



**IAB RUSSIA
DIGITAL ADVERTISERS
BAROMETER – 2018**

Prospects for Online Advertising in Russia:
Advertisers View.

Study conducted by Data Insight for IAB Russia

OCTOBER 2018

study prepared
for:



by analytical
agency:



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1. ACKNOWLEDGMENTS

We are presenting you the IAB Russia Digital Advertisers Barometer 2018. This study introduces advertisers' view on the online advertising market, its development and dynamics as well as market tools. The 2018 study is already the fifth in a row. The long-term nature of such a study illuminates changes in opinions and perceptions of advertisers concerning the possibilities and the role of interactive advertising.

1.1 COMMISSIONING CLIENTS

This study was carried out by decision of the general meeting of IAB Russia full members. Companies uniting their resources for further development of the online advertising market in Russia supported the launch of a regular study on the moods and expectations of advertisers to give the floor to real business entrepreneurs and marketers and increase market transparency.

We thank the companies-members of IAB Russia that financed the study.



“Issuing the fifth report in a row, I would like to thank all IAB Russia members for supporting this ‘mirror’ of advertisers’ moods and expectations. I hope that trends revealed in the report would allow market players to channel additional resources into developing the tools most demanded by advertisers.”

Boris Omelnitsky, Director of Strategic Market Development for the Commercial Department of Yandex, President of IAB Russia

“The digital ad market growth remains an unconditional and obvious fact, but thanks to this report, the market receives a clear classification of digital by segment and an accurate assessment of the promising areas for clients’ ad investments. It enables us to develop most effective and popular products as well as to offer advanced solutions in the video, banner, mobile, and audio segments of digital advertising. For the market in general, this is another step towards transparency as well as an opportunity for each participant to get a quick look at all the market instruments, at their position on the market and at their ad investments effectiveness.”

Nikolay Kiselev, Deputy General Director of IMHO, Chairman of the IAB Russia Digital Video Committee

1.2 ADVERTISERS

We also express gratitude to all companies that took part in the survey, both those that are listed here and those that did not give us permission to indicate their brand on this list. The opinion of each of you is valuable to us since they all determine further development of the online advertising market in Russia.

Clarins, Ahmad Tea in Russia, Barshomi, Vitaprost, BIC, Il de Bote, Clarins, IQOS, Philips, Syngenta, Jinn, Datsun, Bepanthen, Ovestin, Neftetank, Cordiant, UFS.Travel, Midea, Zolotaya Korona, Royal Caribbean International, Weleda, Gru, Baltika, Hill's, Ingate, Petelenka, Robocheap.ru, KODOS, Akriderm, Maygli, TsvetiSM, Gector Dveri, Korl, MTC, Vicks, Bona Forte, Elit, Fresh, Nescafe, Remington, Sovest, Evalar, Au, MTT, STIHL, Fahrenheit 2018 Moscow, Kurnosiki, VEKA, pwc, Blishnie gorki, Whiskas, Leroy Merlen, Burger King, Disignmaster, Epic Skills, GMS Clinic, YouDo, KASTORAMA, Unilever.

2. MAIN RESULTS

2.1. 10 CONCLUSIONS FROM THE SURVEY

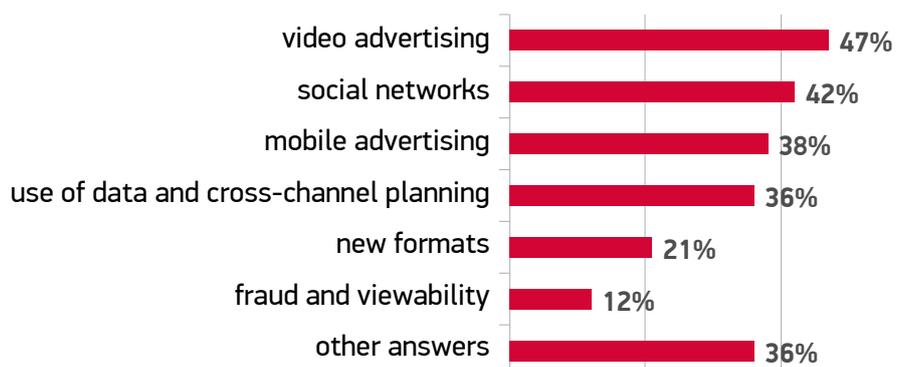
- 1. Budgets of digital advertisers continue to grow.** 61% of respondents reported an increase in their online ad budgets in 2017, while 58% forecast growth in 2018 as well. Digital's share within the company's marketing budgets constitutes an average of 33% having gone up by 11 percentage points over the past two years. 78% of respondents plan to increase these budgets in the future.
- 2. Digital ad growth has become more moderate but still outpaces the growth of offline advertising.** Aggressive growth of online advertising budgets is almost over: the share of companies forecasting their annual growth by 20% or more makes up 16% and is comparable to last year's figures. At the same time, this figure is almost three times higher than that for offline advertising.
- 3. Technological possibilities of interactive advertising are the main drivers of budget growth.** According to respondents, the main drivers of growth in mobile ad budgets are dynamic targeting (29% of responses), accurate assessment of investments (27%) and a wide choice of target audiences (24%). For online companies, an important growth driver is the growth of mobile Internet audience (31% of surveyed online companies).
- 4. Constraints.** The main limiting factors for increasing budgets in digital were reported to be the inability to cut budgets in other media as well as the inability of interactive ad to tackle certain marketing tasks, such as building brand awareness and increasing visits at points of sale.
- 5. Wide mix of digital instruments.** Companies are increasing the number of online advertising tools they use. Last year, respondents reported an average of 5 to 7 tools used, while this year the number of tools used has grown to 7 to 9 tools. More than a quarter of companies use more than 10 ad tools.
- 6. The most popular ad format is targeted advertising in social media.** More than 80% of respondents stated that they used targeted advertising in social media in their advertising campaigns. This is also one of the most rapidly growing online ad tools; next year, 48% of respondents are planning to increase its use.

- 7. Video advertising is the fastest-growing online ad tool.** Different types of interactive video (both regular and mobile) are used by more than three quarters of companies that participated in the survey. About half of them plan to increase its use next year. 42% of companies that use digital video allocate a separate budget for it, while 22% do not divide the budget between interactive video and TV.
- 8. Mobile advertising is definitely becoming a standard tool inside the media mix.** The trend to transform mobile advertising from a new and experimental direction into one of the standard tools of interactive ad has been there for two years now. According to a 2018 survey, almost half of respondents noted that mobile advertising was “one of the tools of their digital strategy”.
- 9. Most commonly used technology.** Retargeting, digital video in social media and native ad are the most commonly used advertising technologies at the moment. They are used by more than half of respondents. According to the surveyed companies, pay-per-performance digital video demonstrates the greatest potential. 42% of respondents plan to include it in their advertising campaigns.
- 10. Website traffic is the most commonly used parameter for evaluating the effectiveness of advertising campaigns.** More than 80% of companies use it to assess the effectiveness of their ad campaigns on the Internet.

2.2. MARKET CHANGES THROUGH ADVERTISERS' EYES

The advertisers' view on the key changes in the online advertising market can be found in their answers to “What main changes in the online ad market over the last 6 to 12 months have you noted?” (the question was asked in the open form). The main changes over the past year were reported to be the growth of mobile consumption, development of video formats and attention to content.

Fig. 2.1. What main changes in the online ad market over the last 6 to 12 months have you noted?



Video advertising is one of the most important aspects for advertisers. They mainly spoke about the growth of video advertising, but some of them also mentioned video ad formats:

- Video segment development
- Explosive growth in digital video and audio
- InPage Video Development
- Growing demand for video content
- Growing communication with bloggers and interactive video advertising
- Viral video

The second most frequently mentioned interactive advertising is social media ad. Respondents noted both the growth of budgets for this type of placement and user involvement in such formats.

- Interactive ad moves from websites to social media
- Growth of advertising opportunities in social media
- Growing communication with bloggers. Explosive growth of social media.

Another important trend is the development of omnichannelling, the use of technology and offline data.

- Hysteria around online-to-offline
- Integration with offline data
- Crossmedia planning for multi-screen Internet
- Audience campaigns development. The launch of Yandex.Audience, aggregation of audience campaign service Yandex.Display and contextual ads service Yandex.Direct
- Emergence of interactive advertising in offline
- Integrated ad campaigns
- Advertising pilots based on offline data

Also, respondents noted changes in audience measurement as well as new technologies development and mobile Internet growth.

- Quality improvement of the inventory, diminishment of the importance of Mediascope
- Inflation of online advertising costs
- Growth in the number of users using ad blocking
- Increase in the mobile audience, growing role of bloggers, strengthening of Instagram, increasing integration of Digital and e-Com, growing monopolization (NRA)
- Audience is very active online and in social media. The target audience focuses only on the information they need, so the topic of targeting is extremely important.
- Increased use of dynamic creatives in advertising
- Both customers and sellers have more analytics and show deeper understanding of the processes.
- RTB development, although contractors have insufficient qualification for using this tool
- Trend for transparency of procurement
- Performance evaluation - from CPC to ROI and LTV
- Increased focus on Fraud and Viewability, beginning of vCPM selling
- Increased focus on O2O solutions and inventory transparency

3. ABOUT THE STUDY

3.1. METHOD

As in previous years, the IAB Russia Digital Advertisers Barometer 2018 Study is based on a survey of advertisers.

Questionnaires were completed online through the SurveyGizmo platform. The questionnaire consisted of 30 open and closed questions.

Major advertisers were invited to the survey, namely, employees responsible for ad budget allocation. Respondents search and attraction was carried out by IAB Russia.

The questionnaires were collected from April to August 2018. After excluding unfinished questionnaires, duplicate questionnaires (repeated answers from previously surveyed advertisers) and questionnaires with a low degree of accuracy (contradictory answers, impossibility of verifying the respondent's identity), an array of 117 questionnaires was formed, serving the basis for this report.

3.2. STUDY SCOPE

Among the survey participants there are 12 of the 30 major Russian advertisers (according to AdIndex rating for 2017), including 5 advertisers from the top 10. Total advertising costs of 12 advertisers from the top 30, covered by the study, are estimated by AdIndex at 57 billion roubles for 2017. 6 of 30 major online advertisers took part in the research. According to AdIndex estimates, their cumulative budget in 2017 amounted to 9 billion roubles.

15 of the largest world brands (included in the Interbrand Best 100 rating) took part in the study.

3.3. COMPOSITION OF RESPONDENTS

The majority of respondents (65%) are people who are in charge of interactive ad budget allocation, most often marketing directors. About a third of the respondents (29%) are people involved in making decisions on the allocation of advertising budgets (as a rule, the entire advertising budget and not just digital), such as advertising managers and brand managers. Work experience in the field of marketing and advertising of the three quarters of the respondents exceeds 5 years.

Fig. 3.1. Do you make decisions related to the allocation of the advertising budget?

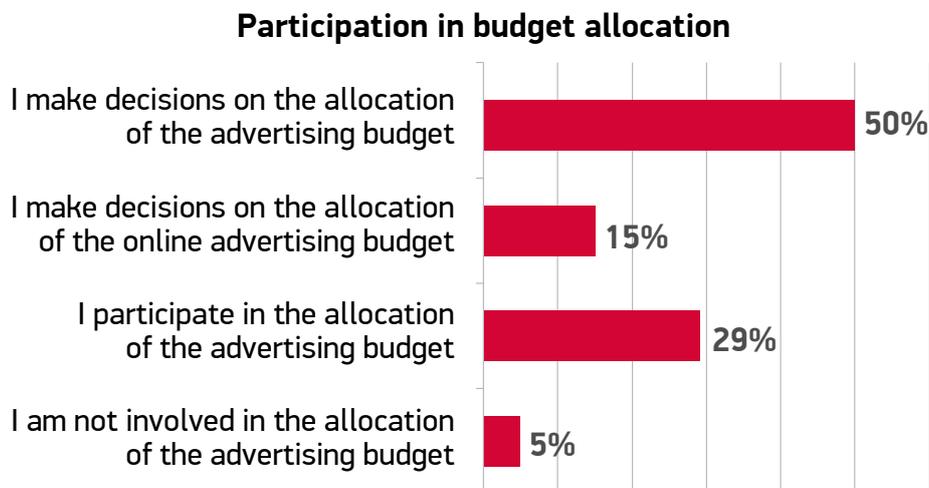
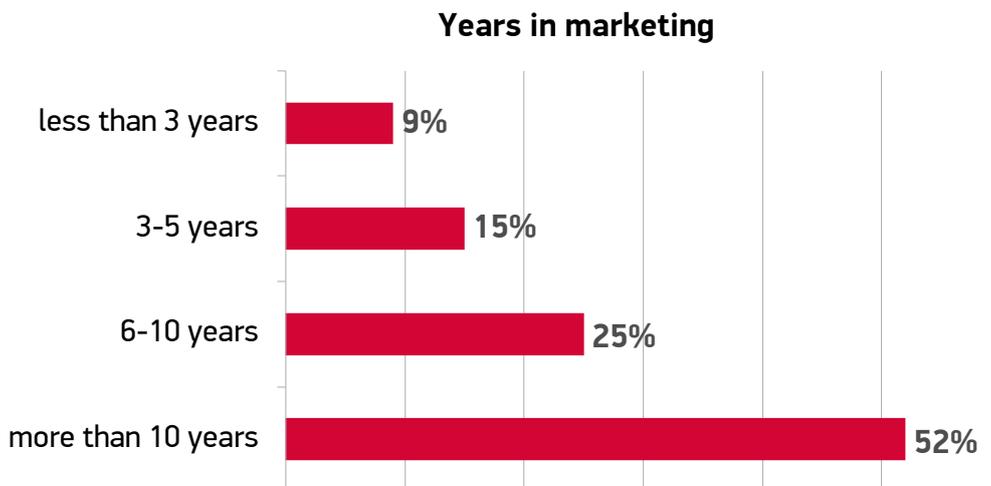


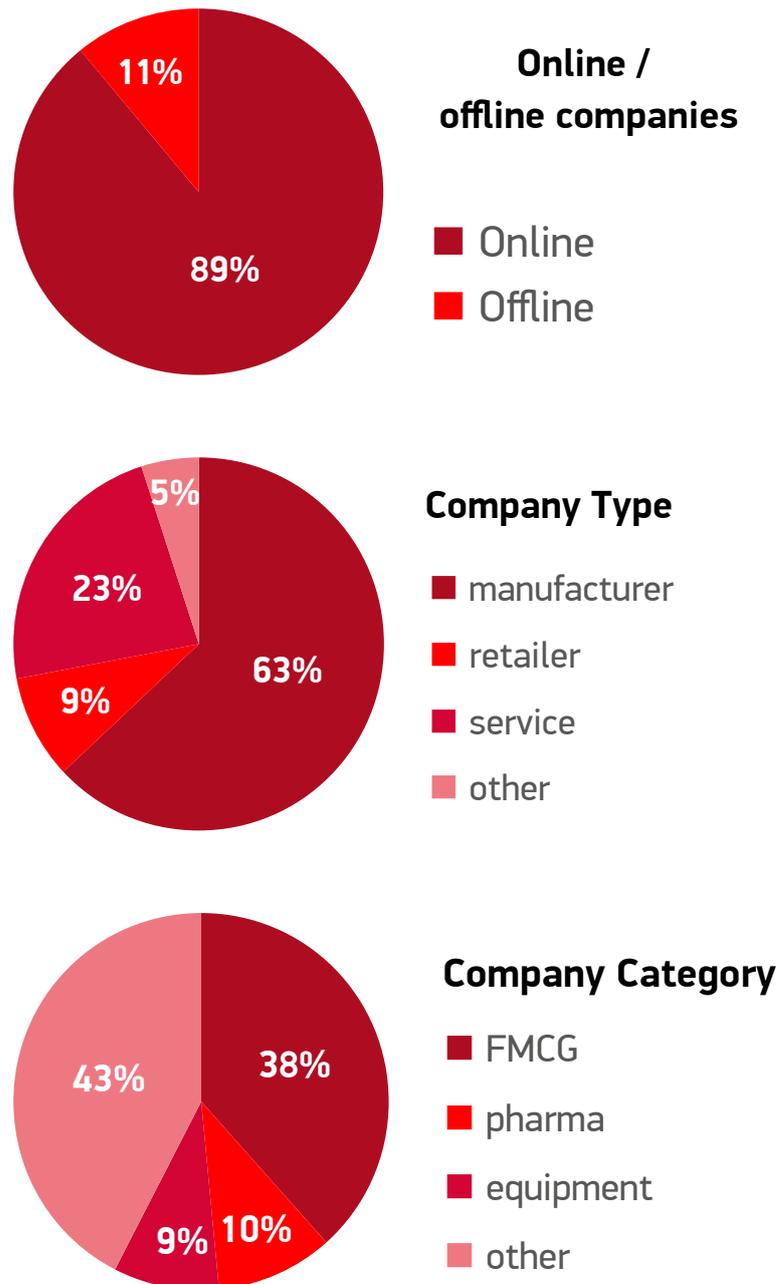
Fig. 3.2. How many years have you been working in the field of marketing and advertising?



