U.S. Digital Advertising

2016-2021

Growth in the U.S. digital advertising market will be driven largely by video, the majority consumed on mobile devices and on social platforms.

HIGHLIGHTS

Data presented within this report is provided by analyst, company, industry research sources and Hayflower estimates.

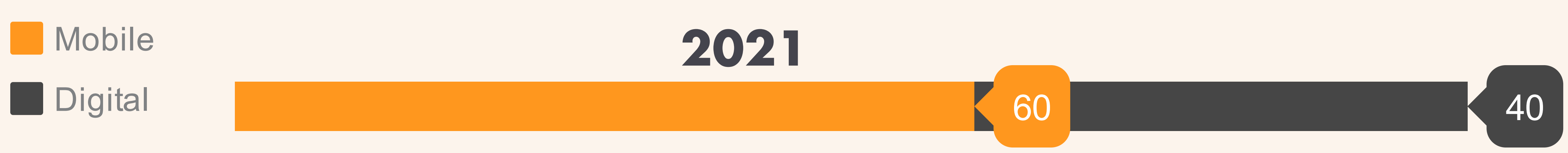
Key Growth Drivers: Social, Video & Mobile

Social media ad spend is expected to grow most rapidly, with cumulative average growth of 25% from 2016-2021 driven by active users and advertising capabilities. Social media's large reach and breadth of ad formats, uniquely positions social as the only digital platform that can provide advertisers with both brand and performance-based capabilities at scale. While data and privacy issues have threatened to stall or decrease user growth in the U.S., forecasts estimate social will increase share, though at a slower pace from 2019-2021 at one percentage point per year.

An increase in video content, including live sports programming, original programming, and the reinvention of traditional media, such as video magazines and news is driving consumers' consumption of digital video. Superior targeting and measurement capabilities compared to traditional media help brand marketers increase the efficiency and effectiveness of their brand advertising activities. Both trends are helping drive a 23% cumulative average growth rate in digital video ad spend from 2016-2021.

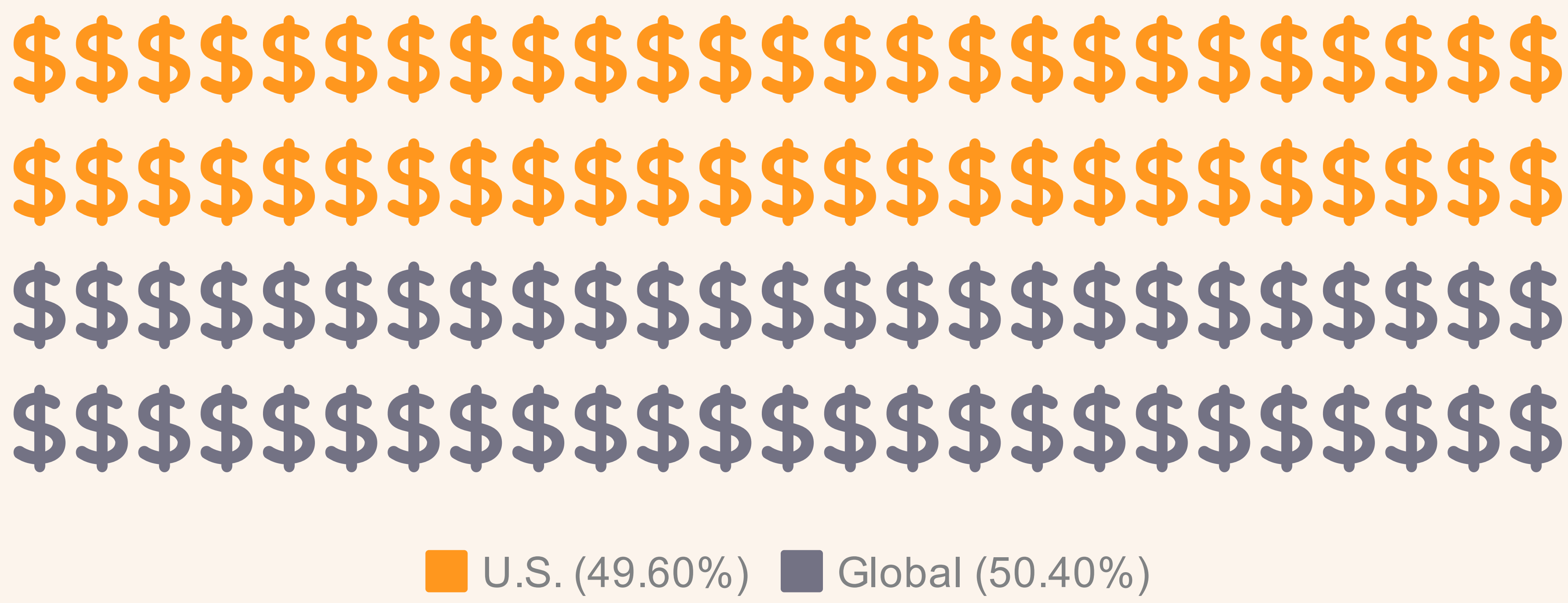
Mobile, a subsegment of U.S. digital advertising, will continue to increase its share of wallet as advertising spend catches up to consumer usage. Cellphones and smartphones are used by 99% and 91% of U.S. adults, according to a Pew Research study. High usage rates approaching near saturation, an increase in the availability of digital video content, and video created specifically for the smaller screen, on social platforms in particular, are driving mobile ad growth. Mobile is expected to exceed just over 60% of all U.S. digital ad spending in 2021.

