



MAY 2014

# **DIGITAL AD SPENDING BENCHMARKS BY INDUSTRY: THE COMPLETE EMARKETER SERIES**

## **EXECUTIVE SUMMARY**

# INTRODUCTION

US industries will collectively spend upwards of \$50 billion on digital advertising in 2014. It will be the fifth year in a row of torrid growth, reflecting broad economic and advertising industry trends that have driven nonstop, double-digit gains across virtually all industries since the trough of the Great Recession in 2009.

But the sweeping story of overall digital ad spending growth can overshadow important subtrends within individual industries. That is the impetus for this report series—to provide a comprehensive overview of industry-by-industry ad spending featuring deep-dive information about the challenges and opportunities that are driving marketing decisions in each sector.

The retail industry continues to be the single largest spender among the 10 industry groups.

## US Digital Ad Spending Share, by Industry, 2012-2018 % of total

	2012	2013	2014	2015	2016	2017	2018
Retail	22.3%	22.3%	22.1%	22.0%	21.9%	21.9%	21.9%
Financial services	12.5%	12.4%	12.4%	12.3%	12.2%	12.1%	12.0%
Automotive	11.6%	12.1%	12.3%	12.5%	12.7%	12.8%	13.0%
Telecom	11.7%	11.4%	11.2%	11.1%	11.0%	10.9%	10.8%
CPG & consumer products	8.1%	8.3%	8.4%	8.5%	8.7%	8.8%	8.9%
Travel	8.0%	8.0%	8.3%	8.3%	8.3%	8.2%	8.1%
Computing products & consumer electronics	7.7%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%
Media	4.9%	5.3%	5.6%	5.8%	5.9%	5.8%	5.8%
Entertainment	4.6%	4.6%	4.7%	4.8%	4.8%	4.9%	5.0%
Healthcare & pharma	3.0%	3.0%	2.8%	2.8%	2.7%	2.8%	2.8%
Other	5.6%	5.2%	4.8%	4.5%	4.4%	4.3%	4.2%

*Note: includes advertising that appears on desktop and laptop computers as well as mobile phones and tablets, and includes all the various formats of advertising on those platforms; data through 2012 is derived from IAB/PwC data; numbers may not add up to 100% due to rounding*  
Source: eMarketer, March 2014

169672

www.eMarketer.com

Financial services and automotive are the second- and third-largest categories for digital ad spending, respectively. eMarketer expects the automotive industry's investment to accelerate faster than that of the finance sector; automotive is projected to surpass finance in 2015.

## US Digital Ad Spending, by Industry, 2013-2018 billions

	2013	2014	2015	2016	2017	2018	CAGR (2013-2018)
Retail	\$9.54	\$11.05	\$12.69	\$14.27	\$15.81	\$17.39	12.8%
Financial services	\$5.30	\$6.20	\$7.06	\$7.91	\$8.77	\$9.57	12.5%
Automotive	\$5.18	\$6.15	\$7.18	\$8.24	\$9.27	\$10.36	14.9%
Telecom	\$4.88	\$5.60	\$6.37	\$7.13	\$7.84	\$8.54	11.9%
CPG & consumer products	\$3.55	\$4.20	\$4.88	\$5.64	\$6.33	\$7.04	14.7%
Travel	\$3.42	\$4.15	\$4.77	\$5.38	\$5.89	\$6.40	13.4%
Computing products & consumer electronics	\$3.25	\$3.80	\$4.36	\$4.93	\$5.46	\$6.01	13.1%
Media	\$2.27	\$2.80	\$3.33	\$3.83	\$4.17	\$4.58	15.1%
Entertainment	\$1.97	\$2.35	\$2.76	\$3.11	\$3.52	\$3.95	15.0%
Healthcare & pharma	\$1.29	\$1.41	\$1.61	\$1.76	\$2.02	\$2.22	11.6%
Other	\$2.23	\$2.40	\$2.59	\$2.86	\$3.10	\$3.33	8.4%
<b>Total</b>	<b>\$42.87</b>	<b>\$50.11</b>	<b>\$57.60</b>	<b>\$65.06</b>	<b>\$72.19</b>	<b>\$79.39</b>	<b>13.1%</b>

