as follows:
 

1) Keywords too expensive	(38%)
2) Lack of internal resource	(36%)
3) Lack of budget	(34%)
4) Poorly converting website	(29%)
5) Competition	(28%)
- Keyword inflation: [Source: SEMPO, via eMarketer, April 2008]

**Change in Prices in the Last Year for Paid Placement Keywords on which Search Engine Advertisers Worldwide Bid Routinely, December 2007 (% of respondents)**

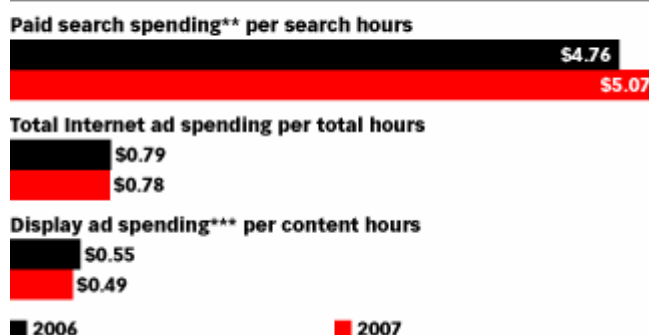


Note: n=240  
 Source: Search Engine Marketing Professional Organization (SEMPO), "The State of Search Engine Marketing 2007" conducted by Radar Research via IntelliSurvey, Inc., February 2008

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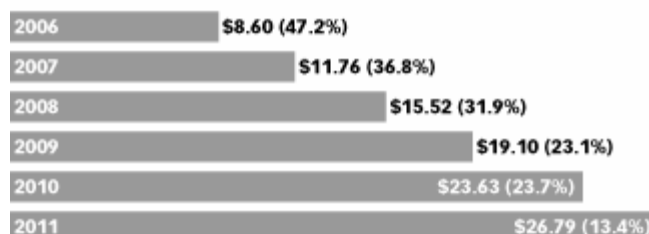
- Google dominated the paid search market in 2007, with 75% of US PPC ad spend, up 15% from 60% in 2006. [Source: eMarketer, Feb 2008]
  - Yahoo had 9% of the US PPC market, with the rest shared between the other search engines.

**Advertising Dollars Spent per Hour of US Consumer Internet Usage\*, by Type, 2006 & 2007**



- JP Morgan predicts that growth in US paid search ad revenue will fall to 31.9% in 2008, down from 36.8% in 2007. [Source: JP Morgan via eMarketer, December 2007]

**US Paid Search Advertising Revenues, 2006-2011 (billions and % change)**



Note: compound annual growth rate (CAGR)=22.8%; includes paid click, paid inclusion and contextual  
 Source: JPMorgan and company reports, "Nothing But Net," provided to eMarketer, January 2, 2008

091036 [www.eMarketer.com](http://www.eMarketer.com)

- More than half of US online retailers surveyed by the e-tailing group in October 2007 said that up to 40% of their orders now come from PPC marketing. [Source: the e-tailing group via eMarketer, Oct 2007]
  - Almost 90% plan to increase their PPC budgets in 2008, with 30% planning increases of 26% or more.



**ROI for Select Marketing Tactics according to US Search Marketers, June-July 2007 (% of respondents)**

	Strongest	Good	Highly variable	Low value	Hard to gauge
House e-mail marketing	25%	39%	20%	8%	8%
Search engine optimization (SEO)	18%	36%	17%	6%	21%
Pay-per-click (PPC) search marketing	16%	35%	28%	13%	9%
Public relations	12%	28%	20%	11%	30%
Direct mail	12%	27%	21%	27%	11%
Online advertising (banners, etc)	3%	16%	24%	43%	13%
Print advertising	4%	13%	19%	35%	29%

*Note: n=3,186 in-house search marketers or agency executives; numbers may not add up to 100% due to rounding*  
*Source: MarketingSherpa, "2008 Search Marketing Benchmark Guide" as cited by ClickZ, October 2, 2007*

088634 [www.eMarketer.com](http://www.eMarketer.com)

- Paid Search makes up the largest slice of the US online advertising market, with spending on paid search making up 42.5% of total online advertising spend last year.[Source: eMarketer, April 2007]
  - Google and Yahoo dominant in this market; taking 73.8% of Paid Search Ad spend between them in 2006, with this figure predicted to grow to 91.9% this year. Google has the larger share, with 58.7% compared with Yahoo's 15%
  - \$6.9bn (£3.4bn) was spent on paid search in the US last year, up from \$5.1bn (£2.5bn) 2005.
  - Total paid search advertising spend is predicted to reach \$8.2bn (£4.1bn) in 2007, and \$16.1bn (£8bn) by 2011
  - By comparison, paid search accounted for 57.8% of the UK's online ad spend last year, a total of £1.2bn. Google has a 75% share of the UK market.

- A comScore study found that Yahoo's new Panama paid search platform has improved CTR since its introduction in February 2007. [Source: comScore via E-consultancy blog, March 2007]
  - The study of 1m US internet users found that CTR increased by 5% in the first week after its introduction and 9% in the second.
  - Sponsored clicks made up 10.1% of total clicks in the first week, By the following week, this had increased to 10.6%, and by the week ending February 18, the figure was 11.1%.
- Paid search is the primary driver of growth in the online advertising market, having overtaken display advertising in 2005, and it will remain the largest component over the next five years, driving online ad spend to nearly 10% of total US ad spend. [Marketing Vox/JupiterResearch, July 2006]
  - The average "cost per keyword" (total cost of ownership) increased from \$20 in July 2005 to \$26 in September 2005. [Performics/DoubleClick]
- Search firm Fathom Online published figures showing a 24% price rise in click costs over Q4. [MarketingVox, 2005, US data]
  - Retail costs were up 81%.
  - Consumer services were up 151%.
  - Travel was up 52%.
  - Automotive and wireless categories decreased slightly.
  - Mortgage remained most costly, with an average of \$4.79 per click in December (versus September's \$3.17).

### 3.1.6 Search Conversion rates

- A Penn State study of 1.5m search queries found that 80% of searches can be classified as informational, 10% transactional, and 10% are navigational. [Source: Penn State via Search Engine Land, March 2008]
- A study of traffic and conversion data from 20 business-to-consumer e-commerce sites during the first eight months of 2006 found that Paid search had a median order conversion rate of 3.4% compared to organic search results which produced a conversion rate of 3.13%. [WebSideStory (via ClickZ News), September 2006]
  - The data set included more than 57 million search engine visits.
- More than 60% of e-commerce websites are wasting investment in search because they are not backing their marketing up with content or landing pages to create visitor engagement. [Logan Tod, May 2006]
- Search engines have more than twice the e-commerce conversion rate of other traffic acquisition sources. During the last three months of 2005, the search engine conversion rate at business-to-consumer e-commerce web sites was 2.30%, more than twice the conversion rate of other acquisition sources (0.96%), which include banner ads, affiliate marketing links, shopping search engines and other referring links. [WebSideStory, January 2006]
  - Conversion rate for direct navigation (typing in URL, bookmarked) was 4.23%
- Searchers tend to click generic, non-brand terms earlier in the search process, and more on brand terms when they are closer to making a purchase. This suggests that search marketers can leverage non-brand search terms to drive searchers toward brand terms later in the searching and purchase consideration process. [Chris Sherman, SearchEngineWatch.com, May 2006]
  - Research has shown that the highest conversion rate (9.30%) occurred when a user's first and last click were both on brand terms. However, when the first click was on a non-brand term and the last click was on a brand term, the conversion rate was almost as high (8.73%). [360i and SearchIgnite, May, 2006]

- For searchers who began their search process on a non-brand term and then switched to a brand term, conversion rates were seven times higher than when a searcher used only non-brand terms. [360i and SearchIgnite, May, 2006]
- The median order conversion rates for the major search engines at B2C E-Commerce Sites were as follows for January 2006 [WebSideStory, February 2006]
  - AOL 6.17%
  - MSN 6.03%
  - Yahoo! 4.07%
  - Google 3.83%
- The median average for all search engines was 1.97% for January 2006

*(This WebSideStory data is for all categories and for both organic and paid keywords)*

### 3.1.7 Click fraud

- The overall industry average click fraud rate rose to 16.6% for Q4 2007. That's up from the 14.2% click fraud rate for the same quarter in 2006, and 16.2% for Q3 2007. [Source: ClickForensics, Feb 2008]
  - The average click fraud rate of PPC advertisements appearing on search engine content networks, including Google AdSense and the Yahoo Publisher Network, was 28.3% in Q4 2007
- The overall industry average click fraud rate rose to 15.8% for the second quarter of 2007. [Source: ClickForensics [via E-consultancy blog](#), July 2007]
  - The overall average click fraud rate was 15.8%, up from 14.1% for the same period last year, and 14.8% from Q1 2007.
  - The average click fraud rate on content networks, including Google AdSense and the Yahoo! Publisher Network, was 25.6%, up from 21.9% for Q1 2007.
  - Apart from North America, most click fraud originates from France (5.1%), China (3.2%) and Australia (3%).
- In a SEMPO study, 57% of advertisers revealed that they had been affected by click fraud. [Source: SEMPO via eMarketer, June 2007]



- The overall industry average click fraud rate was 14.8% for Q1 2007 compared to 13.7% for the same quarter in 2006. [Source: Click Forensics [via E-consultancy Blog](#), April 2007]
  - The rate was 14.2% for Q4 of 2006, 13.8% for Q3, and 14.1% for Q2.
  - The average click fraud rate for PPC ads on search engines was 21.9%, compared with 19.2% for the last quarter of 2006.
  - The average click fraud rate for high-priced search terms (those that cost over \$2) was 22.2%, compared to 20.9% in Q4 2006, 20.9% in Q3 2006 and 20.2% in Q2 2006.
- 40% of online advertisers discovered click fraud in the last 12 months. [Source: SEMPO via iMediaConnection, March 2007]
- Figures for Q4 of 2006 from ClickForensics claim that the industry average click fraud rate was 14.2%, compared with 13.8% for the third quarter, 14.1% for the second and 13.7% for the first. [ClickForensics [via E-Consultancy Blog](#), January 2007]
  - The average click fraud rate of PPC ads appearing on search engine content networks was 19.2% for Q4.
  - The average click fraud rate for high-priced search terms remained at 20.9%. High-priced terms are defined as terms that cost over \$2.00.
- Google claim that their click fraud rate is lower than third-party estimates, and 'invalid clicks' are lower than 2%. [shuman.com [via E-Consultancy Blog](#), January 2007]
- More than one in 10 clicks on internet ads are fraudulent, according to a Click Forensics survey. Based on responses from 1,300 online marketing experts, 14.1% of recorded mouse clicks on ads are bogus. [Click Forensics (via The Register), August 2006]
- 14.1% of recorded mouse clicks on ads are bogus, according to a survey of 1,300 online marketing experts. [Click Forensics, July 2006]
  - The average click fraud rate for high-priced search terms (costing more than \$2.00 per click) was 20.2% - substantially higher than the average rate.
  - 12.8% of clicks on Google and Yahoo! ads were false, up from 12.1% last quarter.
  - The figures rise to 20.3% and 27.1% for second and third-tier search engines.

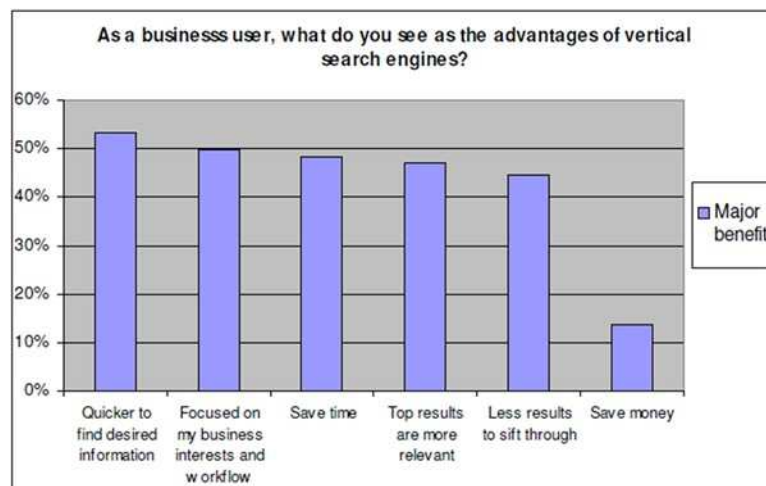
### 3.1.8 Pay-per-Call

- It is estimated that Pay-per-Call will generate gross revenues of between \$1.4 and \$4 billion by 2009. [The Kelsey Group, 2005]
  - Only 14% of small businesses advertise online in the United States even though 42% of these firms have websites.
  - There are nearly 23 million small businesses, or firms with anywhere from one to 500 employees, in the United States, according to the U.S. Census Bureau.
- Ingenio, the leading pay-per-Call vendor said that calls on its network were averaging in the \$6.00 to \$7.00 range within two months of launch. The company requires a minimum bid of \$2.00 per call. [[Search Engine Guide, July, 2005](#)]
- Advertisers in industries such as professional services, health care and contracting are more interested in phone leads than clicks in a ratio of 2 to 1. [Jupiter Research/Ingenio]
  - Since 85% of the polled advertisers know their customer conversion rates from phone calls, they would pay as much as 5 to 15 times more for a call than a click. [[E-commerce Times, April 2005](#)]



### 3.1.9 Vertical Search

- 93% of media and internet professionals say they would be likely to use a search engine that focused on serving their specific business or work needs, according to E-consultancy's [Vertical Search Report 2008](#), a B2B survey of more than 500 media and internet professionals. [Source: E-consultancy / Convera, Nov 2007]
  - Some 80% of internet professionals are already using industry or sector-specific RSS feeds, and more than half of them (54%) have personalised homepages.
  - According to advertisers, the biggest advantage of vertical search is the ability to deliver '*more contextual, relevant and targeted advertising*', with 66% of advertisers regarding this as a major advantage.

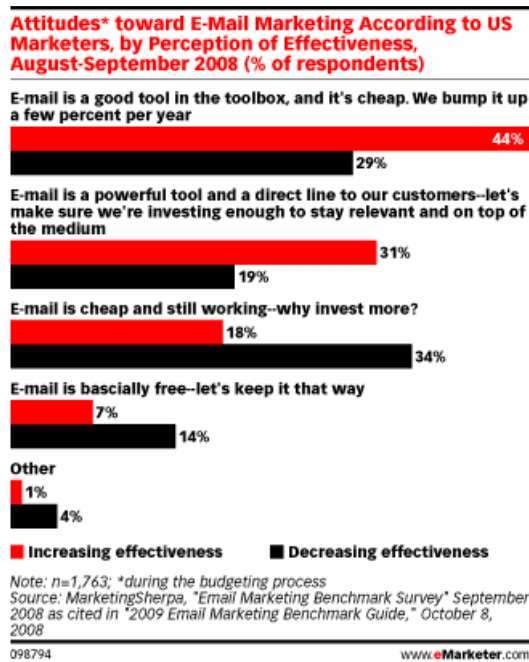


Sample: 471

## 3.2 Email Marketing

### 3.2.1 Market size and trends

- Email marketing spending is least likely to be affected by a possible recession in the next six months. [Source: Forrester / MarketingProfs, Oct 2008] **NEW**
  - Just 5% would cut email budgets, compared with 6% for blogging, 8% for social networks and 12% for podcasting.
  - Most likely to be affected was display advertising, with 41% of US online marketers saying this would be cut if the economy worsened.
- US attitudes to email marketing by perception of its effectiveness. [Source: Marketing Sherpa via eMarketer, Oct 2008] **NEW**



- Email is now the most popular form of direct response marketing in the US. [Source: Direct Partners via Brandweek, July 2008]
  - Email is used primarily by 35% of companies compared to 25% that use direct mail and 21% who use package, statement stuffers or free standing inserts.
- Two-thirds of companies in the UK are failing to send emails to customers who have abandoned their shopping baskets. [Source: [E-consultancy / Adestra Email Marketing Industry Census 2008, Feb 2008](#)]
  - 66% don't send emails based on date notifications like birthdays, or when customers click through from emails but don't make a purchase.
  - 69% are not emailing customers when they have abandoned shopping baskets.
- The UK market for Email marketing platforms and services was worth £178m in 2006 and will grow by 24% to an estimated value of £221m by the end of 2007. [Source: [Email Marketing Platforms Buyer's Guide 2007](#)]
- Figures released by the US Direct Marketing Association show email marketing is still delivering impressive ROI despite falls over the past two years. [Source: DMA [via E-consultancy blog](#), Oct 2007]
  - According to the data, marketers will have spent around \$500m (£244m) on email marketing to drive \$23bn (£11.2bn) in sales by the end of 2007. That equates to \$48.56 (£23.60) for every dollar spent.

- Email returned \$57.25 (£27.91) for every dollar in 2005, and \$51.58 (£25.14) for every dollar spent in 2006.
- ROI will continue to fall next year, with marketers predicted to spend \$600m to drive \$27bn in sales in 2008. This equates to \$45.65 (£22.26) for every dollar spent.
- Email ad spending will grow from \$338m in 2006 to \$616m in 2011 — a six-year increase of 82%. Comparatively, total Internet ad spending will grow twice as fast during the same period. [Source: eMarketer, September 2007]

#### US E-Mail Advertising Spending, 2001-2011 (millions)

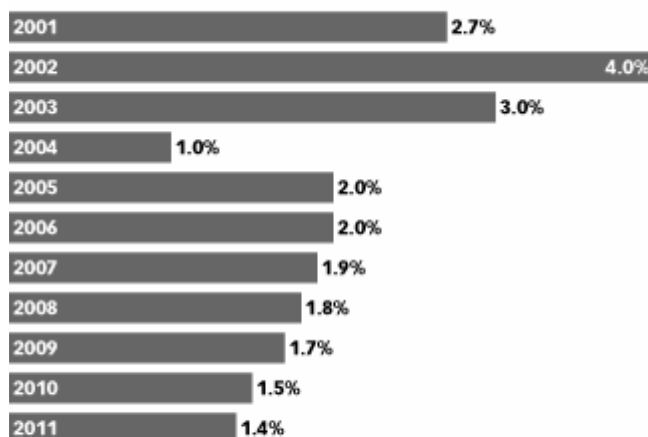


Note: eMarketer benchmarks its US online advertising spending projections against the Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers (PwC) data, for which the last full year measured was 2006; e-mail advertising consists of ads embedded in third-party commercial e-mails  
Source: eMarketer, June 2007

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#### US E-Mail Advertising Spending As a Percent of Total Online Advertising Spending, 2001-2011



Note: eMarketer benchmarks its US online advertising spending projections against the Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers (PwC) data, for which the last full year measured was 2006; e-mail advertising consists of ads embedded in third-party commercial e-mails  
Source: eMarketer, June 2007

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www.eMarketer.com

- Email marketing has overtaken direct mail in terms of volume for the first time, according to figures from the [Source: Direct Marketing Association, August 2007]

- The DMA's [Email Benchmarking](#) report revealed that the average volume of emails rose by 52% year on year, while direct mail volumes have decreased as a result of improved targeting.
- The success of email marketing campaigns hinges on targeting, according to 42% of ESPs, while 33% believe offers are all important and 25% say the creative is key.
- E-consultancy's [Email Marketing Industry Census 2007](#) found that almost half of companies are failing to track their return on investment from email. [Source: E-consultancy, February 2007]
  - 81% of email marketers say they are not using email marketing as effectively as they can, compared to only 13% who are.
  - 78% of companies are set to increase their email marketing spend.
  - Of companies that were able to measure ROI, the figures are promising: more than half of company email marketers (55%) say that their ROI from email is three times or more. Almost a third of company respondents (32%) say that their ROI is five times or more.
- Datran Media's US Email Marketing Survey found that 72% of marketers plan to increase spending on email marketing in 2007. [Source: Datran Media, February 2007]
  - 70.5% of respondents plan to increase spending on email acquisition campaigns.
  - More than half of respondents outsource email marketing.
  - 83.2% of marketers choose email as the most important advertising medium.
- According to the DMA's UK national benchmarking report for the last quarter of 2005, the average volume of emails rose by a third in 2005. [DMA, 2006/NMA email report (July 2006)]
  - Email Service Providers (ESPs) expect this trend to continue, forecasting a rise of 43% in volumes over the next 12 months.
  - More than 50% of ESPs send out more than 50 campaigns per month while one in 10 send more than 500.
- Email marketing spending will grow from \$885 million in 2005 to \$1.1 billion by 2010 [JupiterResearch, February 2006]
- 75% of 300 senior marketing executives said that email would be a key part of their strategy to target customers (compared to 73% for the Internet and 68% for Direct mail). [Unica/Ovum, April, 2006]
- Email marketing spend in Europe will be greater than 1.2 billion euros by 2010 [Forrester, 2005]
- 83% of B2B marketers use email marketing, 54% for product promotion and 49% for company newsletters. [IAB, March, 2006]
  - Less than half of respondents use email marketing for customer acquisition.
- Email Marketing will overtake direct mail in volume by the end of 2006. In the UK in 2005, 4.3 billion marketing emails were sent out compared to 5 billion direct mail-outs.
  - By the end of 2006, 6 billion marketing emails will be sent. [DMA, May 2006]
  - Email Service Providers expect to see an average increase of 43% in the volume of emails sent in 2006. [DMA, May 2006]

**ROI Index(a) for Direct Response Marketing**

Email	14.2
Direct Response TV	8.4
Inserts	7.3
Direct Mail	7.2
Dimensional Mail	5.6
Radio	5.1
Catalog	4.6
Telephone	4.2
Coupons	3.1
Newspaper	2.1
FSIs	0.6
Magazine	0.5

*Note: ROI index is a baseline indicator used for comparing overall efficiency of one medium over another, calculated in this case by dividing revenue per contact by the promo cost per contact.*

[Source: USA Direct Marketing Association, 2005]

- In a survey of marketers who measure their campaigns, 40% said **email earns the highest ROI**, followed by search (28%) and direct mail (18%). [MarketingProfs Email Marketing Survey, November 2005]
  - Revenue per campaign is the most commonly used email marketing success metric (used by 39.8%)
  - 50-70% of respondents said they manipulate different response elements in every email campaign (including the offer, the call to action, and the subject line)
  - 5-40% do not adjust the various elements at all.
  - 50% of respondents segment their email file to boost response
    - Segments based on purchase/response drive the highest success
  - Only 35% of respondents use email as part of a multi-channel effort

[Source: MarketingProfs, November 2005 – reported by Marketing Vox]

- 90% of consumers are on email multiple times daily. [DoubleClick Consumer Study, 2005]
- 78% of consumers have purchased as a direct result of email. [DoubleClick Consumer Study, 2005]
- Direct Marketing emails generated 15% positive responses with men and young people the most likely demographic to buy advertised product [2005 Participation Media Survey, DMA, 2006]
  - Mobile marketing messages generated a 7% positive rating.
- In 2002, only 30% of companies (ranked by Dun and Bradstreet as top revenue producers in their segments) offered publicly available email marketing programs to web visitors compared to 71% in 2005. ['Broken Link Study', Silverpop, 2005]
  - The retail and consumer goods segments are now the most likely to offer email marketing options, at 91% and 85% respectively.
- 92% of UK marketing budgets for industry professionals include email marketing. [IPT, 2005]
  - 51% of them intend to increase their spending in 2005.
- Most influential areas for email marketing in the UK:
  - Discounts (27%)
  - General product interest (24%)
  - Prize drawing (20%)
  - Brand familiarity (20%)
  - Attractive images (5%)

- Humour (4%). [IPT, 2005]
- 80% of UK consumers prefer to receive B2C emails at home than at work.
  - Consumers are also more likely to respond to marketing emails in the evening (45%) than in the morning (27%) or afternoon (19%). [IPT, 2005]

### 3.2.2 Cost of email compared to other channels

#### Comparative costs and responses for different forms of direct communications

(IDM Interactive Marketing/Dave Chaffey ([www.davechaffey.com](http://www.davechaffey.com)), 2005)

Media type	Cost per thousand £	Response rate %	Cost per response £
Acquisition E-mail - rented list	100	0.1	100
Acquisition E-mail co-branded	50	0.2	25
Paid search advertising	8	0.2	4
Affiliate marketing	N/A	NA	8
Online ad	20	0.02	100
Direct mail	500	2	25
National press	10	0.05	20
Direct response TV	8	0.04	20
Magazines	40	0.2	20
Radio	2	0.01	20

Note: The above table, compiled by [Dave Chaffey](http://www.davechaffey.com) ([www.davechaffey.com](http://www.davechaffey.com)) and published in his book "Total E-mail Marketing 2e", shows a compilation of cost effectiveness for different media based on the example of acquiring a customer for a new credit card which might have an allowable cost per acquisition of £40 to £50. The compilation of offline media is from Tapp (2005) with added estimates based on Dave Chaffey's experience of digital media.

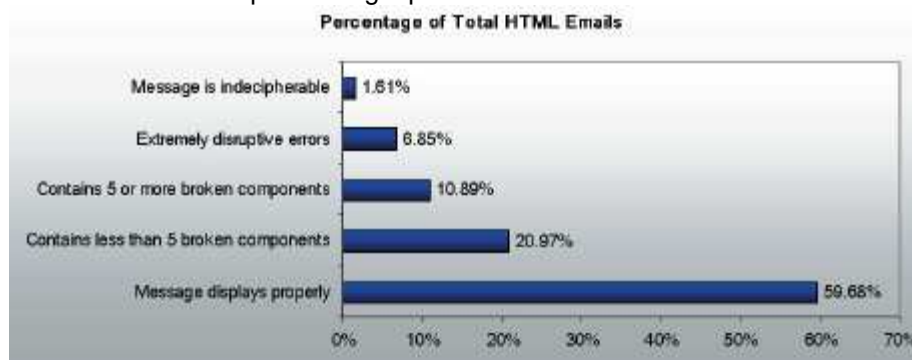
[Source: Tapp, A. (2005) Clearing up media neutral planning. *Interactive marketing*. Vol 6. No 3. p216-221.]

### 3.2.3 Plain vs. HTML

- One in five emails are invisible and ineffective due to blocked images. [Source: Email Experience Council, Jan 2007].
- Plain text v html click rates – recipients are more likely to click on links in html emails, than plain text. [MailerMailer Email Metrics Report Jan-Jun 2006]



- Research shows that 69% of companies are sending HTML emails in 2005 compared to 47% in 2002. ['Broken Link Study', Silverpop, 2005]
  - Only 8% of companies gave the option to choose to receive text versus HTML emails at the point of signup.



[MailerMailer Email Metrics Report Jan-Jun 2006]

- 40% of the emails reviewed in the 2005 Silverpop study contained missing images compared to 42% in the 2002 study. ['Broken Link Study', Silverpop, 2005]
  - Gmail, Outlook 2003 and AOL 9.0 accounted for the majority of HTML errors.
  - AOL 9.0 and 8.0 account for the majority of broken links.
- HTML generally generates 20%-40% more response than an equivalent plain text version. [E-consultancy, Online Marketing Benchmarks, 2004, UK]
  - This is very dependent on the target market and products/services in question.
- 90 – 95% of people can see HTML. [E-consultancy, Online Marketing Benchmarks, 2004, UK]
  - 18% - 23% say they prefer to receive plain text communications when given the choice.
- HTML has consistently performed significantly better than plain text although better copy would reduce the difference. [E-consultancy, Online Marketing Benchmarks, 2004, UK]
  - Conversion rates have also been shown on average to be slightly higher for HTML emails.
- Case History: In a joint campaign with Tesco Personal Finance online mortgage provider Charcol tested plain text against HTML formats. [E-consultancy, Online Marketing Benchmarks, 2004, UK]
  - The list was split 50/50 between plain text and the HTML format which was designed to be interactive.
    - The latter generated 90% more mortgage applications.

### 3.2.4 Deliverability/Delivery rates

- According to Lyris's Q4 2007 Delivery Report Card, Tesco was the best performing ISP in Europe, delivering more than 96% of permission based emails. [Source: Lyris, May 2008]

4 Top Ten EU Domains by Gross Deliverability		
Rank	ISP Name	Percent Delivered
1	Tesco (UK)	96.33
2	Nildram (UK)	95.47
3	Orange (UK)	95.29
4	NTLWorld (UK)	94.82
5	BT (UK)	94.73
6	Tiscali (Italy)	93.26
7	Tiscali (France)	93.08
8	Yahoo! (Germany)	92.34
9	Yahoo! (Italy)	92.16
10	Yahoo! (Spain)	91.80
AVG		86.75

- A survey of over 600 email marketers highlights the real cost of deliverability for the first time - marketers are wasting around 11% of their budget. [Source: [E-consultancy/Adestra Email Marketing Industry Census](#), April 2008]
  - 60% of online marketers say they don't need to improve deliverability, yet 80% cannot measure how much they are losing through poor deliverability.
- Email delivery rates fell to 68% for acquisition emails and to 80% for retention emails in Q2 2007, continuing the drops seen in Q1. [Source: DMA [via E-consultancy blog](#), December 2007]
  - The DMA also found that tracking of delivery rates was low in some cases, with 22% of ESPs failing to monitor soft and hard bounces.
- Over 65% of email service providers surveyed by the Direct Marketing Association said advertisers would pay a premium to guarantee delivery in email marketing campaigns.
  - Respondents believed that clients would pay between £1 and £5 per 1,000 email addresses, with 18% quoting over £5. [Direct Marketing Association, October 2006]
- False-positive filtering (emails incorrectly identified as spam) remains high among leading email service providers (ESPs), including Hotmail and Gmail. [Lyris Technologies (via Marketing Vox), September 2006]
  - The false-positive filtering rate for Gmail nevertheless improved dramatically in the second quarter, with only 2.97% of emails falsely identified as spam, compared with the previous quarter's 44%. Hotmail's false-positive filtering, though improving, remains high - 18.2% in Q2, compared with 23.4% in Q1.
  - US ESPs' rates overall improved approximately 4% for both gross and inbox deliverability compared with Q1 rates.
- Gross deliverability rates of permission-based email marketing messages for European internet and email service providers were better than for their US counterparts in the first quarter of 2006. [Lyris Technologies, 2006]
  - European ISPs achieved 94%, while the average for US ISPs' average gross deliverability went down 6% to 86%.
  - U.S. ISPs and ESPs did even worse in terms of inbox delivery (82% compared with European inbox delivery rates of 94%). [Lyris Technologies, 2006]



- UK non-bounce rates rose by 6.7% to 92.5% in Q4 2005, suggesting improvements in list hygiene. [Epsilon Interactive International, 2005 Q4 Email Trend Report]
- 82% of email marketers in the U.S. say getting email messages delivered is a challenge for their organizations. [MarketingVox/EmailLabs, April 2006]
  - Nearly 50% said that filtering by ISPs and corporations is the biggest delivery-related challenge
  - 25% said they lack the expertise or resources they need to address deliverability issues.
  - Though 31% of marketers cite deliverability as a significant challenge, only 10% said they will make delivery their top email priority in 2006.
  - Marketers plan to focus on deliverability issues within their control:
    - 50% said they would modify their email templates;
    - only 17% would switch to dedicated IP addresses,
    - 6% would use a third-party accreditation service.