Most respondents (89%) represent offline companies, 11% of respondents work in companies that have historically appeared and only worked online. 63% of respondents work in manufacturing companies (as was the case last year, these are exclusively offline companies — manufacturers of FMCG, cars, medicines, electronics, etc.), retailers account for 9% (including online shops as well as offline and omnichannel retail chains; clothing and footwear retailers are the most widely represented in the sample), 23% of respondents are providers of various services (providers of communication services, banks, insurance companies , etc.) Within

the framework of the study, 5% of the surveyed companies are classified as “other” — these are sellers of real estate, companies working in the field of leisure and entertainment, and state companies. 38% of the surveyed companies belong to the FMCG category, 10% to financial and insurance companies, 9% to equipment manufacturers.

Fig. 3.3. Distribution of the Surveyed Companies by Categories



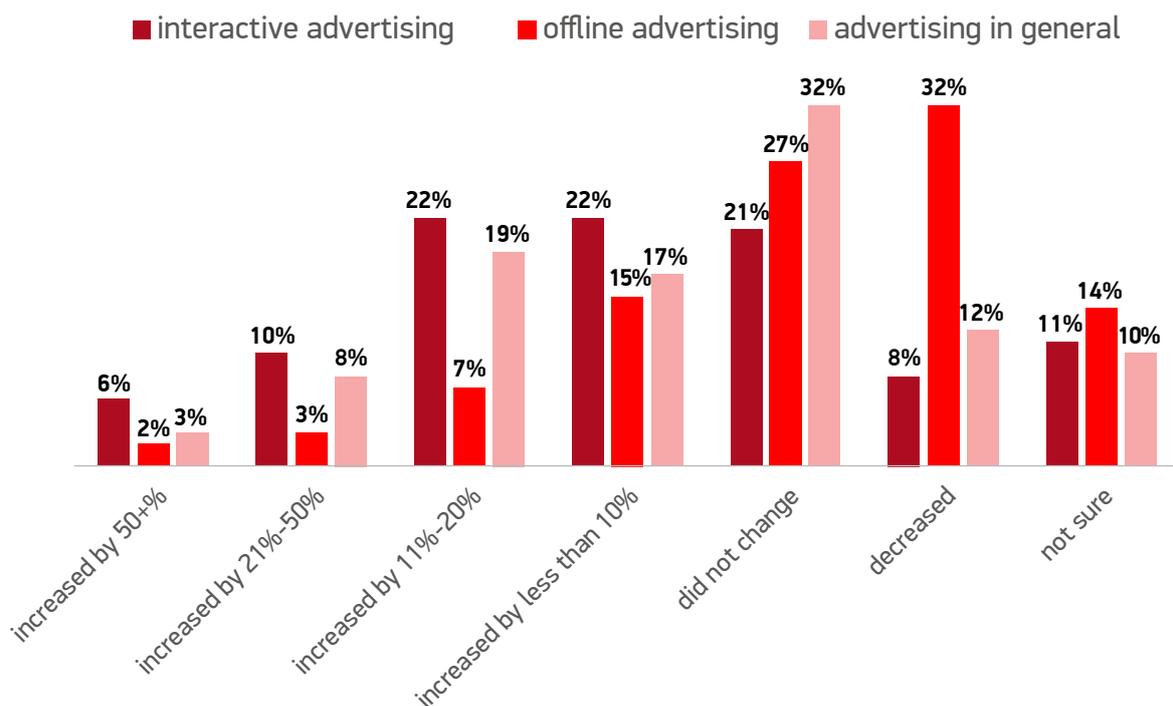
4. DYNAMICS OF ADVERTISING BUDGETS

As part of the survey, advertisers were asked about their actual advertising spend in 2017, their expectations of advertising budgets in 2018, and digital's share within the company's entire marketing budget.

4.1. ADVERTISING EXPENSES IN 2017

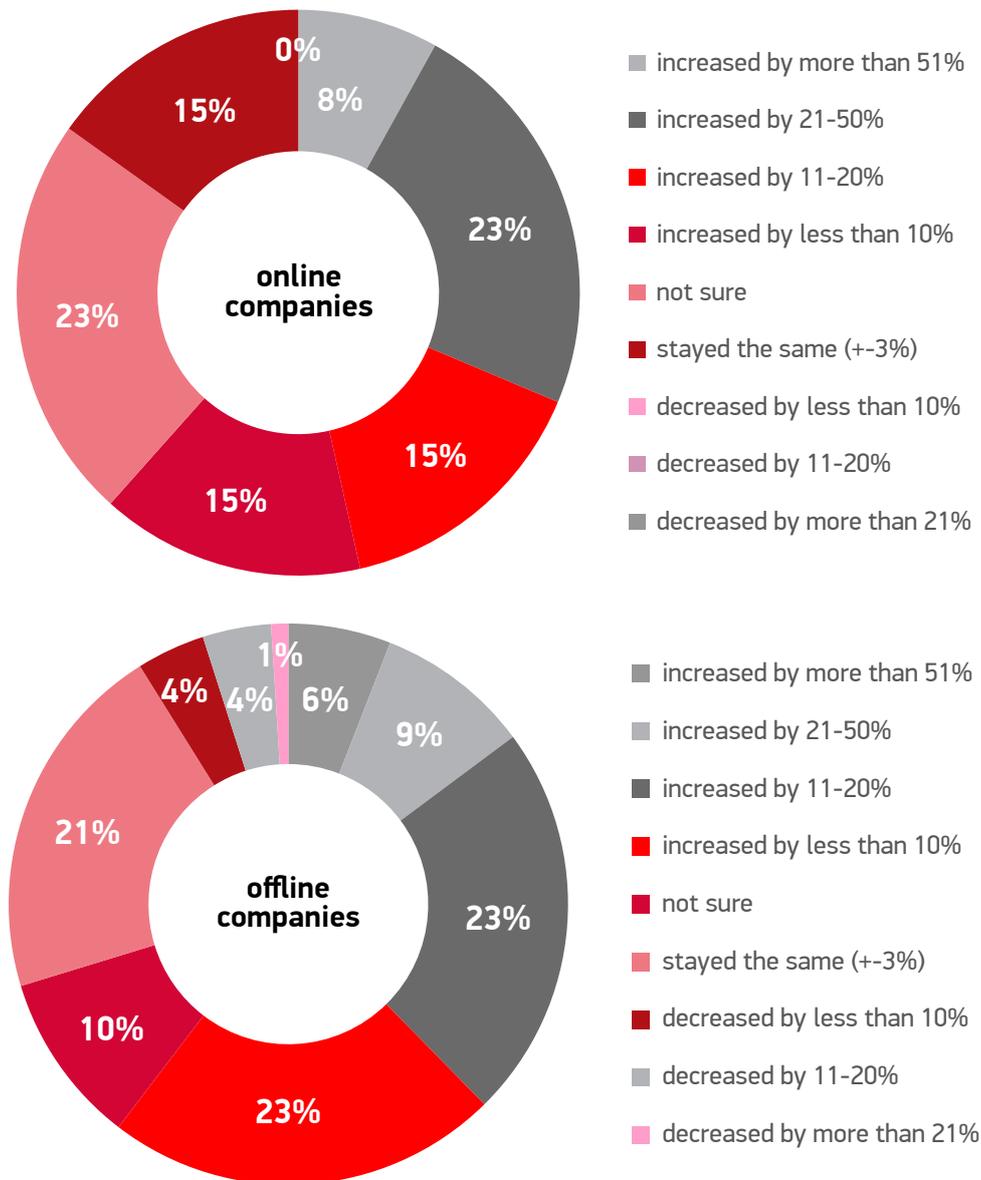
61% of respondents stated that their budget for online advertising had increased last year. 16% saw their budgets grow by more than 20%. About a third of the respondents did not see an increase, but rather a decrease in their budget compared to the previous year.

Fig. 4.1. How did the advertising budget of your brand change (in rouble terms) in 2017 compared to 2016?



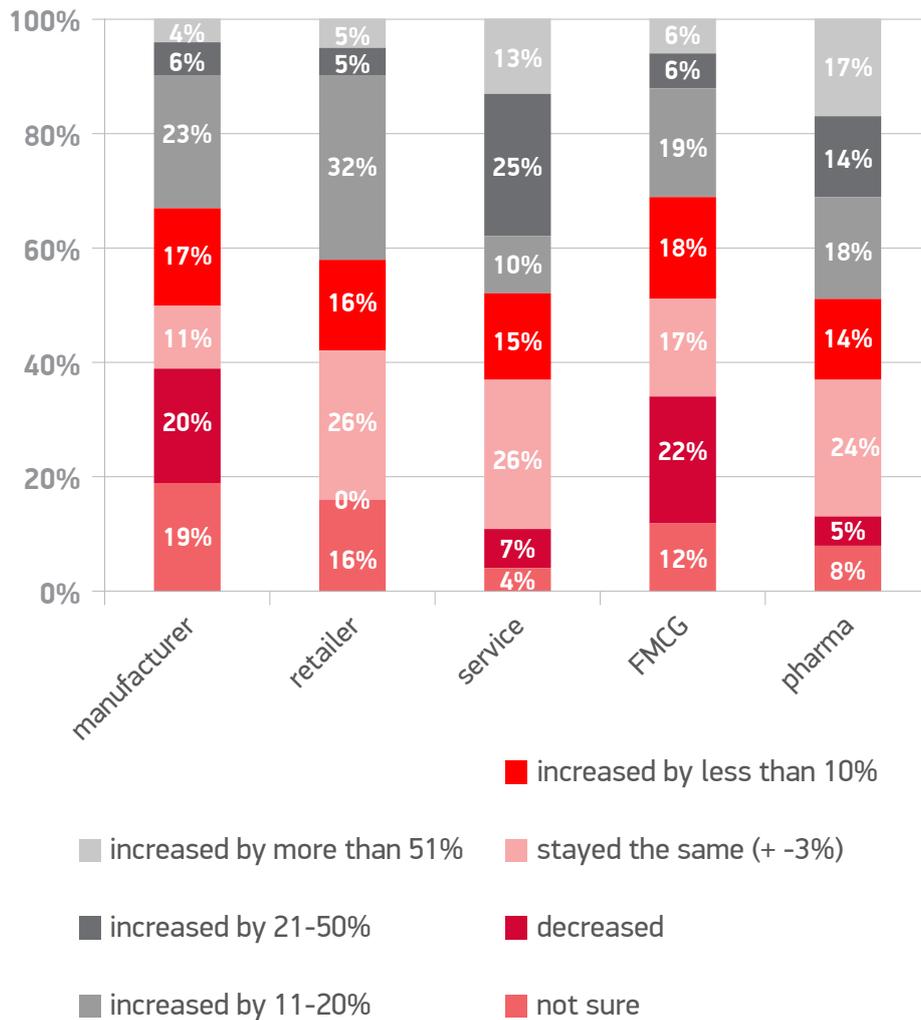
Online and offline companies generally show similar results. 62% of online companies had an increase in their budget in 2017, while 31% of them had an increase of 20% and more. Among offline companies, 61% of companies registered an increase in the budget for interactive advertising, but only 15% of them had an increase of 20% and more.

Fig. 4.2. How did your brand's budget for online advertising (in rouble terms) change in 2017 compared to 2016? Comparison of online and offline companies



If we compare certain types and categories of companies, the biggest growth is achieved by service providers and companies from the sphere of finance and insurance, while noticeable budget cuts are typical of manufacturing companies, especially of the FMCG sector.

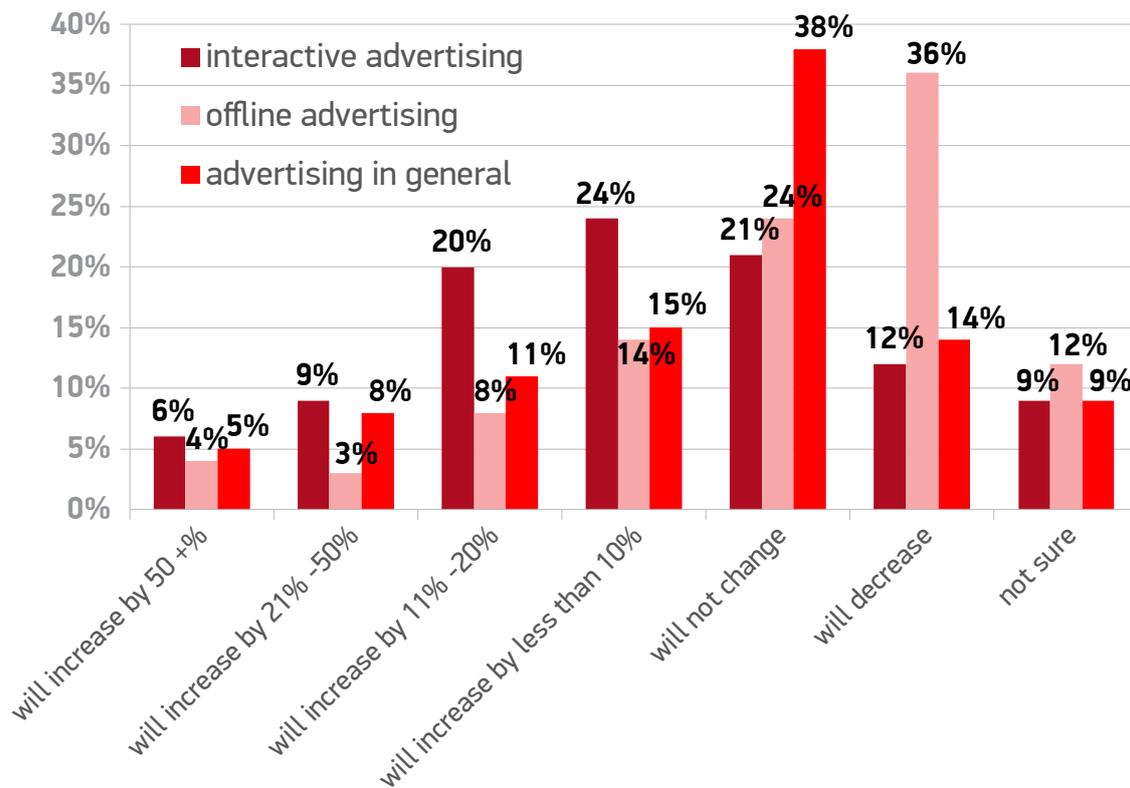
Fig. 4.3. How did your brand's budget for online advertising change (in rouble terms) in 2017 compared to 2016? Comparison of types and categories of companies.