*Note: includes advertising that appears on desktop and laptop computers as well as mobile phones and tablets, and includes all the various formats of advertising on those platforms; data through 2012 is derived from IAB/PwC data; numbers may not add up to total due to rounding*  
Source: eMarketer, March 2014

169672

www.eMarketer.com

This is the third annual edition of the eMarketer industry ad spend breakdown. As in previous years, it is based on an exhaustive analysis of hundreds of sources of data as well as in-depth interviews with executives at ad agencies, brands and digital ad publishers—more than 75 in all for the 2014 edition. **The full reports in this series are available exclusively to eMarketer corporate subscribers.**

# INDUSTRY-BY-INDUSTRY MOBILE BREAKOUTS

New in this year's reports are eMarketer's first-ever estimates of mobile vs. desktop spending on an industry-by-industry basis. eMarketer's analysis found that mobile spending levels were roughly similar across industries, with virtually all sectors committing about one-third of spending to the mobile channel.

But there were variations by industry. Retail, which was an early adopter of online advertising, appears to be taking a similarly aggressive path with mobile: the retail industry commits a larger share of digital dollars to mobile than any other sector.

"Within the retail sector, we're seeing a lot of innovation and a lot of appetite for growth, and the realization that mobile is critical in terms of becoming...a core ecommerce platform," said Megan Tweed, vice president, media at Razorfish.

Mobile usage has grown so rapidly that many marketers are struggling to catch up with consumer behavior. In the US, smartphone users will number 163.9 million in 2014, topping 50% of mobile users for the first time.

Marketers now have to contend with rapid behavioral changes that are highly specific to their own sectors. Take the automotive industry, where "mobile search terms for auto have doubled in the last year," said Danielle Russell, automotive industry director for Google. "We're actually now seeing mobile move up the funnel as consumers always have that with them. People are now saying 'I'm just starting to consider what cars I'm looking to purchase. I'm going to use my mobile phone vs. starting with the desktop.'"

## DIRECT RESPONSE VS. BRANDING

eMarketer's ad spending report series also breaks down industry digital spending by objective—direct response vs. branding.

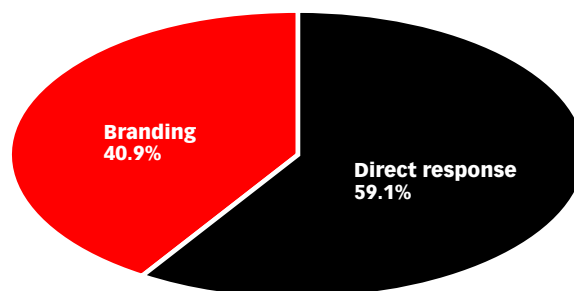
Overall, eMarketer found that direct response tactics continue to command the majority of digital advertising dollars, making up almost 60% of spending. But spending patterns vary widely by industry, with certain industries committing a significant majority of their budgets to one or the other objective.

The travel industry—dominated by big online agencies such as Priceline and Expedia—tilts heavily to direct response, devoting a larger share of its digital budget to performance advertising than any other industry. "The travel space is so wickedly competitive," said Steve Minichini, president, interactive marketing for TargetCast, that "it comes down to a few little nuances that will make the difference between a look vs. a transaction."

At the other end of the spectrum, the CPG and consumer products industry—where only a tiny percentage of total buying is done via digital channels—is the most heavily invested in branding efforts.

But as marketers get better at measurement and attribution, the lines between direct response spending and branding are blurring more than ever. In fact, eMarketer adjusted its methodology this year, no longer defining direct-response and branding-focused advertisements based on specific digital ad formats (search vs. display, for instance). eMarketer now bases its definitions of branding and direct response on a marketer's primary advertising objective rather than the specific way the advertising is priced, measured or formatted.