[Source: MarketingVox/EmailLabs, April 2006]

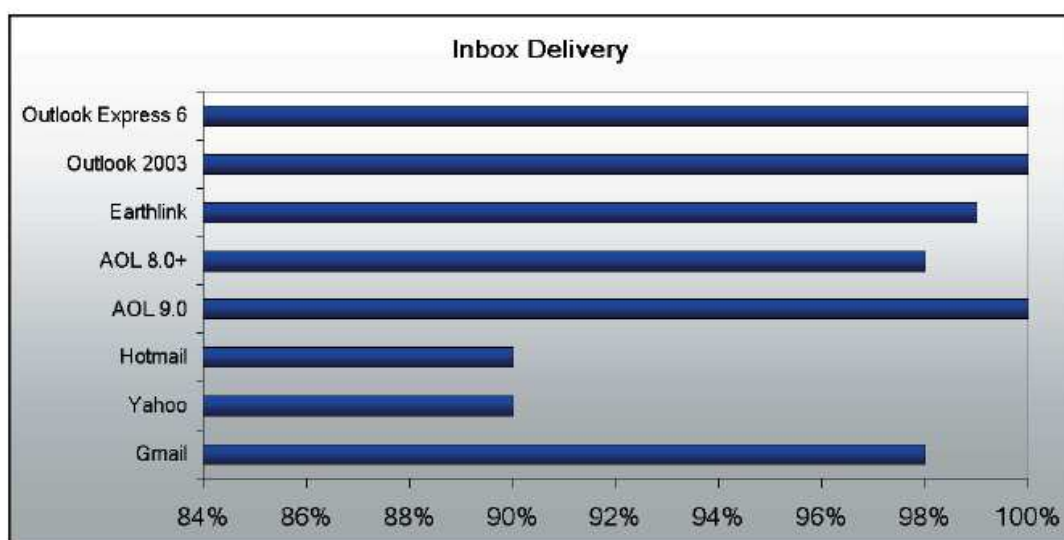
**Bronto Email Marketing Statistics: for the 3-month period ending 22<sup>nd</sup> Jan, 2006**

Industry	Delivered	Opened	Clickthrough
Advertising/Marketing	93.7%	20.2%	3.8%
E-Commerce/Retail	96.7%	15.8%	3.1%
Education	89.6%	30.3%	5.6%
Financial Services	91.2%	23.4%	2.5%
Government	98.6%	38.9%	9.3%
Healthcare/Insurance	97.0%	32.7%	9.7%
Legal Services	92.8%	24.0%	3.9%
Manufacturing/Distribution	96.7%	31.9%	2.5%
Non-Profit/Association	96.0%	33.0%	6.4%
Publishing/Media	96.6%	25.9%	6.4%
Real Estate	94.1%	27.9%	2.8%
Services/Consulting	92.3%	22.9%	4.4%
Technology	92.1%	25.7%	2.3%
Travel/Hospitality	94.1%	29.8%	7.3%
Average	95.7%	22.7%	4.7%

[Source: Bronto. <http://bronto.com/stats/> ]

- Email delivery rates have stabilised at an average of approximately 88% and are expected to rise above 90% over the next few years. By 2010, the cost of incorrectly blocked email will drop to \$92 million from \$107 million in 2006. [JupiterResearch, February, 2006]
- According to US research, the rate of permission-based email that did not get delivered to the inbox as intended during the second half of 2005 improved to 20.5%, down slightly from 21% over the first half of the year, 22% in 2004 and 18.7% in 2003. [Return Path, March 2006].
  - The Bonded Sender Program has increased Hotmail delivery rates by 25%, Roadrunner by 24% and MSN by 15%.
  - The ISPs with the lowest incidence of blocking and filtering were Earthlink, Mac.com, Compuserve, and USA.net (all less than 10%).
  - The ISPs with the highest blocking and filtering rates were Excite (42.9%), Gmail (40.4%), Lycos (33.8% ) and Adelphia (31%).
  - 73.4% of consumers said they had experienced email they wanted to receive ending up in the junk folder or going missing
    - 56.7% have done something about this by adding at least four corporate domains to their personal address books.
    - Another 16.7% added 1-3 domains.
    - 60.7% of consumers receive more than 50 non-personal emails per week.

- Internet and email service providers did not deliver 21% of permission-based emails to consumers' inboxes in the first half of this year. This figure was down slightly from 22% of permission-based e-mails not delivered in the comparable first-half period for 2004. [Return Path, October 2005].
- 2005 saw an increase in undelivered email to the major web-based email providers, including AOL, Hotmail, Lycos and Yahoo!. [EmailMonitor, 2005]
  - January showed 34.7% undelivered, compared to December with 21.1% undelivered.
  - 70% of UK email service providers have directly contacted ISPs to boost delivery of clients' emails. [DMA, 2005]
- 10% of messages received by Yahoo! or Hotmail accounts lost their way into bulk folders in 2005 compared to 25% in 2002. ['Broken Link Study', Silverpop, 2005]



['Broken Link Study', Silverpop, 2005]

- 19% of permission-based email is not delivered by ISPs. [E-consultancy, Email Metrics, 2005]
  - The majority of blame falls onto spam filters generating false positives.

### 3.2.5 Open rates

- Open rates declined to 16.11% in the first six months of 2007, down 3% from the same period last year, according to MailerMailer's latest Email Metrics Report. [Source: MailerMailer [via E-consultancy blog](#), Oct 2007]
  - Early in the week is best, according to the survey. Emails sent on Mondays achieved the highest open and click rates, followed by Tuesdays.
  - Using personalised subject lines increased open and click rates - average rates were 18% and 5.02% respectively, compared with 15.86% and 2.09% for emails without personalisation.
- Email open and click-through rates averaged 38.3% and 5.4%, respectively, on Saturdays. [eROI (via Marketing Vox and MediaPost), August 2006].
  - Sundays also had high open rates (37.1%) and, along with Mondays and Thursdays, click-through rates of 5.2%.
  - Friday was the worst day of the week for both open and click-through rates.
  - The highest click rate (6.2%) is around the lunch hour and the second-highest click rate is at 10am, with 5.9%.

- B2B email recipients prefer to receive messages on Tuesday (36%) and Monday (33%)
- B2C email recipients prefer Friday (31%) and Wednesday (26%).
- Open rates for marketing emails in the UK fell from 30% in 2004 to 23.34% in 2005. [DMA, May, 2006]
- Open rates remained stable across EMEA at 29.8% but fell to 29.4% in the UK, a fall which was attributed to image blocking. [Epsilon Interactive International, 2005 Q4 Email Trend Report]
- Open and click rates increased significantly in the first quarter of 2006 (by 40% and 60%, respectively), compared with rates for Q4 2005, when open and click rates decreased by 29% and 21% respectively from the previous quarter. [eROI, May 2006].
  - Tuesdays had the highest open rates (26.4%)
  - Sunday had the next highest open rates (25.9%)
- Average UK open rates in 2005 (Q1 to Q3) were about 25% for acquisition and 33% for retention campaigns. [Q1-Q3 2005 National Email Benchmarking Report, Direct Marketing Association (DMA), March 2006]
- Open rates declined by about 50% in 2005 but other metrics such as click-through, conversion and ROI have remained consistent. [Silverpop, 2005 Broken Link Study]
  - Measurement of open rates is becoming less reliable because they are usually calculated by a 1x1 pixel image which may not load.
  - 40% of emails from 357 commercial email marketers had missing graphics.

### 3.2.6 Clickthrough rates (CTR) / response rates

- 4.5% of online retailers have a conversion rate from emails of more than 10%; 27.9% have conversion rates under 1%; 25.4% have conversion rates of 1.1% to 4%; 12.7% have conversion rates of 4.1% to 10% [Source: Internet Retailer via EmailStatCenter, August 2007]
- 73% of people said they would made an online purchase as a result of receiving an email offer, while 86% made an in-store purchase as a result of receiving an email. [Source: Epsilon, June 2007]

- Click rates by industry [MailerMailer Email Metrics Report Jan-Jun 2006]



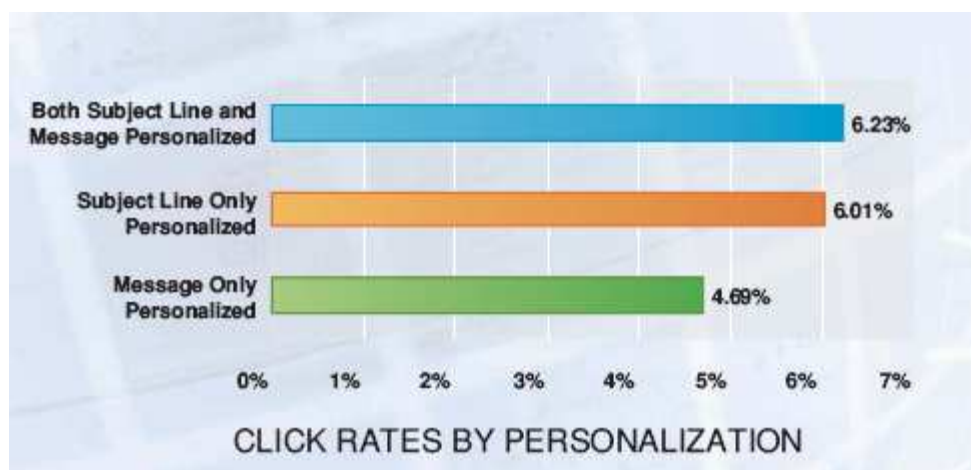
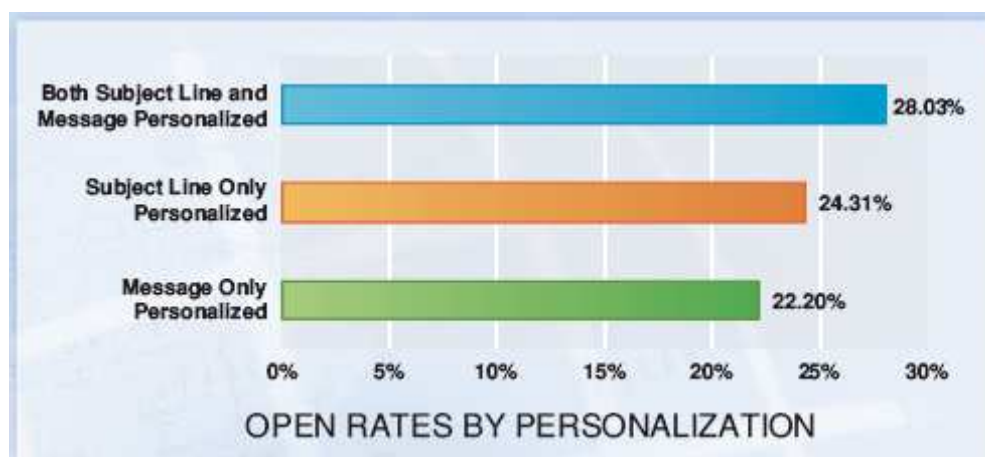
- Open and click rates increased significantly in the first quarter of 2006 (by 40% and 60%, respectively), compared with rates for Q4 2005, when open and click rates decreased by 29% and 21% respectively from the previous quarter. [eROI, May 2006]
- The day with the highest click rates in the first quarter of 2006 was Sundays (6.6%) [eROI, May 2006]
  - The day with the second-highest click rate was Tuesdays (6.2%)
- Click rate goes down dramatically when the **subject line** is longer than 50 characters. Click-through rates for emails with subject lines with 49 or fewer characters were 75% higher than for those with 50 or more characters. [Return Path, May 2006]
- Email marketing companies experienced falling click-through rates in 2005, with the average CTR for acquisition campaigns falling from 10% in the third quarter of 2004 to 8% for the same period in 2005. [Direct Marketing Association (UK), February 2006]
  - For retention campaigns, the average CTR fell from 19% in the third quarter of 2004 to 10% by September 2005.
  - There was a 79% increase in the volume of marketing emails sent in the year to September 2005 with almost 800m emails sent by the 80 email service providers who were surveyed. [DMA]
- A typical clickthrough rate to those opened for an in-house list would be 5%-15% (average 10%). [E-consultancy, Online Marketing Benchmarks, 2004, UK]
  - This gives an overall response rate of around 3%.

### 3.2.7 Use and Effect of relevance and targeting

- According to a Merkle survey of over 2,000 US email users, more than half had made a purchase due to permission-based email, while half said that a company's handling of email affects their decision to do business with them online or offline. [Source: Merkle, April 2008]
  - 32% of respondents say they stopped doing business with at least one company as a result of poor email marketing practices.
  - Three-quarters of respondents said that irrelevancy is the main reason for unsubscribing from a company's email program.
  - Frequency of emails is another reason - 66% of email users list it as a reason to unsubscribe.

#### How personalisation affects open and click rates

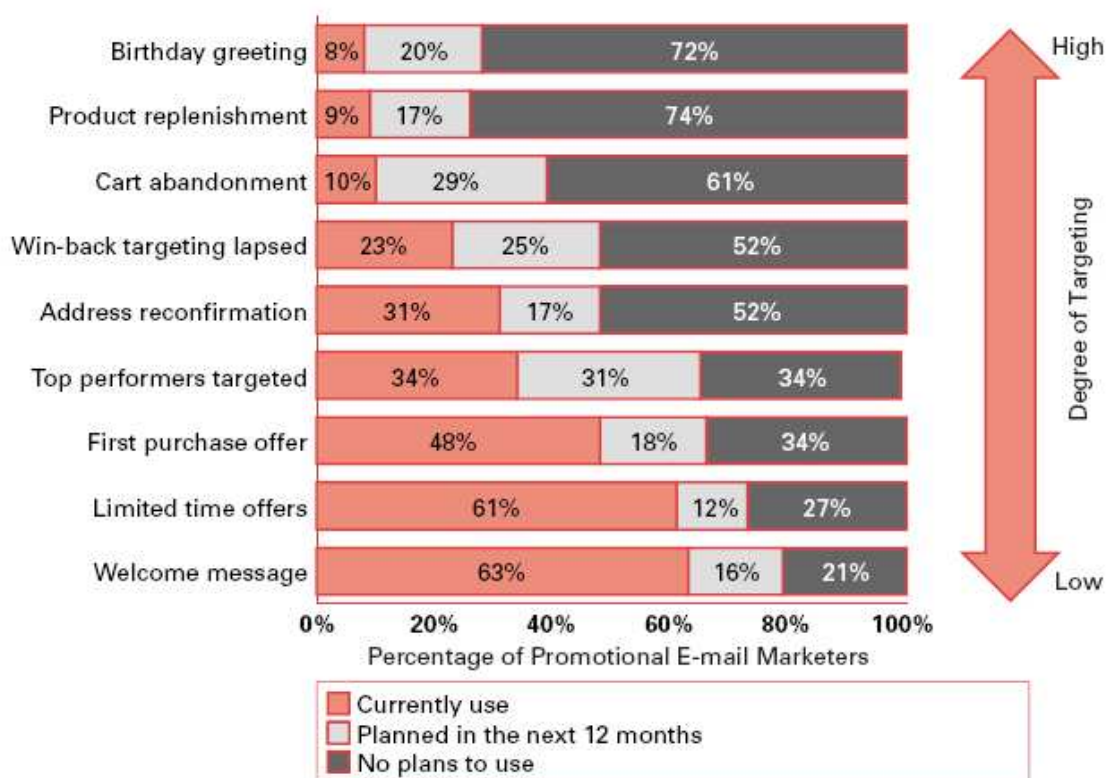
- Recipients are more likely to open emails which used personalised subject lines and messages. [MailerMailer Email Metrics Report Jan-Jun 2006]



- Untargeted broadcast e-mails, with no personalization or segmentation, have an average open rate of 20 percent, average click-through rate of 9.5 percent, and average conversion rate of 1.1 percent. [Jupiter Research, Oct 2006]
- Campaigns triggered from user actions, such as shopping cart abandonment, have a 27 percent average open rate, 9.3 percent average click-through rate, and 2.3 percent average conversion rate. [Jupiter Research, Oct 2006]

- Campaigns that integrate Web site clickstream data for targeting perform best of all, with a 33 percent average open rate, 14 percent average click-through rate, and 3.9 percent average conversion rate. [Jupiter Research, Oct 2006]
- Nine out of 10 internet users say they want to control what they receive in their inboxes. Yet most companies fail to give prospective recipients any choices in the matter.
  - Seven out of 10 don't offer a choice of mailing type like newsletter or alert; nearly eight out of 10 don't offer a choice of subject matter; nine out of 10 don't provide options on frequency. [Silverpop Email List Growth Survey, 2006]
- Few marketers rank relevance as a top-three email marketing goal, even though it drives the majority of consumers who make immediate e-mail purchases. ['The ROI of Email Relevance', JupiterResearch, May 2005].
  - 60% of consumers who make immediate purchases from e-mail messages did so because messages contained products they were already considering
  - Only one-third of promotional e-mail marketers said relevance was one of their top-three goals.
- Only 34% of email marketers use behavioural data for segmentation and targeting, whereas 66% use demographic information to position their offers and newsletters. [eROI, May 2006]
- Adoption of website behavioural clickstream data as an email targeting tactic will almost double in the next 12 months to 24 months, with 41% of promotional email marketers planning to deploy it. [JupiterResearch, May 2005].
- 24% of marketers said they did not use any personalization. Of marketers using personalization, 84% only used simple name personalisation in salutations. [JupiterResearch, May 2005].

### Types of Marketing Campaign Used by Promotional E-mail Marketers



[JupiterResearch, May 2005].

- Nearly twice as many marketers using targeted life cycle campaigns (e.g. birthday and product replenishment messages) achieve conversion rates of 5% or more, compared with marketers pushing simple limited time offers. [JupiterResearch, May 2005].
  - The aggregate increase in net profits from targeted campaigns triggered through clickstream is 18 times more than is that from broadcast messages, even when figuring in additional costs (or 9 times more revenue).
  - 43% of marketers using targeted birthday greeting campaigns achieve a conversion rate of 5% or more.

### Comparison of Metrics by Campaign Type

	Broadcast	Life Cycle	Web Site Clickstream
Primary targeting tactic used	None, no personalization or segmentation	Product replenishment message	Clickstream Web analytics targeting
Average unique open rate	20%	26%	33%
Average click-through rate	9.5%	14%	14%
Average conversion rate	1.1%	2.8%	3.9%
Average total annual salary	\$108,820	\$263,420	\$275,705
CPM, cost assumption	\$3	\$4.5	\$4.5, monthly Web analytics spending plus 10%

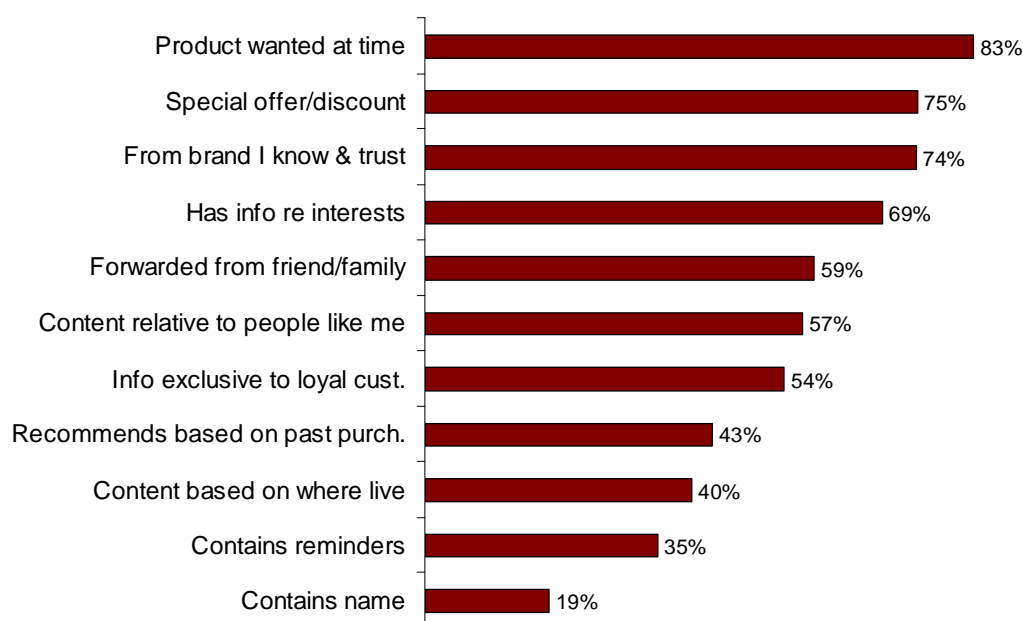
Note: Broadcast assumes \$3 CPM, and all others assume \$4.5 CPM. All assume \$89 AOV, 50% product margin, and 2.8 million pieces of mail per month.

[Source: Responsys 2006; metrics and salary costs based on JupiterResearch executive survey]

- Relevant timing is very important for increasing likelihood to respond to permission-based email marketing. [DoubleClick Consumer Study, 2005]

### Increase in likelihood to respond to permission based email

[Source: DoubleClick Consumer Study]





- Conversion rates grew by 65% and overall average revenue per recipient grew 187% when emails were **sent to arrive at the same time, on the same day** that each subscriber originally opted in. [Silverpop, February 2006]
- 73% of UK promotional email sent is for retention. [IPT, 2005]
  - Half of these marketers only mail on a monthly basis.
- Importance of follow-up:
  - 2% of sales are made on the 1st contact
  - 3% of sales are made on the 2nd contact
  - 5% of sales are made on the 3rd contact
  - 10% of sales are made on the 4th contact
  - 80% of sales are made on the 5th-12th contact [National Sales Association, 2004]

### 3.2.8 In-house, co-registration and 3rd party lists

- More than 20% of companies that have been conducting email programs for more than five years have list sizes greater than 1 million, compared to just 11% of companies with two to five years experience. [Silverpop Email List Growth Survey, 2006]
  - 60% of marketers with email lists of more than 1 million say they evaluate and analyze list source.
  - Only 15% of respondents said they place heavy emphasis on targeting prospects with their email campaigns.
- 23% of companies surveyed failed to include email registration requests on their home pages. [Silverpop's "2005 Retail Email Marketing Study"]
  - 37% of companies said that they position opt-in requests on the home page, and only two out of 10 companies place opt-in links on every page of the website. [Silverpop Email List Growth Survey, 2006]
- 32% of marketers who gather new names via co-registration offers on third-party sites say those names perform as well as regular house names. [MarketingSherpa, May, 2006]
- Response rates to rented lists were generally between 2 - 5%. [E-consultancy, Online Marketing Benchmarks, 2004, UK]
  - This was 50% lower than an in-house list.
- Own customer lists can generate 3 - 40% response rates depending on strength of offer, timing, targeting etc. [E-consultancy, Online Marketing Benchmarks, 2004, UK]
- US lists see 10-20% opt-ins from outside the US. [MarketingSherpa, 2005]
  - 30-40% of these are Europeans.

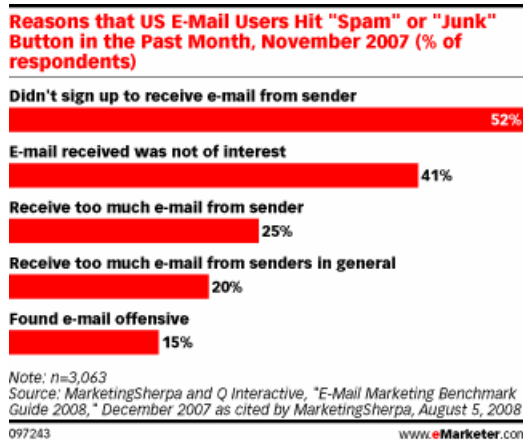
List Members by ISP (%)						
Sample List	Hotmail	Yahoo	AOL	MSN	EarthLink	Gmail
B2B software	5.5	6.9	3.3	0.9	1.0	0.3
B2B consulting	7.9	8.3	4.8	1.2	1.5	0.3
B2B services	2.5	2.4	0.6	0.2	0.2	0.04
B2B average	5.3	5.9	2.9	0.8	0.9	0.2
B2C software	13.2	11.7	10.6	4.8	2.3	0.02
Travel newsletter	13.3	13.6	17.6	3.0	2.0	0.1
Off-/online retailer	15.7	14.8	2.0	3.3	2.9	0.03

On-/offline retailer	16.6	15.9	15.4	2.4	1.9	0.02
Online retailer	15.6	15.0	18.6	4.2	1.9	0.1
B2C average	14.9	14.2	12.8	3.5	2.2	0.1
<b>Note: Sample list composition as of October 25, 2004.</b>						
Source: EmailLabs via ClickZ						

- Rental lists average \$400-600 CPM for B2B. [IPT, 2005]
  - This is about twice as much as US averages.

### 3.2.9 Opt-in/Opt-out (permission marketing)

- More than 40% of US email users are categorizing email they see as uninteresting as 'spam' or 'junk'. [Source: Marketing Sherpa via eMarketer, Aug 2008] **NEW**



- 60% of companies are failing to send welcome emails to new subscribers, according to a study of major brands in the US. [Source: Return Path via E-consultancy blog, June 2008]
  - 30% of these companies failed to email customers for more than a month after they signed up.
- More than 80% of respondents to an Ipsos / Habeas study on attitudes to email marketing prefer to do business with companies that use permission marketing. [Source: Habeas, May 2008]
  - More than 88% said they would like companies to give them more choices over the content and frequency of the emails they receive.
- 80% of retailers now offer email sign-ups on their homepages, up from 75% two years ago, according to a study of 150 major retailers in the UK and North America. [Source: Silverpop via E-consultancy blog, Sept 2007]
  - 35% of UK retailers hide registration information within the website, meaning they miss out on some registrations.
  - Companies are giving subscribers more choice than they did two years ago. Some 27% offered multiple subscription choices, compared to 22% in 2005.
  - Retailers are also making things easier by requiring less personal info to sign up for emails. Sixty one percent requested just an email address, compared with 37% in the last study two years ago.

- A Silverpop study, which surveyed 100 US and 50 UK retailers, found that a third of retailers don't bother sending confirmation/courtesy emails. [Source: Silverpop via E-consultancy Blog, July 2007]
  - Of those that did, UK firms did better, sending a personalised response 60% of the time, compared to 34% for the US.
  - The study found a number of differences in key email practices between online retailers in the US and UK: fewer UK sites give an email registration option on their homepages, though they do give customers a multi-channel option more often (80% of UK sites did this, compared with 32% of US sites).
- In a survey of direct marketers, 82% of respondents were 'unhappy' giving their home telephone number but just 21% were unhappy giving their e-mail. [Opt-4 Ltd, 2005] [Link to report](#)
- There are 9.9m numbers registered on the Telephone Preference Service [Opt-4 Ltd, 2005]

### 3.2.10 Unsubscribe

- Unsubscribe rates across EmailLabs' 600+ client base is an average of 0.17% per month. An unsubscribe rate above 0.50% would suggest some significant problems with your email program. [Source: EmailLabs, July 2007]


### 3.2.11 Spam, virus email, spyware, phishing

- Global spam volumes are around 150bn messages each day and have doubled for the year ending June 2008. [Source: Marshal via ReadWriteWeb, Aug 2008] 
  - The same survey reports that 29% of respondents have made a purchase from spam emails, though only 600 people were surveyed.
- Volume of spam received by US email users compared to the previous year. [Source: Harris Interactive via eMarketer, Aug 2008] 

**Volume of Spam Received by US Adult E-Mail Users vs. Last Year, 2004-2007 (% of respondents)**

	2004	2005	2006	2007
A lot/somewhat more	57%	48%	54%	49%
About the same	17%	19%	20%	24%
A lot/somewhat less	26%	33%	26%	27%

Note: 2007 n=2,512 ages 18+ who check and/or send e-mail at least once per week  
Source: Merkle, "View from the Inbox 2008" conducted by Harris Interactive, April 17, 2008

094199  www.eMarketer.com

- The number of phishing attacks has risen by 200% in the first quarter of 2008, according to APACS. [Source: APACS via NMA, April 2008]
  - 10,235 incidents were recorded for Q1 2008, compared with 3,394 in Q1 2007.
  - 80% of people delete or ignore phishing emails, up from 75% in 2006.