Share of search ad spend and growth both decline from 2016-2021 but search will remain the largest segment of U.S. digital ad spend. During this time, search advertising will decline from X% of digital ad spend to Y%. Also during this time, growth will slow from 15% to 10% year over year; however, at an estimate $73 billion ad spend in 2021, search continues to dominate the U.S. digital advertising landscape.



2021 U.S. & Global Digital Advertising Market Share

Global Digital Advertising Spend Exceeds U.S. by 2021

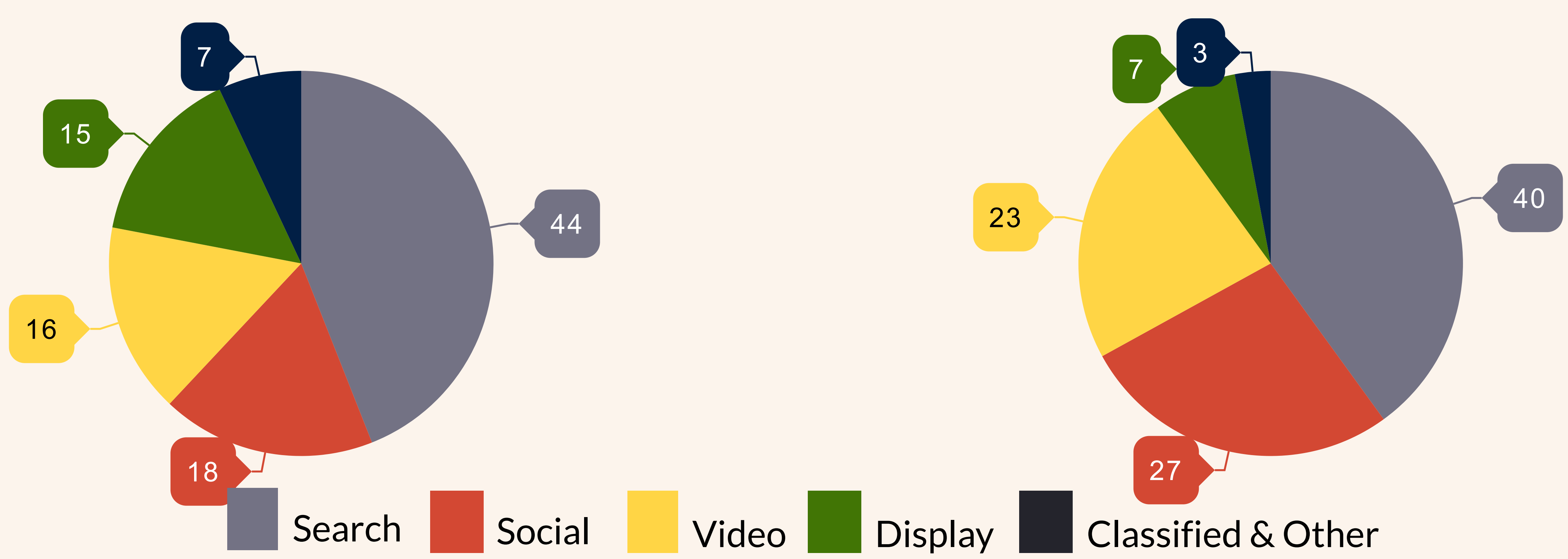


Source: Zenith, March 2018.

