

## EUROPEAN MARKETING & ADVERTISING



# EUROPEAN ONLINE ADVERTISING FORECAST, 2005 TO 2010

Responding to the Rise of Digitally  
Empowered Consumers



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- Customer Acquisition
- Customer Retention
- Brand Equity

# EUROPEAN ONLINE ADVERTISING FORECAST, 2005 TO 2010

## Responding to the Rise of Digitally Empowered Consumers

The balance of power between marketer and audience is shifting as consumer adoption of enabling digital technologies grows. While marketers buy increasing amounts of online media to reach newly empowered consumers—spending will represent six percent of total advertising expenditure by 2010—the investment will not help build brands without a concomitant shift in communication strategy from intrusive monologue to inclusive dialogue.

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## Research Highlights

### **European Paid Search Forecast, 2005 to 2010: Wider Usage Will Warrant Wider Measurement**

Internet usage continues to grow at pace throughout Europe, spurred by broadband adoption. With subsequent increases in Web consumption, search engines derive ever greater financial benefits from enabling consumers to access online content and marketers to access online consumers.

(European Marketing & Advertising, September 26, 2005)

### **European Online Advertising Forecast, 2005 to 2010**

European consumers among all demographic groups are spending increasing amounts of time online. As such, advertising investment in online media is growing, and the digital channel is becoming increasingly integrated into marketers' customer acquisition strategies. (European Marketing & Advertising, August 30, 2005)

## Executive Summary

The balance of power between marketer and audience is shifting as consumer adoption of enabling digital technologies grows. While marketers buy increasing amounts of online media to reach newly empowered consumers—spending will represent six percent of total advertising expenditure by 2010—the investment will not help build brands without a concomitant shift in communication strategy from intrusive monologue to inclusive dialogue.

### Key Questions

- To what extent have European marketers adopted online media due to rising Internet consumption?
- What new challenges will marketers face as the number of empowered digital consumers grows?
- How will investment in online media grow over the next five years?
- How should marketing communication strategies evolve to build brands in an era of digital empowerment?

### Key Findings

#### **Landscape: Marketers Shift Spend Online as the Internet Impacts Consumer Habits**

Internet access has now reached a mainstream audience in Europe, with almost one-half of the population (188.8 million individuals) online by the end of 2005. As broadband access and increasing tenure encourage greater time spent online, consumers' media and purchasing behaviors are changing irrevocably. Recognizing this trend, marketers are allocating more budget to the Internet (dependent on region, industry, and target audience) investing a total of €3.2 billion, or 3.8 percent of total advertising spend, online by the end of 2005.

#### **Outlook: Consumer Digital Empowerment Will Encourage Online Spending but Require New Communication Approach**

As the adoption of digital technologies grows throughout Europe, consumers will become increasingly empowered with enhanced capabilities to access information, interconnect, express themselves, and gain satisfaction on demand. This trend will present marketers with new targeting challenges. Investment in online media will burgeon—reaching €6.5 billion by 2010—as marketers look to influence newly empowered digital consumers.

#### **Mandate: Encourage Willing Brand Engagement Among Digital Consumers by Adapting to Their Newfound Powers**

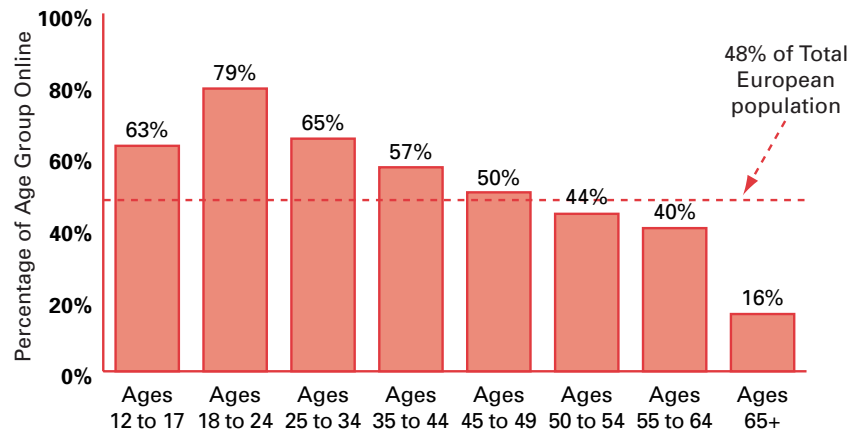
Not only will marketers need to adapt media strategies, but also fundamentally shift their approach to communication thinking in a new era of digital empowerment. To encourage willing brand engagement, marketers must move away from top-down, organizationally led mass messaging to bottom-up, consumer-led conversions. Offering access to unique and rich personalized infotainment, an invitation to contribute and personalize, participate, and interconnect will help build stronger brand relationships.