- The top twelve spam relaying countries in Q1 2007. [ Source: Sophos [via E-consultancy Blog](#), April 2007]

Position	Country	Percentage of spam relayed
1	United States	19.8%
2	China (including Hong Kong)	7.5%
3	Poland	7.4%
4	South Korea	7.0%
5	Italy	5.0%
6	France	4.1%
7	Germany	3.7%
8	Spain	3.5%
9	Brazil	3.1%
10	Russia	3.0%
11	India	2.8%
12	Taiwan	2.5%
Others		30.6%


- US email security firm Postini detected 7 billion spam emails worldwide in November 2006, compared with 2.5 billion in June 2006. [Source: Postini [via E-Consultancy Blog](#), November 2006]
- 99% of computers that send mail (those monitored by Return Path) have been taken over by spammers or virus writers. [Return Path, July 2006]
  - Only 1% of net addresses could be regarded as legitimate sources of mail.
- 80% of email comes from compromised hosts. [IronPort 2006]
  - Only 4% of messages received by its clients between 20 June and 20 July were legitimate. Of the rest 70% were spam, 11% were bounces or error messages and 9% were viruses.
  - Only about 10% of email is "real". [IronPort 2006]
- 23.2% of spam originates from the US. [Sophos, 2006]
  - 20% comes from China.
  - Next is South Korea (7.5%), France (5.2%) and Spain (4.8%). The UK was tenth with 1.8%.
- For Q4 2005, spam complaints in EMEA fell to 0.36%, an all-time low. [Epsilon Interactive International 2005 Q4 Trend Report]
- The volume of spam messages per consumer will decrease by 13% a year between 2005 and 2010. [JupiterResearch, February 2006]
  - The average active email consumer will see a drop from 3,253 pieces of spam in 2005 to 1,640 pieces of spam in 2010
- The Sober virus at the end of 2005 accounted for 48% of all virus traffic for the year. [Postini, 2006]
  - The Sober-Z worm accounted for 44.9% of malware in January 2006. [Sophos, 2006]

- 19 new significant virus attacks from email were identified in January 2005, of which four were classed as high intensity. [Commtouch, February 2006]
- 42 percent of US adults said their concerns about phishing attacks affect their online shopping. Worse, three out of 10 consumers said they purchase fewer items because of security concerns. [Gartner 2005]
- A third of the top 200 UK companies are still not complying with the 2003 email marketing legislation. [CDMS, December 2005]
- The UK had the third highest rate of spyware infections in the third quarter of 2005 (after the United States and Thailand), with as many as 18 separate infections on an average machine. [Webroot, October 2005]
  - Spyware is costing the UK as much as £445 million as a result lost time, productivity and computer repairs

### Phishing Fraud

- The Financial Services Authority (FSA) claims that phishing attacks are on the rise, and may have risen by '8,000%' [Source: FSA, [via E-Consultancy Blog](#) Dec 2006]
  - There were 5,059 recorded phishing incidents in the first half of 2006, compared to just 312 for the same period in 2005.
- UK payments association APACS estimates that £45.7 million will be lost to phishing scams in 2006, compared with £4.5 million in 2003/2004. [Source: APACS, [via E-Consultancy Blog](#) Dec 2006]
- MessageLabs intercepted 279 phishing emails in September 2003. [MessageLabs, 2004, UK]
  - That figure had risen to more than two million by September 2004.
  - During the course of 2004 more than 18 million phishing emails were intercepted.

### 3.2.12 Transactional emails

- The average retailer can generate an additional \$2.9 million in revenue annually by integrating promotional offers into transactional messages, according to a study by Jupiter Research. [Jupiter Research, Oct 2008] 
- A Silverpop study looks into transactional emails (those emails which companies send to customers to confirm purchases, provide notification of shipping dates etc. Six out of ten customers surveyed declared they did not mind receiving marketing messages within these emails. The report concluded that transactional emails can be a powerful marketing tool. [Source: Silverpop 'How Top Retailers Use Transactional Emails, 2006']
  - Most companies sent transactional emails within 10 minutes of order placement.
  - 6% of the transactional emails received landed in recipients' junk folders.
  - Nearly six out of 10 emails (58%) were sent in HTML format.
  - Just one out of five emails included promotional offerings.
  - Only 14% of transactional emails encouraged recipients to register to receive future promotional messages.

### 3.3 Online Advertising

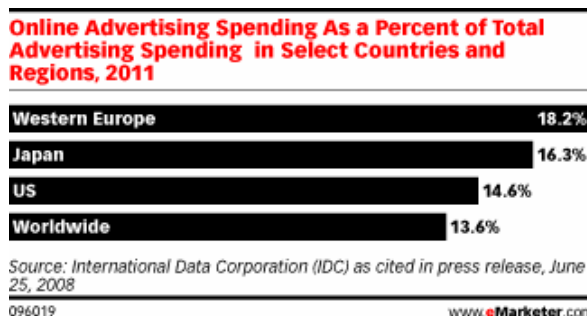
#### 3.3.1 Market size, growth and ad formats

- Total UK ad spend was down 0.7% to £8.9bn between January and June 2008. However, online ad spending grew to £1.7bn in the first half of the year, a 21% increase from the same period in 2007. [Source: IAB/PwC, Oct 2008] **NEW**
- Online and total ad spending worldwide. [Source: Bernstein via eMarketer, July 2008]

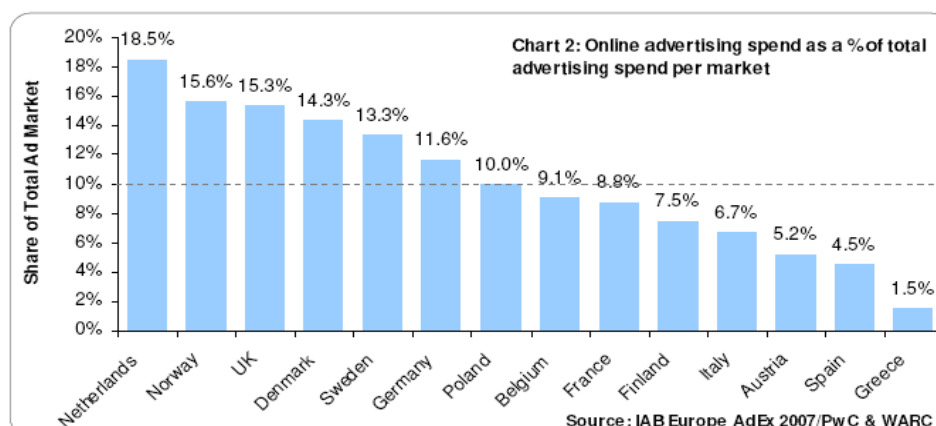
**Online and Total Advertising Spending Worldwide, 2007-2012 (billions and CAGR\*)**

	2007	2008	2009	2010	2011	2012	CAGR
Online advertising	\$45	\$56	\$67	\$77	\$88	\$98	16.7%
<b>Total advertising</b>	<b>\$559</b>	<b>\$592</b>	<b>\$637</b>	<b>\$672</b>	<b>\$709</b>	<b>\$747</b>	<b>6.0%</b>
<b>Online advertising spending as a % of total</b>	<b>8.1%</b>	<b>9.4%</b>	<b>10.5%</b>	<b>11.5%</b>	<b>12.3%</b>	<b>13.1%</b>	<b>-</b>

- According to IDC (International Data Corporation), worldwide online ad spending will reach \$62.5bn in 2008. [Source: IDC via eMarketer, July 2008]



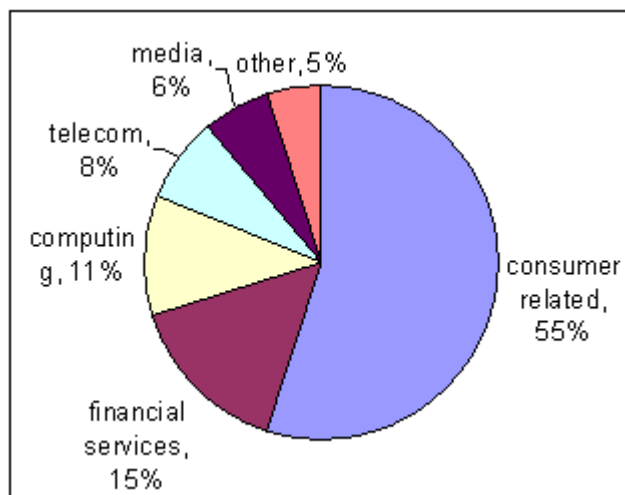
- The online ad market in Europe was worth €11.2bn, up from €7.2 billion in 2006. [Source: IAB Europe, June 2008]
  - 65% (€7.3bn) of European online ad budgets were spent in the UK, Germany and France.



- UK online advertising expenditure grew by 38% over 2006 to reach £2.8 billion in 2007. [Source: IAB, April 2008]
  - Online advertising has grown from being the smallest advertising sector in 2003 to the become the third largest in 2007.

- In 2007 search grew by 39% to £1.6 bn.
- Classified advertising grew by 54% to £585.3m in 2007.
- Display advertising spend increased by 31% year-on-year to £592m.

- 2007 internet ad revenues by industry:



- Clicks per thousand monetization fell 23% between March and April this year, with large websites (with 100m or more monthly page views) suffering the largest drop, according to a survey of 3,500 mainly US publishers. [Source: PubMatic, May 2008]

eCPM by Web site segment (\$)	All Web sites	Large Web sites	Medium Web sites	Small Web sites
March 2008	0.49	0.38	0.34	1.18
April 2008	0.38	0.18	0.33	1.29
May 2008	0.37	0.21	0.33	1.13
Trend				

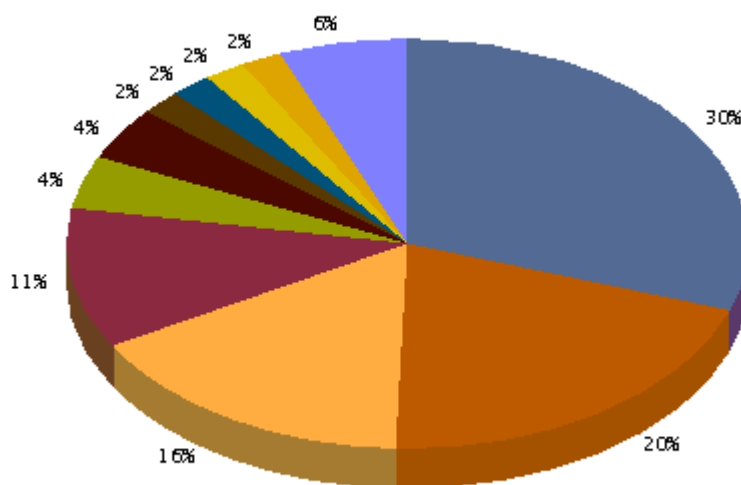
- Online ad spending in the US grew by 18.9% in 2007, compared with 0.6% for overall ad spend. [Source: Nielsen via E-consultancy blog, April 2008]
  - Online ad spend growth has slowed slightly, from 35% between 2005 and 2006.
- US online ad spending in Q4 grew nearly 28% over the same period the year before, coming in at \$7.3bn. [Source: IDC Research via paidContent, Feb 2008]
  - For the full year 2007, online ad revenue rose by 27% on 2006, reaching a total of \$25.5bn.
- Advertisers in the UK spend more money per person on internet advertising than any other country, at £33. This is twice as much as France, Germany and Italy combined. At 14% of total revenues, spend in the UK on online advertising overtook magazine advertising for the first time and was more than the total spend on outdoor, cinema, and radio advertising combined. [Source: Ofcom, December 2007]
- US online ad spending will grow by 28.5% in 2008, compared with 26.8% in 2007, according to eMarketer. [Source: eMarketer, January 2008]

**US Online Advertising Spending Growth, by Format, 2006-2011 (% increase/decrease vs. prior year)**

	2006	2007	2008	2009	2010	2011
Rich media/video	18.7%	47.2%	48.9%	36.8%	24.8%	22.8%
Lead generation*	74.0%	32.3%	30.9%	23.2%	17.4%	12.0%
Paid search	32.2%	26.8%	27.5%	17.6%	15.2%	11.3%
Classified	43.5%	18.9%	28.5%	17.5%	14.4%	10.3%
Display ads	46.9%	27.2%	26.2%	12.7%	12.6%	9.2%
Sponsorships	-20.9%	7.9%	2.8%	-11.4%	-3.8%	7.5%
E-Mail	34.6%	26.6%	12.4%	14.8%	8.6%	5.0%
<b>Total</b>	<b>34.6%</b>	<b>26.8%</b>	<b>28.5%</b>	<b>18.2%</b>	<b>15.4%</b>	<b>12.0%</b>

- US online ad revenues exceeded \$5.2bn (£2.5bn) in Q3, making it another record quarter, according to the IAB. [Source: IAB, November 2007]
  - Each quarter this year has been a record high, Q1 ad revenue at \$4.9bn, Q2 at \$5.1bn, and Q3 at \$5.2bn.
  - Total US online ad revenue for the first nine months of the year is \$15.2 bn (£7.6bn). This is a 26% increase on the \$12.1 bn (£6bn) spent on online ads in the first nine months of 2006.
  
- The IAB's online ad spending figures for the first half of the year show a gain of 41.3% to a half-year record of £1.33bn. [Source: IAB [via E-consultancy blog](#), Oct 2007]
  - Online now accounts for just under 15% of the total ad market in the UK and could reach £2.75bn this year.
  - Online ad spending is now higher than direct mail expenditure, which the IAB says has a market share of 11.8%.
  - The total ad market grew 3.1% in the six months to £9.1bn, but would have fallen if it weren't for online's contribution.
  - Classified advertising online was the star performer - it increased by 72% to £277.7m and now accounts for over a fifth of the internet ad market.
  - Display advertising grew 33% to £287m.
  - Paid search was up 44% to £762.3m - 57.1% of total online ad spending.
  - Recruitment was still the top category with 24.7% share, followed by automotive, which overtook finance to take second spot with 12.5%. Finance had 11.7%; telecoms had 6.7%; and property had 5.7%.
  
- US online ad revenues for the first half of the year rose by 26%, to nearly £10bn (£4.9bn), while ad revenues for Q2 2007 totalled over £5bn (£2.4bn), according to stats from IAB / PwC. [Source: IAB/PwC [via E-consultancy blog](#), Oct 2007]
  - Search accounted for 41% of revenues, a similar proportion as the same period in 2006. Display ads accounted for 32%, followed by classifieds on 17% and lead generation on 8%.
  - Consumer-related internet ad spend was the largest category, accounting for 54% of ad revenues in Q2 2007, up 49% from the same period in 2006.
  - The 10 leading ad-selling companies accounted for 70% of total revenues in Q2 2007.
  
- Most popular ad sizes, measured by the number of creative elements. [Source: Nielsen//NetRatings, October 2007]





The pie chart above shows the top 10 ad dimensions ranked by number of unique ads. House ads excluded.

Dimensions	Unique Ads
Leaderboard (728x90)	25,455
Medium Rectangle (300x250)	17,675
Wide Skyscraper (160x600)	13,890
Non-Standard Dimension	9,245
Full Banner (468x60)	3,839
Skyscraper (120x600)	3,686
Large Rectangle (336x280)	2,110
Rectangle (180x150)	1,688
Button #1 (120x90)	1,617
Button #2 (120x60)	1,585
Other	5,476
<b>Total</b>	<b>86,266</b>

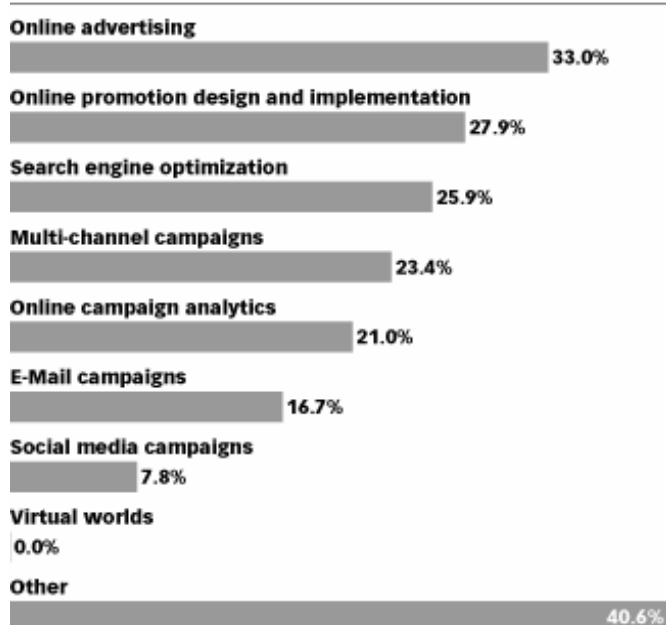
## How companies are marketing online

- A McKinsey global survey of marketers found that two thirds are using digital tools for product development, while a similar amount are advertising online. [Source: McKinsey, August 2007]
  - 31% percent of the companies are spending on email as their digital advertising vehicle while 33% percent of the companies are spending on display ads as their digital advertising vehicle.

## Advertising overall and internet ad spending

- More than three-quarters of US marketing professionals think that social media marketing can give them a competitive edge, but only 7.75% of their online marketing spending went to social media. [Source: Coremetrics via eMarketer, Oct 2007]

### Average Allocation of Online Marketing Budget by US Marketing Professionals, by Strategy, Q3 2007 (% of total)

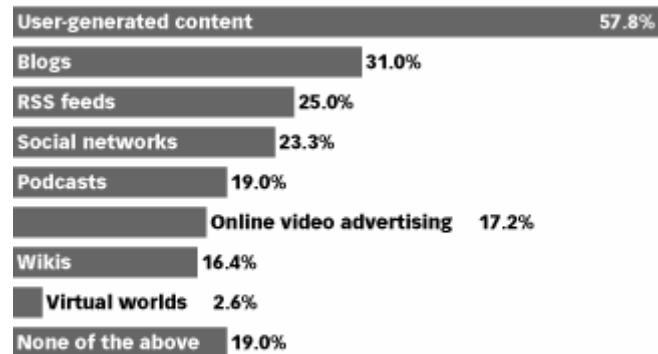


Source: Coremetrics, "2nd Annual 'Face of the New Marketer,'" provided to eMarketer, October 30, 2007

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### Social Media Marketing Tactics that US Marketing Professionals Use, Q3 2007 (% of respondents)



Note: n=116

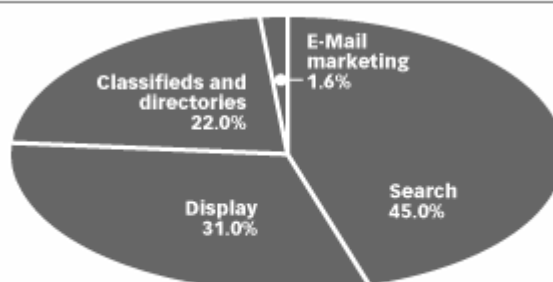
Source: Coremetrics, "2nd Annual 'Face of the New Marketer,'" provided to eMarketer; eMarketer calculations, October 30, 2007

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- Ad budgets in the UK are growing at their fastest rate for seven years, helped by increased spending on internet advertising. [Source: IPA Bellwether Report, July 2007]
  - Web spending accounted for 6% of all marketing budgets in 2006, compared with just 2% in 2000.
  - The IPA says UK marketing expenditure is worth between £30bn and 35bn, with the internet accounting for £2bn.
- Growing mobile internet uptake and use of rich media is helping to boost the online ad market across the Channel in France. [Source; eMarketer via E-consultancy blog, August 2007]
  - While the report says French firms have been relatively slow to advertise and market online, it estimates that the country's online ad market will grow more than 34% this year, and total more than \$4bn by 2011.
- Total European online ad spend was €8bn (£5.4bn) last year. [Source: IAB [via E-consultancy blog](#), June 2007]
  - The UK accounted for the largest share of this amount - 39% of the total (€3.1bn or £2bn), Germany 22% (€1.7bn) and France 15% (€1.1bn).
  - Advertisers spent an average of €82.46 (£56) for each UK web user in 2006, more than twice the €39 (£26) spent for each internet user across the 13 EU countries measured by the study. The average for US internet users is around €60 (£40).
  - Online's share of total ad revenue exceeded 10% in three European countries - The UK, Netherlands and Denmark.
  - 45% of online ad spend went on search engine marketing, 31% on display ads, 22% on classifieds and directories, and 1.6% on email marketing.

### Online Advertising Spending in Europe\*, by Format, 2006 (% of total)



Note: numbers may not add up to 100% due to rounding: \*IAB Europe countries include - Austria, Belgium, Denmark, Croatia, Finland, France, Germany, Greece, Italy, Netherlands, Slovenia, Spain and the UK  
Source: Interactive Advertising Bureau Europe (IABEurope) as cited in press release, June 6, 2007

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[Source: eMarketer, June 2007]

- US internet ad revenues grew to a record \$4.9bn (£2.5bn) in the first three months of 2007, a 26% increase year on year and a 2% jump from the last quarter of 2006. [Source: IAB [via E-consultancy blog](#), June 2007]
  - \$16.9bn (£8.5bn) was spent online by US advertisers in 2006, compared to the just over £2bn in the UK.
- Internet display ad spending, excluding search and classified, grew 9% in the 12 months ending March 31, 2007. The Internet was one of the strongest sectors driving overall UK media spending, which increased 5% during the same period. [Source: Thomson Intermedia via eMarketer, June 2007]

### Advertising Spending in the UK, by Media, Q2 2006-Q1 2007 (millions of £ and % change)

	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Total	% change vs. Q2 2005-Q1 2006
TV	£1,008	£908	£1,067	£947	£3,929	-4%
Press*	£654	£612	£751	£679	£2,695	10%
Direct mail	£323	£314	£369	£318	£1,323	17%
Door drops**	£318	£319	£317	£388	£1,341	19%
Outdoor	£172	£192	£219	£218	£801	7%
Radio	£87	£68	£72	£79	£305	-9%
Internet***	£41	£45	£36	£41	£164	9%
Cinema	£44	£31	£43	£27	£145	8%
<b>Total</b>	<b>£2,646</b>	<b>£2,488</b>	<b>£2,873</b>	<b>£2,696</b>	<b>£10,704</b>	<b>5%</b>

Note: numbers may not add to total due to rounding: \*press rate-card discounted 52%; \*\*door drops include leaflets, brochures and/or samples that are left at the door; \*\*\*excludes search and classifieds  
Source: Thomson Intermedia as cited in press release, May 3, 2007

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**Advertising Spending Growth in the UK, by Media, 2005-2007 (% increase/decrease vs. prior year)**

	2005	2006	2007
TV	3.2%	-4.6%	0.8%
Interactive TV	-	25.0%	30.0%
Mobile	-	50.0%	66.7%
Radio	1.9%	-2.1%	1.1%
National newspapers	-2.1%	-2.3%	-2.1%
Regional newspapers	-4.3%	-7.5%	-3.3%
Consumer magazines	0.1%	1.6%	0.2%
B2B magazines	-2.1%	-0.6%	0.8%
Outdoor	5.8%	3.5%	5.7%
Cinema (includes production)	-2.1%	4.8%	3.0%
Digital	65.6%	39.1%	36.2%
<b>Media total</b>	<b>4.2%</b>	<b>0.9%</b>	<b>4.9%</b>

Source: GroupM as cited in press release, November 21, 2006

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- Advertising expenditure in the UK passed £19 billion in 2006 according to figures from the Advertising Association. [Source: Advertising Association via E-consultancy, May 2007]
  - The press accounted for by far the largest share of total advertising expenditure (43.7%), with television the second largest medium (24.1%), followed by direct mail (12.2%), internet (10.6%), outdoor (5.7%), radio (2.8%) and cinema (1.0%).
  - The two largest gains were recorded by the outdoor advertising sector, which increased 4.0% to £1,084 million, and the internet. Online rose 47% to £2,016 million.
- Growing internet usage will boost global internet advertising revenue to \$81.1bn (£41.9bn) by 2011, according research from Piper Jaffray & Co. [Source: Piper Jaffray via [E-consultancy blog](#), February 2007]
- Online display ad spend rose by almost 20% to £235.7 million last year, contrasting with a decline in TV and radio ad spend. [Source: Thomson Intermedia via NMA. February 2007]
  - Finance was the highest spending sector, at £55.3 million.
  - Entertainment, media and leisure was next on £53.9 million.
  - IT/Communications sector spend was £45.4 million.
- The big three portals all scored healthy 2006 spending increases with one of the largest independent digital ad firms, Avenue A/Razorfish. [Source: Clickz.com, February 2007]
  - Yahoo, AOL and MSN saw their share of that agency's media spending collectively rise from 13% in 2005 to 24% in 2006, driven by a lift in brand advertising budgets and AOL's shift to an ad-supported model.
- Internet advertising will account for more than 10% of all ad expenditure in two markets this year. In the **UK** it will account for 12.9% of total expenditures, and in **Sweden** it will take 10.5%. [ZenithOptimedia, October 2006]
  - By 2008, six other online ad markets are expected to break the double-digit market share barrier: Australia, Israel, Japan, Norway, South Korea and Taiwan.
- Online ad spend in the UK reached £1.3 billion in 2005, a 63% year-on-year increase. [Ofcom/The Advertising Association, 2006]
- Internet ad spending is set to grow 26.8% this year to \$15.9 billion for 2006, down slightly from last year's rate of 30.3%. [eMarketer, September 2006].

- Internet ad spending grew by 49% during the first half of 2006, leading all other media types. Overall ad spending was up 5.1% for the same period.
  - Spending on the internet passed \$3.8 billion between January and June 2006, compared to \$2.6 billion last year. [Nielsen Monitor-Plus and Nielsen//NetRatings, September 2006]
- US marketers spent \$7.9 billion on interactive advertising during the first half of 2006, a 37% increase over the same period of 2005. [Interactive Advertising Bureau (IAB) and PricewaterhouseCoopers (PwC), September 2006]
  - Spending during the second quarter was \$4.1 billion, a 5.5% increase over Q1.
- Internet display advertising accounted for 6.4% of overall US ad spend during the first half of 2006, compared to 5.6% for the same period in 2005. [TNS Media Intelligence]
  - The channel grew by 18.9% - from \$3.9 billion in the first half of 2005 to \$4.7 billion this year.
- Online advertising spend worldwide is forecast to reach \$11.6 billion in 2006, an increase of 35% from 2005. [Merrill Lynch (via Marketing Vox and MediaPost), August 2006]
  - In 2007, online ad spend growth worldwide is projected to reach \$14.5 billion, an increase of 24%.
  - The highest growth rate this year is expected to come in China (50.0%), followed by the UK (46.4%), France (45.0%), Australia (42.6%), South Korea (30.5%) and Japan (30%).
- An estimated \$25.9 billion in revenues will be spent on online advertising by 2011, rising at a compound annual growth rate of 11% over the next five years.
  - 43% of the online ad spend will be search-based ads, accounting for \$11.1 billion by 2011. [JupiterResearch (via SearchEngineWatch), August 2006]
- 30% of companies reported an increase to internet marketing budgets compared to 6% reporting a decrease for the second quarter of this year. [NMA.co.uk/Bellwether Report, Institute of Practitioners in Advertising, July 2006]
  - The proportion of companies allocating more than 10% of spend to internet marketing rose to a record high of over 17%, while the proportion of companies allocating no spend to internet budgets fell to a record low of 11%.
  - The internet marketing channel only accounts for 4% of marketers' total spend, but a minimum of 26% of consumers' media time is now spent online.
- The internet will remain the fastest-growing advertising medium globally over the next few years, with an 18.1% annual growth rate, reaching \$51.6 billion in 2010. [PricewaterhouseCoopers Global Entertainment and Media Outlook: 2006-2010, June, 2006]
  - Online advertising will constitute nearly 10% of global advertising in 2010, compared with less than 3% in 2002. [PwC, June, 2006]
- According to ZenithOptimedia, the internet will account for 7.0% of worldwide ad expenditure by 2008, up from its 6.5% forecast in April 2006 and 6.0% forecast in December 2005. [ZenithOptimedia, July 2006]
  - Given that online accounted for 4.7% in 2005, internet ad expenditure (including display advertising and paid search) will have grown 76% between 2005 and 2008 if the forecast is correct.
- Internet advertising spend will attract 6.5% of all advertising in 2008, up from 4.5% in 2005. [ZenithOptimedia, April, 2006]
  - Internet ad spend will overtake outdoor in 2007 and pull level with radio in 2008.
- The internet is forecast to account for 4.3% of worldwide ad spending during 2005. The internet is expected to drive 16% of global advertising growth. [ZenithOptimedia, 2005]

- 138.2 billion display ad impressions were served up in January 2006, a 12% increase from 123.6 billion in December 2005. [Nielsen/NetRatings AdRelevance, 2006]
  - 35% of impressions were on email sites, mostly Yahoo (22%) and MSN (10%).
- The total European advertising market – including traditional media and online – increased in value by 6% during 2004 to €104 billion (£71.8 billion / US\$125 billion). [ZenithOptimedia, 2005]
- The amount spent on advertising worldwide this year will increase by 4.7% during 2005. The European market will grow by 3.4% and the US will grow by 3.8%, [Global Advertising Forecasts, ZenithOptimedia, July, 2005]
- The overall U.S.ad market is worth €168 billion (£116 billion / \$203.1 billion) [ZenithOptimedia, 2005].
- Marketers will spend \$1.2 billion on **behaviour targeted online advertising** in 2006. Within two years, spending on behavioural targeting will pass the \$2 billion mark. [eMarketer, April, 2006]

### Online advertising (Europe)

- European online advertising broke €4bn (£2.74bn) in 2005 for the first time. [Digital Strategy Consulting/IAB Europe, 2006]
- Online ad revenues in Europe will be more than €3.2 billion (£2.2bn / \$3.9bn) in 2005 [IAB] (*including spending on web display advertising, rich media, sponsorship, search advertising, classifieds, and other smaller online marketing programs*).