4.2. ADVERTISING EXPENSES FORECAST IN 2018

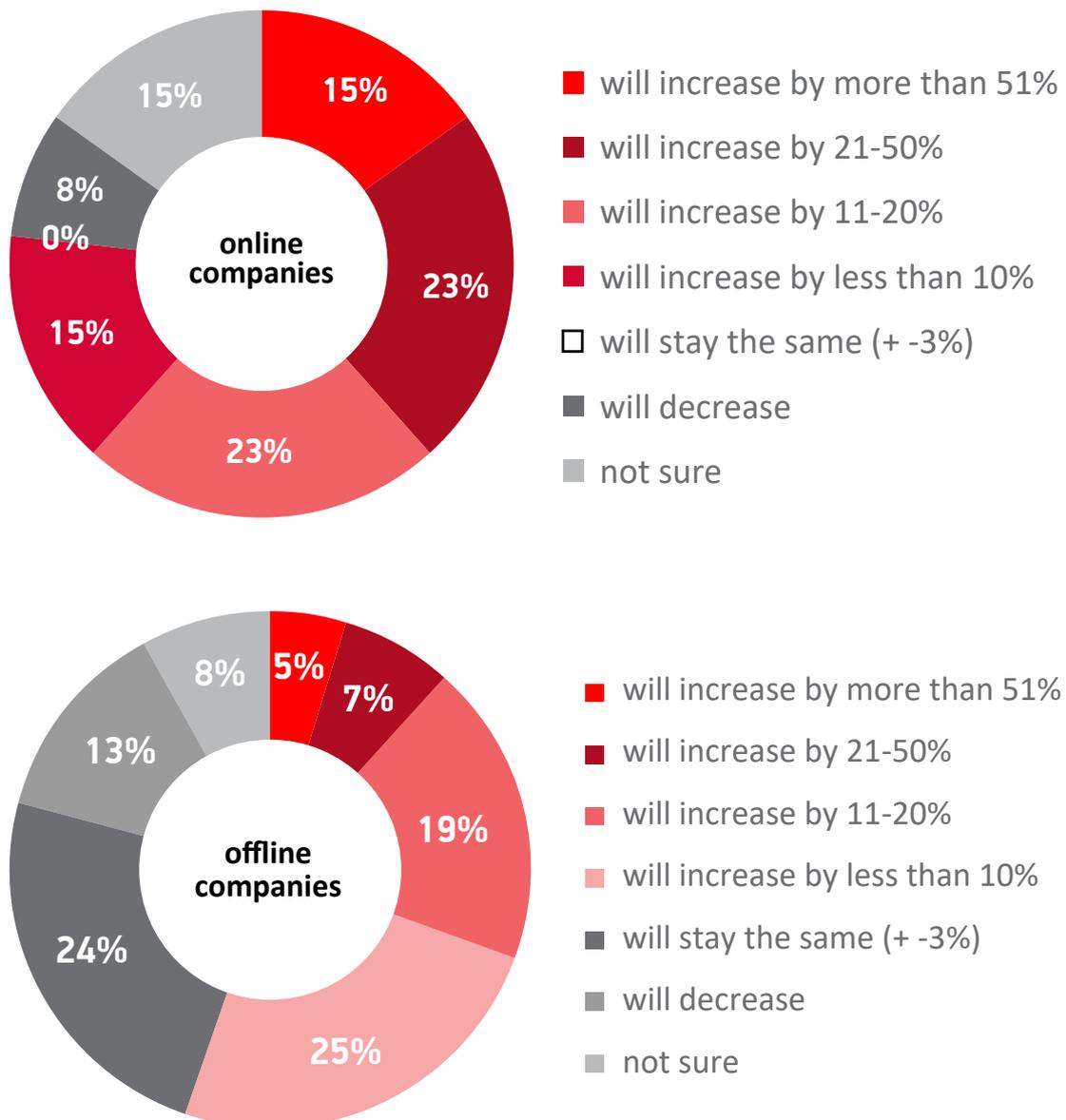
Most companies are planning to further increase their advertising costs. 59% of respondents expect their online advertising budget to increase in 2018 compared to 2017. 15% of companies expect to have a budget increase by 20% or more.

Fig. 4.4. How will the advertising budget of your brand change (in rouble terms) in 2018 compared to 2017?



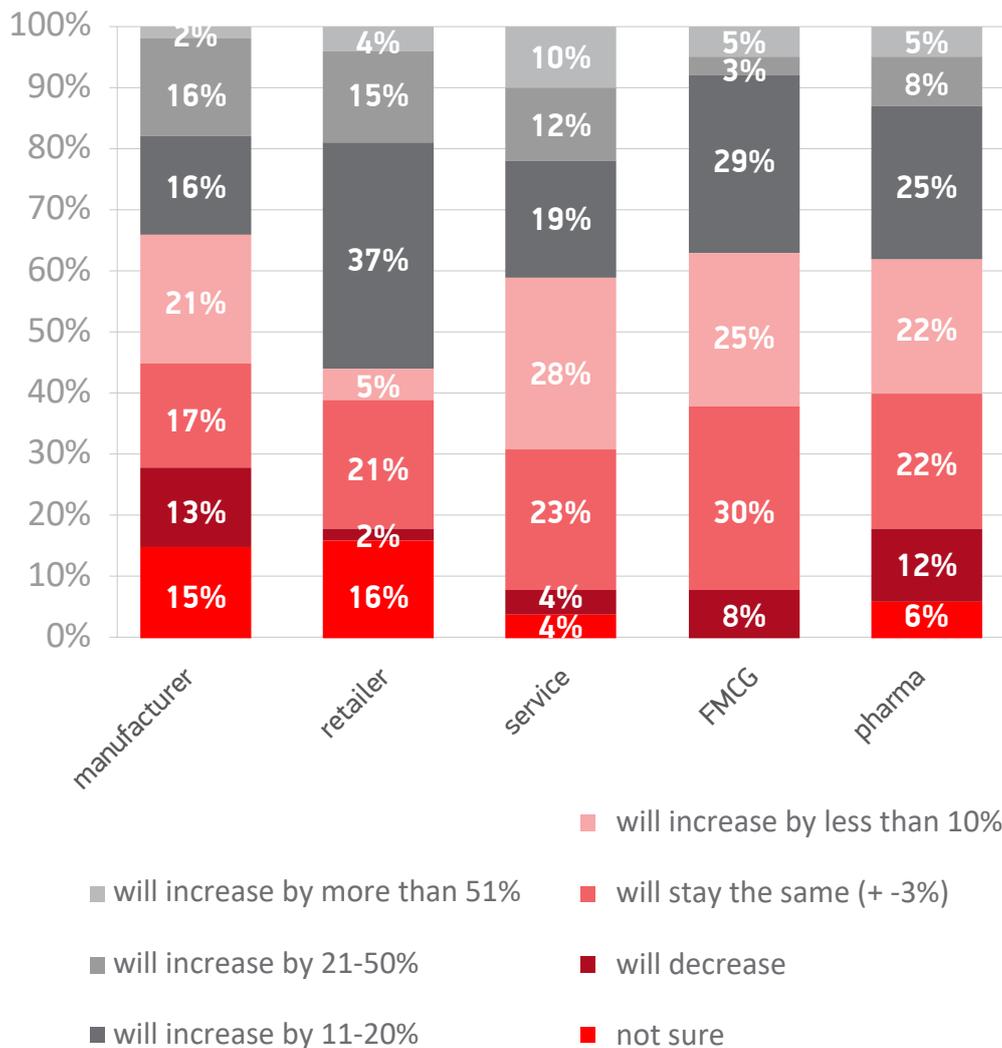
The growth of budgets is expected by the majority of online and offline companies (77% and 56% of respondents). Just as last year, online companies are more aggressive in their assessments than offline companies. 38% of online companies and only 12% of offline companies forecast 20% growth or more.

Fig. 4.5. How will your brand's budget for online advertising (in rouble terms) change in 2018 compared to 2017? Comparison of online and offline companies.



If we consider companies by their type, all of them expect an increase. Service providers expect the biggest increase. Among them, 69 % of respondents indicated that their budget for online advertising in 2018 would increase.

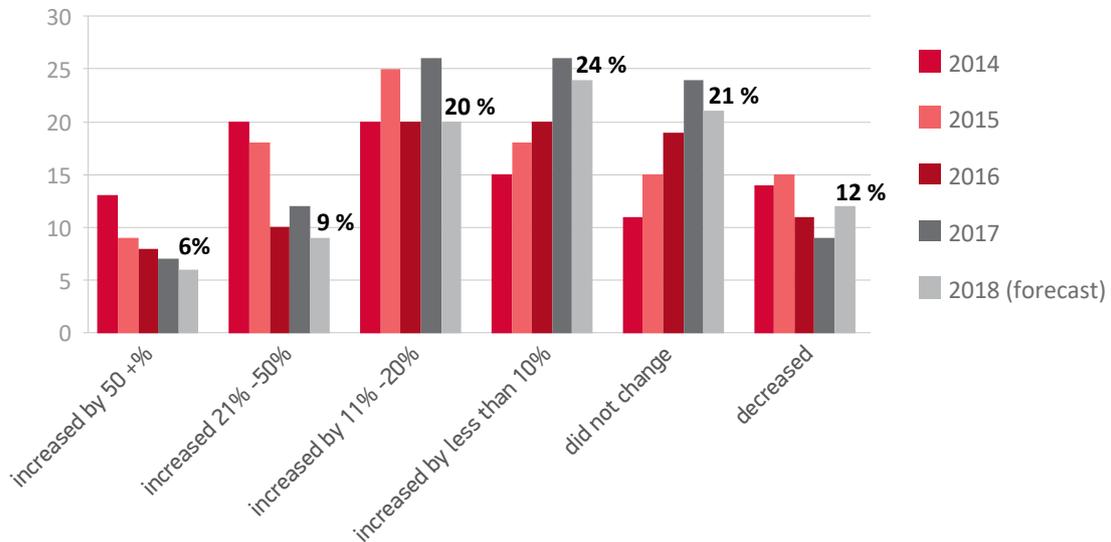
Fig. 4.6. How will your brand's budget for online advertising change (in rouble terms) in 2018 compared to 2017?



4.3. CHANGES IN EXPENSES 2014-2018

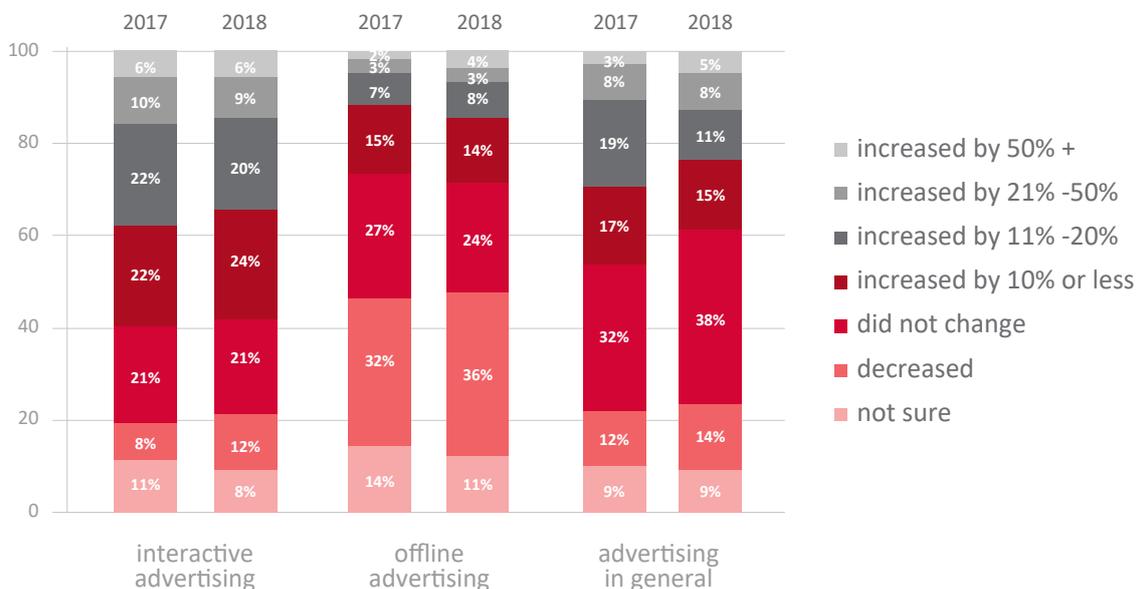
It has already been stated in previous studies that an aggressive budget growth of 20% or more is slowing down. In 2014, such companies accounted for 33%, while in 2016 to 2018, the share of companies that have increased their budgets for online advertising is about 20%. At the same time, in 2018, for the first time in several years, the share of companies that are planning to reduce their advertising expenses has also increased.

Fig. 4.7. How did your brand's budget for interactive advertising (in rouble terms) change last year? (data of 2014-2018 surveys excluding those who were not sure)



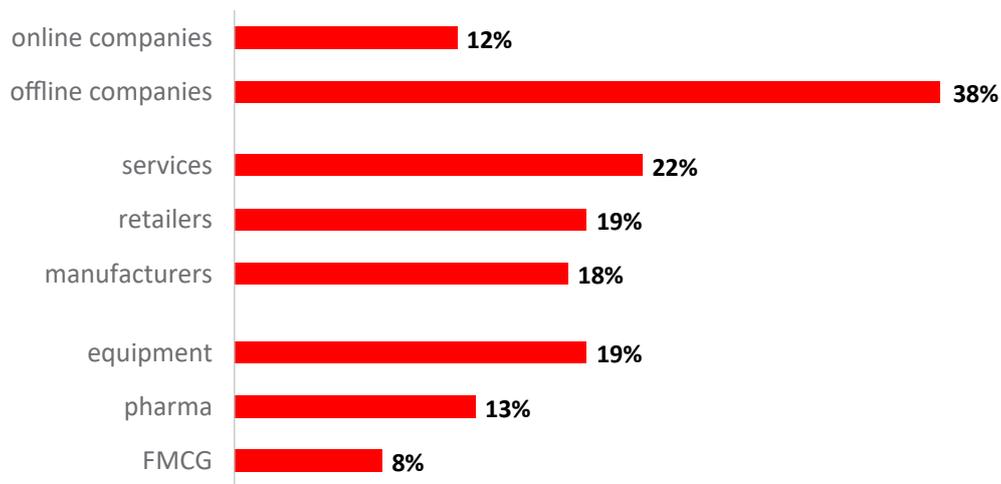
If we compare the respondents' answers on the actual change in budgets in 2017 and the 2018 forecast, it is clear that the budget increase / decrease dynamics generally hold steady. Companies are planning to further increase their investments in online advertising more than in offline advertising, but the growth rate is slowing down. A greater number of companies forecast cuts in online advertising budgets.

Fig. 4.8. How has your brand's budget for online advertising changed (in rouble terms)? - comparison of answers regarding 2017 (fact) and 2018 (forecast)



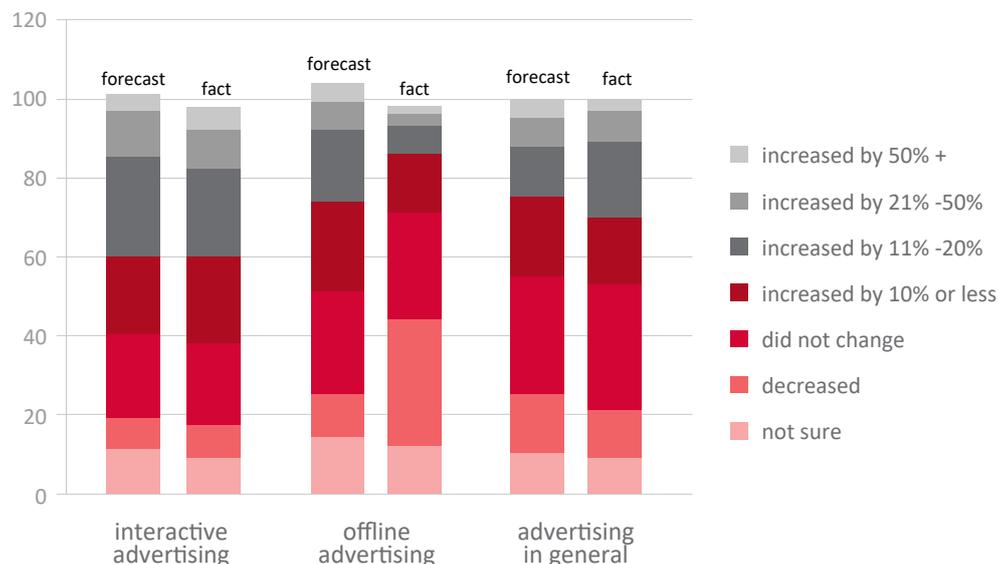
Online companies forecast a more aggressive ad budget growth than offline companies. 38% of respondents among online companies are expecting a 20% growth of their interactive ad budgets compared to only 12% among offline companies. The least aggressive growth rate is registered with FMCG (only 8% of them stated that they planned to increase their budgets by 20% or more in 2018).

Fig. 4.9. Plan an increase in interactive ad budgets of more than 20% in 2018 (forecast)



According to the studies of 2017-2018, the predicted growth / decrease in on-line advertising budgets is generally consistent with actual estimates. As for offline advertising, respondents tended to overestimate the growth.

Fig. 4.10. Budgets for 2017 Forecast (according to 2017 survey data) and fact (according to 2018 survey data)

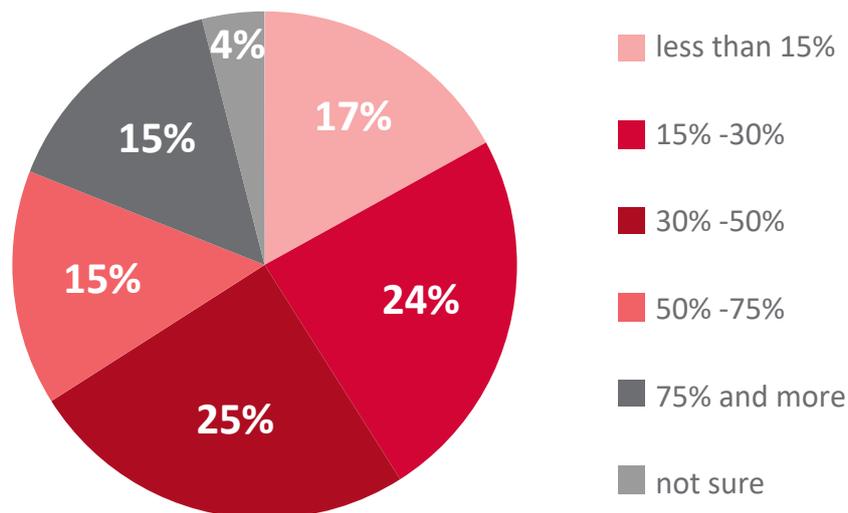


4.4. DIGITAL'S SHARE

The average digital's share for all surveyed companies in 2018 is projected at 33%.