# Landscape

## Marketers Shift Spend Online as the Internet Impacts Consumer Habits

### Internet Access Now Mainstream in Europe, with Penetration Near Saturation Among Young Adults

**Fig. 1 European Internet Penetration, by Age Group**



Source: JupiterResearch Internet Access & Broadband Model, 5/05 (Western Europe only)  
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European marketers, regardless of industry sector, can no longer ignore the size and scale of the Internet population. With almost one-half (48 percent) of all European consumers online by the end of 2005, the marketplace offers an addressable audience of 188.8 million individuals. Only the laggards now remain disconnected. The vast majority of consumers ages 18 to 24 in Europe are now online, with 79 percent penetration, although less than 44 percent of consumers ages 50 and older have Internet access. Most individuals in the digitally developed economies of northern Europe are online, with 73 percent penetration in Sweden, while the southern European markets trail behind, with only 37 percent online in Portugal and 31 percent online in Greece.

Not only is the volume of the Internet population now significant, so too is the amount of time being spent online. Growing online tenure among European Internet consumers, 84 percent of whom already have two or more years experience, coupled with faster, wider, and less interrupted broadband access, available in 54 percent of Internet households, is rapidly increasing frequency and duration of Internet visits. Sixty-four percent of consumers with more than three years online experience claimed to go online frequently, compared with 37 percent of newbies (with less than six months experience). Twenty-two percent of broadband Internet users spend more than 10 hours online per week compared with only nine percent of dial-up users.

As more European individuals spend greater amounts of time online for communication, information, retail, and, increasingly, entertainment purposes, so the composition, behaviors, and attitudes of the consumer audience are evolving. As they do, the ramifications for traditional forms and channels of customer acquisition and retention intensify.

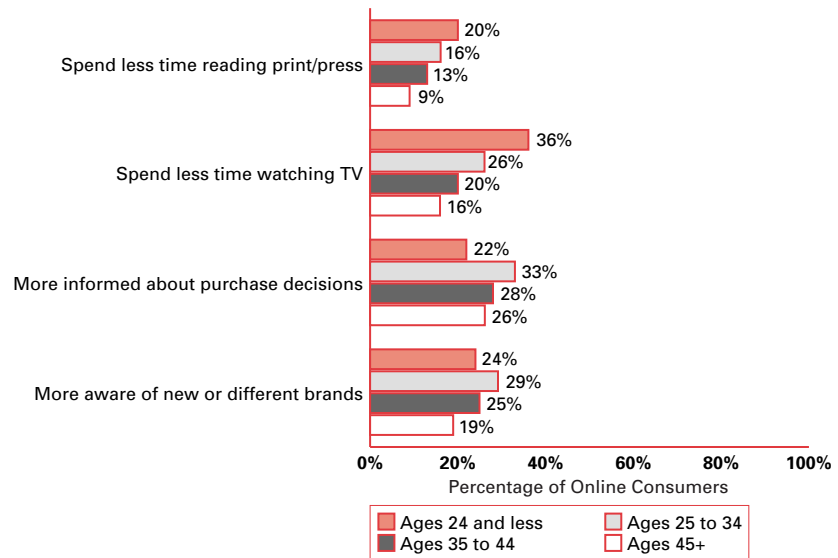
## Online Media Consumption Is Having an Impact on Traditional Media and Purchasing Habits

**Fig. 2 Impact of Internet on Media Consumption and Purchase Consideration, by Age**

Question: Thinking about the ways that the Internet has affected you, has the Internet made you...

Source: JupiterResearch Consumer Survey (9/05) n = 4,261 (France, Germany, Italy, Spain, Sweden, and UK only)

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Internet access and usage is having a profound effect on the way individuals consume media, consider products and services, and make purchase decisions. Online media adoption is cannibalizing traditional, off-line media consumption. When asked to identify ways in which the Internet had affected them, 36 percent of online consumers under age 24 said they spent less time watching TV, compared with only 16 percent of consumers ages 45 and older. Twenty percent of consumers under age 24 also spent less time reading print or press publications. This effect is being accentuated by the adoption of broadband access. (See *Evolution of Media Use in Europe: Web Impacting Consumption*, European Content & Programming, October 20, 2004.)