### Internet usage & advertising: Summary table

	UK	Germany	France
Number of internet users	35.8m	47.1m	25.6m
Internet penetration as percentage of total population	60%	57%	42%
Broadband penetration of online users	56%	65%	69%
Number of search engine users (January 05)	10m	13.3m	6.7m
Average searches per month per user	32.8	16.9	34.8
Total online ad spend for 2004 (including search)	€ 944m	€555m	€ 844
Year-on-year % growth in online ad spend	60%	34%	78%

[Sources: Nielsen//NetRatings International AdRelevance; Internet Advertising Bureau (IAB); PricewaterhouseCoopers]

### Online advertising (UK)

- UK online ad spend passed the £2bn mark for the first time last year, and was greater than spent on national newspaper advertising. [Source: IAB/PWC via E-consultancy Blog, March 2007]
  - The UK now has the world's highest proportion of online ad spend, with online accounting for 11.4% of total ad spend last year.
  - Paid search accounted for 57.8% of the UK's online ad spend last year, a total of £1.2bn.
  - Online display advertising (inc. banners, skyscrapers and online sponsorships) rose 35% last year to £453.7m.
  - Classified advertising online also grew, by 45% to £379m, a market share of 18.8%.

- Google confirmed its dominance of the UK online ad market, taking 43% of total UK online ad spend and increasing its ad revenue from £483m in 2005 to £872m last year.
- 75% of paid search spending in the UK last went to Google.
- The internet now accounts for more than one tenth of all advertising spend in the UK, generating nearly £1bn in the first half of 2006 alone. [IAB/PwC, October 2006].
  - Internet ad spend continued to grow with 40.3% like-for-like annual growth for the first half of 2006, taking the sector to a half year high of £917.2m - compared to £630.5m a year ago, and a market share of 10.5%.
  - Paid search was by far the most popular online format, accounting for 57.9% of all ad spend, followed by display advertising, which accounted for 23.5%.
- Internet advertising will overtake newspaper advertising by the end of 2006, accounting for 13.3% of the £12.2 billion UK advertising market this year, compared to national newspapers which will have an estimated share of 13.2%. [Group M, June 2006]
- Display advertising accounts for an average of 41% of online revenue for members of the Association of Online Publishers. [AOP Census 2006]
  - The next most important source of revenue is paid-for content, contributing 18% of all revenues.
    - The number of publishers charging for branded, quality content online has dropped, to 37% compared with 63% in 2005.
  - Sponsorship makes up 9% of online revenue.
- Total UK online advertising expenditure in 2005 grew **65.6% in 2005** to nearly **£1.4 billion** (£1,366.4 million). [IAB/PricewaterhouseCoopers/WARC, March 2006]
  - Internet advertising's market share was 7.8% for 2005.
  - The growth of online marketing in 2005 drove the growth of the entire media market. All other advertising media combined actually fell by almost £200 million year on year, but the market as a whole still recorded a 2.5% increase in 2005, compared to 2004. [IAB/PwC/WARC]
  - **Display** online advertising increased by 44.2% year on year to £334.9 million in 2005.
  - **Online classifieds** increased 62.4% year on year to £262.2 million.
  - **Search** grew 78.8% year on year to £768.4 million.

### Online Ad Spend by Sector (% of total)

	2005 H1	2004 H1
Recruitment	22.1%	21.6%
Finance	17.4%	24%
Automotive	12.4%	10.5%
Entertainment	10.2%	6.2%
Travel/Transport	10.1%	11.2%
Technology	6.9%	9.3%
Telecoms	6.1%	N/A
Consumer Goods	4.9%	5.7%
Business/Industrial	2.8%	4.2%
Retail	2.7%	3.5%
Agriculture	1.3%	0.2%
Property	1.2%	1.5%
Government/Public	1.2%	0.7%
Other	0.7%	1.4%



**Online Ad Spend by format (£ millions)**

	2005	2004
Paid-for search	768	430
Banners/embedded	224	165
Recruitment	182	121
Other Classifieds	80	40
Tenancies	56	14
Sponsorships	21	37
Interruptive formats	16	14
Other display ads	11	1
Display ads on email	9	4

[Source: IAB/PricewaterhouseCoopers, March 2006]

**Market Share by Medium**

Television	23.5%
Press - Display	21.2%
Press – Classified	17.8%
Direct Mail	13.6%
<b>Internet</b>	<b>7.8%</b>
Directories	6.4%
Outdoor	5.1%
Radio	3.5%
Cinema	0.9%

Total Advertising market = £17.4bn

[Sources: PricewaterhouseCoopers, IAB, The Advertising Association, Radio Advertising Bureau, WARC]

- Gambling websites account for 5% of all online advertising activity in terms of Ad Impressions. [Nilesen/NetRatings, August 2006]
- Online advertising expenditure for the first half of 2005 reached £490.8m which constituted a 62.3% increase on a like-for-like basis compared with 2004. Online ad expenditure is therefore set to break the £1bn barrier for 2005. [IAB UK/PricewaterhouseCoopers, October, 2005]
- For the first half of 2005, the market share of online was 5.8%, overtaking the 5.1% market share of 'outdoor' advertising. [IAB UK, October, 2005]
  - TV: 23.6%
  - Press display: 21.7%
  - Press-classified: 19.5%
  - Direct mail: 13.5%
  - Directories: 6.5%
  - Internet: 5.8%
  - Outdoor: 5.1%
  - Radio: 3.6%
  - Cinema: 0.8%

**UK advertising expenditure by medium (The Advertising Association, March 2006)**

	2005 adspend, £m current prices	2005 on 2004 % change
National newspapers <sup>1</sup>	1,915	-3.0%
Regional newspapers	2,994	-4.4%
Consumer magazines <sup>2</sup>	827	1.0%
Business magazines	1,064	-1.6%
Total press	6,801	-3.0%
- of which display	3,700	-1.1%
- of which classified	3,101	-5.1%
Television	4,097	3.6%
Radio	521	-4.5%
Outdoor	897	5.8%
Cinema	156	-2.6%
Direct mail	2,371	-3.9%
Internet <sup>3</sup>	1,131	73.1%
- of which display	383	64.3%
- of which classified <sup>4</sup>	748	78.0%
<b>Total measured adspend<sup>5</sup></b>	<b>15,973</b>	<b>2.1%</b>

Notes: <sup>1</sup>Includes supplements. <sup>2</sup>Excludes supplements. <sup>3</sup>Internet figures are WARC estimates. <sup>4</sup>Internet classified includes the IAB "search" category plus IAB non-recruitment classified plus WARC recruitment classified. <sup>5</sup>Excludes directory advertising and production expenditure, includes agency commission.

Source: AA's Quarterly Survey of Advertising Expenditure

- Spending on internet advertising in the UK grew an estimated 73% in 2005 [World Advertising Research Center (WARC) on behalf of the Advertising Association (AA), March 2006].
  - Internet ad revenues were in excess of £1.1bn .
  - Total advertising revenues in the UK grew 2.1% in 2005, slowing from a 6% increase the year before.
  - National newspaper revenues fell by 3% while the drop for regional press was 4.4%.
  - Revenue from classified ads fell more than 5% across all newspapers while display ads decreased by 1.1%.
  - Radio ad revenues fell 4.5% to £521m.

**Online advertising (Germany)**

- Germany has the largest population of internet users in Europe. There are 47 million users compared to 36 million in the U.K. and 26 million in France. [IAB Europe, 2005]
  - In terms of advertising spending, at €555m, the German online ad market is just over half the size of the U.K. market. This figure represents 3% of the size of the total German ad market.

**Online advertising (France)**

- France has a smaller internet population than the UK and Germany [IAB Europe, 2005]
  - In terms of advertising spending, at €583m, the market in France is slightly larger than the German online ad market. This figure represents 4.6% of the size of the total French ad market.
  - The online ad market in France has the largest share of a country's overall ad market of any European country.

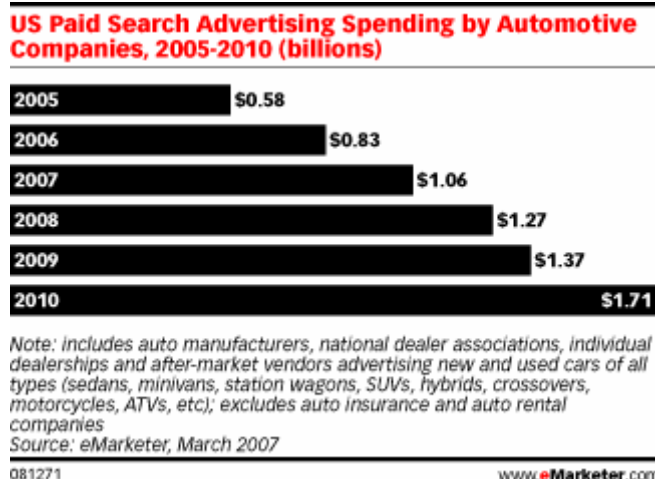
**Online advertising (China)**

- Online advertising spend in China is forecast to grow an estimated 50% from \$731 million (USD) in 2006 to to \$1.79 billion in 2008. [Deutsche Bank (Via Marketing Vox), August 2006]

- Smaller players are expanding at least 10 percentage points faster than larger portals.
- The online advertising market will grow 35% from \$605 million in 2006 to \$816 million in 2008. [Analysys International, 2006]

### Online advertising (United States)

- eMarketer predicts that the automotive industry, consisting of manufacturers, dealers and vendors, will account for \$2.69 billion, or nearly 14%, of the \$19.5 billion estimated to be spent on Internet advertising and marketing this year. [Source: eMarketer, March 2007]



- Yahoo Mail enjoyed a 41.4% share of all display ads which was more than three times that of closest competitor MySpace (with 16.1%). [Nielsen/NetRatings AdRelevance (via MediaPost, September 2006)]
  - MSN Hotmail was third, with 7.8% of display ads.
  - Yahoo's share increased significantly from the previous month's 32.9% and 7.6% in August 2005.
  - Financial services companies accounted for 28.0% of online display ads in August, followed by retail goods and services with 18% and web media with 14%.
- Online's share of US measured media spending is set to grow to 12% in 2006, up from just 10% in 2005. [TNS Media Intelligence, June 2006]
- Total online advertising revenues in the US came to \$12.5 billion for 2005, exceeding the 2004 total by 30%. [IAB/PwC, April 2006]
  - In the fourth quarter of 2005, online advertising revenues amounted to a record \$3.6 billion, representing a 34% increase over same period in 2004.
- In the US, online ad spend increased 15% in the fourth quarter of 2005 from the third quarter. [Deutsche Bank and MediaPost]
  - The cost of premium inventory increased, on average, 6%, run-of-network inventory costs increased about 3%, and PPC prices were up 5 percent, according to the survey.
- Internet ad revenue in 3Q05 reached a record \$3.1 billion, 33.9% more than in 3Q04. [PWC/IAB, November 2005]

- US advertisers spent €7.9 billion (£5.48 billion; \$9.6 billion) of marketing budgets on e-marketing channels in 2004, including display advertising, sponsorship, rich media, paid search, classified listings and more. [IAB USA].
  - In the USA, online ad spend is growing at a slightly faster rate than the European average, at around 33% versus 30%. [IAB]

### Online ad formats

- Video ads generate the highest click-through rates in Europe, amidst declining click-through rates overall. [Source: AdTech AG via MediaPost, May 2007]
  - On average, video ads received a relatively high percentage of clicks - almost 5% -while new large-format ad spaces such as Skyscrapers and Leaderboards came in at 0.11% and 0.12%, respectively.
- There has been a marked consolidation in **online ad formats** used across Europe with six popular formats now representing approximately 85% of all display ad impressions delivered. [European Interactive Advertising Association (EIAA), October 2006]
  - The six formats are:
    - 468 x 60 Traditional Banner
    - 120 x 600 Skyscraper
    - 160 x 600 Wide Skyscraper
    - 180 x 150 Rectangle
    - 300 x 250 Medium Rectangle – MPU
    - 728 x 90 Super Banner
  - While the Traditional Banner has seen a decline in usage, the larger package of the 728 x 90 Super Banner has seen a phenomenal growth rate of 223% since 2004 (now representing just under 30% of the total of these formats delivered).


Advertising Breakdown by Ad Unit Types, December 2006					
Industry	Flash, Generic (M)	Rich Media (M)	Sponsored Link (M)	Standard Image (M)	Standard Image/Text Link (M)
Automotive	3,262.6	742.5	421.9	1,765.2	1,058.9
Business to business	897.5	80.1	2,148.7	1,360.5	703.8
Consumer goods	3,673.8	450.1	2,673.0	2,569.8	890.9
Entertainment	6,133.6	314.1	624.4	4,176.5	2,174.1
Financial services	13,252.0	484.5	2,799.2	15,218.3	44,260.6
Hardware and electronics	3,168.5	668.9	541.7	1,532.1	2,176.7
Health	1,992.9	484.2	1,039.3	1,686.3	258.0
Public services	3,097.2	75.8	1,022.4	2,776.4	7,653.3
Retail goods and services	9,187.8	2,188.5	13,380.2	10,774.7	20,703.1
Software	1,319.0	177.3	946.2	812.0	758.2
Telecommunications	15,154.8	993.1	880.6	10,071.3	7,764.3
Travel	2,401.1	198.5	1,803.3	1,590.0	1,266.4
Web media	9,981.0	724.1	13,301.0	11,176.9	19,107.3

Source: Nielsen//NetRatings, 2006

[Source: Nielsen//NetRatings]

- On average, rich-media ads perform six times more effectively than standard GIF banners. [Marketing magazine/DoubleClick/Eyeblander, July, 2006]
- Internet users in the UK and Italy are more responsive to large online ad formats than those elsewhere in Europe [Orange Home/OMD Insight, July 2006].
  - In the UK and Italy, web users are most entertained by ads that contained rich media, such as Flash and video, while the Dutch had little tolerance for these formats, saying that large ads were unacceptable.

### 3.3.2 Online advertising response rates

- 21% of respondents to a Dynamic logic survey said that overlay ads were never acceptable, even in return for free content. [Source: Dynamic Logic, Oct 2008] 
- 73% of web users have left a favourite website because of intrusive or annoying ads, rising to 84% for 25-34 year olds. [Source: OpinionMatters / HowTo.tv, July 2008]
  - 59% of web users have also stopped visiting a website because of intrusive or irrelevant advertising, rising to 70% for 25-34 year olds.
- An eye-tracking study from EyeTools for MarketingSherpa found that 75% of web users didn't see ads placed below the fold. [Source: MarketingSherpa, April 2008]
  - Even ads placed above the fold were only seen by 60% of web users.
- 6% of web users are responsible for 50% of the clicks on display ads. [Source: Tacoda/comScore, Feb 2008]
  - These heavy clickers are predominantly internet users between the ages of 25-44 and households with an income under \$40,000.
- TV and movie sites are generating the highest advertising awareness among consumers under the age of 55, according to a Myers report on Audience Attentiveness to Advertising. [Source: Myers via eMarketer, December 2007]

#### Leading Web Site Categories on Which US Adult Internet Users Are Likely to Pay Attention to Advertising, 2007 (% of respondents)

1. TV and movie
2. Commerce and shopping
3. Entertainment
4. Information
5. AOL, Yahoo!, MSN and other portals
6. Lifestyle and special interests
7. Internet search
8. News
9. Social networking and community
10. Blogs and discussion boards
11. Audio and video podcasts

Note: ages 18-49

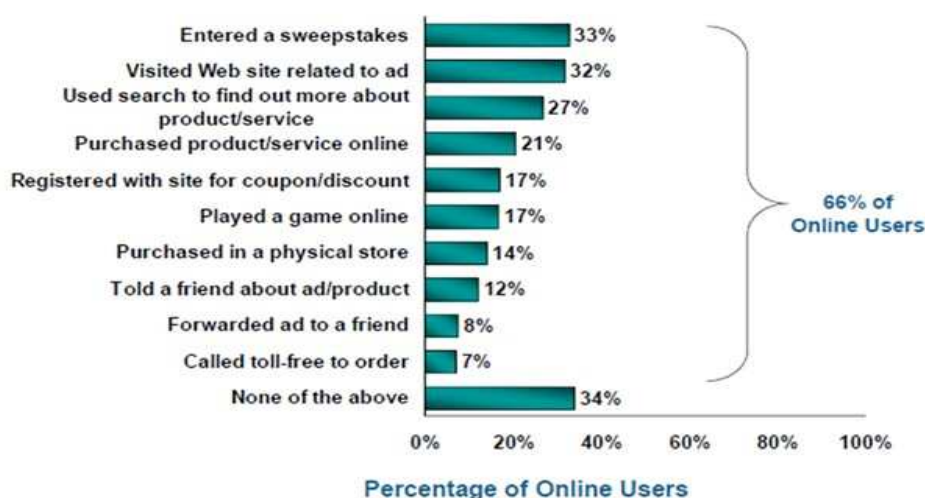
Source: Jack Myers Media Business Report, "Myers Emotional Connections Research Report on Audience Attentiveness to Advertising" as cited in press release, December 4, 2007

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- Online consumers are consistently more receptive to behaviourally targeted ads than contextual advertising, with behavioural targeting (BT) outperforming contextual by 22% in some categories. [Source: Jupiter Research via Marketing Charts, September 2007]

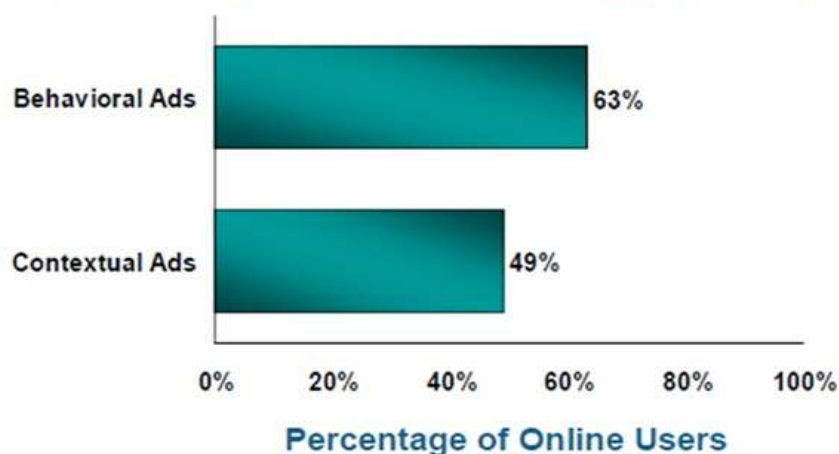
## Two-Thirds Of Online Users Have Acted As A Result Of Viewing Online Ads



Source: AOL/Revenue Science/JupiterResearch Consumer Survey (04/07)

## Behavioral Ads More Likely To Receive Attention Than Contextual Ads Overall

Represents Top 2 Box Scores: Strongly Agree, Agree



Source: AOL/Revenue Science/JupiterResearch Consumer Survey (04/07)



- In "Close the Loop: Understanding Search and Display Synergy," a report created for Yahoo by comScore, the study shows online users exposed to both the search and display advertising campaigns purchased the advertiser's products and services 244% more online and 89% more offline compared to users not shown the ads.

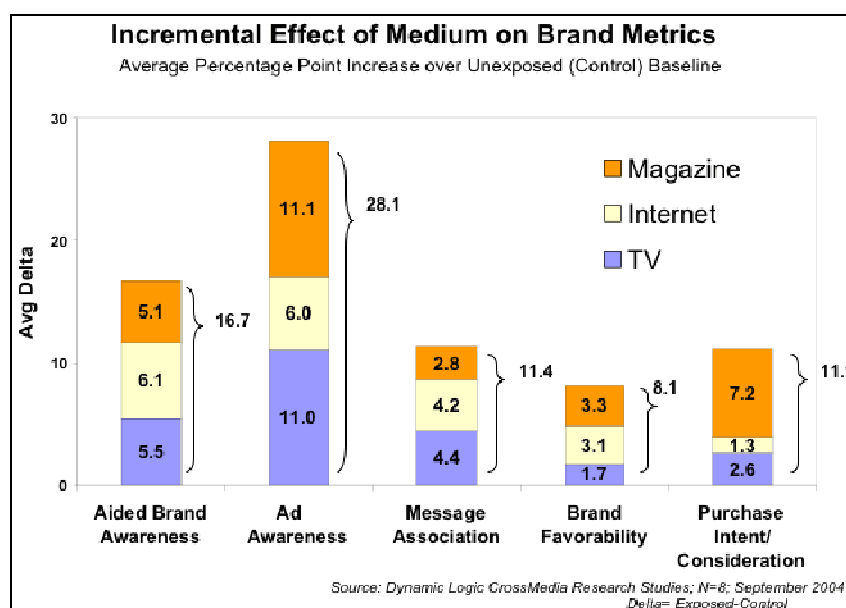
- The study also states the users exposed to both types of ads increased their share of page views relative to competitive sites by 68%, and time spent by 66%. [Yahoo / comScore, December 2006]
- Regarding frequency capping – roughly four ads per 30 minutes are deemed acceptable for intrusive formats. [E-consultancy, Interactive Advertising and Rich Media Roundtable Output, 2004]

### 3.3.3 View-through rates

- View-through rates in Q1 2004 were roughly level with those of Q1 2003 (0.59% as compared to 0.61%). [DoubleClick, April 04]
  - They were lower than the high periods of Q3 and Q4 (0.77 and 0.74%).
    - View-throughs measure an action within 30 days of a consumer viewing an ad (post impression impact).

### 3.3.4 Brand and Brand metrics

- 77% of online consumers agree that if they “saw a negative review on the internet about a product or brand I would think twice about buying it”. [AOL, 2005]
- 42% of online consumers have changed their mind about a brand they were going to buy and switched to a different brand. [AOL, 2005]
- 74% of online consumers have personally researched and looked for information about a product or service before making a purchase. [AOL, 2005]
- 73% of online consumers agree that “I spend more time researching products now that I have access to the internet”. [AOL, 2005]
- 80% of online consumers prefer to buy on the internet from companies they already know. [AOL, 2005]
- 70% of online consumers agree that if a company or brand has a poor website it affects their opinion of the brand. [AOL, 2005]
- 51% of online consumers agree that they pay more attention to adverts on sites they trust. [AOL, 2005]
- Magazine, TV and internet compared across brand metrics:



### 3.3.5 Targeting

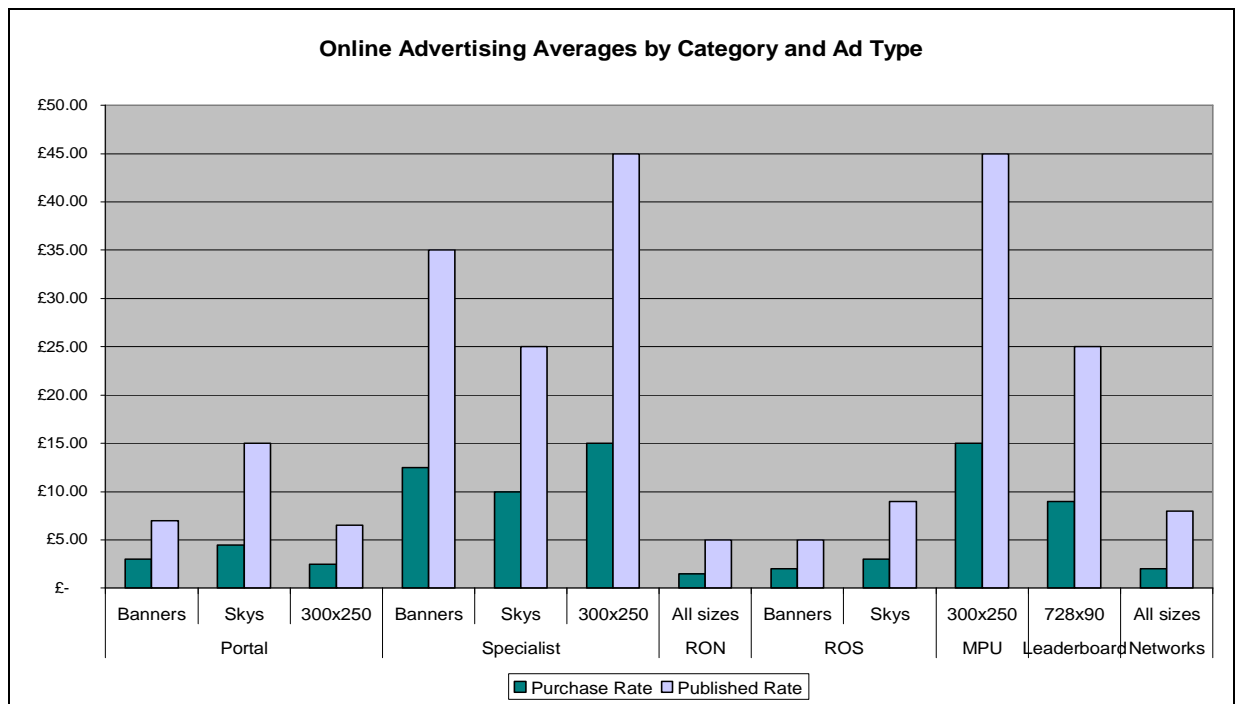
- MSN UK more than doubled click-throughs from its home page by using real-time content targeting and personalisation software provided by Touch Clarity. [Touch Clarity, November, 2005]

### 3.3.6 Local Online Advertising

- Local online advertising will account for \$1.3 billion spending in 2006, representing only 7.9% of the total \$16.7 billion in US Internet ad spending for the year. [eMarketer, 2006]
  - Paid search accounts for more than 55% of the local online advertising total.

### 3.3.7 Online Advertising Rates

- Ad rates over portal, specialist, run of network (RON), run of site (ROS), messaging plus units (MPU), leaderboard and networks (chart below). [E-consultancy, 2005]
  - Purchase rates were on average £12.54 less than published rates.
    - This equates to average purchase rates more than 60% less than published.



[Source: E-consultancy, 2005]



### 3.3.8 Online Advertising Networks

- Top 50 US ad networks in June 2008. [Source: comScore, July 2008]

<b>comScore Ad Focus Ranking (U.S.) June 2008 Total U.S. - Home, Work and University Locations Unique Visitors (000) Source: comScore Media Metrix</b>							
Rank	Property	Unique Visitors (000)	Reach %	Rank	Property	Unique Visitors (000)	Reach %
	Total Internet : Total Audience	189,873	100%				
1	Platform-A**	170,312	90%	26	Collective Media**	72,390	38%
2	Yahoo! Network**	158,064	83%	27	Vibrant Media**	72,080	38%
3	Google Ad Network**	154,419	81%	28	Ybrant - Oridian - ADdynamix Network**	71,554	38%
4	Specific Media**	148,311	78%	29	NNN Total Newspapers: U.S.	67,530	36%
5	ValueClick Networks**	141,915	75%	30	Gorilla Nation Media	66,866	35%
6	Yahoo!	138,426	73%	31	Undertone Networks**	65,945	35%
7	Tribal Fusion**	137,569	72%	32	YOUTUBE.COM	65,482	34%
8	YuMe Video Network - Media Partners	134,864	71%	33	MSN.COM Home Page	56,741	30%
9	Google	131,697	69%	34	EBAY.COM	56,698	30%
10	Casale Media Network**	128,569	68%	35	TattoMedia**	56,616	30%
11	adconion media group**	125,339	66%	36	IAC Ad Solutions - Media Partners	53,385	28%
12	DRIVEpm**	122,373	64%	37	Ask Network	51,646	27%
13	interCLICK**	118,905	63%	38	Kontera**	50,216	26%
14	Traffic Marketplace**	116,267	61%	39	MapQuest	48,422	26%
15	AOL Media Network	110,841	58%	40	PrecisionClick**	46,681	25%
16	24/7 Real Media**	109,135	57%	41	AMAZON.COM	46,666	25%
17	MSN-Windows Live	107,272	56%	42	NNN Top 25	44,926	24%
18	Tremor Media - Media Partners	101,361	53%	43	Business.com Network	44,709	24%
19	ADSDAQ by ContextWeb**	98,951	52%	44	Real Cities Network	44,577	23%
20	CPX Interactive**	88,911	47%	45	IB Local Network	40,506	21%
21	Turn, Inc**	87,681	46%	46	FACEBOOK.COM	37,375	20%
22	Burst Media**	84,246	44%	47	Quadrant One	37,347	20%
23	AdBrite**	81,133	43%	48	EBAY.COM Home Page	37,061	20%
24	Centro	76,733	40%	49	The Nabbr Network - Exclusive Media Partners	37,039	20%
25	MYSFACE.COM*	72,777	38%	50	Clearspring Widget Promotion Channel - Media Partners	36,495	19%

- The UK market for Online Advertising Networks has doubled in size during 2006, from £60 million in 2005 to an estimated value of £120 million. [Source: E-Consultancy] [Online Advertising Networks – A Buyer’s Guide 2007](#)
  - This means that spending on ad networks is equivalent to about 6% of total 2006 online ad expenditure which is estimated to have been around £2 billion (including Paid Search).
  - Spending on ad networks during 2006 will amount to as much as 25% of overall online display advertising spend, which represents a significant increase on the 19% figure for 2005.
- The UK market for **online advertising networks** is showing strong growth and its value will be close to £60m by the end of 2005. The market will have grown 37% year-on-year from £41.7m in 2004 to £57.1m by the end of 2005. [E-consultancy, 2005]
  - Growth, which has historically been driven by **direct response** spending, is also being bolstered by increasing use of networks by **brand** advertisers who are attracted by the prospect of broad reach at a relatively low cost. [E-consultancy, 2005]

### 3.3.9 Online Ad Serving Solutions

- The UK market for ad serving solutions was worth an estimated £28 million in 2005 and will grow by 18% to £33 million by the end of 2006. [E-consultancy, 2006] [Online Ad Serving Solutions – A Buyer’s Guide](#)

### 3.3.10 Video advertising

- Online video metrics for selected countries ... [Source: ComScore via eMarketer, May 2008]

<b>Online Video Metrics for Select Countries Worldwide, December 2007</b>					
	<b>Canada</b>	<b>France</b>	<b>Germany</b>	<b>UK</b>	<b>US</b>
Unique viewers (thousands)	19,047	24,063	27,321	28,686	124,362
Videos viewed (thousands)	2,137,074	2,138,802	2,514,039	3,092,867	9,509,544
Videos per viewer	112	89	92	108	77
% reach	89%	84%	81%	87%	78%

*Note: ages 15+; excludes traffic from public computers (eg Internet cafes) and access from mobile devices*  
 Source: comScore Video Metrix as cited in press release, April 10, 2008

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- More than half of online video viewers recalled seeing in-stream advertisements in content they had watched. [Source: Burst Media via eMarketer, Jan 2008]
  - Three-quarters said in-stream advertisements in online video were intrusive, and about a half said advertisements in video content disrupted their Web surfing experience.