**US Digital Ad Spending Share, by Objective, 2014**  
% of total



*Note: includes advertising that appears on desktop and laptop computers as well as mobile phones and tablets, and includes all the various formats of advertising on those platforms*  
Source: eMarketer, March 2014

172886

www.eMarketer.com

# AUTOMOTIVE DIGITAL AD SPENDING TRENDS

The auto industry is in the midst of a tremendous run-up in digital spending amid historically strong US sales volumes.

Auto sales are primed to perform thanks to pent-up demand created by the extended recession of the past several years. Most volume forecasts call for more than 16 million new vehicles to be sold this year. Lofty sales projections bode well for digital marketing budgets as automakers generally are flush with cash from a solid 2013 and loaded with new product from years of investing in development.

For the most part, 2014 will be a year of mobile acceleration and overall digital growth. But the story for the coming year will also be one of original equipment manufacturers (OEMs) managing the percentages of these new dollars that are spent at the various tiers—national, regional and dealer.

**The full report, *Automotive Digital Ad Spending Trends*, addresses the following questions:**

- **In which areas will US automakers and dealers increase digital ad spending?**
- **How large a portion of this spending will go to mobile?**
- **Will automotive industry digital ad spending outpace other US industries?**

## TABLE OF CONTENTS

### **All Lights Green**

Amid a Decade of Digital Growth

Mobile Expansion

### **A Shared, Digital Purchase Path**

Splitting Spending by Objective

Spending Across Tiers

### **Looking Forward**

Digital Video and TV

Social Media

# COMPUTING PRODUCTS AND CONSUMER ELECTRONICS DIGITAL AD SPENDING TRENDS

The US computing products and consumer electronics industry is undergoing dramatic change due to technological developments and the maturation of several product categories within the industry's namesake sectors. In particular, two major factors are driving adjustments to industry ad spending.

US consumers are purchasing single-function devices such as desktops, laptops and flat-screen TVs in dwindling numbers. But at the same time, consumer interest in smaller, web-enabled devices—namely smartphones and tablets—has fueled sales in the consumer electronics category.

Driven by fierce competition to establish a presence in a crowded market, original equipment manufacturers (OEMs) have been spending heavily on advertising in order to help their latest smartphones and tablets stand out.

Meanwhile, the B2B portion of ad spending in the industry is growing as IT departments invest in both hardware and software, and shift infrastructure to the cloud.

**The full report, *Computing Products and Consumer Electronics Digital Ad Spending Trends*, addresses the following questions:**

- **How much will computing products and consumer electronics companies spend on US paid digital advertising over the next five years?**
- **How much of industry digital advertising budgets are being spent on direct response versus branding efforts?**
- **How are mobile platforms changing the way ad dollars are being spent in the sector?**

## TABLE OF CONTENTS

### **Digital Ad Investments Increase**

Two Factors Drive Spending Rise

### **Mobile Device Marketers Lead the Way**

### **B2B Ad Spending: A Mixed Bag**

### **Digital Gains a Larger Role in the Marketing Mix**

Mobile Ad Spending Growth Continues

### **Direct Response vs. Branding**

Search: Aiding Consumers with Research

Branding: Getting the Word Out

Digital Video Showcases Devices for Consumers

Paid Social Adds to the Mix

# CONSUMER PRODUCTS DIGITAL AD SPENDING TRENDS:

While the majority of CPG brands' ad spend in 2014 will remain in TV, digital budgets are steadily increasing. In fact, some of the largest budget increases, by percentage, will be in digital video, as brands transfer linear TV efforts to online and mobile, where they are finding effective ways to measure campaign success.

"CPG brands have been addicted to TV for a long time, and you're starting to see a screen-agnostic planning approach," said Gian LaVecchia, managing partner, digital content marketing at MEC North America. "They are able to get the same level of GRPs [gross rating points] with a more balanced media mix, and it's following the shift in user consumption; they're not losing eyeballs. I think they're actually gaining some efficiencies as well."

Branding remains the main message in the CPG space. Direct response is a much lower percentage of digital marketing budgets. And consumers' smartphone usage is pushing brands to spend more on mobile—coupons, video, geotargeting, among other initiatives—in order to reach them at critical points of the purchase cycle.