For 15% of the surveyed companies, online advertising is the main item of their ad budget, accounting for more than three quarters of it. For 40% of them, online advertising is one of the leading placement channels, accounting for 30 to 75% of the total advertising budget. Another 24% of surveyed companies spend less than 30% on online advertising, but still more than 15% of their ad budget. Only for 17 % of respondents digital advertising is not a significant channel of placement taking less than 15% of their ad budget.

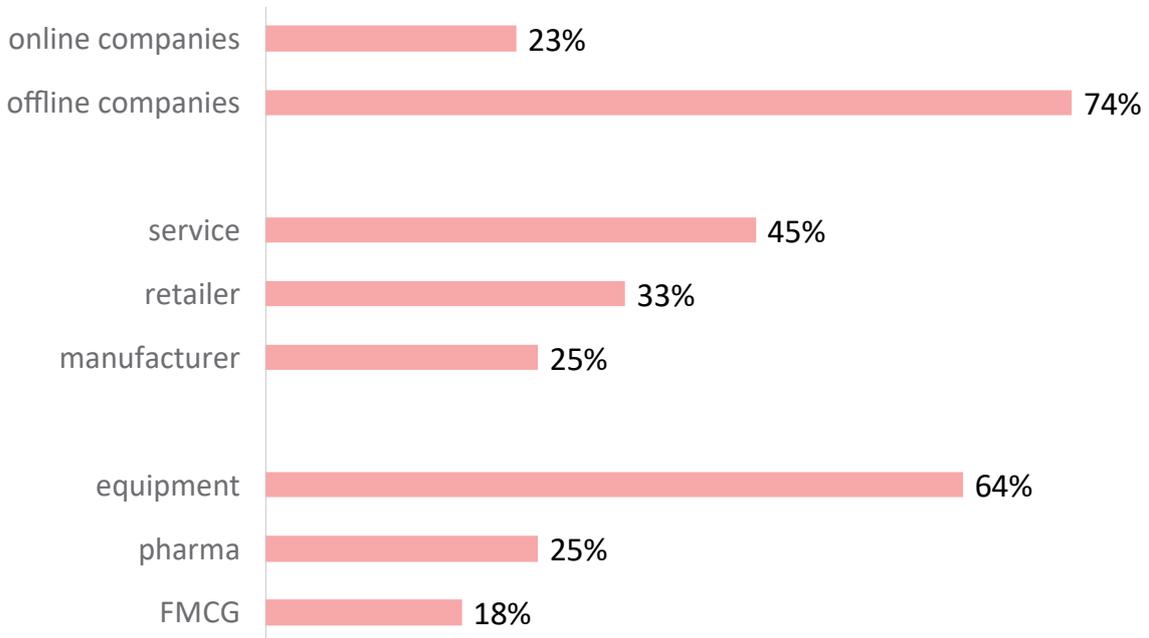
Fig. 4.11. What is today's approximate share of interactive advertising in the brand's ad budget (forecast for 2018)?



As predicted, digital's share in the advertising budget varies greatly depending on the type of companies. Among offline advertisers, the average online advertising share is 23%. Online companies spend on online advertising one and a half times more, digital's share accounting for 74% of their budgets.

Service providers (interactive advertising takes 45% of their budgets) and equipment manufacturers (they spend 64 % of their budgets on the digital) spend on digital more than average. Manufacturing companies spend least of all on online advertising (digital's share of their budget averages 25%) and companies from the FMCG field (18%).

Fig. 4.12. Digital's average share in advertising budgets in 2018 - a comparison of types and categories of advertisers



4.5. GROWTH OF DIGITAL'S SHARE

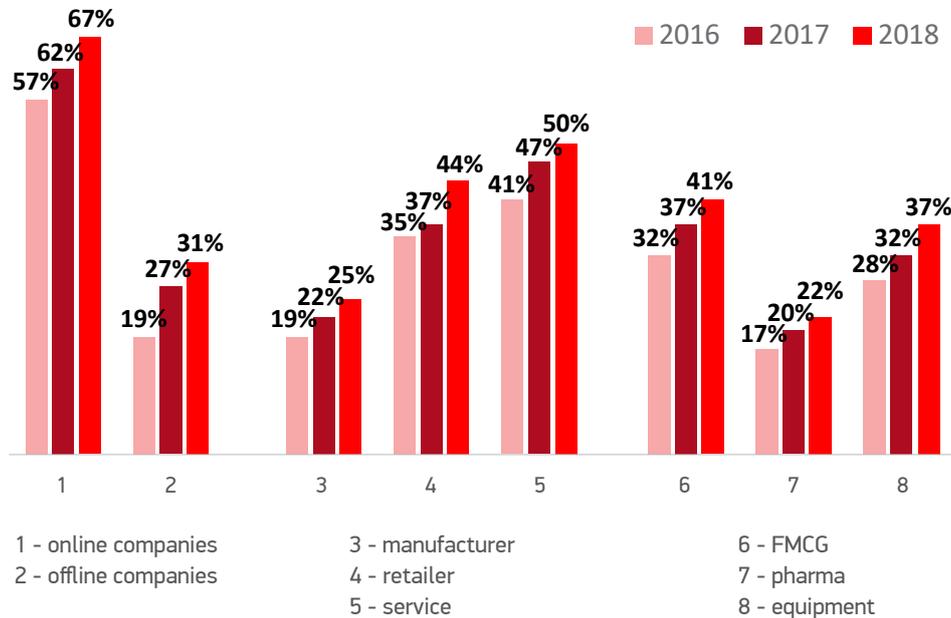
Over the past two years, the share of interactive advertising within the overall advertising budget has grown by 9 percentage points from 22% in 2016 to 33% in 2018 (forecast).

Fig. 4.13. Dynamics of digital's average share in companies' ad budgets.



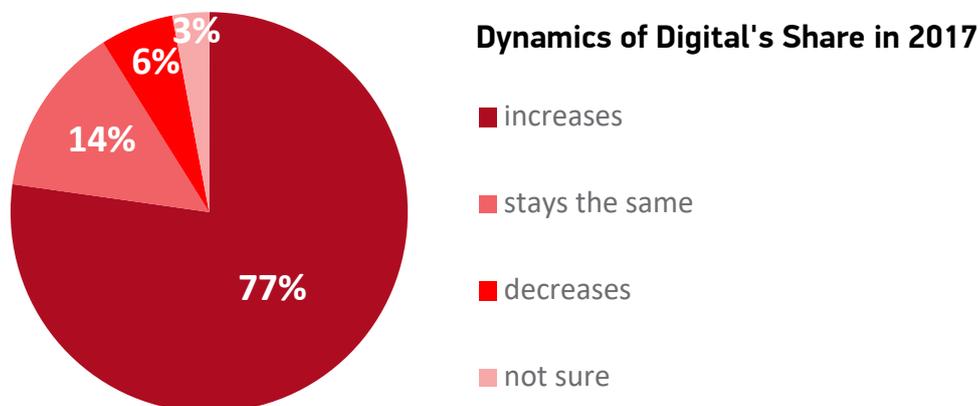
All types and categories of companies are increasing their interactive budget share.

Fig. 4.14. Dynamics of digital's average share in companies' ad budgets.



The increase in the share of online advertising within brands' budgets is also confirmed by the respondents' answers to the direct question: "If we talk about trends that are common for the past year and this year, how has the share of online advertising (including both online and mobile ad) changed in the ad budget of your brand?" More than three quarters of respondents stated that digital's share was growing.

Fig. 4.15. If we talk about trends that are common for the past year and this year, how does the share of online advertising (including both online and mobile ad) change in the ad budget of your brand?



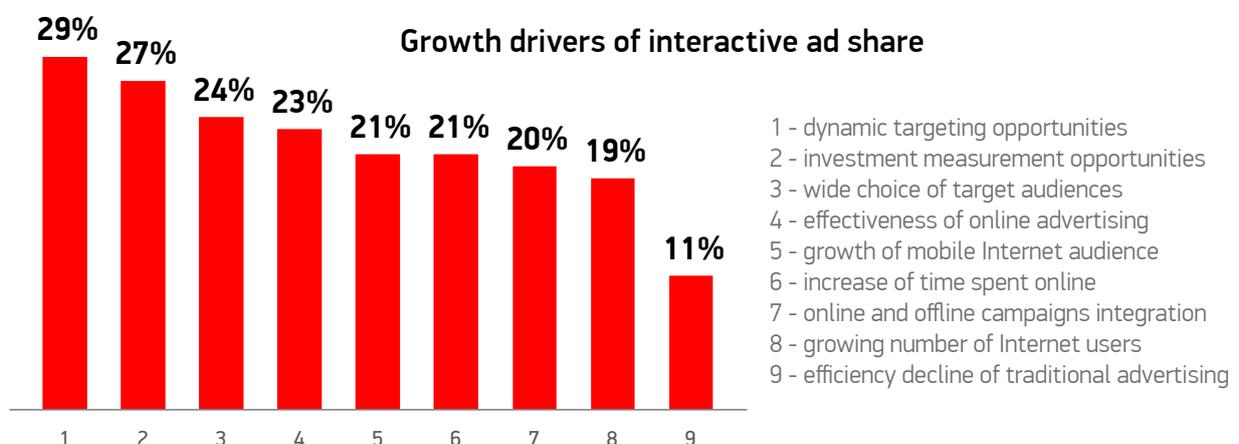
It is expected that the increase in the share is mostly typical for online companies (among them 100% of respondents reported an increase). The share's growth is also predicted by service providers (over 80% of respondents) and pharmaceutical companies (95% of respondents).

Just as last year, the average probability of a “yes, it is increasing” response to the question on the dynamics of digital’s share in the advertising budget is significantly lower for two opposite types of advertisers: on the one hand, these are companies with a small (less than 15%) share of digital in the ad budget. On the other hand, these are companies that initially appeared online and / or spend on digital almost all (or even the whole) ad budget.

4.6. GROWTH DRIVERS

If, according to previous studies, respondents called the effectiveness of interactive advertising the most popular growth driver, this year technological possibilities of interactive advertising are in the top three reasons. The most popular answer was “Dynamic targeting opportunities” (29% of respondents), “Investment measurement opportunities” (27% of respondents) and “Wide choice of target audiences” (24% of respondents). (Respondents could choose from 1 to 3 response choices).

Fig. 4.16. What are the main reasons and drivers for an increase in the online ad share in the advertising budget of your brand?



In addition to the reasons given on the chart, there were also “Cheapness of interactive advertising”, “Strategy of international headquarters, focus on digital”, “Reduction of media inventory”, “Example of competing companies”, “Rising prices for interactive advertising, media inflation”. But these reasons are not significant and were mentioned by less than 10% of respondents.

Both online and offline companies note that the growth of budgets is due to the technological possibilities of interactive advertising such as contacting the audience (dynamic targeting, selection of target audiences) and analytics (investment measurement). For online companies, an important aspect is the growth of mobile audience, while offline companies value the increase in time spent by users online.

Fig. 4.17. Reasons and drivers for an increase in the online ad share in the advertising budget — a comparison of categories of respondents



4.7. GROWTH BARRIERS

Respondents were also asked about barriers preventing them from quickly increasing their online ad share.

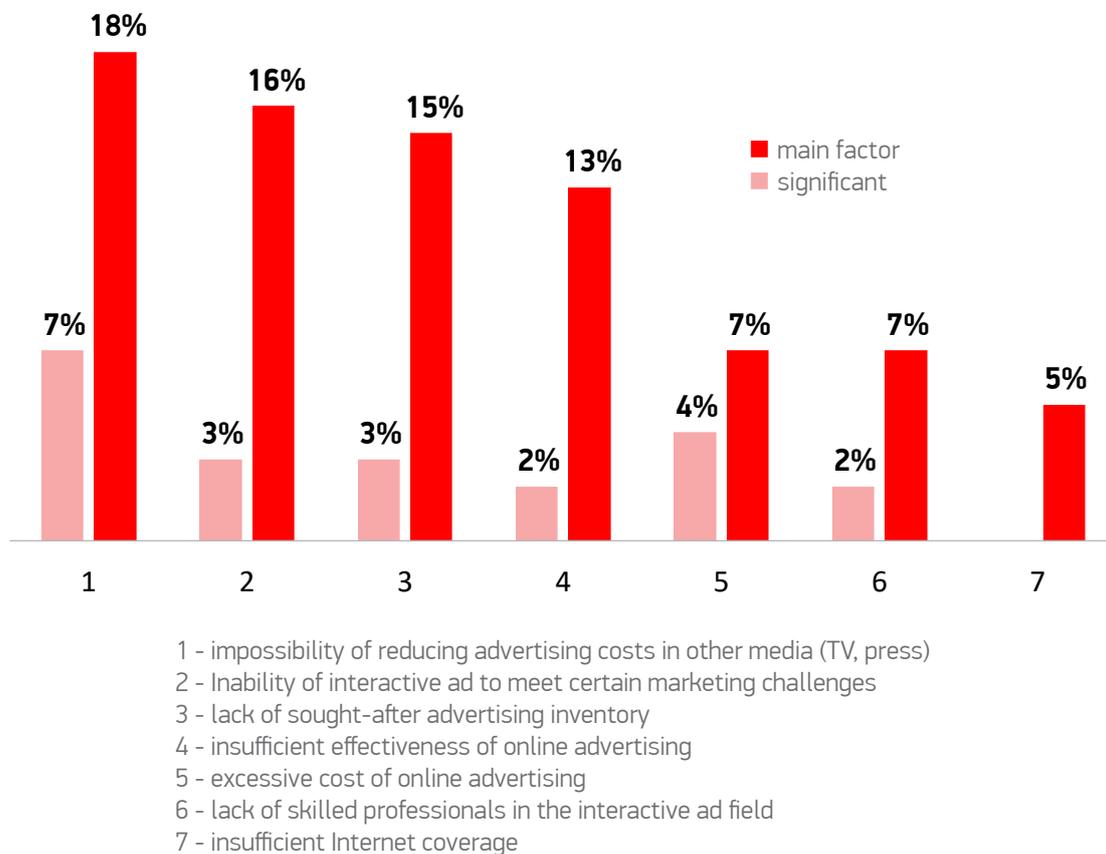
In general, respondents were reluctant to answer this question and none of the factors could be called decisive.

Among the popular answers were “The impossibility of reducing spend in other media (TV, press, etc.)”, “The inability of interactive ad to meet certain marketing challenges”. They were mentioned by 18% and 16% of respondents, respectively.

Also, “Insufficient effectiveness of interactive ad” (13% of respondents) and the lack of ad inventory (15% of respondents) keep companies from further increase of the interactive ad share.

The most significant barriers to increasing the share in the opinion of respondents are the impossibility of cutting expenses in other media as well as high costs of interactive ad. One-third to one-half of the respondents who chose these response variants considered these factors as main.

Fig. 4.18. What prevents you from a faster increase of the online ad share in your advertising budget?



Respondents who indicated digital’s inability to meet certain marketing challenges as a significant barrier were asked an additional question: “What kind of important marketing challenges cannot be met with the help of interactive advertising?” Most respondents mentioned the inability of digital ad either to provide wide and low-cost coverage or to link online and offline activity at points of sale.

Variants of answers are given below.

coverage extension to senior audiences
vast-reach brand lift
building awareness among the entire population of the Russian Federation
e-shop development
ad and sales connection at offline points
coverage/price ratio

The inability of interactive ad to address certain marketing needs is undoubtedly the main deterrent to the growth of digital's share for those advertisers whose interactive ad share in the advertising budget is (by the end of 2016) 15-30% or more than 50%. The second most important barrier for such advertisers is the high cost of online advertising. These data correlate with 2017 survey.

Answers on factors constraining the growth of digital's share also vary greatly depending on the type of advertisers. For online companies, the main factors are the cost of advertising as well as the lack of suitable advertising inventory. Advertisers coming from offline tended to consider the impossibility of reducing the cost of other media as well as insufficient Internet coverage of the audience as main constraints.

4.8. WHAT ADVERTISERS NEED

In addition, market participants were asked what they needed on the online ad market in general. Respondents' answers can be divided into several categories.