**Behavior of US Adult Online Video Viewers toward In-Stream Online Video Advertising, by Age, December 2007 (% of respondents in each group)**

	18-24	25-34	35-44	45-54	55+
Continue to watch the video	57.6%	41.6%	42.4%	43.3%	37.2%
Stop watching the video, but stay on the site	23.6%	37.3%	36.3%	36.2%	38.3%
Stop watching the video, and leave the site	11.4%	12.3%	13.4%	16.7%	21.2%

Note: excludes respondents who have not seen in-stream online video advertising

Source: Burst Media, "Online Insights," January 1, 2008

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**Demographic Profile of US Internet Users Who Visit Videos/Movies Web Sites, October 2007 (thousands of unique visitors and % of total audience)**

	Audience	Composition
<b>Gender</b>		
Male	45,374	51.15%
Female	43,325	48.85%
<b>Age</b>		
2-11	4,619	5.21%
12-17	10,069	11.35%
18-24	5,406	6.10%
25-34	12,308	13.88%
35-49	28,713	32.37%
45+	37,542	42.33%
55+	18,072	20.37%
65+	6,618	7.46%
<b>Household income</b>		
\$0-\$24,999	5,063	5.71%
\$25,000-\$49,999	17,801	20.07%
\$50,000-\$74,999	23,830	26.87%
\$75,000-\$99,999	18,055	20.35%
\$100,000-\$149,999	14,326	16.15%
\$150,000+	7,569	8.53%
No response	2,056	2.32%
<b>Total</b>	<b>88,700</b>	<b>100.00%</b>

Note: home and work locations

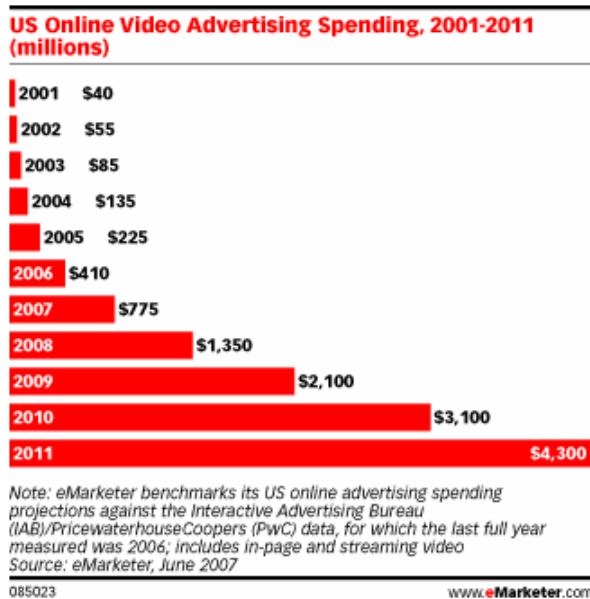
Source: Nielsen Online, "NetView" as cited by The Center for Media Research, December 21, 2007

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- Ad revenues on UGC video sites stand to grow from \$200m last year to \$875m by 2010, but this will account for just 15% of the total online video advertising budget. [Source: Screen Digest, January 2007]

- Online video ad spending:



[Source: eMarketer, June 2007]

**US Adult Internet Users Who Are Willing to Watch Advertising before a Free Online Video, 2006 (% of respondents)**



Source: Piper Jaffray & Co., "Silk Road: Online Video Usage Increasing as TV Viewing Declines," January 2007

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[Source: Piper Jaffray via eMarketer, March 2007]

- Online video advertising is predicted to grow by 82% this year to \$410 billion from \$74 billion in 2005. [eMarketer, November 2006]

**US Online Video Advertising Spending, 2006, 2008 & 2010 (millions)**



Source: eMarketer, October 2006

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**Online Video Ad Spending as a Percent of Total Internet, Rich Media and Television Ad Spending in the US, 2006, 2008 & 2010**

	Total Internet*	Rich media	TV**
2006	2.6%	28.7%	0.6%
2008	6.0%	44.8%	1.6%
2010	11.5%	63.9%	3.3%

Note: \*Total Internet includes rich media, which includes online video; \*\*Veronis Suhler Stevenson television spending data include broadcast, cable and satellite (network, national spot, local, national cable, local/regional cable)

Source: eMarketer, October 2006; Veronis Suhler Stevenson, September 2006

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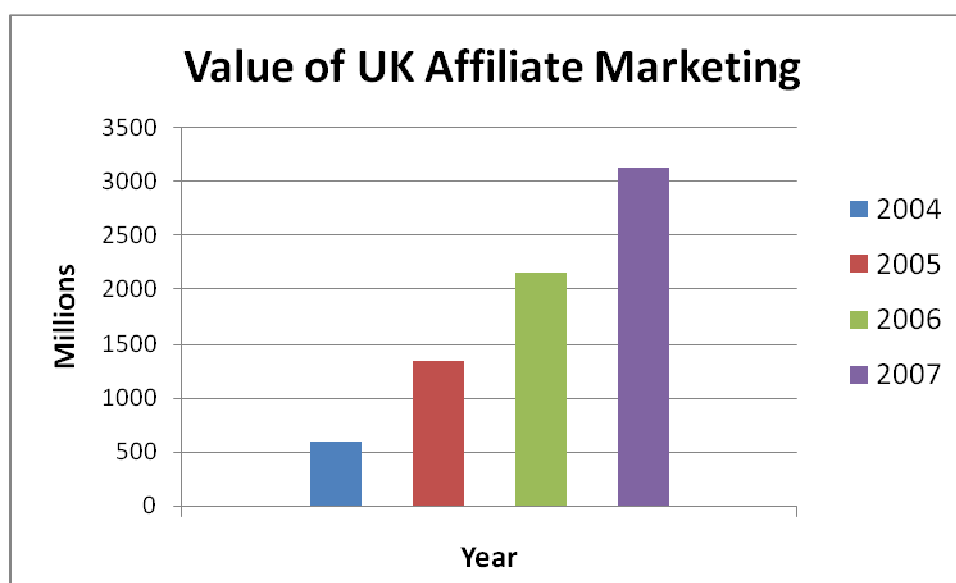
www.eMarketer.com

- Online video advertising is seen to have more brand impact than rich media counterparts. [DynamicLogic, 2005]
  - Exposure to video ads has resulted in:
    - 14.4 lift in message association.
    - 10.0 lift in awareness.
    - 5.0 lift in brand favourability.
    - 4.8 lift in purchase intent.
  - To compare awareness lift with standard units:
    - Banner frequency of 10+ results in a six-point gain.
    - Skyscraper frequency of 6+ results in an eight-point gain.

### 3.4 Affiliate Marketing

- Online marketers are predicted to spend \$2.1bn (£1.05bn) on affiliate marketing in 2008, 15% more than in 2007. [Source: JupiterResearch, July 2008]
- 20% of respondents in a US survey of merchants said that attracting affiliates was a major barrier to the success of their programmes. [Source: AffStat [via E-consultancy blog](#), Feb 2008]
  - The study found that one in five (22%) managers of pay per sale-based programmes had more than 10,000 affiliates promoting their products, while a further 15% had more than 5,000.
  - 13% were generating more than 500,000 click-throughs a month through affiliates and 21% said their biggest challenge was managing the number they had signed up.
- The UK market for affiliate marketing grew by an estimated 45% in 2007, taking the total value of online sales generated through this channel to more than **£3.13 billion**. [E-consultancy, January 2008]
  - **Commissions and fees** paid out to affiliate networks (covering payments for both networks and affiliates) amounted to £186 million in 2007, up 40% from £133 million in 2006 (and compared to £83 million in 2005).

**Source:** [E-consultancy 2008 Affiliate Marketing Networks Buyer's Guide](#)



**Source:** *E-consultancy*

- The value of UK sales generated from the affiliate networks channel will be between £1.1bn and £1.35bn for 2005, rising from around £600m in 2004. [E-consultancy, 2005]
- Spending is strong across a range of sectors including financial services, gambling, telecoms, entertainment, travel and consumer electronics. [E-consultancy, 2005]
- Many of the leading retail web sites are around 20% of their online sales from affiliates in 2004. [E-consultancy, Affiliate Marketing Buyers Guide, 2004]
- IMRG forecasted £17 billion e-commerce sales in the UK for 2004.

- View to visit rate is 0.5%. [E-consultancy, Online Marketing Benchmarks, 2004, UK]
  - Conversion from visit to buy 0.5% to 2% unincentivised. 2% to 4% with purchase incentive (money off, free delivery etc).
  - Based on a program with a 14 day cookie, generally a program will be between 0.5% and 2% but when you analyse the top performing sites you should be seeing conversion rates around 4% and incentivised purchases 3-6%.
  - Percentage of all sales derived from affiliates range from 5% to 20% for larger e-commerce companies, particularly retailers and financial service providers.
  - 10-20% of total new buyer sales can come from affiliates. For some retailers affiliates deliver as high as 65% of all their new customer acquisitions.

### Affiliate Sales

- Online sales at the beginning of Q3 (2005) have continued to gain momentum. The online retail sector is bucking the wider trend of the overall retail slowdown with healthy month-on-month increases in both volumes and value of sales. [[TradeDoubler July 2005 Tracker](#)]
- Monthly Sales volumes have grown by 4% in July, which equates to a yearly increase of almost 90%. Sales values have also risen, by 6%, in contrast to the same period last year when the value of sales dropped significantly. [[TradeDoubler July 2005 Tracker](#)]
- The telecoms and entertainment sectors have been particularly instrumental in driving this growth over recent months. Having reached a plateau from March to May this year, sales within the telecoms sector have soared recently as a number of clients, especially mobile ringtone providers, focus more attention than ever on driving increased sales through this channel, with impressive results. [[TradeDoubler July 2005 Tracker](#)]
- Sales volumes within the entertainment sector were consistently lower over the first half of the year compared to 2004, the sector now appears to have turned the corner with a month on month increase of 28% and sales for the first time this year have overtaken the 2004 figure by 8%. This growth is predicted to continue over the coming months before a rapid rise in the last quarter. [[TradeDoubler July 2005 Tracker](#)]

### 3.4.1 UK Affiliate Census

- This **UK Affiliate Census**, published by E-consultancy in association with Affiliate Program Advice, is based on the findings of a survey carried out in November and December 2006. [E-consultancy and Affiliate Program Advice, January 2007]
  - <http://www.e-consultancy.com/publications/affiliate-census/>
  - More than 1,500 respondents took part in the survey (1,536) after a number of affiliate networks emailed the online questionnaire link to their affiliates.

### High-level findings.

#### Who are affiliates?

- Affiliates are fairly evenly spread across different age groups.
  - The most common age bracket is 31-40 (34%) followed by 21-30 (26%).
- The overwhelming majority of affiliates are male (83% of respondents).
- 68% of affiliates are married or living with a partner, and 46% have children.
- Affiliates are fairly well spread across the UK. Just over a third of UK affiliates (36%) are based in London or the South East.
- Just under half of all affiliates are educated to degree level (48%).

[E-consultancy and Affiliate Program Advice, January 2007]

## Affiliate Lifestyle

- The findings suggest that there has been a significant influx of new affiliates in the last two years, with 18% starting as affiliates in 2005 and 26% starting in 2006.
- 51% of respondents say they are 'active' affiliates compared to 39% who say they are occasionally active and 10% who say they are inactive.
- 27% of affiliates say they do affiliate marketing as their day job (compared to 73% who do it in their spare time)
- Of those who do affiliate marketing as their day job, 25% do at least 10 hours a day on average. One in 10 day-job affiliates puts in more than 13 hours plus a day.

[E-consultancy and Affiliate Program Advice, January 2007]

## Affiliate Business

- Only 12% of respondents say that affiliate marketing is their only source of income.
- There is a huge spread in terms of the level of income earned by affiliate marketers. Half of all respondents (49%) earned less than £500 a year from affiliate marketing.
  - 62% of spare-time affiliates earned less than £500 in the last year.
- Of those who do affiliate marketing as their day job, 61% earned at least £20,000 a year.
- 10% of day-job affiliates (a total of 34) earned more than £750,000 in the last year from affiliate marketing.
- Search Engine Optimisation (SEO) is far and away the most commonly used method of promoting merchants & getting traffic.
  - Organic search is used by 74% of affiliates compared to 38% who use Paid Search.
- SEO is regarded by affiliates (43%) as being the single most effective way of getting converting traffic.
  - The next most effective method – but a distant second - is Paid Search (22%).

[E-consultancy and Affiliate Program Advice, January 2007]

## Affiliate Networks

- Affiliates are typically signed up with multiple affiliate networks.
  - Only 15% of affiliates are signed up with just one network.
- Almost two thirds (63%) are signed up with three networks or more.
- TradeDoubler is the network with most affiliates - 1,191 respondents (87%) said they are signed up to promote its UK merchants.
- Commission Junction had the second most affiliates, with 735 (54%) promoting its UK merchants.
- Affiliates, as a group, believe that the most crucial function of a network is around payment (of affiliates).
  - 68% believe this is a 'crucially important' function and 29% believe this function is 'very important'.

## Merchants and Sectors

- The biggest eight sectors for affiliates, in order, are:

Travel / Flights	(30%)
Entertainment and Music	(27%)
Electrical goods	(24%)
Computers / laptops / peripherals	(24%)
Gifts / Gadgets	(22%)
Books	(22%)
Fashion / clothes / lingerie / accessories	(21%)
Financial services	(19%)
Mobile phones	(19%)



- Half of all affiliates surveyed (51%) promote 10 advertisers or less.
- Among active affiliates, 23% are promoting more than 80 advertisers at any one time.
- A third of active affiliates (33%) are promoting 10 advertisers or less.
- The biggest reason for affiliates *not* promoting merchants after making the effort to sign up for programs is because of '*insufficient quality & quantity of links*'.
- Two thirds of affiliates (67%) promote business-to-consumer (B2C) merchants exclusively compared to 4% who promote B2B (business-to-business) advertisers exclusively.
  - Some 29% of affiliates promote both B2B and B2C
- Two thirds of affiliates have at least one partnership with a merchant with an in-house affiliate program.

### Opinions and Trends

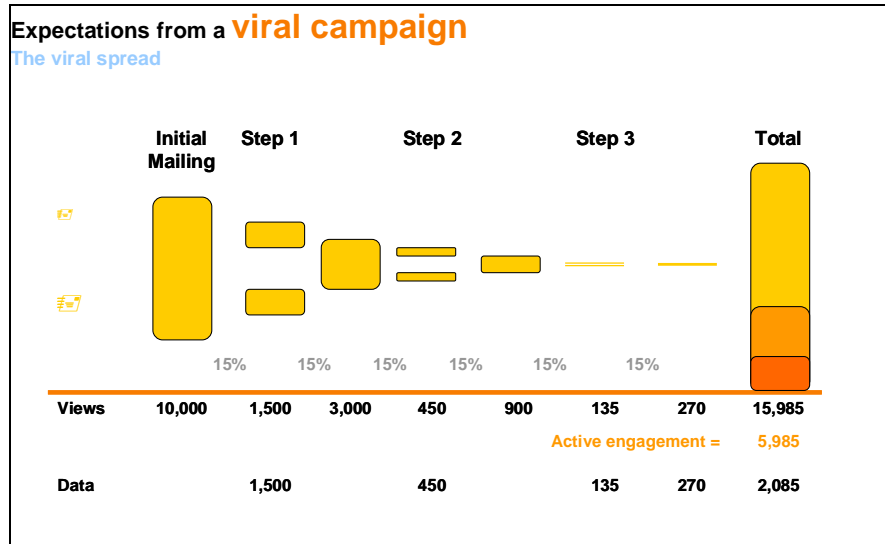
- "*Affiliate Marketing is getting harder over time*" - half of affiliates (50%) believe this to be true compared to only 11% who disagree.
- Affiliate opinion is split regarding whether or not affiliate marketing requires you to be technical.
  - 38% agree that "*you need to be technical to be successful*" but 39% disagree.
- 34% agree that "*Google is damaging the affiliate marketing industry*" but 26% disagree.
- Almost half of all affiliates agree that "*spyware is a major problem for the Affiliate Marketing industry*". Only 13% disagree.

[E-consultancy and Affiliate Program Advice, January 2007]

### 3.5 Viral Marketing

- US firm Blendtec has managed to increase sales of its kitchen blenders for a fraction of the costs of traditional marketing methods. [Source: E-consultancy blog, Oct 2007]
  - Traffic to the company's website has increased by 650% since the introduction of the videos, while Blendtec's online sales have increased five-fold.
- UK agencies and brands allocating significantly more cash to viral marketing, as well as spending it "*more intelligently*", according to a new survey. [Source: Kontraband [via E-consultancy blog](#), Aug 2007]
  - Kontraband says viral seeding campaigns have jumped 67% so far this year, while the agency predicts the viral industry as a whole will be worth between £25m and £30m by the end of 2007.
- UK-based viral seeding agency and media owner Kontraband unveiled the findings of its Viral Marketing Industry Report 2006, which examined public and industry awareness of viral marketing techniques. The report concluded that 73% of the UK population is now aware of the nature of viral emails. [Kontraband, 2006]
  - 36% of those questioned saying that they regularly forwarded viral emails.
  - Less than half (47%), realised they were used for commercial and brand purposes.
- Users favourite type of viral email: [Kontraband (via NMA), September 2006]
  - Funny videos/pictures (51%)
  - Jokes (45%)
  - Adult content (10%)
  - Online games (8%)
  - Extreme videos (4%)
- Almost 40% of more than 1,000 UK internet users said they regularly receive viral emails. [Forrester Research, June, 2006]
  - A quarter of people receiving viral ads like them and a fifth send them on.
  - A fifth also said they base what products they buy on the content of viral ads.

- The most common reasons for sending viral emails to friends and family were 'because it was funny' (10%) and 'because I thought they would be interested in the product' (10%)
- The figure below gives some sample figures for pass-on rates ("the viral effect") for a Warner Bros viral marketing campaign



[Warner Bros New Media presentation, E-consultancy Online Marketing Masterclasses 2004]

### 3.6 Web Analytics

- Only a quarter of company respondents (25%) to E-consultancy's [Online Measurement and Strategy Report 2008](#) say that their web analytics "definitely" provide actionable insights, with a further 56% saying that this is only sometimes the case. [Source: E-consultancy / Lynchpin, May 2008]
  - Almost nine out of ten responding organisations (88%) say that an "important use" of web analytics is for reporting traffic figures.
  - The next most important function of analytics is to help understanding of customer behaviour, deemed to be an important use by 70% of company respondents.
  - Two thirds of those organisations surveyed (66%) are using the free Google Analytics tool, which makes it far and away the most widely used web analytics technology.
  - About a third of responding organisations are spending less than £5,000 a year on web analytics. A fifth (21%) are spending at least £50,000 a year.
- Nearly 70% of organisations are planning to increase their spending on web analytics this year, according to a new international study by the [Source: Web Analytics Association (WAA) via E-consultancy blog, Jan 2008]
- The UK market for web analytics will grow by 25% in 2007, from £56 million to an estimated value of £70 million. [\[E-consultancy Web Analytics Buyer's Guide 2007\]](#)
  - There is an increasing level of convergence around business intelligence, market research and web analytics which makes it more difficult to estimate the size of this market.
  - We have taken an inclusive approach in our market sizing, including revenues for marketing agencies who are selling related support services and also specialist or broader consultancies whose services are employed in this area.

### 3.7 Podcasts

- The average podcast user subscribed to 3.6 podcasts in April and May this year and spent just over one hour per week listening to them. [Source: RAJAR via eMarketer, July 2008]

<b>UK Adult Podcast Downloaders, by Interest in Downloading Free Podcast with Advertising, April-May 2008 (thousands and % of respondents)</b>		
Very interested	996	16.5%
Somewhat interested	2,213	36.7%
Not very interested	1,349	22.4%
Not interested	1,137	18.9%
Don't know	336	5.6%

Note: n=317 ages 15+; numbers may not add up to 100% due to rounding  
Source: Radio Joint Audience Research Limited (RAJAR) - UK, "Podcasting and Radio Listening via the Internet Survey" conducted by Ipsos MORI (Market & Opinion Research International), July 2, 2008

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- Over half of podcast downloaders said they would be interested in downloading free podcasts that included advertising. Only 31% said they would be interested in paying for ad-free podcasts. [Source: RAJAR via eMarketer, July 2008]

**UK Adult Podcast Downloaders, by Interest in Downloading Free Podcast with Advertising, April-May 2008 (thousands and % of respondents)**

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- The total US podcast audience reached an estimated 18.5m in 2007. [Source: eMarketer, Feb 2008]
- 33% of companies are planning to use podcasting in the next 12 months; 18% are using it already. [Source: E-Consultancy [Customer Engagement Report](#), sponsored by cScape, November 2006]
- Around 8% of the online population, over 3 million people, have downloaded a podcast with a further 11 million people planning to do so in the future. [Harris Interactive/Guardian Unlimited, October 2006]
  - 0.4% have created a podcast
- 0.3% of the UK online population have created a vodcast, and 0.8% have downloaded a vodcast. [Harris Interactive/Guardian Unlimited, October 2006]
- More than 6% of US web users (almost 9 million people), have downloaded at least one podcast in the last month. Of those, about 10% are "heavy users", downloading eight or more podcasts a week. [Nielsen Analytics, July 2006]
  - Those aged 18-24 are twice as likely to download audio podcasts as any other age group.
  - 38% of "active" podcast listeners say they listen to the radio less often since they began downloading podcasts.
  - 60% of those downloading podcasts fast-forward through ads in their podcasts, according to the research. [Nielsen Analytics, July 2006]
- Podcast advertising amounted to \$3.1 million in 2005 [PQ Media, April 2006]
- More than 10% of the UK adult population have already downloaded a podcast in the last six months and figures will continue to grow.
  - Among adult internet users, 17% have downloaded a podcast in the last six months, rising to 28% among 16- to 24-year-olds, and 24% are likely to download a podcast in the next six months. [BMRB, March, 2006]
- Only 1% of online households in North America regularly download and listen to podcasts. [Forrester, April 2006]
  - 700,000 households in the US in 2006 will use podcasting but this will grow to 12.3 million households by 2010.
- By 2010, 15 million individuals in the US will download at least one podcast a week, rising from 3 million in 2006 and 7.5 million in 2008. [eMarketer, February 2006]
- A third of UK publishers have already launched podcasting services and half of those surveyed are planning to do so in the next 12 months. [UK Association of Online Publishers, February, 2006]
  - Only 13% of survey sample said that they would not be experimenting with podcasting.
- A Ricky Gervais podcast carried on Guardian Unlimited website has been downloaded 2 million times since December 2005. [February 2006]

### 3.8 RSS

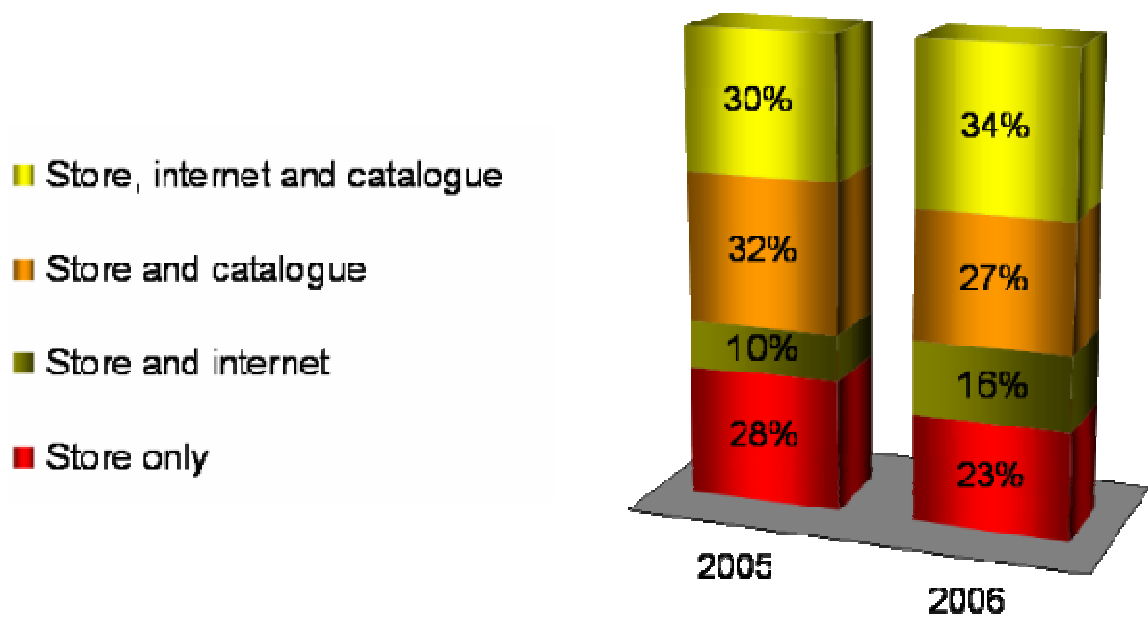
- 6.6% of the UK online population use RSS feeds. [Harris Interactive/Guardian Unlimited, October 2006]
- Only 2% of US employees subscribe to RSS feeds and only 9% now what such feeds are. Some 88% do not know what RSS is. [eMarketer/Workplace Print Media/MediaBuyerPlanner, August 2006]
- 90%+ of RSS readers choose to read the feed content in the aggregator environment, regardless of whether they are viewing full or partial feeds. [Pheedo, Spring 2006]
- Clickthrough rates (CTRs) for summary feeds varied from 2% CTR on content up to 55% CTR on content for different feeds. CTR for full-text feeds did not vary nearly as much with CTRs ranging from 5% to 15%. [Pheedo, Spring 2006]
  - 84% of feeds sampled in research were summary feeds.
- Feed Reader market share: Bloglines (30%), YahooFeedSeeker/My Yahoo! (18%), Mozilla (14%), NewsGatorOnline (10%), NetNewsWire (4%), Others (24%) [Pheedo, Spring 2006]
- The three top-performing content categories for RSS advertising are: Comics and Humour (9.62% CTR), Travel (8.54% CTR), Kids & Family (7.61% CTR)
  - The Click-through rate for News & Culture is 2.4%. [Pheedo, Spring 2006]
- The average Bloglines user tracks more than 20 news feeds. [Bloglines]
- 63% of large companies (\$50+ million in annual revenues) plan to syndicate content via RSS by the end of 2006, whereas only 29% of them now publish content via RSS. [JupiterResearch, May 2006]
- RSS advertising generated \$650,000 during 2005. [PQ Media, April 2006]
- 57% of senior marketing executives said they had no plans to make RSS part of their marketing strategy. [Unica/Ovum, April 2006]
- 83% of RSS users are unaware that they are RSS users compared to only 17% who are aware they are using RSS. [Nielsen/NetRatings, August 2005].
  - RSS users spend 178 minutes a month reading Current Events and Global News Information compared to 58 minutes for the control group.
  - RSS users tend to visit three times as many news sites as non-users.
  - 59% of aware RSS users have a high comfort with technology compared to 41% for unaware RSS users and 34% for non-RSS users.
- 9% of adult US internet users "have a good idea" what RSS means compared to 65% who are not really sure and 26% who have never heard of it. [Pew/eMarketer, July 2005]

## 4. Multi-Channel Marketing / Commerce

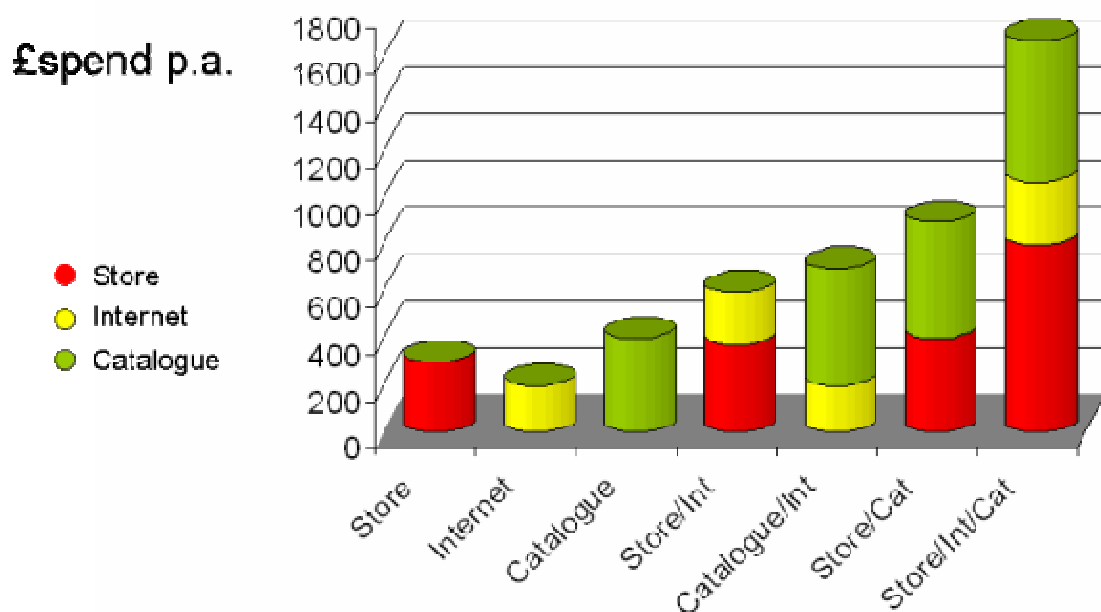
### 4.1 The Business Case for Multi-Channel

- More and more retailers in the US are now offering in store kiosks and devices to let customers shop online while in store. [Source: AMR Research via eMarketer, Sept 2008] 
  - More than four out of 10 retailers surveyed said they offered such services, and nearly three-quarters said they planned to do so by 2010.
- A study by the Magazine Publishers of America (MPA) found that ads containing web addresses were up to three times as likely to drive readers to a particular website. [Source: MPA, May 2008]
- Over half (56 percent) of internet-using newspaper readers researched or purchased at least one product they saw advertised in the newspaper in the last month. [Source: Newspaper Association of America via Marketing Charts, April 2008]
  - 44% of respondents researched at least one product and of this group, 67% researched online, while 70% purchased the product.
  - 47% went directly to a URL they saw in the advertisement, while 31% used a search engine.
- Nearly 70% of catalogue marketers reported increased multichannel sales in 2006, and 59% reported increased catalogue circulation in 2006, according to a Direct Marketing Association report. [Source: DMA via Marketing Vox, September 2007]
  - Among those surveyed who have mail-order catalogues, 44% of total sales occur via the web (vs. mail and telephone), up from 39% in 2005.
  - 33% of respondents say their online sales were "incremental" - i.e., that they would not have received the order without the existence of their website.
  - 45% of respondents said their website was their primary marketing channel. This was followed by paper catalogues (33%) and retail stores (22%).
- A study by Yahoo found that online ads can increase the number of offline buyers, as well as their average spend. [Source: Yahoo, July 2007]
  - When pre-shopping consumers are exposed to online ads, the report suggests that they are more engaged with a website, viewing an average of 6 pages more than those not exposed, a 53% increase.
  - These consumers were more likely to make a purchase, with revenues for the stores in the study rising by 43%. The report also said that 83% of the sales revenue generated from the online advertising was from offline spending.
  - The report suggests that search marketing has three times the effect on offline sales than display advertising. When consumers in the study were exposed to search only, on average they spent \$16 in the store for every \$1 they spent online.
  - However, display ads have a greater effect on offline sales volume, with three times the reach of search marketing. Consumers exposed to display advertising spent an average of \$6 in the store for every \$1 they spent online.
- A recent study found that 57% of US shoppers wanted the ability to return or exchange products to a store, whether they had bought them from a website, catalogue or shop. [Source: Sterling Commerce [via E-consultancy blog](#), Aug 2007]

- Two-thirds of consumers also expected to be able to cancel or change their order via any channel.
- A survey of over 2,000 internet users in the US, found 67% of the online search population had been driven to the web to look for something they had seen or heard of offline.[Source: Jupiter Research via [E-consultancy blog](#), August 2007]
  - Of the offline channels responsible for triggering searches, TV ads were top. They had prompted 37% of online searchers to look for a company, slogan, service or product in the previous six months, the study said.
  - Word of mouth was a close second (36%), followed by ads in newspapers or magazines (30%).