**The full report, *Consumer Products Digital Ad Spending Trends*, addresses the following questions:**

- **How much will CPG and consumer products marketers spend on US paid digital advertising between 2014 and 2018?**
- **How much of their digital budgets are CPG and consumer products companies spending on direct response vs. branding initiatives?**
- **In what areas of digital marketing are US CPG and consumer products marketers increasing their budgets during past years? In what areas will they be spending less?**
- **In what ways will CPG brands use mobile to target consumers?**

## TABLE OF CONTENTS

**CPG Shifts Digital Into High Gear**

**Branding Still the Main Message**

Ecommerce Lags

Going Native: Brands Create More Content

Increasing Digital Video Efforts

**Programmatic: Problematic?**

**Brands Follow Consumers to Mobile**

**Geolocation Tools Find Consumers In-Store**

# FINANCIAL SERVICES DIGITAL AD SPENDING TRENDS

The US financial services industry will be the second-biggest spender on paid digital media among all industries in 2014.

While spending on search and display remains steady among banks, insurers and brokerages, mobile advertising will be a key driver of growth over the next several years as financial marketers adjust their media mix to reach consumers where they spend most of their time.

As more consumers expect to be able to conduct an expanding panoply of finance functions—banking, filing a claim, buying securities, managing funds—directly from their smartphone or tablet, it has driven the entire financial services industry to invest in mobile from a customer experience perspective, as well as an advertising platform.

Digital video, social media and sponsored content are other areas where more ad dollars are flowing, especially as financial marketers enhance their measurement capabilities in these channels and allocate dollars to the most effective ones on the fly.

**The full report, *Financial Services Digital Ad Spending Trends*, addresses the following questions:**

- **How much will financial services marketers spend on paid digital advertising in the next five years?**
- **How does spending break down by marketing objective and format?**
- **What digital advertising trends are notable for the industry for 2014 and beyond?**

## TABLE OF CONTENTS

### Digital Ad Spending Forecast

Direct Response Vs. Branding: A 62/38 Split  
Spending Steady on Display and Search  
Mobile: More Than One-Third of Digital Ad Dollars  
Consumer Behavior Leads Financial Firms to Mobile  
Beyond the Mobile Banner

### Key Trends In Formats and Tactics

Digital Video  
Social Media  
Sponsored Content  
Measurement and Attribution



# MEDIA AND ENTERTAINMENT DIGITAL AD SPENDING TRENDS

Digital advertising spending is expected to grow faster in the US media and entertainment industries than in other verticals covered by eMarketer. A key driver behind the projected increases is the heavy use of video and rich media ads, the two fastest-growing ad formats, by marketers of news media, movies, TV shows, games and music. These marketers are also big investors in mobile ads, which makes sense given the migration of media and entertainment consumption toward tablets and smartphones.

Although the industries that make up the media and entertainment space are diverse, they share a fundamental challenge: an erosion of their traditional monetization base and difficulty transitioning customers toward digital revenue models.

Digital advertising has taken on increased importance for companies trying to reach audiences that are fragmenting across devices and bombarded with information. These marketers are using tactics such as programmatic buying and screen-neutral campaigns to increase the efficiency of their efforts. They are also experimenting with native advertising and enhanced search formats.

**The full report, *Media and Entertainment Digital Ad Spending Trends*, addresses the following questions:**

- **Why is digital ad spending in the US media and entertainment industries expected to grow faster than in other industries?**
- **What is the mix between branding and direct-response advertising in media and entertainment?**
- **How do social media, native formats and programmatic buying fit into the media and entertainment ad mix?**
- **How do media and entertainment companies use paid, owned and earned media?**

## TABLE OF CONTENTS

### **Media and Entertainment Ad Spending Trends**

Video

Social Media

MultiScreen Ad Buys

Paid, Owned and Earned Channels

Emerging Trends

Native Advertising

Programmatic Buying

Enhanced Search

### **Direct Response vs. Branding**

### **Mobile**



# PHARMACEUTICALS AND HEALTHCARE DIGITAL AD SPENDING TRENDS

While digital ad spending remains tempered by regulatory and privacy concerns, changing consumer behavior and industry dynamics are pushing healthcare and pharmaceutical companies to incorporate more online and mobile advertising in the media mix.