Online media is now often used for researching and purchasing. According to a recent JupiterResearch consumer survey, 35 percent of European online consumers claim to visit a Web site about a product or service at least monthly. Forty-nine percent of European consumers will buy online by the end of 2005.

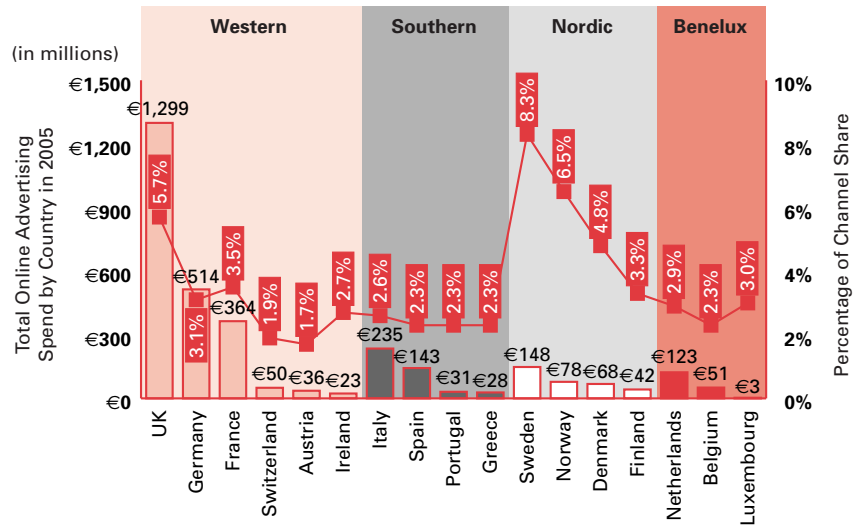
As online media facilitates the modification of product and pricing knowledge, many online consumers find themselves more informed about purchase decisions and more

aware of new or different brands. Thirty-three percent of European online consumers ages 25 to 34 felt the Internet had enabled them to make more informed decisions when buying products and services. Twenty-nine percent of this age group also felt the Internet had made them more aware of new or different brands.

As online media increasingly influences media and purchasing consumption patterns and brand perceptions, particularly among the important, younger demographic, so forward-thinking marketers are reassessing their media strategies and reallocating their budgets.

### Increasing Consumer Internet Adoption Is Compelling Marketers to Shift Spend Online

**Fig. 3 European Online Advertising Spend in 2005, by Country**



Source: JupiterResearch Internet Advertising Model, 8/05 (Western Europe only)  
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Recognizing growing Internet consumption and its effect on consumer behavior, marketers' online media spending, and interest in online media, has gained momentum. By the end of 2005, online advertising spend across Europe will total €3.2 billion, having grown 88 percent from a 2003 total of €1.7 billion. However, this level of investment, which at 3.8 percent still only represents a small portion of total European ad spend, varies considerably by country. Reflecting a high level and sophistication of Internet adoption, the greatest budget shift can be seen in Sweden, with 8.3 percent of total ad spend online. Though the UK has a smaller online population than Germany, it has the largest European market, investing €1.3 billion in 2005. This spending reflects the healthier state of its economy and the innovative and experimental nature of its advertising industry. Spend also varies considerably between industry sectors, with Internet-enabled, online businesses spending close to 100 percent of their marketing budget online compared with traditional, consumer packaged good brand advertisers, spending only a few percent of their budget online. Whether these levels of spend, at either end of the scale, are optimal now or in the future is questionable.

With almost one-half (45 percent) of total online expenditure spent on display advertising, display represented the key customer acquisition conduit for advertisers in 2005. However, increasing amounts of money were also invested in the faster-growing paid search, with 36 percent of spend going to this relatively new advertising format.