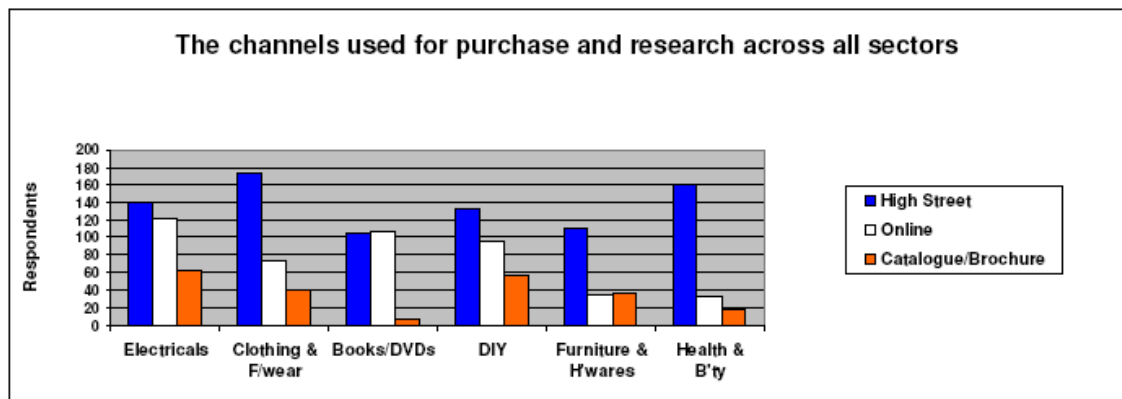


[Source: Royal Mail via Pindar Screen Pages E-consultancy Showcase May 2007]



[Source: USPS via Pindar Screen Pages E-consultancy Showcase May 2007]

- In a Zendor multi-channel survey, 54% of respondents said they spend more since becoming a multi-channel shopper. [Source: Zendor, January 2007]
  - 86% research purchases more.
  - 60% had made more impulse purchases.
  - 67% said they shopped more often.



[Source: Zendor, January 2006]

- The majority of purchases by consumers carrying out online searches for various product categories take place offline. [Google/ComScore Networks, March 2006]
  - 25% of those searching eventually made purchases.
  - 37% of purchases were online while 63% of purchases took place in offline shops.
    - The proportion of online and offline conversions varies by category.




#### 4.1.1 How online drives offline sales

- Products that US internet users have researched online in 2008. [Source: Universal McCann via eMarketer, Oct 2008] 

<b>Products and Services that Active* Adult Internet Users Worldwide Have Researched Online, 2008 (% of respondents)</b>	
Holidays/destinations	61.9%
Consumer electronics (e.g., TVs, PCs)	58.4%
Travel (e.g., flights, trains)	56.9%
Portable devices (e.g., MP3 players, mobile phones)	56.6%
Mobile phone services	56.0%
Computer software	52.3%
Films	49.8%
Music	48.8%
Books	46.2%
Cars/automobiles	43.7%
Home appliances (e.g., refrigerators, freezers)	39.1%
Game consoles/gaming	36.9%
Fashion (e.g., clothing, shoes)	35.0%
Financial services (e.g., credit cards, banking, insurance)	31.1%
Property/real estate	29.7%
Cosmetics	27.5%
Personal healthcare (e.g., medicines, contact lenses, etc.)	24.1%
Groceries (food)	18.7%
Utilities (e.g., gas, electricity, etc.)	16.1%
Groceries (nonfood e.g., cleaning products)	15.5%
Alcoholic beverages	12.3%
Nonalcoholic beverages	9.1%

Note: n=17,000 ages 16-54; \*daily or every other day  
Source: Universal McCann, "When Did We Start Trusting Strangers?," September 2008

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- Between 46 and 50% of shoppers in the US and UK switch retailers when they move among shopping channels. Price is the main reason, followed by convenience and product availability. [Source: IBM Institute for Business Value, Oct 2008] 
  - More than 75% of multi-channel shoppers prefer the combination of online to store, followed by store to online, and online to call centre.
  - In the U.S. and the UK, Consumer Electronics is the product category most often chosen by multi-channel shoppers, followed by Apparel/Accessories & Footwear, and Home Improvement/DIY & Appliances.
- People who research their electronics purchases on the internet spend 10% more in store than those who don't research online, according to a study by Yahoo and ChannelForce. [Source: Yahoo/ChannelForce [via E-consultancy blog](#), July 2007]
  - 75% of those who research purchases of TVs and cameras used online as the primary source of information before visiting a store.
  - Those who search online spend an average of \$31 more on digital cameras, \$139 more on TVs and \$190 on TV packages.
  - The leading online resources were retail websites (73%), manufacturer websites (68%) and search engines (49%).
- 65% of US online consumers would stop or reconsider stopping shopping at an online store's physical counterpart if they had a bad online shopping experience. [Gomez, November 2006]

#### Car buying

- An IAB brand engagement study looking at the UK car market found that the internet has a greater effect on brand engagement than any other medium. [IAB Oct 2006]
  - The internet contributed an average of 39.8% to the advertising effect.

- Press advertising contributed 36.7% of consumer engagement.
- TV advertising contributed 17.6%
- For outdoor advertising the figure was 4.1%
- The IAB study also found that the internet was the most popular source of car reviews, with 22.9% of respondents using this method. [IAB Oct 2006]
- For car price and feature comparison, 26.7% used the internet, compared with 10.5% who used car magazines. [IAB Oct 2006]
- Online car research activities in last 12 months (% of respondents):
  - Looked at a car company's website – 45.9%
  - Looked for insurance quotes – 40.6%
  - Looked for information using a search engine – 36.4%
  - Looked for information using specialist car websites – 30.4%
  - Price and feature comparison sites – 27%
  - Reviews – 22.9%
  - Searched for cars on auction sites – 15.6% [IAB Brand Engagement Study Oct 2006]

### Consumer Electronics

- A Consumer Electronics Association and Yahoo study found that 77% of electronics purchases are researched online before customers head to a store. [CEA via [E-Consultancy news blog](#), October 2006]
  - 73% of respondents said comparing prices online was easier than offline.
  - 64% preferred to research online because they have fast access to a wider range of products.
- A three-month study by Yahoo! and comScore, [reported by Chris Sherman of SearchEngineWatch](#), found that 45% of American internet users visit **automotive websites**. [Yahoo!/comScore, July 2006]
  - Only 6% of these people are engaged in shopping behaviour but they account for 36% of total visits to auto sites. Of these engaged shoppers, 77% either bought a car or said they were planning on buying a car within a year although only 32% requested a quote on a specific model of car.
- In 2006, the online retail market is predicted to grow 56% over 2005 when the market was worth £19.2 billion. A further £20 billion of non-traditional retail spending will take place online this year with another £30 billion of offline retail sales affected by customers conducting online product research. [IMRG, July 2006]
- ACNielsen has found online promotions lifting offline sales time after time, regardless of sector. [ACNielsen, 2005]
  - Case studies have shown consistent campaign results of more than twice the amount the company paid to advertise online, with short-term sales increases of more than \$3 million.
- Only 1% of electronics purchases occurred in the same browsing session as first search [ClickZ, 2004].
  - Later visits to the e-commerce site accounted for an additional 7%.
  - 92% of search-initiated purchases happened offline.
- 34% of consumers shop online prior to offline shopping. [ComScore, 2005]
  - 39% go directly to a retailer's site (no search, no other research).
  - 36% of shoppers have bought online and picked up in-store.
    - Of these, 81% claimed a positive experience.

#### 4.1.2 Catalogues / online sales

- Four out of five home shoppers have engaged in 'flick to click' shopping in the last year - finding products in an offline catalogue before purchasing them online, according to research. [Source: Experian via E-consultancy blog, August 2007]
  - Of the 1,500+ British consumers surveyed, 70% had shopped from home in the last 12 months, and 80% had found an item they wanted in a catalogue and then gone to the web to order it.
  
- Three fifths of UK customers are more likely to buy products online if they can view them in a printed catalogue first. [Axon, July 2006]
  - 59% of respondents said they were more likely to browse printed catalogues than websites although this was not due to bad experiences online.
  - Respondents said they still enjoyed looking through a physical catalogue.

## 5. Site Performance and User Technology

### 5.1 Site Speed and Availability

#### Site availability

- 99% uptime is typically the target across sectors and is often the figure included in Service Level Agreements (SLAs) with ISPs. [Gomez, 2004]
  - Less than 97% is cause for concern.
- The average homepage file size is 140kb. [Gomez, 2004]
  - The range is from 27kb to 343kb.
    - This makes the average download speed 19 seconds with a 56k modem, though the range is quite large.
- The download time for non-home pages (the time it takes for the page to appear on a user's screen) typically varies between 3 – 25 seconds with 15 seconds being average (56k modem). [Gomez, 2004]
- Users are becoming increasingly intolerant of slower sites. Analysing visit to buy ratios shows that users are put off once response and download speeds fall below acceptable levels. [Gomez, 2004]
  - This was once held to be 7 seconds (2001) but in 2004 was closer to 3 seconds for page response.

#### Performance errors

- E-consumers are prevented from making purchases on UK web sites for 9 hours and 30 minutes a month on average (115 hours a year). [Site Confidence, May/June 2004]
  - 84% of websites now perform inconsistently, with widely varying response times, timeouts and errors.
  - Previous analysis showed 80% performance inconsistency.

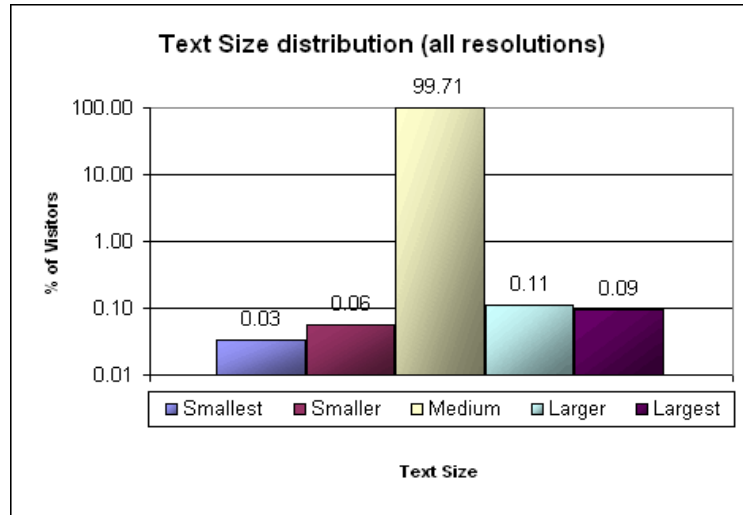
### 5.2 User Technology

- Browsers and average screen resolution (Note that the values are mean averages, not mode. Also note that OSX users have not been included.) [Source: clickdensity.com, November 2006]

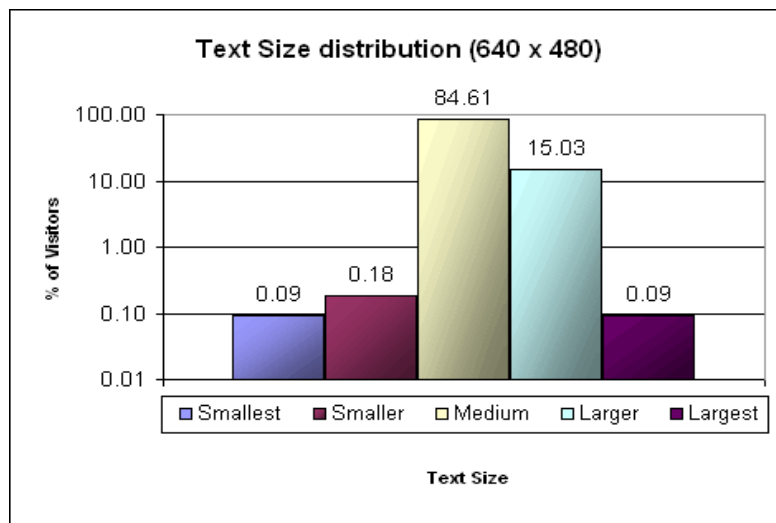
Browser	Avg. Screen Resolution
All Browsers	1065 x 788
Internet Explorer (all versions)	1052 x 780
Internet Explorer 7	1132 x 829
Firefox (all versions)	1146 x 838
Firefox 2	1223 x 893

**Browser text size settings:**

- The vast majority of internet users (99.7%) use default (Medium) text size settings.



[Source: clickdensity.com, November 2006]

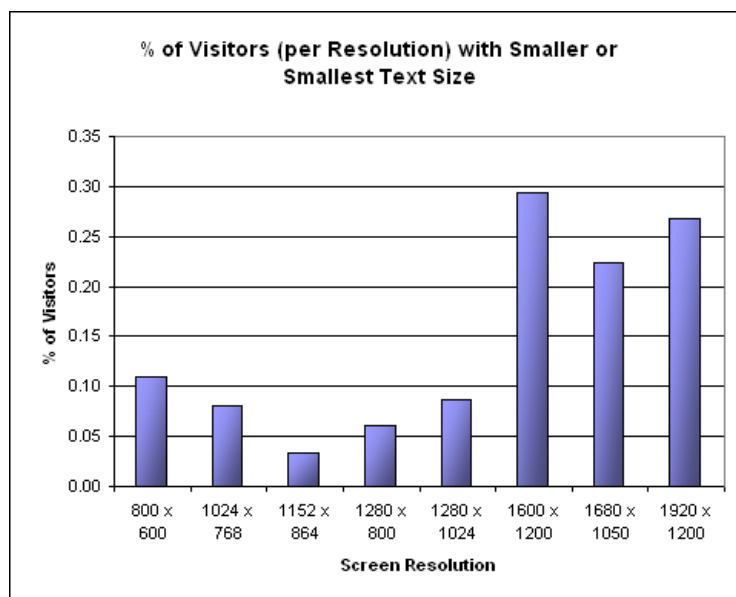
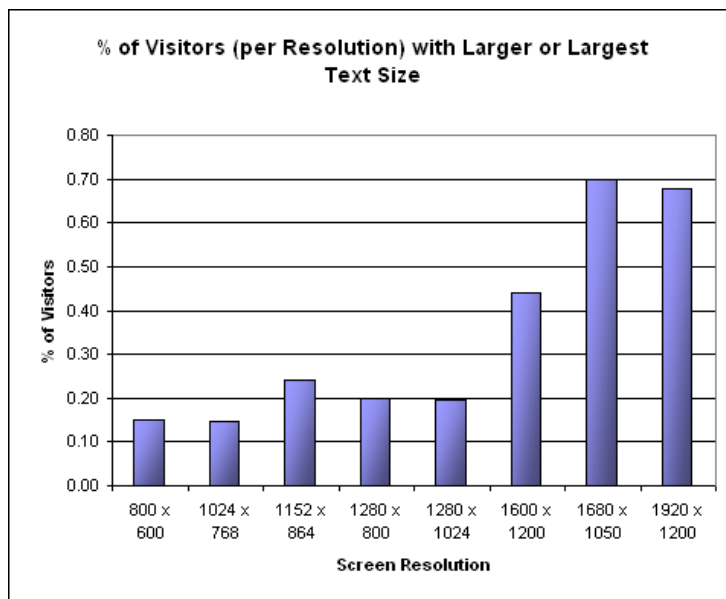


- Approximately twice as many visitors (0.2%) increase their text size than decrease their text size (0.1%).

[Source: clickdensity.com, November 2006]

- Users with very low (640 x 480) or very high (larger than 1600 x 1200) screen resolutions are at least twice as likely to change their text size settings (compared to users with resolutions from 800 x 600 to 1280 x 1024).

[Source: clickdensity.com, November 2006]



[Source: clickdensity Text Sizes Study, November 2006]

- Statistics show that internet IE 6 is the most popular browser, XP the most popular operating system, and most users' monitor resolutions at 800x600 pixels or more, with a colour depth of at least 65K. [W3 School, 2005]

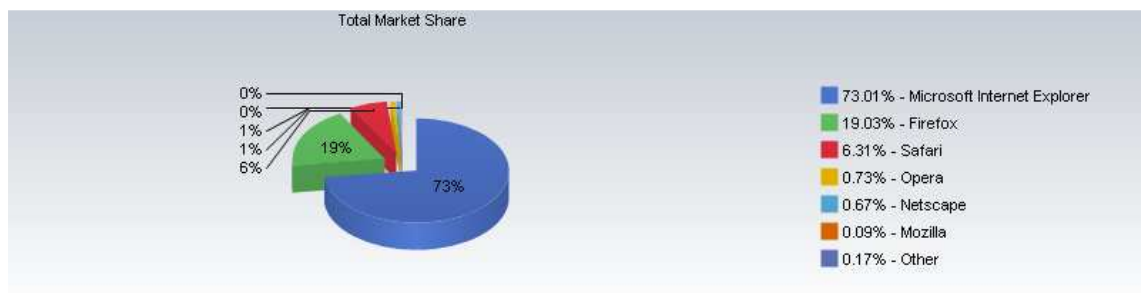
## 5.2.1 Browsers

### Browser UK market share

- The latest browser market share figures show Firefox usage has dropped slightly - it fell to 14.37% in July from 14.55% in June, while Internet Explorer claimed 78.98% of the market. IE7 accounted for 33.1% of the market. [Source: Net Applications, August 2007]

- Internet Explorer is still the main browser of choice for 88% of Britons online, but its share of the market has decreased by 9% over the last two years. [Source: Nielsen//NetRatings, December 2006]
- Firefox is now the main browser for almost 12% of Britons online, up from just over 1% in September 2006. [Source: Nielsen//NetRatings, December 2006]
- The same survey also found that those with Firefox were heavier internet users. [Source: Nielsen//NetRatings, December 2006]
- - Britons who use Firefox as their main browser average 28% more time online and view 41% more web pages than the average Internet Explorer user.
  - Firefox users spent an average of 24.4 hours online in September – browsing 2,070 pages – compared to 19.1 hours and 1,473 pages for the average Internet Explorer user

**Browser market share, July 2008:**



[Source: NetApplications, July 2008]

**Browser market share month by month** [Source: NetApplications, July 2008]

2008	IE7	IE6	IE5	Fx	Moz	S	O
May	26.50%	27.30%	0.70%	39.80%	0.70%	2.40%	1.50%
April	24.90%	28.90%	1.00%	39.10%	0.90%	2.20%	1.40%
March	23.30%	29.50%	1.10%	37.00%	1.10%	2.10%	1.40%
February	22.70%	30.70%	1.30%	36.50%	1.20%	2.00%	1.40%
January	21.20%	32.00%	1.50%	36.40%	1.30%	1.90%	1.40%
2007	IE7	IE6	IE5	Fx	Moz	S	O
December	21.00%	33.20%	1.70%	36.30%	1.40%	1.70%	1.40%
November	20.80%	33.60%	1.60%	36.30%	1.20%	1.80%	1.60%
October	20.70%	34.50%	1.50%	36.00%	1.30%	1.70%	1.60%
September	20.80%	34.90%	1.50%	35.40%	1.20%	1.60%	1.50%
August	20.50%	35.70%	1.50%	34.90%	1.30%	1.50%	1.70%
July	20.10%	36.90%	1.50%	34.50%	1.40%	1.50%	1.90%
June	19.70%	37.30%	1.50%	34.00%	1.40%	1.50%	1.80%
May	19.20%	38.10%	1.60%	33.70%	1.30%	1.50%	1.70%
April	19.10%	38.40%	1.70%	32.90%	1.30%	1.50%	1.60%
March	18.00%	38.70%	2.00%	31.80%	1.30%	1.60%	1.60%
February	16.40%	39.80%	2.50%	31.20%	1.40%	1.70%	1.50%
January	13.30%	42.30%	3.00%	31.00%	1.50%	1.70%	1.50%
2006	IE7	IE6	IE5	Fx	Moz	N7/8	O
November	7.10%	49.90%	3.60%	29.90%	2.50%	0.20%	1.50%
September	2.50%	55.60%	4.00%	27.30%	2.30%	0.40%	1.60%
July	1.90%	56.30%	4.20%	25.50%	2.30%	0.40%	1.40%

May	1.10%	57.40%	4.50%	25.70%	2.30%	0.30%	1.50%
March	0.60%	58.80%	5.30%	24.50%	2.40%	0.50%	1.50%
January	0.20%	60.30%	5.50%	25.00%	3.10%	0.50%	1.60%
<b>2005</b>	<b>IE6</b>	<b>IE5</b>	<b>Fx</b>	<b>Moz</b>	<b>N7</b>	<b>O8</b>	<b>O7</b>
November	62.70%	6.20%	23.60%	2.80%	0.40%	1.30%	0.20%
September	69.80%	5.70%	18.00%	2.50%	0.40%	1.00%	0.20%
July	67.90%	5.90%	19.80%	2.60%	0.50%	0.80%	0.40%
May	64.80%	6.80%	21.00%	3.10%	0.70%	0.70%	0.60%
March	63.60%	8.90%	18.90%	3.30%	1.00%	0.30%	1.60%
January	64.80%	9.70%	16.60%	3.40%	1.10%		1.90%
<b>2004</b>	<b>IE6</b>	<b>IE5</b>	<b>Moz</b>	<b>N3</b>	<b>N7</b>	<b>N4</b>	<b>O7</b>
November	66.00%	10.20%	16.50%	0.20%	1.20%	0.30%	1.60%
September	67.80%	11.20%	13.70%	0.30%	1.40%	0.30%	1.70%
July	67.20%	13.20%	12.60%	0.40%	1.40%	0.40%	1.60%
May	68.10%	13.80%	9.50%	0.60%	1.40%	0.40%	1.60%
March	68.20%	14.60%	7.90%	0.80%	1.40%	0.60%	1.40%
January	68.90%	15.80%	5.50%	0.40%	1.50%	0.50%	1.50%
<b>2003</b>	<b>IE6</b>	<b>IE5</b>	<b>Moz</b>	<b>N3</b>	<b>N7</b>	<b>N4</b>	<b>O7</b>
November	71.20%	13.70%	7.20%	0.50%	1.60%	0.50%	1.90%
September	69.70%	16.90%	6.20%	0.60%	1.50%	0.60%	1.80%
July	66.90%	20.30%	5.70%	0.60%	1.50%	0.60%	1.70%
May	65.00%	22.70%	4.60%	1.00%	1.40%	0.90%	1.40%
March	63.40%	24.60%	4.20%	0.90%	1.40%	1.10%	1.20%
January	55.30%	29.30%	4.00%	1.20%	1.10%	1.70%	
<b>2002</b>	<b>IE6</b>	<b>IE5</b>	<b>AOL</b>	<b>N3</b>	<b>N5</b>	<b>N4</b>	<b>IE4</b>
November	53.50%	29.90%	5.20%	1.10%	4.90%	2.00%	
September	49.10%	34.40%	4.50%	1.30%	4.50%	2.20%	
July	44.40%	40.10%	3.50%	1.20%	3.50%	2.60%	0.50%
May	40.70%	46.00%	2.80%	1.20%	2.70%	3.40%	0.70%
March	36.70%	49.40%	3.00%	1.20%	2.40%	4.10%	0.70%
January	30.10%	55.70%	2.80%	1.30%	2.20%	4.40%	1.00%



### 5.2.2 Pop-up blockers

- December 2003, pop-up use had plummeted by nearly 30%, accounting for about 6.3%

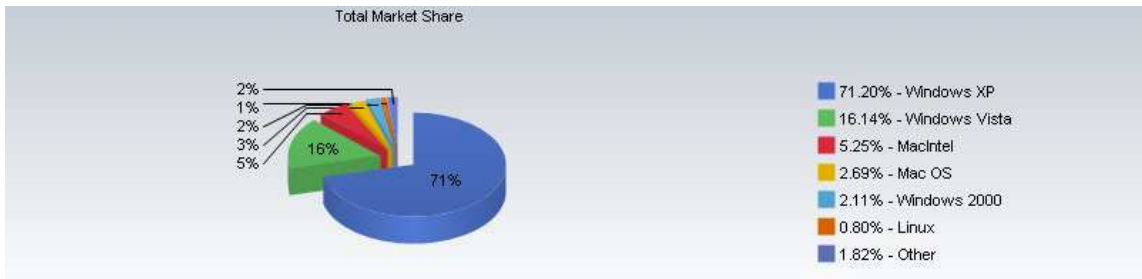
**The pop-up in its prime was 13 times as effective as the banner.**  
[PC World Magazine, April 2004]

of all online ads. Their use was reportedly 13 times as effective as the most popular ad format today – the banner. [PC World Magazine, April 2004]

- 20% of surfers use pop-up blockers according to Forrester's Consumer Technographics Survey from 2004.
  - In 2003, 13% of internet users ran a pop-up blocker. [PC World Magazine, April 2004]

### 5.2.3 Operating systems

- Market share of operating systems 2008. [Source: Net Applications, July 2008]



Windows XP is the most popular operating system. The windows family counts for nearly 90%. [Source: NetApplications, July 2008]

2008	WinXP	W2000	Win98	Vista	W2003	Linux	Mac
May	74.00%	2.90%	0.30%	9.30%	1.80%	3.60%	4.70%
April	73.30%	3.30%	0.50%	8.80%	1.90%	3.70%	4.60%
March	72.70%	3.70%	0.60%	8.50%	1.90%	3.90%	4.40%
February	72.40%	4.00%	0.80%	7.80%	1.80%	3.80%	4.30%
January	73.60%	4.00%	0.80%	7.30%	1.90%	3.60%	4.40%
2007	WinXP	W2000	Win98	Vista	W2003	Linux	Mac
November	73.80%	5.10%	1.00%	6.30%	2.00%	3.30%	3.90%
September	74.30%	5.40%	0.90%	4.50%	2.00%	3.40%	3.90%
July	74.60%	6.00%	0.90%	3.60%	2.00%	3.40%	4.00%
May	75.00%	6.50%	0.90%	2.80%	1.90%	3.40%	3.90%
March	76.00%	7.20%	0.90%	1.90%	1.90%	3.40%	3.80%
January	76.10%	7.70%	1.00%	0.60%	1.90%	3.60%	3.80%
2006	WinXP	W2000	Win98	WinNT	W2003	Linux	Mac
November	74.90%	8.00%	1.00%	0.30%	1.90%	3.50%	3.60%
September	74.60%	9.20%	1.40%	0.30%	2.00%	3.50%	3.60%
July	74.30%	10.10%	1.50%	0.30%	2.00%	3.40%	3.60%
May	74.20%	10.70%	1.60%	0.20%	2.00%	3.40%	3.60%

March	72.90%	11.90%	2.00%	0.30%	1.80%	3.40%	3.50%
January	72.30%	13.10%	2.40%	0.30%	1.70%	3.30%	3.50%
<b>2005</b>	<b>WinXP</b>	<b>W2000</b>	<b>Win98</b>	<b>WinNT</b>	<b>W2003</b>	<b>Linux</b>	<b>Mac</b>
November	71.00%	14.60%	2.70%	0.40%	1.70%	3.30%	3.30%
September	69.20%	15.80%	3.20%	0.50%	1.70%	3.30%	3.10%
July	65.30%	17.70%	3.90%	0.60%	1.60%	3.50%	3.00%
May	64.50%	19.40%	3.90%	0.80%	1.40%	3.30%	2.90%
March	63.10%	20.20%	4.70%	0.90%	1.40%	3.20%	3.00%
January	61.30%	21.60%	5.30%	1.00%	1.20%	3.20%	2.80%
<b>2004</b>	<b>WinXP</b>	<b>W2000</b>	<b>Win98</b>	<b>WinNT</b>	<b>Win95</b>	<b>Linux</b>	<b>Mac</b>
November	59.10%	23.70%	5.60%	1.20%	0.10%	3.10%	2.70%
September	55.90%	26.20%	6.40%	1.50%	0.20%	3.10%	2.60%
July	52.50%	28.40%	7.50%	1.90%	0.20%	3.10%	2.40%
May	51.00%	29.60%	8.20%	2.00%	0.30%	2.90%	2.50%
March	48.00%	31.10%	9.40%	2.40%	0.40%	2.60%	2.40%
January	44.10%	33.60%	10.40%	3.00%	0.40%	2.70%	2.40%
<b>2003</b>	<b>WinXP</b>	<b>W2000</b>	<b>Win98</b>	<b>WinNT</b>	<b>Win95</b>	<b>Linux</b>	<b>Mac</b>
November	42.60%	36.30%	10.90%	3.50%	0.40%	2.60%	2.20%
September	38.00%	37.90%	12.10%	4.10%	0.50%	2.40%	2.00%
July	33.90%	40.60%	12.60%	5.30%	0.60%	2.30%	1.90%
May	31.40%	41.00%	13.90%	5.80%	0.70%	2.20%	1.80%
March	29.10%	41.90%	14.80%	6.60%	0.80%	2.20%	1.80%

### 5.2.4 JavaScript

2004	JavaScript On	JavaScript Off
October	90%	10%
July	90%	10%
January	92%	8%

[W3 School, 2004]

There are no absolute trends about the use of JavaScript. Some users have scripting turned off. Some browsers do not support scripting. [W3 School, 2004]

### 5.2.5 Cookies

- A cookie deletion study of 400,000 internet users by comScore found that that unique visitor counts for websites may be overstating the actual visitor totals by as much as 150%. [Source: comScore [via E-consultancy Blog](#), April 2007]
  - comScore found that three in ten US internet users regularly delete cookies from their computers.
  - An average of 2.5 first-party cookies were observed on each PC studied by comScore.
  - 31% of users deleted first-party cookies at least once during the month - the study found an average of 4.7 different cookies the site studied.
  - Just 7% deleted cookies more than four times, but this group accounted for 35% of all cookies in the study - an average of 12.5 per user for the site in question.
- While cookies from many smaller networks escape the washing process, more prominent systems are targeted more heavily. [Ben Edelman/Clicks2Customers, September 2006]
  - Cookies from Advertising.com, aQuantive/Atlas, Casale Media, FastClick and MediaPlex are most often detected (by 8 of the 11 anti-spyware programs tested).
  - Yahoo's pay-per-click ad conversion tracking cookies were detected by six spyware programs, while none of Google's conversion cookies were caught.
- Only 8% of respondents delete cookies "very frequently," compared with 18% in a 2004 survey. Additionally, 24% said they never delete cookies, more than double what was measured in the previous study. [The Ponemon Institute/Revenue Science, April 2006].