First, there is a shortage of technological services that would link several systems to each other and automate the work. Examples of respondents' statements are as follows:

- ... automation of all processes;
- ... automation in one resource;

- ... a single platform for aggregating web analytics systems;
- ... simple and accessible analytical platforms;
- ... end-to-end analytics services;
- ... a single counter that would enable us to understand audiences intersection on different platforms and regulate the frequency of contact in an advertising campaign;

Secondly, there is a shortage of measurements, especially cross-channel ones and those of mobile Internet:

- ... cross-screen coverage measurements (desktop + mobile including app and web) of responsible cross-channel planning;
- ... ad measurements in mobile
- ... objective and correct metrics or systems for calculating the cumulative effect of TV + interactive advertising
- ... mobile ad measurements for the target audience presence and traffic quality
- ... all measurements are less significant/worse than stated. Big Data is still merely a conversation topic rather than a tool for implementing large-scale cases ...
- ... audit of the maximum number of inventory on all key sellers (fraud, brand safety, viewability)

5. MARKETING MIX

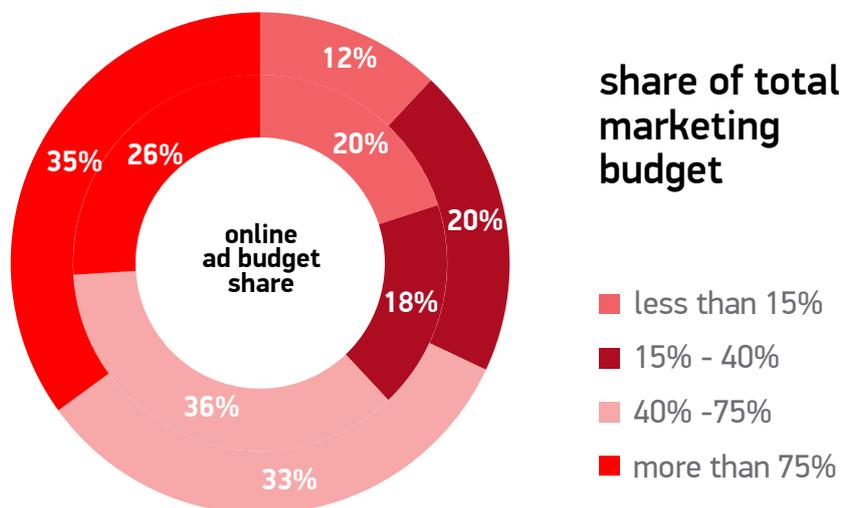
As part of the survey, respondents were asked not only about interactive advertising, but also about its place within the entire marketing budget.

5.1. MARKETING AND ADVERTISING BUDGET

About half of the marketing budgets of brands are directed to advertising (i.e. to purchase advertising space in the media). The average share of ad spend is 46% in the total marketing budget and 50% in the interactive marketing budget.

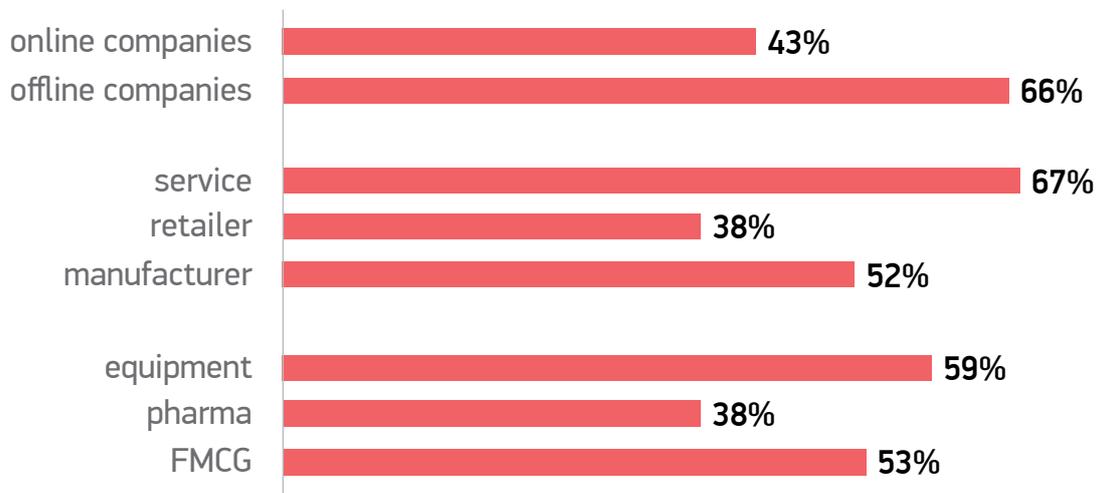
26% of companies spend more than three quarters (75% or more) of their marketing budget to purchase ad space in the media. The share of those who spend almost all of their interactive budget for inventory is one-half times higher and makes up 35% of respondents.

Fig. 5.1. What is the approximate share of ad costs in the total marketing / internet marketing budget?



An increased share of ad spend in the structure of the interactive budget is typical of online companies (the average share of their budget is 66%), service provider companies (67%), and equipment manufacturers (59%).

Fig. 5.2. What is the approximate share of ad costs in the Internet marketing budget?

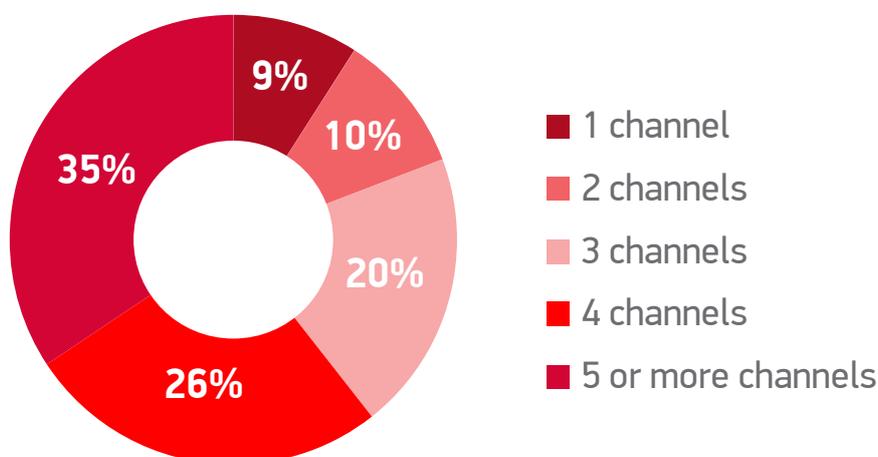


5.2. THE NUMBER OF ADVERTISING CHANNELS IN USE

The study posed questions about the use of not only online, but also offline media, such as TV, press, radio, and outdoor advertising.

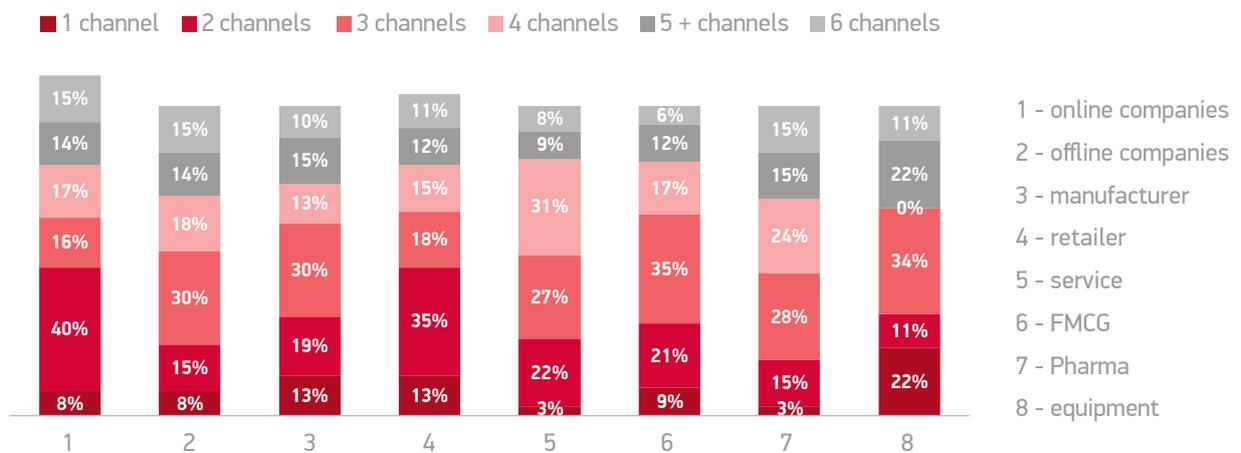
Only 9% of respondents use just one channel (online), while more than a third place ads in 5 or more channels (including two channels of interactive ad, display and mobile).

Fig. 5.3. Distribution of advertisers by the number of advertising channels used.



The number of working advertising channels depends on the company's type. The use of only one online channel is equally rare among both traditional online companies and offline companies. Those are mostly online retailers and manufacturers that limit themselves to just one channel. The largest number of channels used, 5 or more, is registered among offline companies and pharmaceutical companies (15% of respondents in each category).

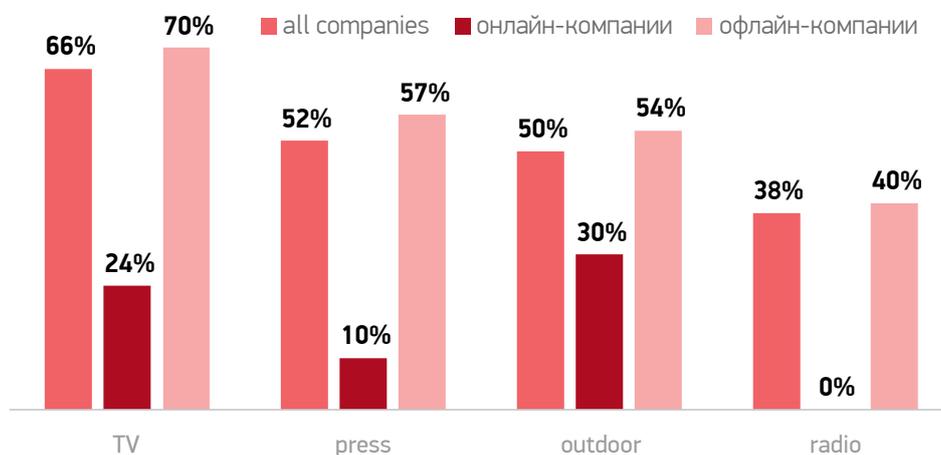
Fig. 5.4. Number of advertising channels used: comparison of respondent categories



5.3 BESIDES DIGITAL: TV, RADIO, PRESS, OUTDOOR

In addition to interactive ad, the most popular channels are TV and the press. For online advertisers, the press is not an important channel of placement, while outdoor advertising is more in demand. (The question was on the use of a channel in general and not on the absolute budgets allocated for each channel).

Fig. 5.5. Offline ad channels used. Comparison of online and offline companies



Offline media popularity varies greatly by category of advertisers: among manufacturers and FMCG companies, TV ad is prevailing (the vast majority also use the press and outdoor advertising). Retailers' preferred offline ad channels are outdoor and radio. Service providers give their preferences to the press.

TV is the most popular offline channel for all categories of advertisers. The remaining channels are distributed relatively evenly.

Fig. 5.6. Offline advertising channels used. Comparison by company types

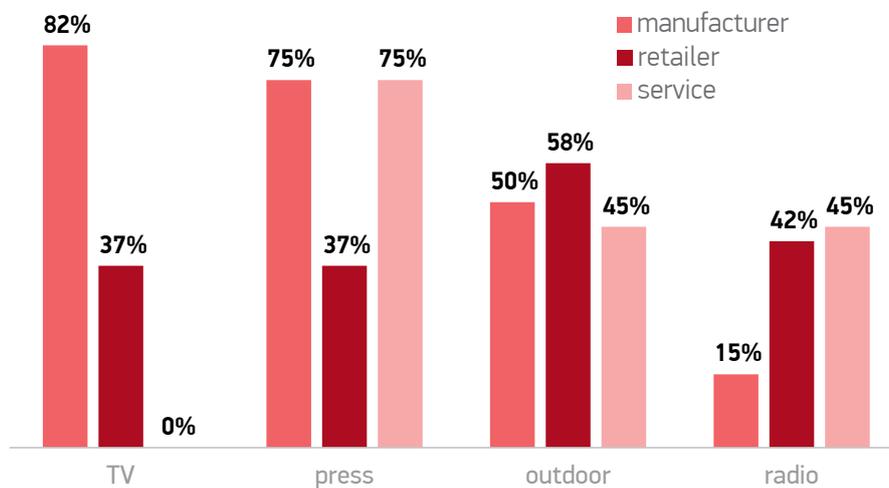
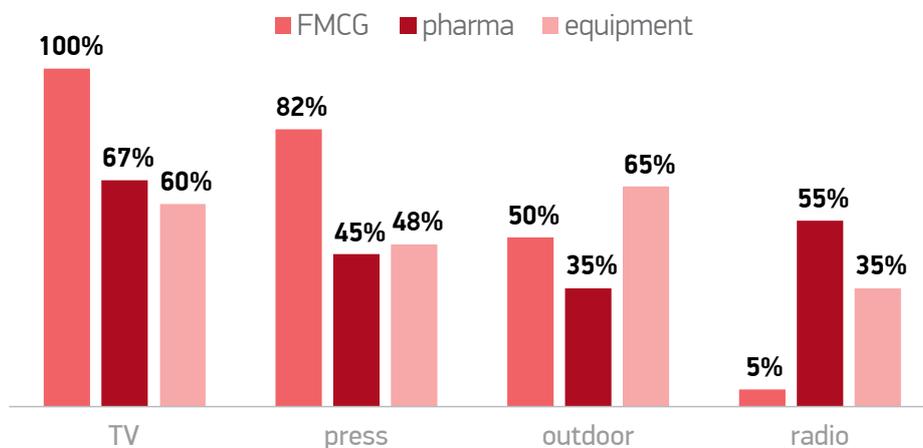


Fig. 5.7. Offline advertising channels used. Comparison by company categories

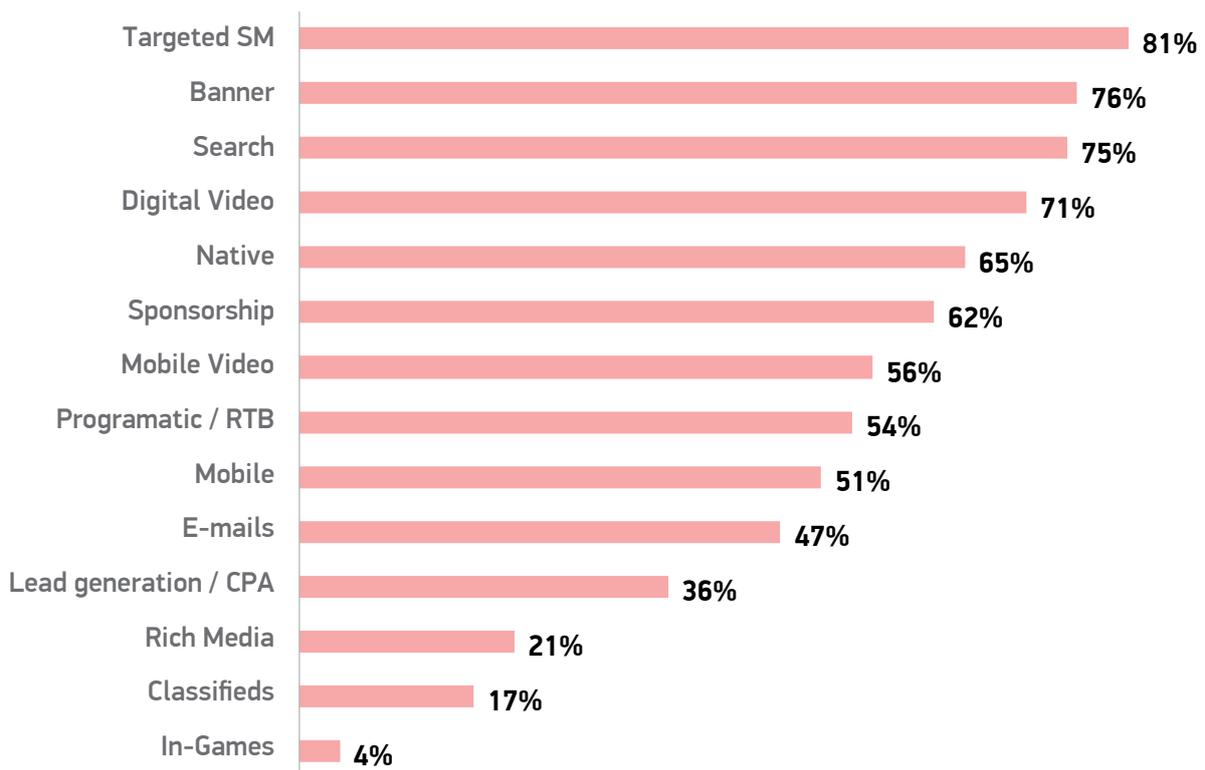


6. DIGITAL'S DIVERSITY

6.1. INTERACTIVE ADVERTISING TOOLS IN USE

Respondents reported targeted advertising in social media to be the most popular interactive advertising tool; more than 80% of respondents used it. The next most popular formats are banners (76% of respondents) and search advertising (75% of respondents)*.