This change in spending is being driven by a number of factors, including new drug rollouts and the impact of the Affordable Care Act.

The number of mass-market Rx drugs coming off patent is slowing from a high several years ago. These blockbusters are being replaced by a new wave of more expensive specialty drugs that treat less-common diseases. Marketers are using more digital media to target these to “smaller” populations and healthcare specialists.

Meanwhile, the Affordable Care Act has spurred insurers and other service providers to beef up consumer-focused spending to promote their plans. They will continue this marketing in efforts to keep their members healthy.

Given the industry’s halting embrace of digital platforms, it is not surprising that pharmaceutical and healthcare marketers have lagged other industries in mobile spending. On a percentage basis, the industry spends less on mobile than any other. But while marketers remain stymied by budgetary constraints and issues related to regulation, privacy, mobile etiquette and measurement, spending is poised to increase as the industry develops a solid set of best practices.

**The full report, *Pharmaceuticals and Healthcare Digital Ad Spending Trends*, addresses the following questions:**

- **How much will healthcare and pharmaceutical marketers in the US spend on digital advertising in the next five years?**
- **What percentage of US digital healthcare and pharmaceutical advertising budgets is spent on mobile tactics?**
- **How is today’s new crop of pharmaceutical products changing the digital advertising landscape?**
- **How is the Affordable Care Act affecting ad spending for the industry?**

## TABLE OF CONTENTS

### Digital Ad Spending Forecasts

#### Industry Adjusts To New Spending Model

Digital Grows as Percentage of Total

DTC: An Incomplete Picture

Providers Respond To Digital Overtures

Affordable care act: a Shot in the Arm for Advertising

#### Room To Grow in Mobile

#### Direct Response vs. Branding

Paid Search Gets Top Billing

Display Evolves Beyond Banners

What Effect Will the FDA’s Guidance Have on Pharma Social Media Advertising?

#### Finding an Rx for Success

Measuring Success

# RETAIL DIGITAL AD SPENDING TRENDS

The retail industry's digital ad spending growth will not be as robust as other sectors, but it will continue to be the single largest-spending industry, and by a wide margin.

As the industry most focused on sales—both online and in-store—retail ad spending continues to be heavily skewed toward direct response rather than branding. With the rise of video, social and native advertising, though, this split may begin to shift in the future. Additionally, consumers' increasing use of mobile devices is fueling the need for omnichannel, multiscreen strategies—which in turn drives additional ad spending by the industry.

"The challenge that all retailers are facing today is that media usage is changing," said John Learish, senior vice president of marketing at Rite Aid, a company that has long relied on print circulars, as have many in the industry. "We all have to find ways to redistribute our offerings to customers. And it has to be through digital channels, and by leveraging what we know about our customers and being able to make those offerings relevant to people."

**The full report, *Retail Digital Ad Spending Trends*, addresses the following questions:**

- **How much will retailers spend on US paid digital advertising in the next five years?**
- **How much of their digital budgets are spent on direct response vs. branding initiatives?**
- **Why is mobile changing the way the retail industry approaches advertising?**
- **How do social, video and native advertising fit into retailers' ad mix?**

## TABLE OF CONTENTS

### **Retail Rules Industry Ad Spending**

Digital Outpaces Overall Spending

### **Mobile Investments Increase**

Hyper-Local Advertising

### **Direct Response Continues to Dominate**

Search: A Strong Performer That's Becoming More Mobile

Product Listing Ads Grow in Popularity

Branding: Evolving From Static to Dynamic

Video and TV: Dueling Screens

Paid Social: Retailers Favor Facebook

Going Native

# TELECOM DIGITAL AD SPENDING TRENDS

The telecom industry is the fourth-largest spender on digital advertising in the US, but it will lag almost all other US verticals in terms of digital ad spending growth.

One of the reasons for telecom's relatively slow growth curve is its reliance on search, which will lose share to video and rich media over the next several years. In addition, telecom continues to depend heavily on TV advertising, which wireless carriers and multichannel video providers use to highlight their offerings and poach customers from rivals.