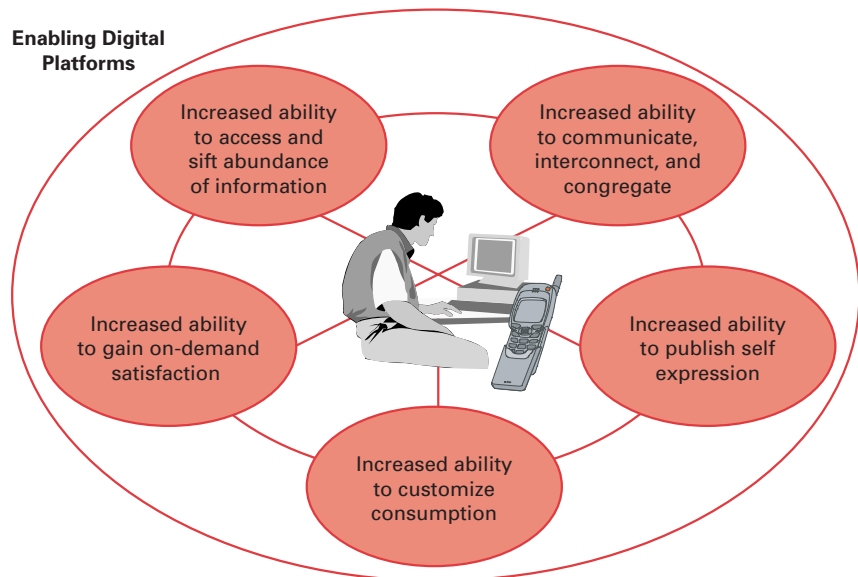
While online has become more established in the media mix, it still remains largely supplementary to TV and press campaigns, and has yet to influence the direction of communications thinking. Over time, marketers would be wise to understand the effect interactive media is having on their target audiences and adapt strategies accordingly.

## Outlook

### Consumer Digital Empowerment Will Encourage Online Spending but Require New Communication Approach

#### Growing Digital Platform Usage Will Enhance and Empower Consumer Capabilities

Fig. 4 Consumer Capabilities Enabled by Digital Technology Adoption



Source: JupiterResearch (11/05)  
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As their adoption and usage of the Internet and other digital platforms burgeons over the coming years, European consumers will become increasingly enabled and empowered. With 74 percent of online households set to be broadband enabled by 2010, and 59 percent of mobile subscribers owning 3G handsets, consumers—increasingly comfortable with the manipulation of sophisticated, fixed and wireless interactive applications—will find themselves more informed, more connected, and more in control.

Growing digital technology adoption will enable:

- **An increased ability to access and sift an abundance of information.** Access to the World Wide Web, primarily through search engines, such as Google, will provide an ever-greater number of consumers the ability to access an unprecedented breadth and depth of information, news, and opinion.
- **An increased ability to communicate, interconnect, and congregate.** Usage of networked communication devices and platforms will enable consumers not only to connect and interact with family and friends faster and more cost effectively than ever before, but also to meet and congregate with likeminded individuals within social networks, across time zones, geographies, and social strata.

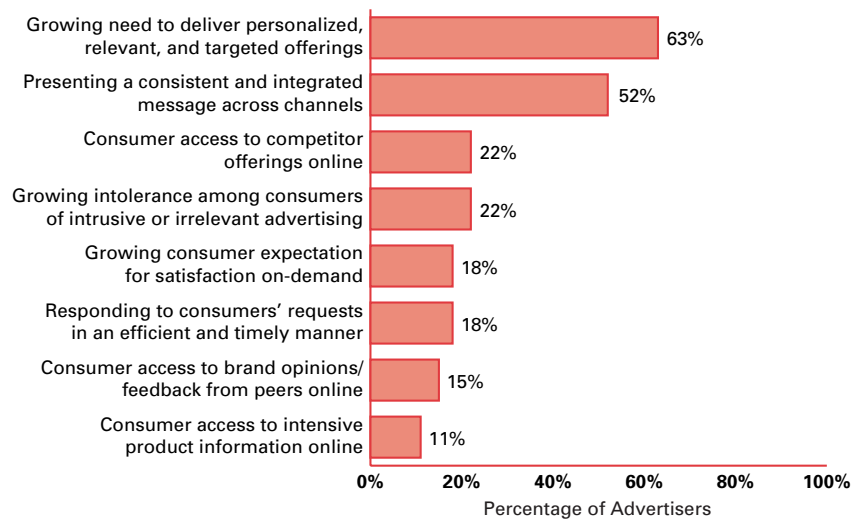
- **An increased ability to publish self-expression.** Adoption of written digital communication and micropublishing platforms, such as discussion forums, message boards, voting platforms, or blogging tools will provide proactive consumers the capability to more easily express themselves in a public forum.
- **An increased ability to customize consumption.** The interactive nature of digital platforms will enable consumers to become increasingly involved in the specification, personalization, and creation of the products, services, experiences, and communications they receive.
- **An increased ability to gain satisfaction on demand anytime, anywhere.** The ongoing application of digital technologies within organizations will further accelerate business practices, and the access to and delivery of a broader range of products, services, and content, enabling consumers to satisfy their needs and requirements faster, more easily, and with fewer barriers than before. As consumers grow accustomed to near real-time delivery of digital items, they will come to expect speedier delivery of physical items, currently constrained by fulfillment and delivery limitations.