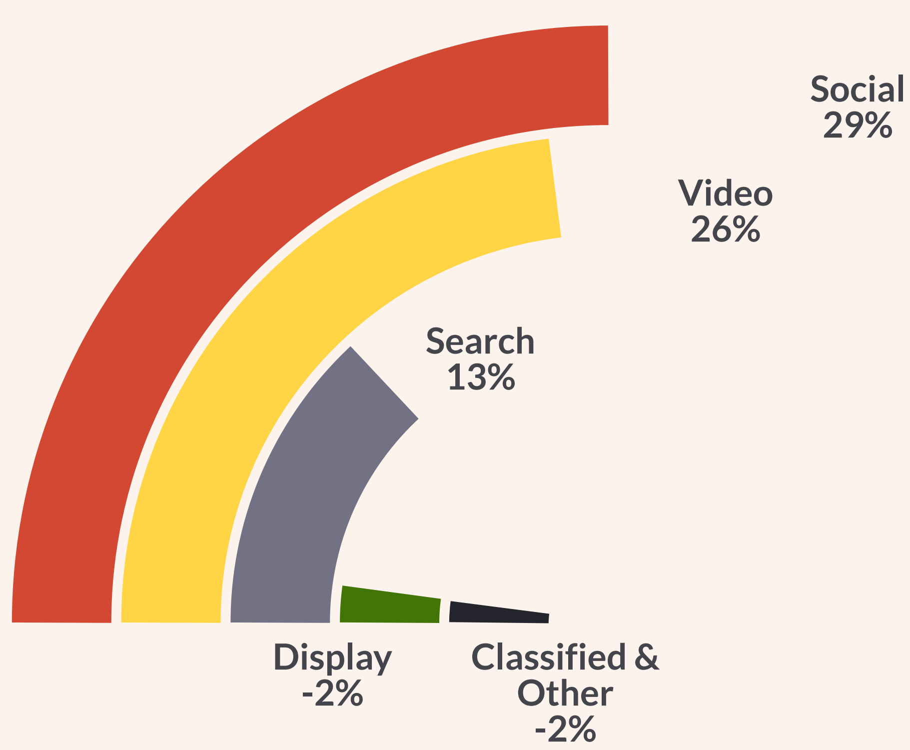
The U.S. will remain the largest digital advertising market until 2021, when spend in global markets and China in particular, exceeds digital ad spend in the U.S.

2016: % Share of U.S. Digital Advertising

2021: % Share of U.S. Digital Advertising



5 Year Cumulative Average Growth Rates (2016-2021)



Digital social and video advertising formats will grow the fastest between 2016-2021 in the U.S.