As telecom firms compete in an increasingly saturated market, they face existential threats from internet-based voice and messaging services; the erosion of the cable TV subscriber base; and consolidation among some of the most powerful players in the space. These challenges are forcing industry players to make effective use of marketing channels in an effort to keep the customers they already have, gain new ones, and make a case for their relevance at a time when emerging technologies are pulling users away from traditional point-to-point services.

**The full report, *Telecom Digital Ad Spending Trends*, addresses the following questions:**

- **Why does digital ad spending in the telecom industry lag other verticals?**
- **What is the mix between branding and direct-response advertising in telecom?**
- **What tactics is the industry using to maximize the effectiveness of its campaigns?**
- **What are the industry's biggest challenges, and how do they affect its approach to advertising?**

## TABLE OF CONTENTS

### **Telecom Ad Spending Trends**

Shift from Traditional to Digital

Social Media

Programmatic Buying

Attribution

Paid, Earned and Owned Media

Sponsorships

### **Direct Response vs. Branding**

### **Mobile**

### **Industry Challenges**

# TRAVEL DIGITAL AD SPENDING TRENDS

Travel industry digital ad spending will see a sharp year-over-year increase in 2014, driven by strong industry profits and a recovering economy.

Digital travel advertising is dominated by several big-spending online travel agencies (OTAs), which invest heavily in search advertising to win clicks and bookings. The spending by the OTAs—as well as hotels, airlines, cruise lines, rental car companies, destination marketing organizations, tour operators and others—means industry spending as a whole tends to focus more on direct-response initiatives than on branding.

High demand for paid-search inventory means OTAs are investing ever-larger dollar amounts to achieve desired results. Priceline noted in its 2013 10-K filing that its online advertising spend is growing faster than gross profit, largely due to lower returns on investment.

While direct-response advertising grabs the largest part of digital travel spending, some marketers are focusing more attention on branding tactics. Meanwhile, the rapid growth in mobile booking has encouraged industry investments in technology to facilitate purchases via mobile devices. As marketers experiment with the most effective ad messages to encourage mobile booking, industry executives highlight same-day and last-minute purchase messages as top performers.

**The full report, *Travel Digital Ad Spending Trends*, addresses the following questions:**

- **How much will US travel marketers spend on paid digital advertising in the next five years?**
- **To what extent are travel industry digital budgets dedicated to direct response vs. branding, mobile vs. non-mobile, and other tactics?**
- **How are travel industry marketers adjusting ad tactics to reach travelers as they shop across multiple sessions, devices and websites?**

## TABLE OF CONTENTS

**Digital Ad Spending Forecast**

**Direct-Response Spending Dominates**

**Mobile Spending Takes Hold**

Mobile Bookings Attract Mobile Ad Spend

**Bringing Branding Back into the Mix**

Digital Video

Display and Rich Media

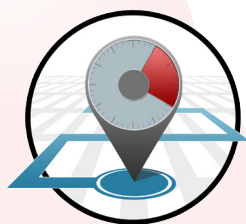
Social Media

**Moving Beyond the Last Click**



## Coverage of a Digital World

eMarketer data and insights address how consumers spend time and money, and what marketers are doing to reach them in today's digital world. [Get a deeper look at eMarketer coverage](#), including our reports, benchmarks and forecasts, and charts.



## eMarketer Corporate Subscriptions: The Fastest Path to Insight

All eMarketer research is available to our clients via an annual corporate subscription. The subscription provides clients with access to all eMarketer analyst reports, signature charts, interviews, case studies, webinars and more. See for yourself how easy it is to find the intelligence you need. [Learn more about subscription options](#).



## Confidence in the Numbers

Our unique approach of analyzing data from multiple research sources provides our customers with the most definitive answers available about the marketplace. [Learn why](#).

---

**Schedule a personalized demonstration or request a quote today.**

Go to [eMarketer.com](http://eMarketer.com), call 212-763-6010, or email [sales@emarketer.com](mailto:sales@emarketer.com).