This emerging consumer empowerment will have major ramifications on the relationships between providers and consumers of brands.

### Marketers Will Face New Acquisition and Retention Challenges as Customers Gain Control

**Fig. 5 Perceived Challenges in Acquiring, Satisfying, and Keeping Consumers**

Question: What do you see as the main challenges to acquiring and satisfying customers over the next few years?  
 Source: JupiterResearch/IAB European Advertisers and Publishers Executive Survey (8/05), n = 27 (advertisers, Western Europe only)  
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As European consumers grow digitally empowered, marketers will face a number of emerging challenges in acquiring and satisfying their target audiences as they become:

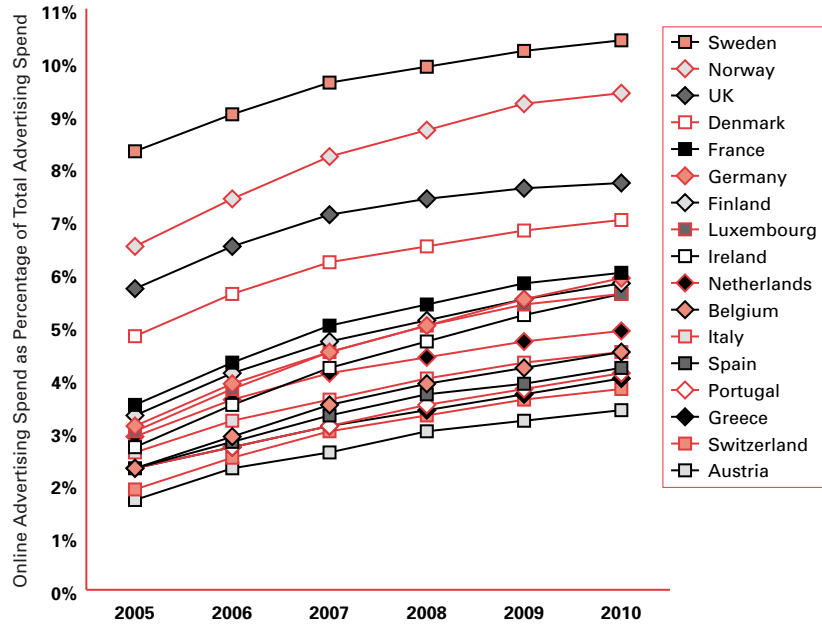
- **Harder to reach.** With the proliferation of easily available digital content, audiences will become increasingly fragmented, and therefore less captive, indulging in more specialized interests and gathering in narrower, niche communities. As a result, the need to deliver

personalized, relevant, and targeted offerings to pinpoint increasingly disaggregated consumers will be a key challenge, as recognized by 63 percent of marketers surveyed.

- **Harder to engage.** On the one hand, consumers will be increasingly overloaded with digital information, and on the other hand they will be better equipped to manage their information intake—via search engines, RSS feeds, ad blocking software, and e-mail spam filters. They will be better able to personalize media consumption and filter out unsolicited commercial messages. They will become increasingly intolerant of intrusive or irrelevant advertising, further requiring marketers to improve targeting and create more compelling content.
- **Harder to persuade.** Access to deeper product and pricing information and competitor offerings online will continue to make consumers more savvy about purchase decisions. Coupled with access to informal, consumer-generated online brand feedback, consumers' increased savviness will help develop a personalization of authority and growing cynicism about over-promising advertising messages.
- **Harder to satisfy.** With audiences' increased access to information, whether from organizations or individuals, and the increased ability to gain satisfaction on demand in a 24/7/365 online environment, consumers' expectations of quick and efficient service delivery and fulfilling personal experiences will rise and tolerance of bad experiences will diminish.

**Online Media Will Become Increasingly Important to Influence New Empowered Consumers**

**Fig. 6 European Online Advertising Channel Share, 2005 to 2010**



Source: JupiterResearch Internet Advertising Model, 8/05 (Western Europe only)  
 © 2005 JupiterResearch, a division of Jupitermedia Corporation

Marketers will be forced to evolve their communication strategies in order to place greater emphasis on online channels as consumer grow more empowered. Investment in online advertising will grow steadily over the next five years, from €3.2 billion in 2005 to €6.5 billion in 2010. By this stage, the percentage of total advertising spend allocated to online media will range from 10.4 percent in Sweden to 3.4 percent in Austria. While the level of online and off-line media integration will vary according to marketers' specific circumstances, all will strive for better advertising targeting, less wastage, and greater return on investment. These objectives will help drive spending online and particularly to paid search and keyword-based, contextual advertising. Paid search will grow to be the biggest area of online spend by 2008 (€2.36 billion), when it will surpass display (€2.32 billion). (See *European Online Advertising Forecast, 2005 to 2010*, European Marketing & Branding, August 30, 2005.)