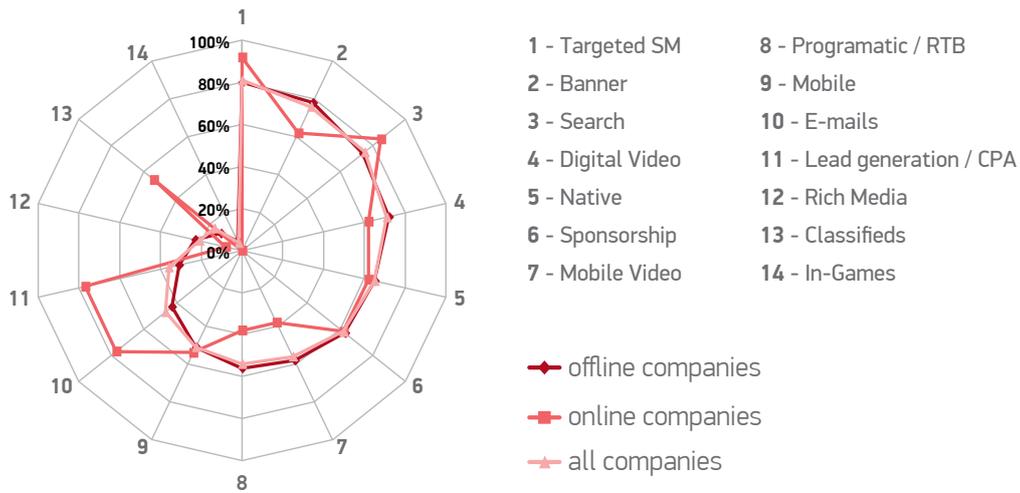
Fig. 6.1. Advertising formats used



* It has to be taken into account that part of respondents do not see a clear division between formats. For some respondents "Programmatic/RTB" fall into "Banner" category because the advertisement uses a banner, while "Native" can fall into "Special Projects/Sponsorship" category since it is a relatively new format implying the ad's similarity to the website of placement.

The set of formats varies depending on the type and category of the company. In offline companies, the leading formats are targeted advertising in social media, banners, and search advertising. Targeted advertising in social media and search are also important for online companies. Most of them use lead generation and CPA purchases as well as email marketing.

Fig. 6.2. Advertising formats in use. Online and offline companies comparison



There are clear differences between digital tools used by different types and categories of companies. Targeted advertising in social media is the leader for all types of companies. However, the banner format is also in a frequent use by manufacturers, digital video is relevant for retailers, while search advertising is most opted for by service providers.

Fig. 6.3. Advertising formats in use. Comparison by Company Types

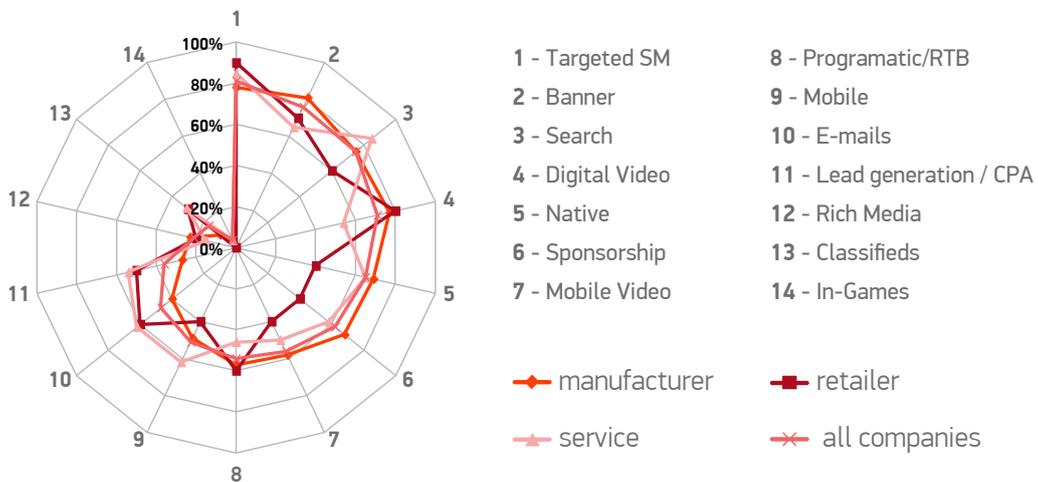
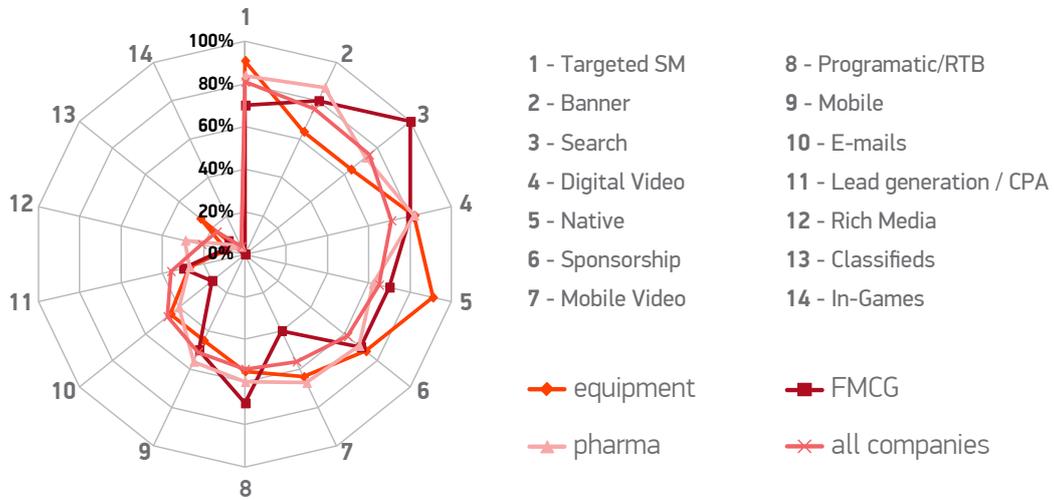


Fig. 6.4. Advertising formats in use. Comparison by Company Categories

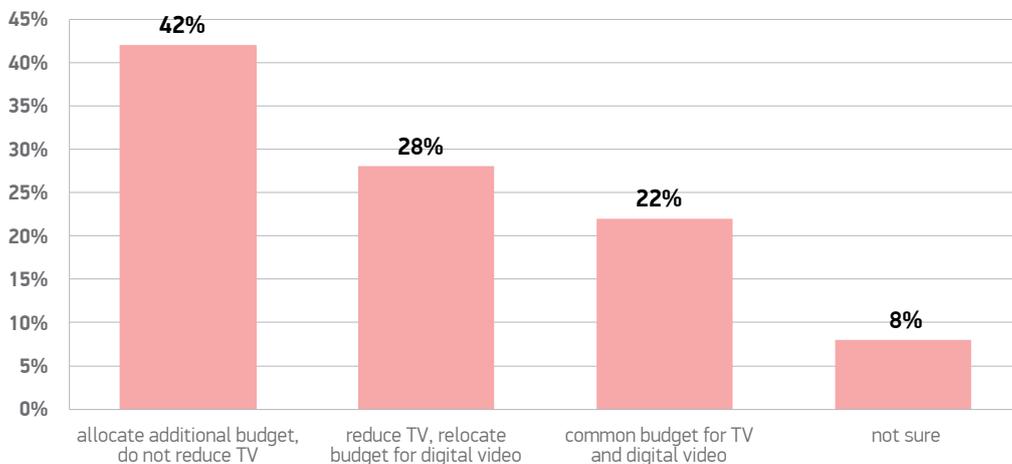


6.2. DIGITAL VIDEO / MOBILE VIDEO BUDGETS

Respondents who replied that they were using digital video or mobile video were also asked about their budget for this type of marketing.

Almost half of respondents stated that a budget separate from TV is allocated for placement of digital or mobile video within the company. Another 22% have a single budget for TV and digital video since they see it as a single channel of communication with the consumer.

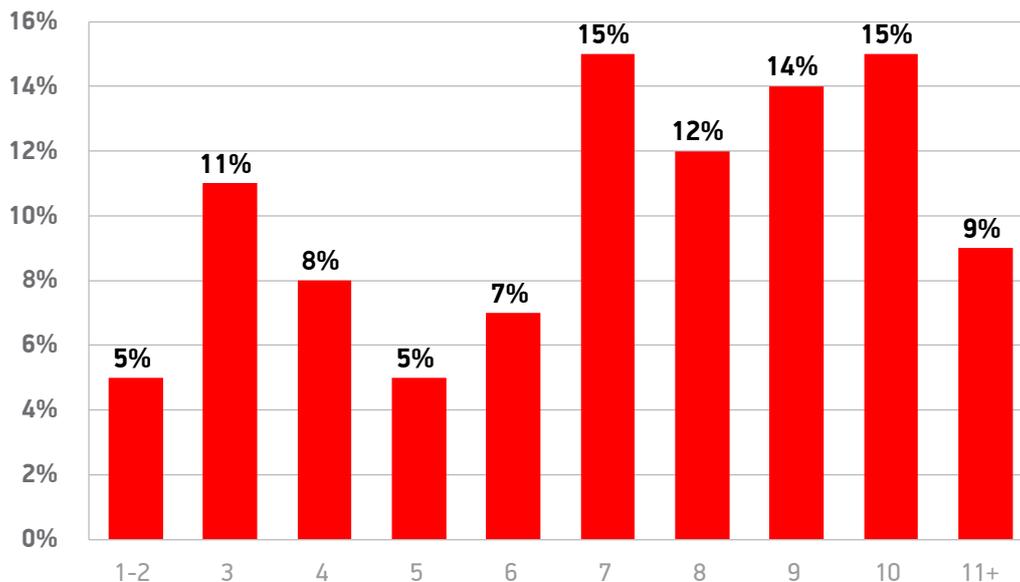
Fig. 6.5. When planning the spend for video advertising, does your brand allocate an additional budget for this type of marketing, or do you relocate the money from the TV advertising budget?



6.3. NUMBER OF DIGITAL TOOLS IN USE

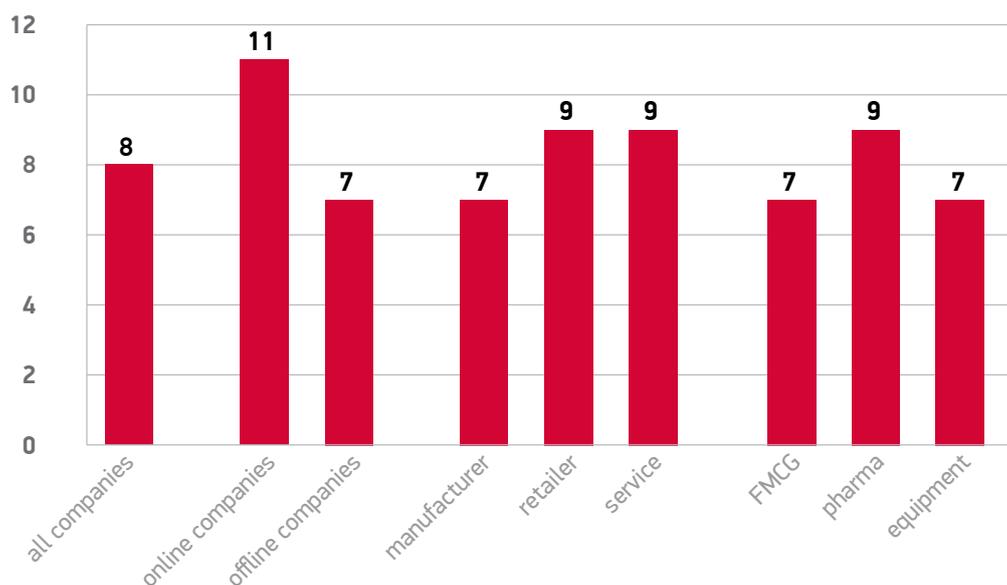
On average, companies use 7 to 8 advertising formats in their media plans. 65% of companies use more than 7 advertising tools. About a quarter use more than 10 interactive ad tools.

Fig. 6.6. Advertiser distribution by the number of interactive ad tools used



Online companies use the biggest average number of services (more than 11).

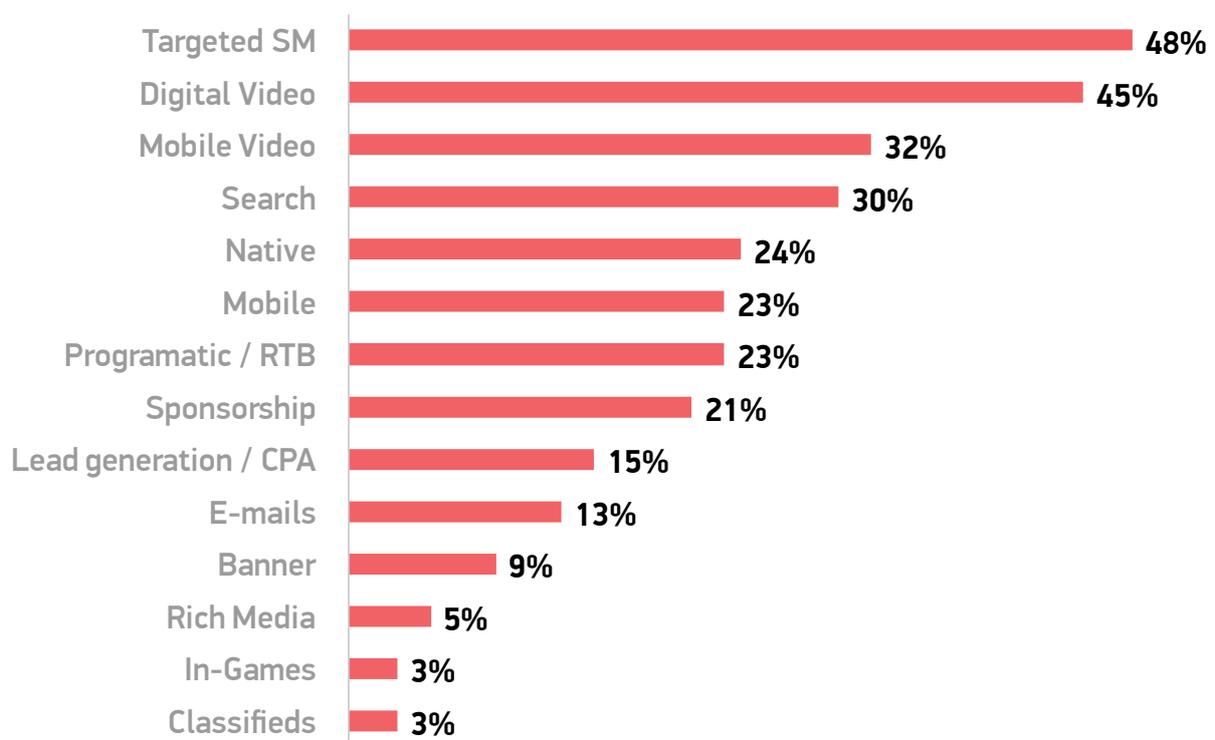
Fig. 6.7. The average number of advertising tools. Comparison of company types and categories



6.4. DYNAMICS OF ADVERTISING TOOLS

Even though targeted advertising in social media is already the most popular format among advertisers, almost half of the respondents (48%) also stated that they expected an increase in the share of this format in the structure of their interactive budget. Advertisers also consider digital video (45% of respondents predict growth) and mobile video (32%, respectively) as growing formats.

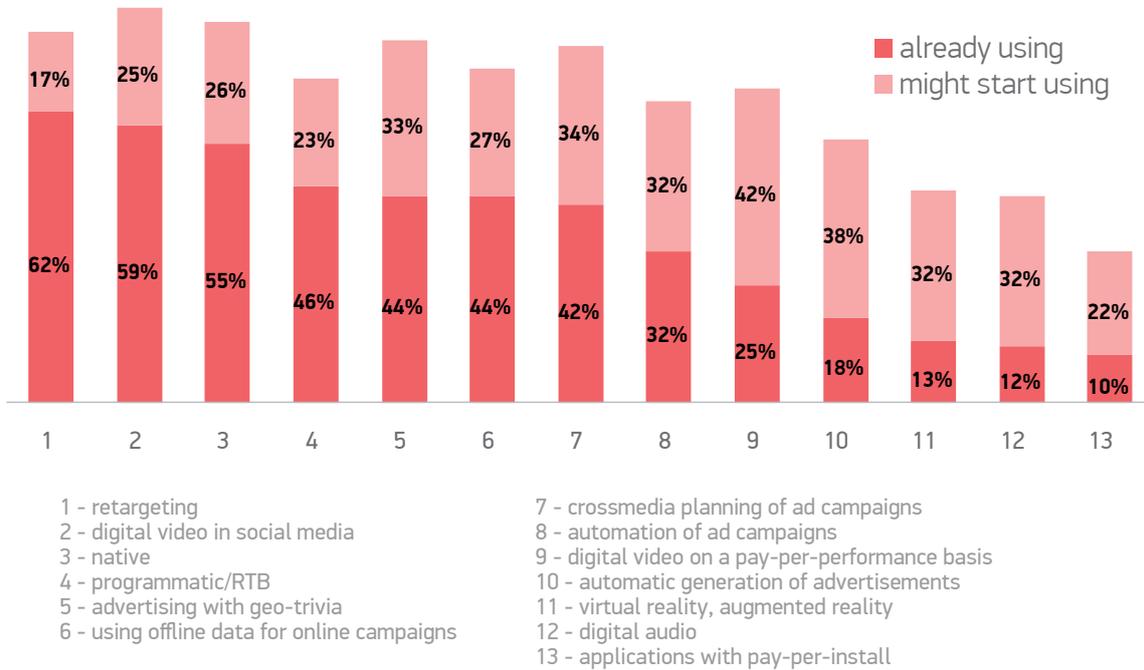
Fig. 6.8. For which of the following advertising types do you expect a share increase in the total interactive ad spend of your brand?