Results from previous Cookie Deletion Surveys:

Source	% of Users Reporting They Delete Cookies at Least Monthly
Belden	39.0% – 46.5%
RedEye	55%
Nielsen NetRatings	43.7%
Jupiter	39%

[Source: Atlas Institute, 2005]

- 4 out of 10 respondents who claimed to delete their cookies weekly or monthly actually had cookie lifespans more than double their survey response. [Atlas Institute, 2005]
- Nearly one third of web users (30.4%) say they "Know nothing/have never heard of" internet cookies [\[BURST! Media Reports, June, 2005\]](#)
  - 19.9 percent - "Know a little"
  - 28.1 percent - "Know some information, but not a lot"

- 21.6 percent - "Know a lot"
- Only one quarter (29.9%) of respondents agree with the statement "Internet cookies allow [them] to have a better online experience" [\[BURST! Media Reports, June, 2005\]](#)
  - one-in-five (22.8%) disagree,
  - 47.2% were unsure.
  - The 14-24 year old segment is the only age group to differ significantly from the overall result - with 35.3% agreeing with the statement "Internet cookies allow [them] to have a better online experience".
- Some 38.4% of respondents say they delete Internet cookies at least once a month. [\[BURST! Media Reports, June, 2005\]](#)
  - This number increases to 42.1% among adults 25-54 years.
  - 60.6% of respondents who delete Internet cookies say they delete "all Internet cookies".
  - One-quarter (28.2%) of respondents say they keep some Internet cookies they "know they need or want"
  - 11.2% say they delete Internet cookies only from unfamiliar websites.
- The top reasons chosen for deleting cookies were "I remove anything I did not request to be downloaded" (44.9%), and "I don't want my web-surfing activity monitored" (44.6%). These were followed closely by "They slow my computer down" (40.9%) - which, for women, is the top reason for deleting Internet cookies (48.3%). [\[BURST! Media Reports, June, 2005\]](#)
- Disregarding the impact of cookie deletion and cookie blocking activities in one month could mean that website operators are overestimating their audience by as much as 46 per cent in the case of the Search Engine/Portal category, 43% in the Telecom/Internet services category, and 23% in the News & Information category. [Nielsen//NetRatings, September 2005]

Nielsen//NetRatings Cookie Deletion Analysis, Italy, July 2005

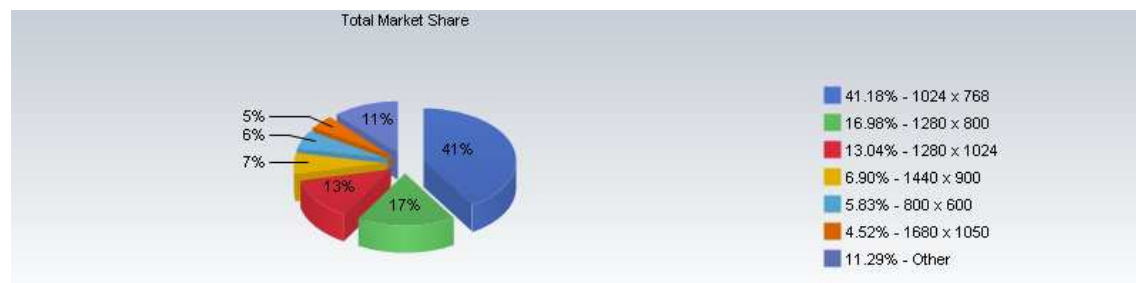
Category	% browsers Deleting Cookies	% browsers Blocking Cookies	% by which 'Unique Browser' overestimates 'Unique Audience'
Search Engines /Portals & Communities	47.4%	4.0%	46%
Telecom - Internet Services	41.6%	3.4%	43%
News & Information	31.1%	4.1%	32%
Entertainment	29.4%	3.6%	28%
Finance Insurance Investment	7.1%	2.7%	9%
Travel	8.0%	2.5%	9%
Other*	27.4%	2.9%	27%

Source: Nielsen//NetRatings, Italy, September 2005 [Link to News Story](#)

## 5.2.6 Monitors

### Screen resolution/Display resolution

Screen resolutions – July 2008 [Source: NetApplications, July 2008]



The current trend is that more and more computers are using a screen size of 1024x768 pixels or more. [Source: NetApplications, July 2008]

Date	Higher	1024x768	800x600	640x480	Unknown
Jan-08	38%	48%	8%	0%	6%
Jan-07	26%	54%	14%	0%	6%
Jan-06	17%	57%	20%	0%	6%
Jan-05	12%	53%	30%	0%	5%
Jan-04	10%	47%	37%	1%	5%
Jan-03	6%	40%	47%	2%	5%
Jan-02	6%	34%	52%	3%	5%
Jan-01	5%	29%	55%	6%	5%
Jan-00	4%	25%	56%	11%	4%

[Source: OneStat.com]

## 5.2.7 Flash penetration

	Flash Player 7	Flash Player 8	Flash Player 9	Flash Player 9.0.115*
<a href="#">Mature Markets1</a>	98.80%	98.50%	97.20%	61.80%
<b>US/Canada</b>	98.70%	98.50%	97.30%	62.10%
<a href="#">Europe2</a>	98.50%	98.10%	96.50%	61.90%
<b>Japan</b>	99.80%	99.50%	98.00%	61.00%
<a href="#">Emerging Markets3</a>	Not surveyed in this wave			

[Source: Adobe, March 2008]

## 6. Mobile – UK Market

- UK telecoms industry – key stats. [Source; Ofcom, August 2007]

UK telecoms industry	2002	2003	2004	2005	2006
Total telecoms retail revenue (£bn)	32.3	34.4	36.3	37.9	38.5
Total telecoms wholesale revenue (£bn)	8.6	8.8	8.6	8.3	8.5
Telecoms service revenues (£bn)	40.9	43.1	44.8	46.2	47.0
Average weekly household spend on telecoms services (£)	60.7	64.2	66.7	65.7	64.7
Fixed access and call revenues (£bn)	11.8	11.4	10.7	10.0	9.6
BT share of fixed revenues (%)	71.6	71.1	68.9	66.6	63.0
Proportion of unbundled exchanges (%)				12.4	23.3
Fixed lines (millions)	35.2	35.0	34.6	34.1	33.6
Mobile retail revenues (£bn)	9.0	10.5	12.0	13.0	13.9
Active mobile connections per 100 population	82.6	88.0	99.5	109.1	116.6
Active 3G mobile connections per 100 population		0.4	4.3	7.7	13.0
Internet connections per 100 population	16.9	22.2	25.1	26.0	27.6
Broadband connections per 100 population	2.3	5.2	10.2	16.5	21.7

- Lengths of new mobile contract connections [Source; Ofcom, August 2007]

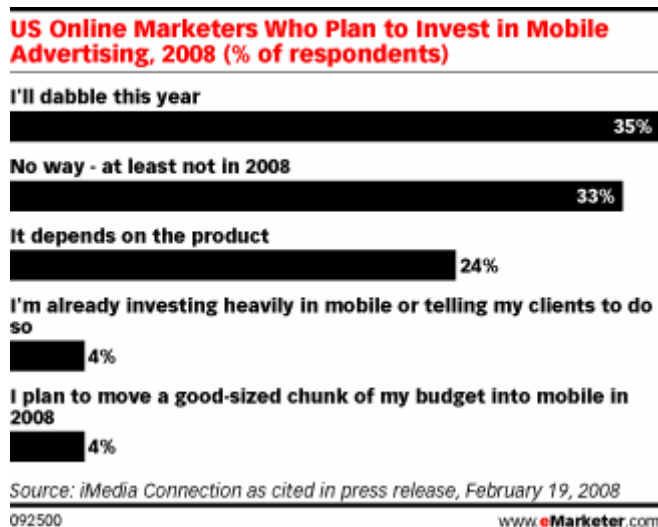


- UK outbound call volumes. [Source; Ofcom, August 2007]



## 6.1 Mobile advertising

- 46% of 11-25 year olds would swap their mobile phone provider if they were offered free calls and texts in return for receiving ads. [Source: Q Research via NMA, May 2008]
  - 67% would receive mobile ads for free talk time, 60% for discounts, and 51% for free music.
  - 28% said they would be happy to receive ten or more ads daily for these incentives.
- According to a poll, more than two-thirds of online marketers said that they would do no more than dabble in mobile advertising this year. [Source: iMedia Connection via eMarketer, March 2008]



**US Mobile Advertising Spending, 2007-2012 (millions)**

	2007	2008	2009	2010	2011	2012
Mobile message advertising*	\$810	\$1,470	\$2,380	\$3,060	\$3,830	\$4,500
Mobile display advertising**	\$34	\$85	\$186	\$327	\$453	\$541
Mobile search advertising***	\$35	\$107	\$242	\$531	\$910	\$1,484
<b>Total</b>	<b>\$878</b>	<b>\$1,663</b>	<b>\$2,808</b>	<b>\$3,917</b>	<b>\$5,194</b>	<b>\$6,525</b>

- 92% of US respondents to a Nielsen survey said that receiving advertising on their mobile phones would be irritating. Seventy three percent of web users also felt they were over-exposed to advertising. [Source: Nielsen//NetRatings [via E-consultancy blog](http://www.e-consultancy.com), Oct 2007]
- US mobile search advertising revenues are projected to reach \$1.4 billion in 2012, up from \$33.2 million in 2007, according to The Kelsey Group. [Source: Kelsey Group via eMarketer, September 2007]



**US Mobile Internet Users, Mobile Search Users and  
Mobile Search Advertising Revenues, 2006-2011  
(millions)**

	2006	2007	2008	2009	2010	2011
Mobile Internet users	27.0	31.1	36.0	42.9	52.3	64.8
Mobile search users	20.3	23.3	28.8	35.1	43.9	55.8
Mobile search ad revenues*	\$2.1	\$13.5	\$48.1	\$155.7	\$307.4	\$713.7

Note: \*earned from sale of display or text listings alongside mobile search results

Source: eMarketer, July 2007

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www.eMarketer.com

- The UK's mobile operators are annoying many of their customers with "irrelevant" marketing messages, according to GfK NOP research. [Source: GfK NOP via E-consultancy Blog, August 2007]
  - Of the 752 mobile phone users surveyed, 70% did not think the offers they received were relevant to them and 64% said they were annoying.
  - Only 11% had ever bought or signed up for something after being sent an online promotion or offer by their service provider.
  - According to the GfK NOP research, mobile operators seem not even to be targeting that effectively by age – three quarters of 45-54 year olds, 78% of 55-64 year olds and 57% of teenagers and young adults viewed the offers they received as irrelevant.
- Mobile users mainly rely on their laptops and PCs to view emails, according to new research, with 88% regularly review messages on computers after first checking them via their handsets. [Source: ExactTarget via E-consultancy blog, July 2007]
  - Sixty one percent of those surveyed said that their mobile email use differed significantly from that on a PC or laptop.
  - Fifty eight percent said they spent less time looking at emails on their mobile than they would via a PC or laptop.
  - Mobile users rarely clicked on links in emails - only 54% had ever done so from a mobile device.
  - Only 20% had made an online purchase via their mobile device.
- An Ingenio survey of US mobile users found that only 30% of mobile phone owners recall seeing or hearing a mobile ad in the past year. [Source: Ingenio via eMarketer, June 2007]



### Acceptable Types of Mobile Ads according to US Mobile Phone Users, March-April 2007 (% of respondents)

	At least somewhat acceptable	Very acceptable/ acceptable	Not at all acceptable
A sponsored text link that appears as a result of an Internet search I did on my mobile phone	26%	7%	74%
An audio ad playing instead of a phone ringing while I'm waiting for someone to answer my call	21%	7%	79%
A text (or SMS) message from a company	20%	5%	80%
A pre-recorded voicemail message from a spokesperson or celebrity	18%	5%	82%
A promotional ad or message appearing on my cellphone's screen when I turn it on	16%	5%	84%
A video clip appearing on my cellphone from a retail store I am currently in the vicinity of	16%	4%	84%

Note: n=3,595 who own a cellphone or smartphone; multiple responses allowed

Source: Ingenio, Inc. conducted by Harris Interactive, June 26, 2007

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### Mobile Advertising Spending in the US, 2006-2011 (millions)

	2006	2007	2008	2009	2010	2011
General mobile ad spending*	\$410	\$878	\$1,547	\$2,285	\$3,202	\$4,356
Mobile multimedia ad spending**	\$11	\$26	\$55	\$110	\$213	\$402
<b>Total</b>	<b>\$421</b>	<b>\$903</b>	<b>\$1,602</b>	<b>\$2,395</b>	<b>\$3,415</b>	<b>\$4,758</b>

Note: numbers may not add up to total due to rounding; \*includes spending on text message promotions and ad-supported voice minutes; \*\*includes spending on ad placements around mobile video content, mobile music, mobile TV and mobile social networks

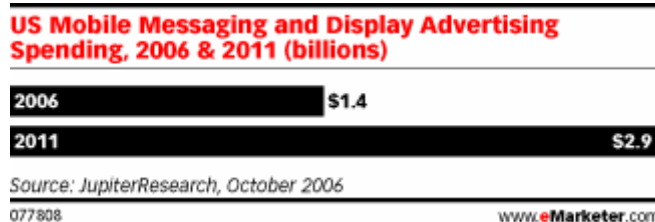
Source: eMarketer, January 2007

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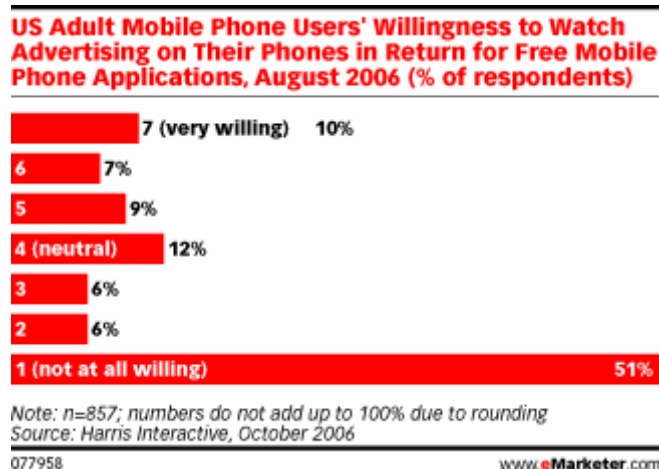
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- Less than a third of 11-20 year olds want to receive ads on their mobiles, though this number increased when they were given different options - 76% were willing to receive ads in return for discounts or special offers, while 82% would tolerate them in return for top-up credit. [Source: Q Research [via E-consultancy Blog](#), April 2007]
- UK mobile phone users who have ever responded to/clicked on a mobile ad(% of respondents): [Source: Tickbox, May 2007]
  - Male: 6.0%
  - Female: 4.4%
  - 16-24: 13.0%
  - 25-34: 6.1%
  - 35-44: 4.4%
  - 45-54: 3.3%
  - 55+: 4.0%
- Each month 19% of mobile users access a short code to respond to adverts in other media. [Source: M-metrics, February 2007]

- In the 'US Mobile Marketing forecast: 2006–2011', JupiterResearch predicts that advertising for messaging and display ads for mobile devices will more than double over the next five years. [Jupiter Research via eMarketer Daily, November 2006]



- Research by Harris Interactive found that 26% of current mobile phone subscribers would be willing to watch advertising on their mobile phone if in return they received free applications. [Harris Interactive via eMarketer Daily November 2006]



- Mobile channels will account for more than \$11.35bn (£6.1bn) of global ad spend by 2011. [Informa Telecoms & Media, September 2006]
  - Uptake of mobile advertising services will accelerate as a result of high-speed connections and cheap handsets able to handle high quality multimedia.
  - The market is forecast to be worth \$871m (£457.3m) in 2006.
- The response rate of US mobile subscribers' response rate to mobile text ads in August 2006 was 7.0%, compared with as high as 29.1% in Europe. [M:Metrics (via MediaPost), September 2006]
  - Spain (29.1%) was followed by the UK (18.5%), France (10%) and Germany (3.4%).
  - Only 12.8% of US mobile subscribers reported receiving an SMS ad in August.
  - The rate was nearly 67% in Spain.
  - In Europe, ads for TV game or reality show contests draw the highest response, whereas in the US ads for content downloads do.

## 6.2 Mobile video

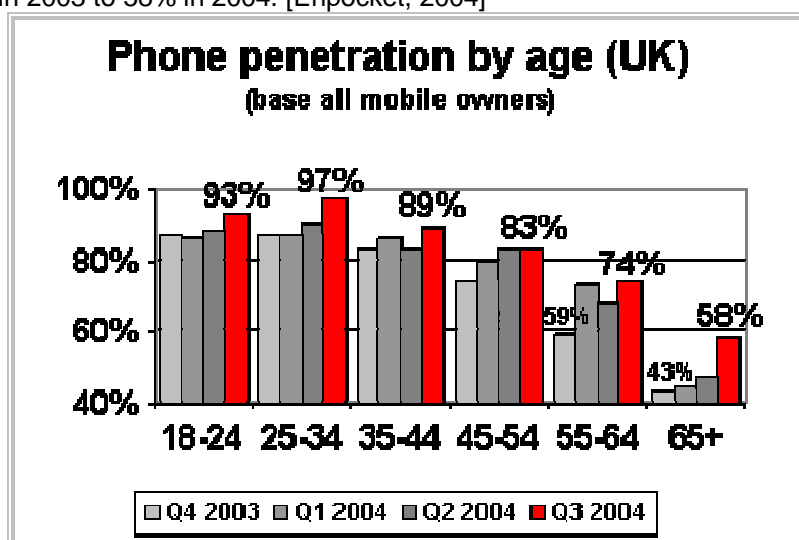
- Mobile video revenue increased by 198% in 2007, while mobile video subscriber numbers rose by 155%. [Source: Nielsen Mobile, March 2008]
  - This equates to a 3.6% share of the entire mobile market.
- Music, games and mobile TV will be the major contributors to the global mobile entertainment market which is predicted to rise from just over \$20bn in 2007 to more than \$64bn by 2012. [Source: Juniper Research, Feb 2008]
  - The mobile TV market is predicted to rise from \$1.bn in 2007 to \$11.9bn by 2012.

## 6.3 Demographic Trends / Usage

- European mobile users by gender. [Source: comScore / m:metrics, July 2008]

Gender Splits among Cell Phone Users by European Country						
Three-month Average Ending May 2008						
Mobile phone subscribers in France, Germany and the United Kingdom						
Country	Total Mobile Market		Smartphones		iPhone	
	Male	Female	Male	Female	Male	Female
EU3*	50.6%	49.4%	69.4%	30.6%	72.3%	27.7%
France	49.2%	50.8%	70.9%	29.1%	67.3%	32.7%
Germany	53.7%	46.3%	69.9%	30.1%	71.2%	28.8%
UK	48.7%	51.3%	68.2%	31.8%	75.8%	24.2%

- Penetration in the 65+ age group is growing fastest: it has risen by over a third - from 43% in 2003 to 58% in 2004. [Enpocket, 2004]



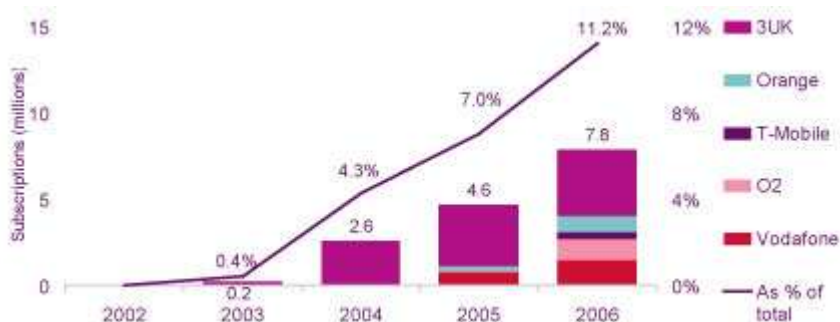
[Source: Enpocket, 2004]

### 6.3.1 SMS and MMS marketing

- Each month 19% of mobile users access a short code to respond to adverts in other media. [Source: M-metrics, February 2007]
- 70% of senior marketing executives said they had no plans to make MMS part of their marketing strategy. [Unica/Ovum, April 2006]
- Two thirds of mobile users have never seen a wireless ad (SMS, MMS or WAP) [Enpocket, 2005]

### 6.4 3G Penetration

- UK 3G connections. [Source; Ofcom, August 2007]



- 73% of mobile phone users do not use 3G services even though they have compatible handsets. [Netonomy/YouGov, February 2006]
  - 79% of people believe that mobile services are becoming more complicated compared to 71% the previous year.
- 3G mobile telephony is still in its infancy, with 2.5 million subscribers by the end of 2004 out of a UK mobile total of over 60 million [Ofcom, 2005]
- Hutchison Whampoa's "3" service has 3.2 million UK subscribers. Vodafone has signed up 300,000 customers in the UK since it launched 3G services. [The Independent, September, 2005].

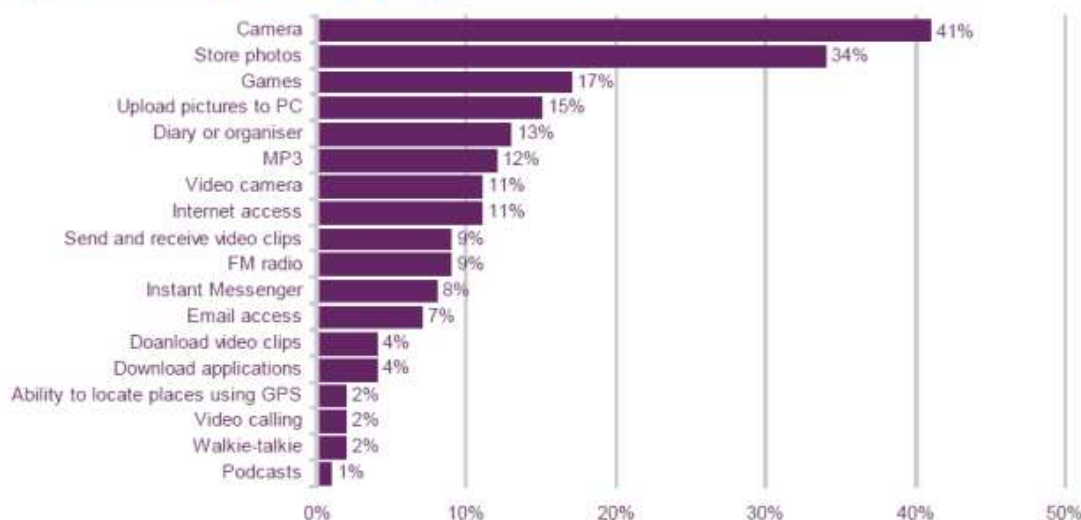
## 6.5 Mobile Internet

- Mobile Search grew by 68% in the US, and 38% in Western Europe over the last twelve months. [Source: comScore M:Metrics, Aug 2008] **NEW**

Mobile Search via Mobile Device Three-month average ending June 2007 and June 2008 United States and Western Europe Source: comScore M:Metrics MobiLens					
Country	Mobile Search Users (000)			% of Mobile Subscribers	
	Jun-07	Jun-08	Change	Jun-07	Jun-08
France	1,483	2,196	48%	3.3%	4.7%
Germany	1,316	1,837	40%	2.8%	3.7%
Italy	2,010	2,810	40%	4.5%	6.0%
Spain	923	1,293	40%	2.9%	3.8%
United Kingdom	3,454	4,497	30%	7.7%	9.5%
Europe*	9,186	12,633	38%	4.3%	5.6%
United States	12,353	20,793	68%	5.8%	9.2%

- A minority of UK mobile phone owners are currently using the more advanced functions; 11% of mobile phone owners are using the device to access the internet, 7% to send email, and 2% to locate places using GPS. [Source: Ofcom, Aug 2008] **NEW**

Figure 2.71 Use of mobile phone functions



Source: Ofcom research, Feb – Mar 2008. Question "Which of the following activities do you use your mobile phone for, if any?"

Base: All who personally use a mobile phone (1320)

- 80% of iPhone users in the UK, Germany and France use their mobiles to access the internet. [Source: comScore, July 2008]

<b>Internet Usage Habits among Smartphone Subscribers – 3 month average ending May 2008</b>			
<b>Mobile phone subscribers in France, Germany and the United Kingdom</b>			
<b>Internet Service Accessed via Phone</b>	<b>Percent of Subscribers</b>		
	<b>iPhone</b>	<b>Smartphone*</b>	<b>Market</b>
Any news of information via browser	80.4%	32.2%	10.7%
Accessed web search	56.6%	18.3%	5.0%
Watched any mobile TV and/or video	32.0%	14.6%	7.4%
Accessed a social networking site or blog	42.4%	10.3%	3.2%
Listened to music on mobile phone	70.0%	32.5%	18.4%
Used email (work or personal)	69.5%	25.6%	7.6%

- 60% of respondents to an AKQA/ dotMobi survey said it is important to be able to access the internet on their mobiles. [Source: AKQA / dotMobi via NMA, June 2008]
  - 46% said that a poor mobile internet experience has put them off accessing via mobile.
- 17% of Britons are willing to buy products and services through their phones, according to a Lightspeed Research survey of 1,000 UK adults. [Source: Lightspeed via Marketing Charts, May 2008]
  - More men are in favour of the idea than women (22% versus 12%), while the 18-24 age group is most willing (29%).
- Mobile internet extends the audience reach of many leading internet sites by an average of 13% over home PC traffic. [Source: Nielsen Online, May 2008]
  - According to Nielsen, 87m US mobile users subscribe to mobile Internet services, and more than one in ten (13.7%) actively use mobile Internet each month.
- US smartphone users spent an average of 4.6 hours per month on mobile internet sites. [Source: M:Metrics via Marketing Charts, May 2008]
  - UK spend an average of 2.6 hrs monthly on mobile internet.
- 44% of UK mobile phone subscribers belong to an online social network. 25% of those social networkers use their mobile to access their social network. [Source: Nielsen Online, May 2008]
  - 812,000 people, or 1.7% of all UK mobile subscribers, visited a mobile social network site in Q1 2008.

**Most Popular Social Networks on UK Mobile Phones**

Rank	Social Network	Unique Mobile Subscribers (000s)	% Mobile Internet Reach	PC Internet Rank
1	Facebook	557	9.0%	1
2	MySpace	211	3.4%	2
3	Bebo	162	2.6%	3
4	Windows Live Spaces	109	1.8%	4
5	Flixster	90	1.5%	6
6	Friends Reunited	76	1.2%	5
7	WAYN	60	1.0%	21
8	Yahoo! Groups	59	1.0%	10
9	Faceparty	50	0.8%	17
10	BBC Communities	49	0.8%	6

Source: Nielsen Mobile, UK, Q1 2008. E.g. On average 557,000 Britons accessed Facebook through their mobile phone (=9% of all UK Mobile Internet users) each month in Q1, 2008. Facebook is also the most popular social network on the PC.

