

Ad Rev Surpasses Dotcom Boom Levels

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U.S. Internet advertising surged 33 percent in 2004 to a record \$9.6 billion, surpassing levels seen during the early Web boom, and will grow at a similar rate in 2005, according to data released on Thursday.

The figures bolster reports from individual advertisers who say they are moving more of their marketing budgets online as consumers devote more time to the Internet and fewer hours to television and other media.

The data also underscores breakaway earnings results for major Internet media companies and search engines like Yahoo Inc. and Google Inc., as well as the digital divisions of traditional media companies like the New York Times Co.

"Interactive advertising has clearly become a mainstream medium and one that can no longer be ignored," said Greg Stuart, president of the Interactive Advertising Bureau.

The IAB said that Internet ad revenue of \$9.6 billion in 2004 compared with ad revenue in 2003 of \$7.27 billion and exceeded the previous revenue record of 2000 by nearly 20 percent. Fourth-quarter revenue grew to \$2.69 billion, the highest level for a three-month period. The data was compiled by the IAB and PricewaterhouseCoopers.

Looking ahead, research firm eMarketer predicted online ad growth of 33.7 percent in 2005 to \$12.7 billion, raising a previous estimate of \$11.5 billion for the year. eMarketer had estimated 2004 ad revenue at \$9.5 billion.

"The reported results from Yahoo and Google showed I was being too conservative" with regard to the Web search advertising those companies have popularized, said eMarketer senior analyst David Hallerman.

He said eMarketer's new 2005 forecast assumes revenue from Web search advertising, also known as paid search, to grow 40 percent year-on-year to \$5.4 billion. His previous forecast had been \$4.7 billion.

Industry experts say the growth of high-speed Internet in the United States, now estimated to be used by over 50 percent of homes connected to the Web, will further boost the medium in years to come as marketers can deliver more sophisticated video or pay-per-view content.

By category, paid search listing revenue jumped 40 percent to \$3.9 billion, display advertising such as banners rose 19 percent to \$1.8 billion and rich media such as video ads grew 10 percent to just under \$1 billion, according to the IAB.

Online classified ads grew 18 percent to \$1.7 billion, representing a growing challenge to traditional newspaper classifieds.

Consumer goods companies accounted for nearly half of all online ad spending in 2004, while financial services firms made up 17 percent of the total revenue.

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