In addition to the question on growing formats, respondents were also asked what technology solutions and formats their brand uses now and plans to use in the future.

Among the technological solutions that are already in use more than half of respondents named “retargeting” (62% of respondents), digital video in social media (59% of respondents) and native advertising (55% of respondents). The highest growth potential is attributed to digital video formats on a pay-per-performance basis, automatic generation of ad messages and cross-media planning of ad campaigns.

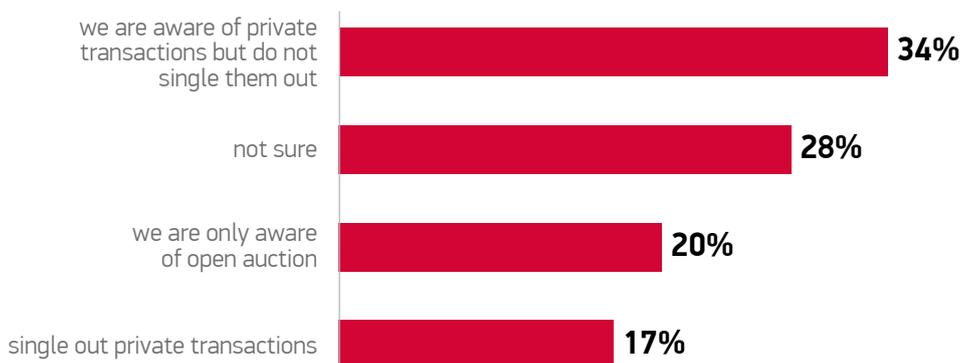
Fig. 6.9. Which of the new solutions and formats in the online ad field is your brand already using or might start using this or next year?



Respondents who replied that they used programmatic transactions (RTB) were also asked about the type of these transactions and the phenomenon of “private transactions”. For a significant part of the respondents this question turned out to be rather difficult. A large part (34%) of respondents are aware of private transactions but do not single out this type of buying.

According to those who replied that they knew and singled out private transactions as a separate type of purchase, the share of private transactions is about 10% of all programmatic purchases.

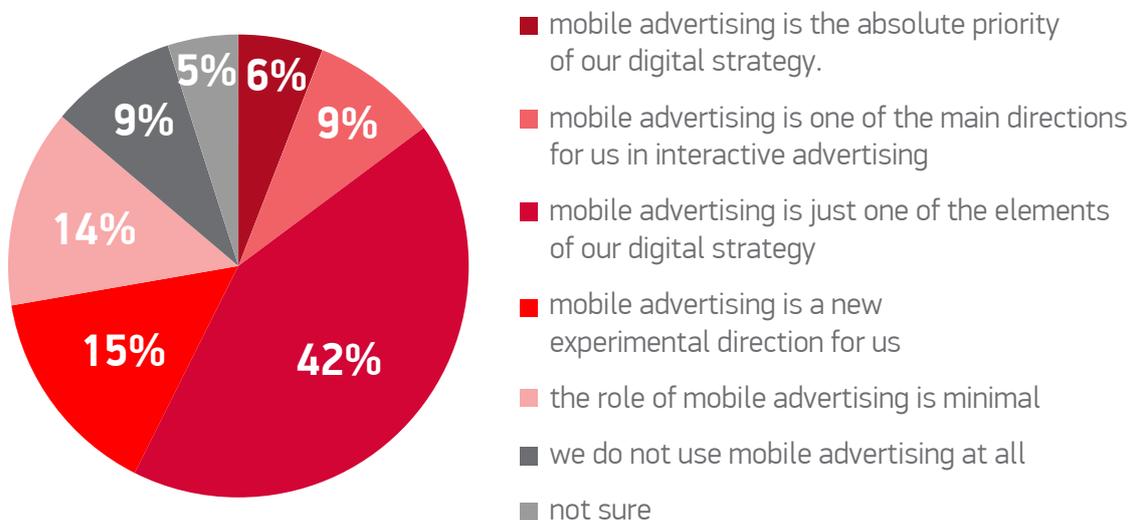
Fig. 6.10. Do you distinguish private transactions and open auction within programmatic buying (RTB)?



7. MOBILE'S ROLE IN DIGITAL STRATEGY

Asked directly about the use of mobile advertising and its role in their brand's digital strategy, less than 10% responded that they did not use it at all. For the majority of respondents (43%), mobile advertising is one of the essential elements of their digital strategy. For another 15%, it is an important or even high-priority direction. Approximately the same number consider mobile advertising as experimental direction for their brand (14% of respondents).

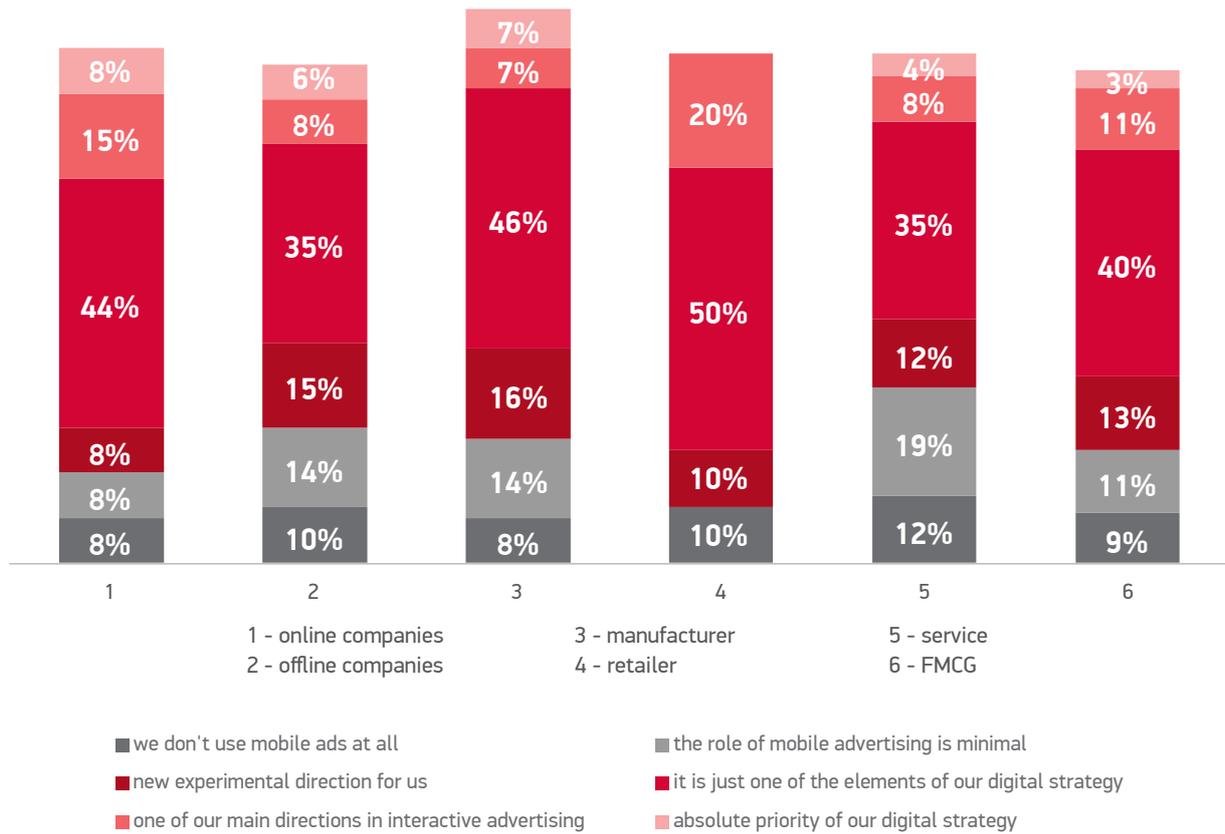
Fig. 7.1. Which of the following statements best describes the role of mobile advertising in your brand strategy in the interactive ad field?



For the majority of advertisers, both among online and offline companies, mobile advertising is one of the elements of their digital strategy (44% and 35% respectively). To the greatest extent this attitude to mobile advertising is demonstrated by manufacturing companies and retailers.

25% of online companies and 20% of retailer companies consider mobile advertising important and of high priority.

Fig. 7.2. The role of mobile advertising in the brand's digital strategy: Comparison of the types and categories of advertisers



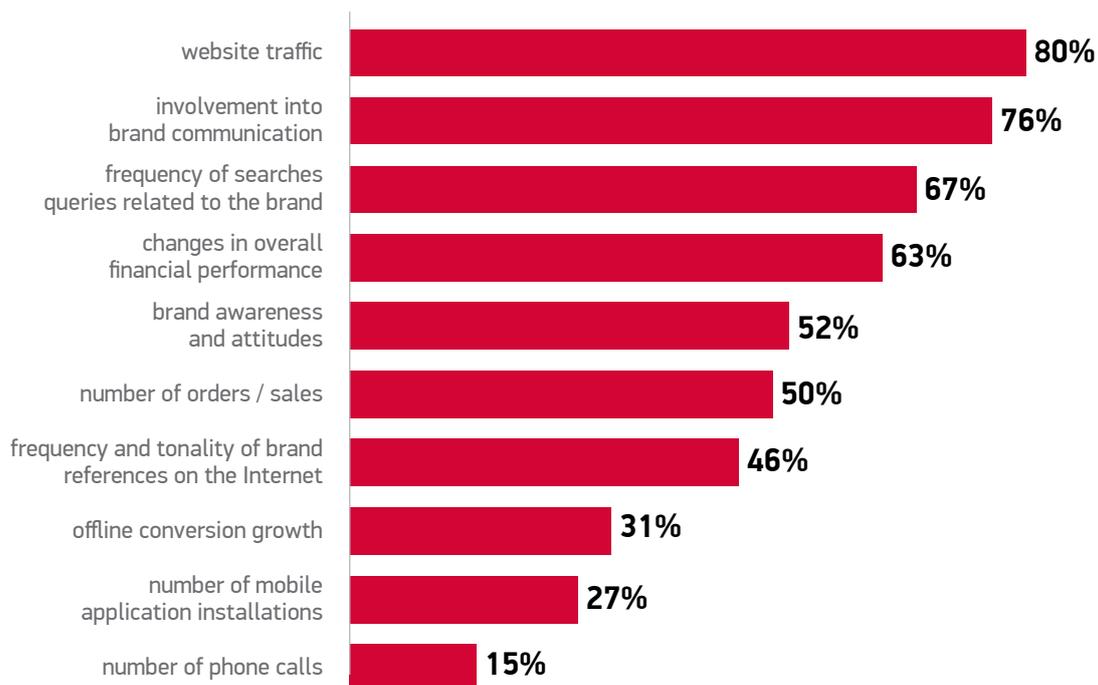
8. METRICS AND ANALYTICS

8.1. PARAMETERS ASSESSING EFFECTIVENESS OF ADVERTISING

The set and popularity of parameters for evaluating the effectiveness of interactive advertising are similar to 2017 structure. The most popular parameter for evaluating the effectiveness of interactive advertising is still the increase in website traffic (80% of respondents pay attention to it). Another important parameter for evaluating the effectiveness of campaigns is, according to respondents, involvement into brand communication and increase of search queries related to the brand (76% and 67% respectively).

At the same time, companies do not focus on a single parameter, but gauge their entirety in most cases. The biggest number of the metrics are tracked by on-line companies (more than 7), while offline companies monitor an average of 3 to 4 parameters.

Fig.8.1. What parameters does your company track to assess the effectiveness of online advertising?



Respondents from online companies as well as retailer and service provider representatives named, along with website traffic, the number of online orders and changes in the company’s overall financial parameters.

Advertisers from manufacturers, especially FMCG, indicated brand awareness and audience involvement in social media communication as their preferred parameters.

Fig.8.2. What parameters does your company track to assess the effectiveness of online advertising? Comparison of online and offline companies

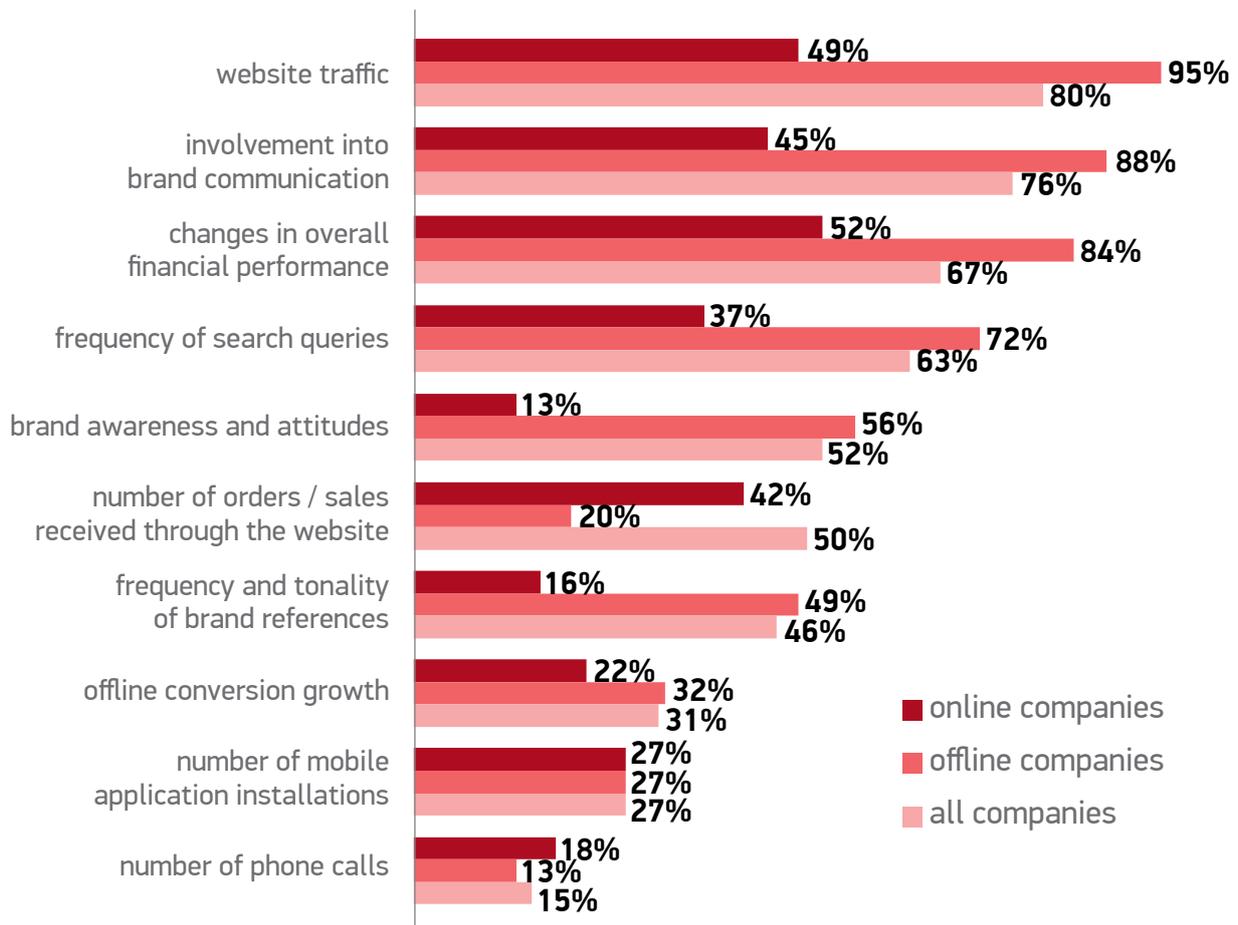


Fig. 8.3. What parameters does your company track to assess the effectiveness of interactive advertising? Comparison of company types