- One in four US mobile users with internet access use them to buy goods and services online. [Source: Harris Interactive, March 2008]
  - 77% of US mobile users have "never" made a purchase with their phones, compared with 65% of those with smartphones or iPhones.
- A total of 17,589,351 people in the UK accessed the internet via mobile phones in 2007. [Source, Mobile Data Association, Feb 2008]
- Only 11% of people surveyed by Entertainment Media Research currently use mobiles to access the internet, while just 20% are interested in doing so in future.[Source: Entertainment Media Research [via E-consultancy blog](#), March 2008]
  - Barriers to using mobile internet included high cost of data charges (48%), slow loading (33%), while 25% said they were just not interested.
- Just 16% of UK mobile users accessed the Internet via mobile phone in Q3 2007, while 10% had used their mobile phones to send or receive e-mail. [Source: Ofcom via eMarketer, Feb 2008]

**Mobile Messaging and Internet Use by Mobile Phone Users in Select Countries Worldwide, October 2007 (% of respondents)**

	Text messaging	Photo messaging	Access Internet via network	E-Mail*
Canada	40%	2%	7%	7%
France	82%	33%	15%	12%
Germany	87%	32%	7%	8%
Italy	77%	40%	19%	16%
Japan	17%	7%	20%	57%
UK	81%	33%	16%	10%
US	44%	10%	11%	9%

Note: ages 18-64; \*excludes SMS  
Source: Office of Communications (Ofcom) - UK, "The International Communications Market 2007" conducted by Synovate, December 12, 2007

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- 5.7m people in the UK used a mobile device to access the internet during January 2007, according to new figures. [Source: comScore [via E-consultancy blog](#), May 2007]
  - 5.7m people in the UK used a mobile device to access the internet in January this year, 19% of the 30m people who accessed the web from a PC.
  - In the US, 30m, or 19%, of the 159m US internet users accessed the internet from a mobile device during the same month.

- Under 35s account for 67% of UK mobile web users, compared to 39% of PC-based internet users.
  - In the US, under 35s account for 46% of the mobile web users, and 36.5% of the PC-based internet audience.
  - 63% of mobile web users in the UK are male, compared to 54% of PC users. In the US, the figures are 60% and 49% respectively.
  - The most popular sites accessed on UK mobiles were the BBC and Sky, attracting 2.3m and 1.2m unique visitors respectively.
- **Top five social networking sites amongst UK mobile social networkers.** [Source: Telephia Audience Metrics Report, UK, October 2006]
    - MySpace 21%
    - Windows Live Spaces (includes MSN Spaces) 19%
    - YouTube 9%
    - Bebo 9%
    - Hi5 7%
  - According to comScore, Europeans are more likely to access the internet via their mobiles than those in the US. 29% of Europeans use their mobiles for internet access, while the figure for the US is 19%. [comScore, October 2006]

Mobile Internet Penetration by Country						
September 2006 – U.S., UK, French, German, Italian and Spanish Online Populations						
	U.S.	France	Germany	Italy	Spain	UK
Online Population: Persons 15+ from Home and Work (000)	152,698	23,980	32,085	17,389	12,281	29,589
% Online Population Accessing Web from Mobile Phone	19%	28%	34%	34%	26%	24%

- Although overall Internet penetration is split evenly between men and women, 55 percent of those who access the Web from their mobile phones are men. [comScore, October 2006]

Mobile Internet Share of Market as Measured by Penetration by Phone Brand						
September 2006 – U.S., UK, French, German, Italian and Spanish Online Populations						
Phone Brand	U.S.	France	Germany	Italy	Spain	UK
Nokia	17%	22%	32%	50%	39%	39%
Motorola	26%	13%	22%	18%	14%	14%
Samsung	10%	21%	8%	8%	17%	17%
Sony Ericsson	6%	14%	12%	5%	11%	13%
Other	41%	30%	27%	19%	20%	17%

- Major online portal sites represent the most popular online destinations among mobile Web surfers, with Google, Yahoo! and MSN leading the way: [comScore, October 2006]

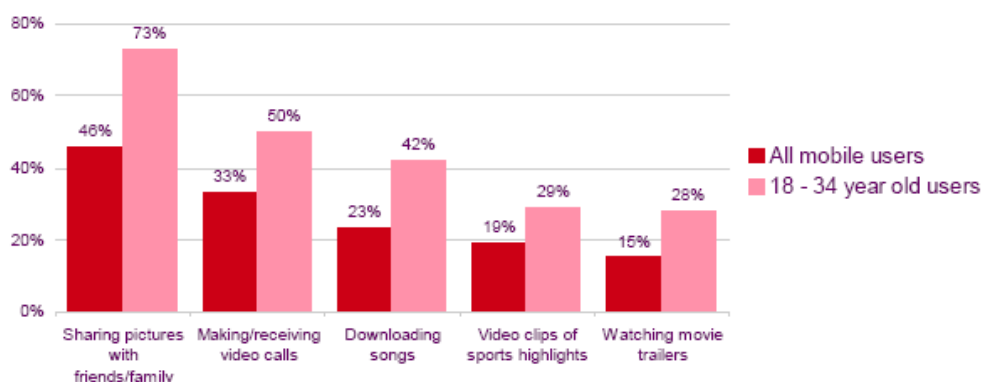


Mobile Internet Penetration- Most Popular Sites						
September 2006 –U.S., UK, French, German, Italian and Spanish Online Populations						
Site Category	U.S.	France	Germany	Italy	Spain	UK
Online Portal	74%	24%	29%	34%	28%	31%
Operator Portal	5%	26%	25%	18%	25%	31%
Specific Mobile Site	0%	17%	17%	23%	4%	0%
Commerce Site	4%	2%	8%	7%	6%	8%
News Site	2%	10%	0%	11%	2%	9%
Other	15%	22%	21%	8%	35%	21%

- More than 70% of users who can access mobile internet services are not doing so. [Hostway/TNS (via Revolution), September 2006]
  - 38% of users were frustrated by slow-loading pages.
  - 27% had problems navigating sites from a phone or PDA.
  - 25% found some sites were completely unavailable on mobiles.
  - However, 90% of respondents said they would use the mobile web if they could be sure pages would load faster and they wouldn't incur higher costs from their operator.
- Mobile content revenue across Western Europe is expected to grow by a third each year, reaching 23.4 billion Euros (£15.7bn) by 20011. [Analysys, September 2006]
- The US market for mobile video content reached 3.7 million subscribers in the second quarter of 2006, a 45% jump over Q1 numbers. [Telephia (via ClickZ News), September 2006]
  - The increase was driven largely by news, weather and sports channels.
  - Total revenues for mobile content reached \$86 million in Q2, a jump of 67% over first quarter numbers.
- Three quarters of people have never accessed the internet through their mobile phones, because of factors including slow-loading pages, hard-to-navigate sites and cost. [Hostway, August 2006]
- Almost three-quarters of 10-12 year-olds want to watch cartoons on their mobiles [NMA/Quaestor Research & Marketing Strategists, July, 2006]
  - Most children were positive about mobile TV - 87% said they would watch it.
- 28% of mobile phone owners around the world access the internet on a wireless handset, up from 25% at the end 2004. [IPSOS, April, 2006]
- In 2004 only 36% of mobile phone users browsed the Internet or downloaded e-mail but that figure rose to 56% in 2005. In Japan 92% of users went online via their mobiles. [A.T.Kearney, April, 2006]
- 32% of all European mobile subscribers will be regular users of mobile internet in 2006 and nearly 50% in 2007. [Forrester]
- Yahoo! has the highest number of US mobile subscribers, according to average monthly figures for the third quarter of last year. [M:Metrics, 2006]
  - AOL was in second place with a difference of four million subscribers while MSN and Google each had about seven million mobile subscribers.
- Close to 70% of consumers lean toward ad-free content downloads when given a choice. [Starcom, January 2006]

- Data as a proportion of average revenue per user (ARPU) will rise from 21.3% in 2006 to 24.6% by 2007. [Wireless World Forum, January 2006]
  - The average monthly mobile phone tariff will be £25.50 by 2007 compared to £23.90 in 2006 and £22.76 in 2005.
- The worldwide mobile gambling market, in terms of the total value of bets placed, will rise from slightly below \$2 billion in 2006 to more than \$23 billion in 2011. [The "Gambling on Mobile III" report, Juniper Research, June 2006]
- Fewer than a quarter (23%) of mobile users have ever downloaded content using their mobile phone. [Olista, 2005]
- Ofcom's latest research from Q2 2005 shows that 57% of consumers now have a content-enabled mobile phone, including handsets that allow WAP internet access, photo messaging and 3G devices. [Ofcom, 2005]
- Total UK ring tone revenues were estimated to be around £120 million in 2004 – over twice the size of the CD single market. [Ofcom, 2005]
- Estimated revenues from non-SMS mobile data for Q1 2005 were £94 million – 19% higher than during the previous quarter, and almost 90% higher than the corresponding quarter in 2004. [Ofcom, 2005]
- Access to the mobile internet via GPRS has provided most of this growth; an estimated average of 79 pence was spent on GPRS services per active subscriber during Q1 2005 – more than double the amount spent per user in Q1 2004. [Ofcom, 2005]
- WAP viewing (over 2G and 2.5G GPRS) rose to an average of 26 page impressions per month in Q1 2005. The Mobile Data Association reported that a record 1.82 billion WAP pages were viewed in March 2005. [Ofcom, 2005]
- 18-34 year olds show markedly higher levels of awareness of, and interest in, all areas of mobile content and other data services. Among this age group, interest in various areas of mobile content – from sharing pictures to watching movie trailers – is consistently 30-45% higher than for the mobile market as a whole (i.e. across all age ranges). [Enpocket, 2005]
- Bango predicts the overall value of the UK mobile content market will grow by between 50 and 100% in 2005. [Bango, 2005]

### Level of interest in mobile content services

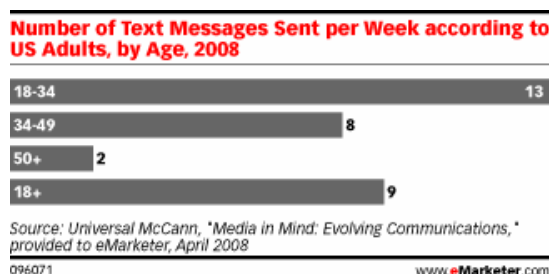


[Enpocket, 2005 [Link to PDF](#)]

## 6.6 SMS, MMS, WAP Usage

### 6.2.1 SMS

- Number of text messages sent per week by US adults. [Source: Universal McCann via eMarketer, July 2008]



**US Internet Users Who Have Purchased due to Receiving Marketing Messages, by Age and Channel, February 2008 (% of respondents in each group)**

	15-17	18-24	25-34	35-44
Regular mail	58%	59%	72%	77%
E-Mail	42%	56%	65%	66%
Phone	23%	14%	26%	24%
Text messaging	13%	9%	10%	4%
Messaging via social networking Web site	12%	10%	11%	5%
Instant messaging	11%	5%	7%	2%
Messaging via RSS	4%	4%	3%	2%
	<b>45-54</b>	<b>55-64</b>	<b>65+</b>	<b>Total</b>
Regular mail	82%	88%	92%	76%
E-Mail	69%	79%	73%	65%
Phone	35%	32%	32%	26%
Text messaging	2%	3%	0%	6%
Messaging via social networking Web site	3%	1%	1%	6%
Instant messaging	4%	1%	0%	4%
Messaging via RSS	1%	1%	0%	2%

Note: n=1,555 who own a mobile phone  
Source: ExactTarget, "2008 Channel Preference Survey," May 23, 2008

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- UK mobile users sent a total of 56,922,541,647 text messages in 2007. [Source, Mobike Data Association, Feb 2008]
  - The same figure for picture messaging (MMS) was 448,962,359
- Accessing the internet from a mobile phone is growing in popularity. In Japan, where over half of mobile phones use a 3G network, mobile users are three times more likely to send an email from their mobiles as they are a text message. Europeans send more text messages with 75 per cent of mobile phone users in the UK, France, Germany and Italy sending SMS messages regularly. [Source: Ofcom, December 2007]
- More than two-thirds of US adult mobile users can send and receive text messages, according to Insight Express. {Source: Insight Express via eMarketer, September 2007}

**Select Content Features on Mobile Phones of US Adult Mobile Phone Users, by Age, July 2007 (% of respondents in each group)**

	<b>Text messaging</b>	<b>Ringtones</b>	<b>Camera</b>	<b>Mobile Internet</b>	<b>Video</b>
Generation Y (18-24)	86%	76%	70%	51%	18%
Generation X (25-44)	82%	63%	57%	47%	14%
Younger boomers (45-54)	75%	54%	52%	39%	10%
Older boomers (55-64)	68%	49%	49%	32%	7%

Source: InsightExpress, "Mobile A&U Research Results" provided to eMarketer, September 18, 2007

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**Mobile Content and Applications Used by Mobile Subscribers in the US, June 2007 (thousands and % of mobile subscribers)**

	<b>Mobile subscribers</b>	<b>% of mobile subscribers</b>
Sent text message	88,674	41.6%
Used photo messaging	37,275	17.5%
Purchased ringtone	20,012	9.4%
Used personal e-mail	19,259	9.0%
Used mobile instant messenger	14,215	6.7%
Used work e-mail	11,356	5.3%
Downloaded mobile game	6,908	3.2%
Purchased wallpaper or screensaver	6,725	3.2%

Note: n=33,810; based on three-month moving average for the period ending June 30, 2007

Source: M:Metrics, Inc. as cited in press release, August 15, 2007

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- Research firm Analysys predicts that revenues from mobile instant messaging, email and mms services in Western Europe will rise dramatically over the next five years. [Source: Analysys via NMA, February 2007]
  - Revenue from mobile messaging will reach €26.1bn (£17.4bn) in 2010, up 42% on 2005's total of €18.4bn (£12.3bn).
  - The report also predicts that SMS revenue will decline, from €87.5bn in 2006, to €69.1bn in 2011.
- 48% of 15 – 24 year olds say SMS is their preferred written communication method. [Source: IPA Touch Points, February 2007]
- 4.3 billion texts were sent in December 2006 in the UK (an average of 138m per day) [Source: Mobile Data Association, February 2007]
  - 88 million MMS messages sent in 3rd quarter of 2006 (an average of 1 million per day)
- 95% of text messages are opened compared to 25% of emails. [Source: IAB, February 2007]
- A Mobile Marketing Association study of 1,800 US mobile users found that SMS use was rising. [Source: MMA [via E-consultancy blog](#) February 2007]
  - The proportion of customers who engage in texting daily rose from 41% in 2005 to 44% in 2006. 69% use the feature generally.
  - Of those respondents who have participated in mobile marketing campaigns, their participation in voting campaigns has significantly increased, from 8 percent in 2005 to 29 percent in 2006.

- A report published by technology research firm Forrester after Christmas found that 79% of mobile users surveyed are "annoyed" by the prospect of receiving advertising on their handset. [Source: Forrester Research via [E-Consultancy Blog](#), January 2007]
  - Only 3% of people trust ads sent by SMS text message and more than two thirds claimed mobile ads had no impact on their perception of a brand.
- The response rate of US mobile subscribers' response rate to mobile text ads in August 2006 was 7.0%, compared with as high as 29.1% in Europe. [M:Metrics (via MediaPost), September 2006]
  - Spain (29.1%) was followed by the UK (18.5%), France (10%) and Germany (3.4%).
  - Only 12.8% of US mobile subscribers reported receiving an SMS ad in August.
  - The rate was nearly 67% in Spain.
  - In Europe, ads for TV game or reality show contests draw the highest response, whereas in the US ads for content downloads do.
- 84 million text messages were sent person to person daily in the UK during April 2005 [Mobile Data Association]
  - 133 million text messages sent on New Year's Day 2005 versus 111 million the year before
  - Since recording started in 1999, we have sent over 100 billion text messages in the UK.
- There was a sharp rise in the average number of SMS messages sent per user per month from fewer than 41 in Q3 2004, to over 47 in Q1 2005. [Ofcom, August 2005]
- The use of SMS declines with age – from 99% amongst mobile customers aged 15-24, down to 41% amongst those aged 65+. While three-quarters of the youngest age group say they send or receive text messages daily, in total a fifth (19%) of mobile customers never use SMS. [Ofcom, August 2005]
- 32 billion person-to-person texts were sent in 2005. [Mobile Data Association, 2006]
  - It's not just consumer sending texts.
  - 100% of SMEs send work-related texts and 36% send over 21 per week.

## 6.2.2 MMS and camera phones

- Photo messaging in the US has risen by 32% since February, while the UK, France and Germany have seen increases of between 16-20%.
  - The rise is attributed to improved picture quality and an increased number of owners of higher-resolution camera phones. [M: Metrics, August, 2006]
- Research for Q4 2005 shows that 36% of mobile owners now use their phones to send and receive picture messages, up from 21% at the same point last year. [Enpocket/Harris Interactive, 2005]
  - Over the past year MMS usage levels have increased dramatically in 18-34 age groups, and doubled in all age groups above 34 years old.
- 40% of females use MMS compared to a third of males. [Enpocket/Harris Interactive, 2005]
  - 60% of 18-24-year-olds use their phones for MMS compared to 37% in 2004.
- MMS usage has more than doubled from 9% in 2003 to 19% in 2004. [Enpocket, 2004]
- 46% of mobile users believe MMS charges are too high. [TNS, 2005]
- On average, mobile subscribers sent 0.29 MMS messages per month in Q1 2005 – a rise of 23% over the previous quarter and some 86% higher than during the same period last year. [Ofcom, 2005]

## 7. Interactive TV – UK Market

### 7.1 Digital Interactive TV Penetration

*See also Section 1.7.10 on IPTV/Television on Demand/PVR and Video on Demand*

- The UK has the highest take-up of digital television of 12 countries surveyed by Ofcom. At the end of 2006, 76% of UK households were digital, driven mainly by growth in digital terrestrial television (Freeview). The US and Japan were next with 61 and 60% respectively. [Source: Ofcom, November 2007]
- More than 500 million homes around the world will have digital TV by 2011. [Informa, September 2006]
  - An estimated 40 million more homes will get digital TV by the end of 2006 with a further 46m in 2007. By the end of 2006 there will be an estimated 183 million digital homes, with more than 344 million digital homes estimated to be added to the total between the end of 2005 and 2011.
- From 2004 to 2005, the number of households with broadband connections increased by 63%, while a total of 18.3m homes now have digital television. [Ofcom, August 2006]
- Digital TV will be watched in a greater percentage of homes in the UK than any other country by 2010. Around 95% of UK households will have digital TV, compared with 66% in the US and 50% in Germany. [Datamonitor, August 2006].
  - An estimated 187m European and US households will have digital TV by 2010
  - In the UK, Freeview is expected to overtake satellite by the end of 2008.
  - Fewer than 2% of European households were predicted to have PVRs by the end of 2006.
- Adoption of digital TV is growing more rapidly than ever in Western Europe, driven by the success of new delivery platforms such as Digital Terrestrial (DTT) broadcasting and IP-based TV from telcos and other providers. [Strategy Analytics, August 2006]
  - The number of households using some form of digital TV in Western Europe is forecast to grow to 75 million in 2006, up from 56 million at the end of 2005. By 2010, DTV will be used by almost 127 million households in the region – close to 77 percent of all TV homes. [Strategy Analytics, August 2006]

#### Digital TV by Service: Q1 2006

<i>Platform</i>	<i>Subscriptions</i>	<i>Market share</i>
Sky	7,692,000	42.1%
Freeview	7,100,000	38.9%
NTL/Telewest	2,786,500	15.3%
Freesat	645,000	3.5%
HomeChoice	48,545	0.3%

[Source: Ofcom]

- Digital TV, which was introduced in 1999, reached 64% of the UK population by December 2005. [MORI Technology Tracker]


**Use of Digital TV and Internet by social group:**

Social Group	Use Internet anywhere	Have digital TV
AB	77%	66%
C2	67%	63%
C2	53%	65%
DE	34%	54%

Source: MORI Technology Tracker/Dave Chaffey

- By the end of September 2006, Ofcom estimated that 72.8% of UK households received digital TV services, compared with 69.5% in 2005. [Ofcom]
  - The total number of households viewing digital television grew by more than 1.8 million to almost 18.3 million in March 2006. [Ofcom]
  - In total there were more than 7.1 million free-to-view digital households (Freeview homes plus free-to-view satellite homes). [Ofcom]
- By 31 March 2005 digital television penetration was estimated to have reached 61.9% of UK households; an increase of 2.5% points from 59.4% from the previous quarter. [Digital Television Update, Ofcom, June, 2005]
- By 31 March 2005, the total number of digital television households grew by 643,517 to 15,417,398. [Ofcom, June, 2005]

**Freeview / Satellite / Cable**

- Free-to-view digital satellite homes increased by almost 120,000 to 840,000 in the quarter, contributing over a third of net additions to multichannel main sets. More than 40% of households (around 10 million) now have some form of free-to-view digital television (either DTT or free-to-view satellite) on their main set. [Source: Ofcom, Aug 2008] 
  - The total number of homes with satellite (either pay or free-to-view) in Q2 reached 37.3% or almost 9.6 million. Pay satellite homes accounted for around 8.7m (91%) of these with free-to-view making up the remainder.
  - Cable was the primary viewing platform in 12.5% of homes in Q2. Virgin Media reported net additions of around 24,000 new subscribers taking their total subscriber base to over 3.5 million. Digital cable added over 42,000 subscribers in the quarter (including conversions from analogue cable) and now accounts for around 95% of all cable television customers.
- The number of Digital Terrestrial Television (Freeview) only households saw a strong increase at the end of March 2005, with DTT households now estimated to have passed the 5 million mark for the first time (estimated 5,059,350). This is an increase of 466,430, from 4,592,920 at the end of the previous quarter, December 2004. [Source: Freeview Q1 2005 sales figures, GfK market research, Ofcom market estimates, June 2005]

## 7.2 Interactive TV services / Red Button Usage

- Almost a quarter of 4,203 adults surveyed use iTV services. [Ipsos MORI Tech Tracker, June 2006]
- 47% of digital viewers pressed red, mainly for news, weather and sport information. [Ipsos MORI Media digital audience tracker, April 2006]
- A record 36 red-button campaigns were aired on Sky channels alone in the first two months of 2006. [BSkyB, 2006]
  - More car manufacturers, FMCG brands and travel companies have added iTV to their media mix.
- Use of enhanced programming services fell from 48% in July 2005 to 43%. [DART/Ipsos MORI Media, March 2006]
  - More than half of those with digital TV have never pressed red.
- The use of most iTV services - including accessing programme information, listening to the radio, playing interactive games, voting in polls and shopping online - has declined from its 2003 peak to 2001 levels. [Continental Research Digital TV Report, March 2006]
  - Only 17% of digital TV owners pressed red during television programmes in February 2006 compared to 29% in January 2004 and 37% in August 2003.
  - 11% of digital TV owners played interactive games – 12% less than in 2003. [Continental Research Digital TV Report, March 2006]

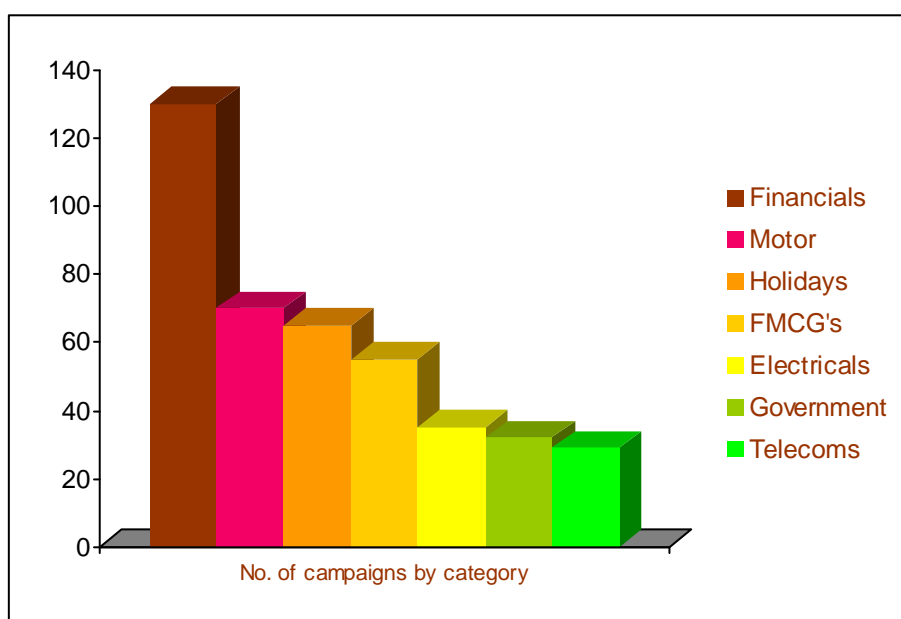
## 7.3 Interactive TV Advertising

- There were 189 interactive ad campaigns across all Sky channels in 2005 compared to 173 in 2004. [BSkyB, January 2006]
  - There were 18 DAL-focused campaigns running on Sky's digital and satellite channels during November and December, 2005. This compares to 10 Impulse Response and 4 Jump-to-text campaigns for the same two-month period. [BSkyB]
  - A total of 10 iTV campaigns on Sky channels lasted for more than 28 days during November and December 2005, compared to 11 which were between 8 and 28 days and a further 11 which were less than 8 days. [BSkyB]
- January 2005 was a record breaking month for interactive advertising according to Sky Media. [Sky Media, 2005]
  - 45 red-button campaigns ran during January.
    - This represented a 40% increase on Jan 2003.
- The sector was worth an estimated £6 million at the end of 2004, with potential to increase to £10 million in 2005. [Decipher via NMA, 2005]
- Sky revenue from i-advertising increased by 65% in Q3 and Q4 2004 compared to the previous year. [NMA, Jan 2005]
- 20% of those with Sky Digital have engaged with an interactive TV ad over the past six months. [Continental Research, Autumn 2005]
  - 24% of 16-24-year-olds 'pressed red' compared to 11% in the previous six months
  - 30% of 25-34-year-olds pressed red compared to 24% in the previous six months.



26% of 35-44-year-olds pressed red compared to 24% in the previous six months.

**Top Interactive Sectors by Sky**



[Source: Sky, 2005]

#### Case studies

- Nivea – Impulse Response [Sky, 2005]
  - 7,791 packs distributed.
  - 1.5% response rate.
  
- Sky+ – Impulse Response [Sky, 2005]
  - 14,064 brochures distributed.
  - 12% conversion rate, consumers buying Sky+ within 6 months of receiving brochure.
  
- Nicorette – Impulse Response [Sky, 2005]
  - 11,000 packs distributed.
  - 0.13% response rate.
  - Four campaigns run to date.
  
- Sonicare – MiniDAL [Sky, 2005]
  - 500,000 viewers spent an average 2.5 minutes interacting.
  - 300 Sonicares sent on trial.
  - List of 35,000 acquired.
    - All sent to warm leads.
  - Voucher redemption 10x higher than average via national DM.
  
- Rimmel – MiniDAL [Sky, 2005]
  - 2.5% response rate.
  - 60,565 samples distributed.
  - £1.87 cost per response.
  - 1,719 hours of brand interaction.

## **7.4 Forecasts**

- Television advertising revenues could fall by one-third by 2012 if on-demand viewing and personal video recorders (PVRs) take off. [The Independent/Spectrum Strategy, September 2005]

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EIAA	eDigital	Thomson Intermedia	Mobile Data Association
360i	Elogisitcs Magazine	Lyris Technologies	Prospectiv
Accessibility Forum	Email Systems	M:Metrics	PwC
ACNielsen	EmailLabs	Macromedia	Quaestor Research and Marketing Strategists
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Atlas	Eyeblaster	Merrill Lynch	Scarborough Research
Axon Publishing	Financial Times	MetaPack	SciVisum
Bango	Forrester	Millward Brown	Search Engine Guide

BARB	Foviance	Mintel	SearchEngineWatch
B2B Marketing	Fireclick Index	Microsoft bCentral	SearchIgnite
BBC	Gallup	MMXI	SEMPO
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Benchmark Research	GMI	Mutual Points	silverPOP
Bernstein Research			
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BIGResearch	Gomez	Net.Applications.com	SiteIntelligence
BizRate/Shopzilla	Google	National Sales Association	Sky
Bloglines	Group M	National Statistics	Sophos
Bradley Horwitz	Guardian	NetIQ	Spannerworks
Brandweek	Guardian Unlimited	Netonomy	Spectrum Strategy
BRMB	GVU	Newspaper Association of America	Starcom
Bronto	Harris Interactive	Nielsen Analytics	Steelside
Brown University	Harvest Digital	Nielsen Entertainment	Strategy Analytics
Browser News	Hitwise	Nielsen//NetRatings	Technorati
BSkyB	Hostway	NMA	Telecom Express
BURST! Media	IAB	Nomensa	Telephia
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Deutsche Bank	iResearch	PhoCusWright	Workplace Print Media
Digital Strategy Consulting	iMedia Connection	Point Topic	Yahoo!
DoubleClick	IRN Research	Piper Jaffray & Co	Yankee Group
DirectGov	ITFacts	Ponemon Institute	YouGov
Direct Partners	Joshua ConsumerCheck	Porter Research	ZDNet Research
Direct Marketing Association	Juniper Research	Precedent	Zendor
DRC	JupiterResearch	Porter Novelli	Zona Research
Dynamic Logic	Snow Valley	Merkle	Edison Media Research
Easily			
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