2016-2021 Global Digital Advertising Forecast Estimates

#s in "000s

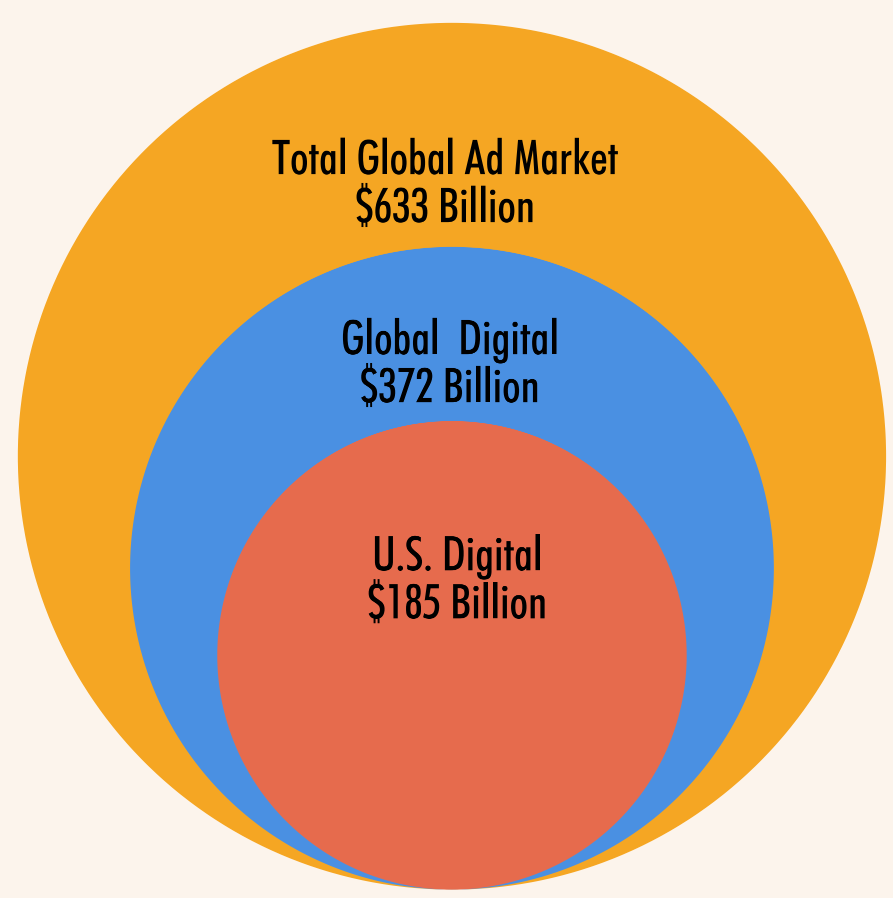
U.S. Digital Advertising	2016	2017	2018	2019	2020	2021
Total	**$92,871,470**	**$108,552,488**	**$126,236,666**	**$144,726,432**	**$164,475,958**	**$184,980,101**
% growth		*17%*	*16%*	*15%*	*14%*	*12%*
Search	$40,526,626	$46,465,397	$53,037,870	$59,756,168	$66,731,263	$73,367,803
% total	*44%*	*43%*	*42%*	*41%*	*41%*	*40%*
% growth		*15%*	*14%*	*13%*	*12%*	*10%*
Social	$16,498,931	$22,627,091	$29,288,131	$35,833,266	$42,567,917	$49,370,300
% total	*18%*	*21%*	*23%*	*25%*	*26%*	*27%*
% growth		*37%*	*29%*	*22%*	*19%*	*16%*
Video	$15,252,641	$19,212,945	$23,999,977	$29,493,306	$35,862,584	$43,314,550
% total	*16%*	*18%*	*19%*	*20%*	*22%*	*23%*
% growth		*26%*	*25%*	*23%*	*22%*	*21%*
Display	$13,803,754	$13,389,641	$13,121,848	$12,990,630	$12,860,724	$12,732,116
% total	*15%*	*12%*	*10%*	*9%*	*8%*	*7%*
% growth		*-3%*	*-2%*	*-1%*	*-1%*	*-1%*
Classified & Other	$6,789,518	$6,857,414	$6,788,839	$6,653,063	$6,453,471	$6,195,332
% total	*7%*	*6%*	*5%*	*5%*	*4%*	*3%*
% growth		*1%*	*-1%*	*-2%*	*-3%*	*-4%*
Mobile	*$41,752,512*	*$55,714,552*	*$70,436,755*	*$84,172,150*	*$97,747,615*	*$111,845,806*
% total	*45%*	*51%*	*56%*	*58%*	*59%*	*60%*
% growth		*33%*	*26%*	*20%*	*16%*	*14%*

Note: Mobile is a sub-set of the total U.S. digital advertising market

Summary

The U.S. has been and is expected to remain the largest digital advertising market, driven by social, video and mobile advertising. By 2021, the $185.0 billion U.S. digital advertising market will represent less than half (49.6%) of the $372.8 billion total global digital market. The U.S. will receive majority share (75%) of video advertising spend as brand advertisers shift spend from traditional brand media, such as television and print. This shift follows the increase in the availability of digital video content, including both professional programming made available for digital media, original content created for the smaller screen and user-generated content proliferating from mobile devices. Mobile, a sub-segment of digital, will continue to increase its share of digital advertising spend to match consumers' consumption habits.

2021 Global Advertising Market



Source:

This report was created by Hayflower LLC. Data sources include analyst estimates, public company disclosures, IDC, MAGNA Global, Zenith and Hayflower estimates.

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