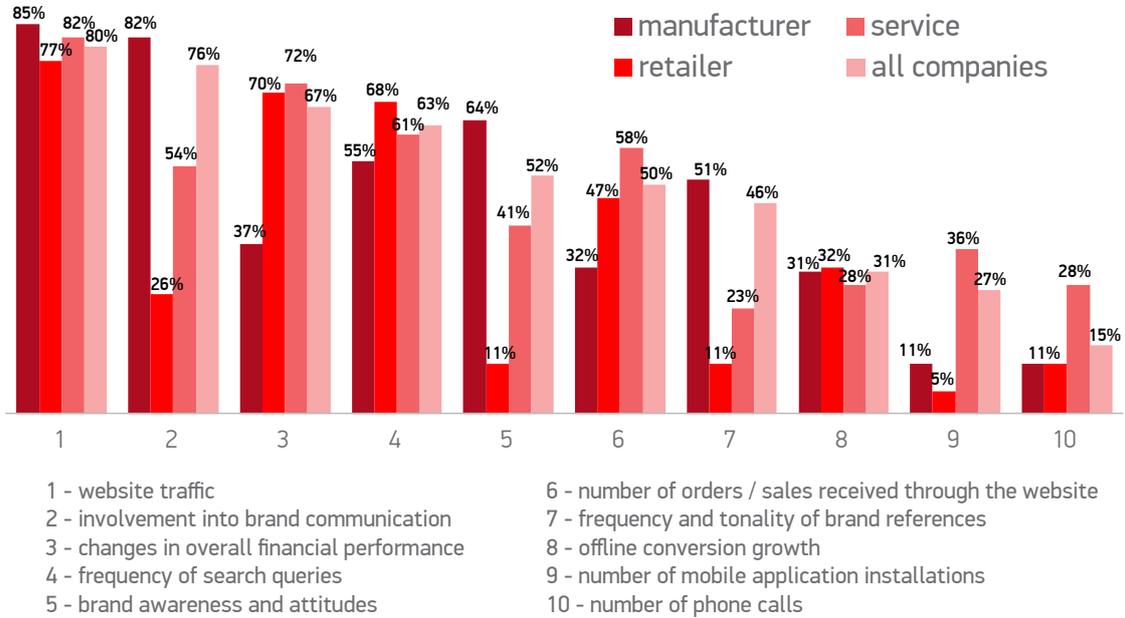
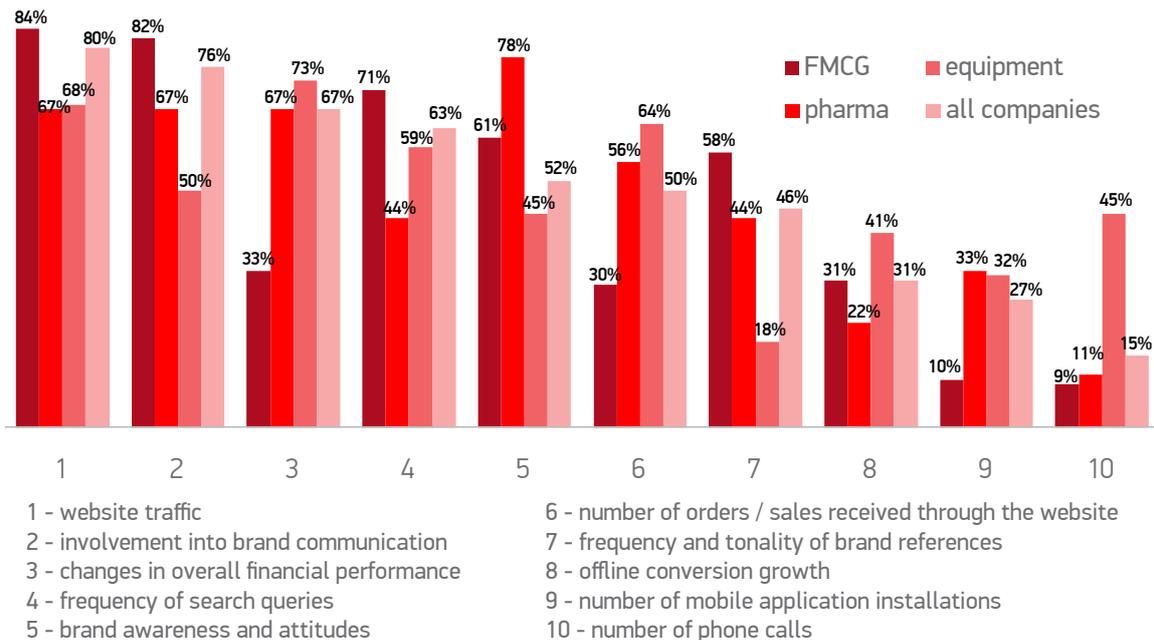


Fig. 8.4. What parameters does your company track to assess the effectiveness of interactive advertising? Comparison of company categories

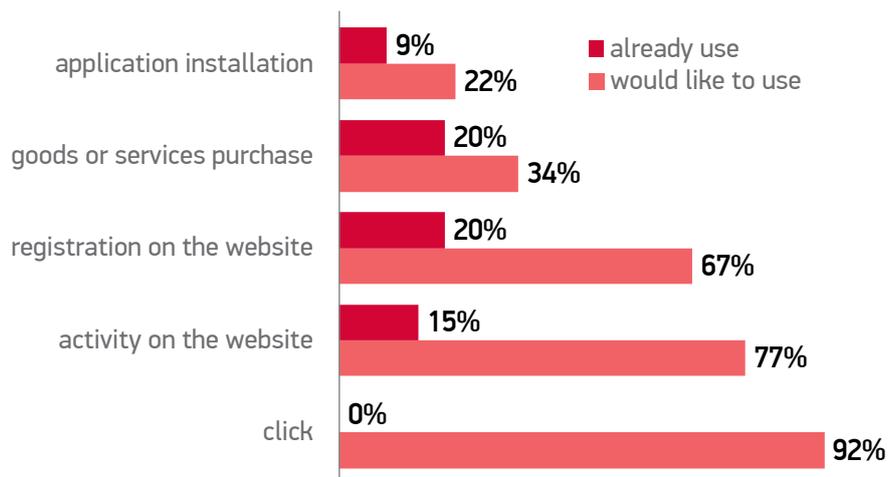


8.2. METRICS IN PERFORMANCE MARKETING

Answers about metrics also confirm last year’s trends. Respondents use several metrics to evaluate performance advertising, 3 to 4 on average. Click remains the most popular metric: it is used by more than 92% of respondents (but it should be noted that nobody limit themselves to clicks only to assess the effectiveness of interactive advertising).

Just as in 2017, respondents’ answers showed that the standard set of metrics is unlikely to undergo a noticeable change in the near future. The share of answers “do not use now but would like to use” is small: it ranges from 9% to 20% (or from 22% up to 34% as a percentage from advertisers who do not yet use the corresponding parameter).

Fig. 8.5. What specific parameters does your brand use or plan to use when buying performance advertising?*



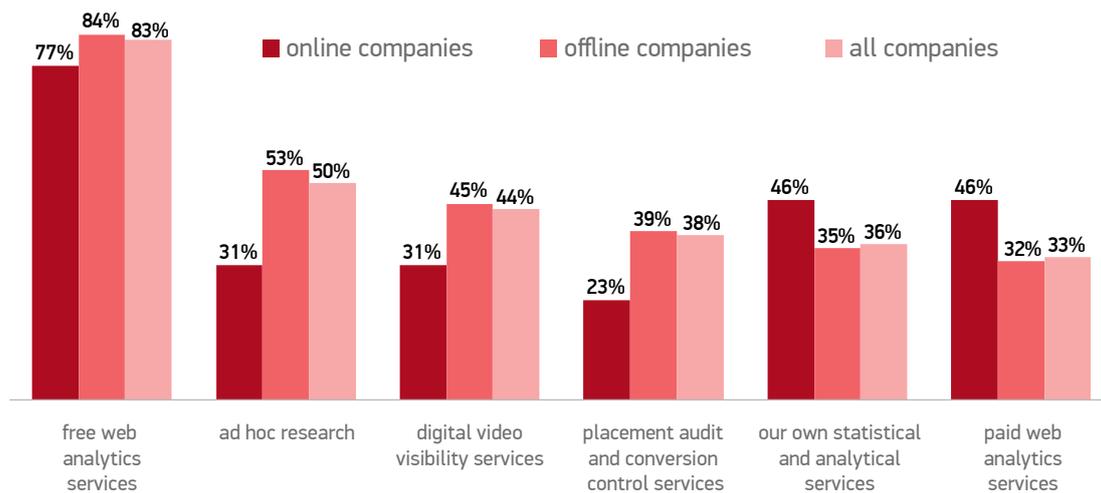
However, when analyzing answers about using metrics for assessing effectiveness of interactive advertising, one must bear in mind that some respondents could have evaluated interactive advertising as a whole, and not only the part related to performance. Therefore, if we only take into account respondents who use performance marketing tools, they must use such metrics as “buying goods and services on the website” and “registering on the website” no less than clicks.

8.3. ANALYTICS SYSTEMS IN USE

Free web analytics services such as Google.Analytics and Yandex.Metrics are still the most popular digital analysis tools.

The set of preferred tools depends on whether the company is online or offline. Offline companies use ad hoc research carried out by specialized companies (as 53% of respondents answered) and digital video viewing control services. Online companies tend to use paid web analytics services and their own statistical and analytical services.

Fig. 8.6 What tools does your company use in order to assess the effectiveness of online advertising?



9. TYPES AND CATEGORIES OF ADVERTISERS

9.1. ADVERTISERS-MANUFACTURERS

Manufacturers make up 63% of all the surveyed companies of the study. Most differences of this type of companies have already been set out in previous chapters of the report but we could highlight some new points.

Advertisers from the manufacturers:

- A more conservative approach to increasing budgets for interactive ad: according to the survey results, an average budget growth in this category is lower than that of other advertisers. Twice as many respondents from this category than on average stated budget cuts in 2017. They also forecast the least aggressive budget growth in 2018;
- The growth of mobile audience (+11 percentage points compared to the average for all respondents) and the overall growth of the Internet audience (+6 p.p.) are most often indicated as digital's share growth drivers, while interactive ad effectiveness is a less significant driver for this category of advertisers;
- Dominant barriers to a faster increase of digital's share in ad budgets are said to be the following: the impossibility to reduce ad expenses on other media; insufficient Internet coverage; interactive ad's inability to meet certain marketing challenges;
- They rarely agree with the statement "Internet ad is the most effective of all types of advertising";
- More often than other categories of advertisers combine digital ad with advertising on TV (+10 p.p.) and in the press;

- They use such digital tools as video advertising (+23 p.p.), mobile video (+22 p.p.), special projects (+21 p.p.), games ad (+15 p. p.) more often than average. Email-mailing (–27 p.p.), performance marketing (–20 p.p.) are used less often than average;
- On average, 73% of their digital budgets are directed to banner advertising, video advertising, mobile video, games ad and sponsorship, against 37% of all respondents (and 16% of respondents who are not manufacturers);
- They often expect further growth in the share of video ad in their digital budgets (+12 p.p. compared to the average for all respondents) and do not usually expect an increase in the share of performance marketing and email newsletters;
- Rarely use and often do not even plan to use advertising with precise geolocation (LBA) or systems of automatic generation and customization of advertising messages. The share of manufacturers using retargeting is below average in advertising;

More often than other advertisers consider native advertising, digital video in social media and cross-media planning as the most effective technologies;

- Less often than average rate mobile ad as an “unconditional priority” or “one of the main directions” of interactive advertising, while more often than average report that mobile advertising is just one of the elements of their digital strategy;
- More often than average assess the effectiveness of interactive advertising through parameters of brand awareness and user involvement into brand communication through the social media. Less often they do so through the number of calls, orders or changes in financial performance.

9. 2. GOODS RETAILERS

Retailers (both offline and online companies) account for 9% of all surveyed companies:

- Retailers are the most modest in their estimates of growth in ad spending. Compared with other categories of advertisers, the average growth of retailers’ advertising budgets in 2017 is 7 to 12 p.p. lower, while the projected growth in 2018 is lower by 5 to 9 p.p.;

- The main digital growth drivers for these advertisers are the effectiveness of interactive advertising, wide targeting possibilities and retargeting options;
- As barriers to a more rapid growth in digital's share in ad budgets retailers called high costs of interactive advertising, insufficient Internet coverage (we can assume that it meant buyers in small towns) and the impossibility to tackle certain marketing tasks;
- Retailers use on average fewer promotional tools. They use targeted posts in social media more often than other categories of advertisers;
- Retailers use video and banner ads less than others. But about a quarter of retailers expect a growth in their digital budgets just for these tools;
- Among retailers, proportion of those for whom the role of mobile advertising is minimal is the highest;
- More often than other categories of advertisers, retailers consider the use of offline data as the most effective technology for planning online companies and cross-media planning;
- When evaluating the effectiveness of advertising, retailers often use their own analytical systems, analyse website traffic rates and the number of orders made through the website.

9.3. SERVICE PROVIDERS

Service providers account for 23% of all surveyed companies. They include banks and insurance companies, content providers, etc.:

- Service provider companies are the most aggressive in increasing their online ad budgets. Their budget grew in 2017, while average 2018 growth was planned to be 3 to 4 times higher than other categories of advertisers expected;
- They have the largest share of digital within the entire advertising budget. On average, advertisers in this category spend almost half (47%) of their advertising budgets on interactive ad;
- The main growth drivers for them are the effectiveness of interactive advertising, the increase in mobile consumption and good opportunities for measuring the effectiveness of interactive ad;

- The lack of sought-after advertising equipment and high cost of interactive advertising are reported to be the growth barriers;
- Service providers use search advertising, mobile advertising, pay-per-performance ad (CPA / Lead Generation) and Email ad more often than other types of advertisers. Less often they use sponsorship and rich-media formats;
- When assessing the effectiveness of online advertising, they often use the parameter of general changes in financial performance, the number of mobile application installations and the number of calls. They also often use paid analytics systems and their own analytical tools.

9.4. VIEW OF OTHER CATEGORIES OF ADVERTISERS

The survey resulted in distinguishing three separate categories of advertisers, “FMCG companies”, “Manufacturers of equipment”, “Pharmaceutical companies”. The three of them gave similar responses to the survey questions, since all three categories have similar business needs and ways to address them. Only a small portion of questions produced significantly different answers.

- FMCG companies and online retailers show the highest growth in budgets in 2017 and in plans for 2018. Their projected growth in 2018 is 1.2 to 1.2. times higher than with other categories of advertisers.
- The main growth drivers for FMCG companies are the effectiveness of interactive advertising, rapid growth of mobile Internet and time users spend online. Pharmaceutical companies place great store on a wide choice of target audiences. Equipment manufacturers lay emphasis on interactive video opportunities.
- FMCG and equipment companies are more likely to use digital video and special projects.
- FMCG companies plan to increase their spending on digital video and mobile video more than others. Respondents from these companies more often than others mentioned the importance of creativity and a large share of creativity spend in their marketing budgets.

- Mobile ad is equally important for all the identified categories of companies.
- Website traffic is important for FMCG companies.
- For FMCG, the most important indicator of ad effectiveness is audience's involvement into communication with the brand in social media as well as the frequency of search queries. Manufacturers of equipment lay emphasis on website traffic and general financial performance. Pharmaceutical companies value brand awareness and attitude as well as website traffic.

ABOUT THE IAB RUSSIA

The Interactive Advertising Bureau (IAB) Russia

Non-profit partnership promoting interactive advertising is part of the international network of IAB associations which aims at expanding and developing the online advertising market. IAB branches successfully operate in 43 countries on 4 continents.

The Interactive Advertising Bureau (IAB) Russia's priority focus is on:

- I Educational activities;
- I Formation of industry standards, guidelines and glossary;
- I Holding industry events, including the MIXX Conference and MIXX Awards;
- I Research in Internet advertising based on international methodologies and practices in this area.

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ABOUT DATA INSIGHT

Founded in 2010, analytical agency Data Insight specializes in Internet research and research of the Internet.

Key areas of the company:

- Internet advertising, Internet advertising services, interactive advertising technologies, Internet audience behavior
- E-Commerce, including tangible goods, travel and educational services, consumer behavior on the Internet and the mobile Internet
- E-Commerce services, e-Commerce infrastructure and ecosystem
- Startups and investments in Internet startups, investment funds

Our key competency is the analysis of heterogeneous information, search for data sources and comparing various, sometimes incompatible data. All data that we release on the market is verified using different methodologies in order to produce consistent results.

Services we provide:

- Research for Internet companies, investment companies, services on request
- Provision of ready-made reports on various segments of the Internet. The list of existing reports you can check with us on the website or by phone
- Monitoring of e-Commerce news, Internet advertising, technology startups
- Presentation research/ content products for information support of the company and launch of new products

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