Along with increased expenditure on online advertising media—with 89 percent of marketers surveyed incorporating a URL in their off-line marketing materials—online destination Web sites will become increasingly central to integrated strategies as the primary meeting point between consumers and brands. As such, they will be the key location for marketers to influence and formulate consumers' attitudes and perceptions and develop relationships.

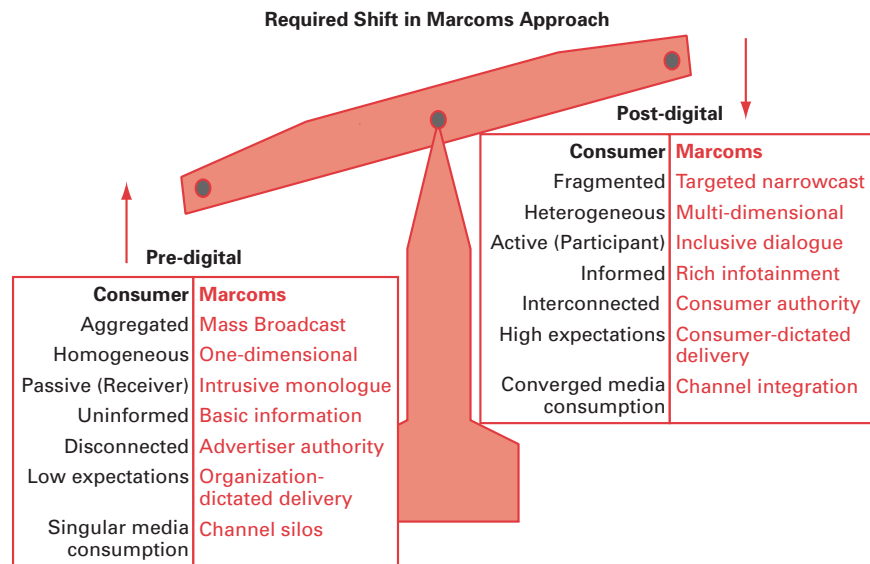
However as marketers strive to more effectively address their evolving audiences, increasing spend on online media alone will not help build better brand communications. As consumers become more confident with the capabilities with which digital technologies endow them, marketers will need to work harder at developing and delivering the types of messages that will resonate.

# Mandate

## Encourage Willing Brand Engagement Among Digital Consumers by Adapting to Their Newfound Powers

### Marketers Must Shift Communication Strategies to Accommodate Empowered Consumers

**Fig. 7 Required Shift in Approach to Marketing Communications Strategy**



JupiterResearch (11/05)  
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As the European consumer becomes ever more digitally empowered, marketers must not only adapt media-buying strategies but also consider evolving their communications thinking. To those individuals more habituated to active participation rather than passive reception of their media consumption, traditional forms of organizationally-led, directive-style mass messaging will become increasingly inappropriate and ineffective.

To build closer, more binding, and mutually beneficial relationships with these prototype consumers, marketers will need to embrace a more consumer-led, conversational approach to communications, where the content and call-to-action of marketing messages is more dialogue than monologue and the method and style of delivery more integrated than interruptive. To garner a favorable response from empowered consumers, marketers will need to deliver targeted and personalized messages, offering interactivity and involvement rather than top-down, broadcast messages that offer simple instruction. As consumers become ever better informed, providing basic product and service information will be inadequate in persuading them of a brand's advantages, requiring marketers to provide unique, deep, and rich content around their brand proposition. In so doing marketers will become more trusted confidants than preaching evangelists in the minds of the target audience. As the new consumer is increasingly exposed to multiple media,

often simultaneously, this new form of marketing communication will also need to be delivered in an integrated and consistent fashion across all channels.

To enact this fundamental change will be a significant undertaking for most marketers and the extent to which it is required will vary by sector. Marketers should undertake an in-depth investigation into the digital behavior and attitudes of their target audiences, gleaned primarily through detailed data analysis, and conduct a thorough cost-benefit analysis before adopting an approach. Emerging measures of brand engagement, rather than simple reach and frequency, should be exploited by marketers to weigh the return from this type of activity. However, with expectations of heightened participation, faster gratification, and a more equitable brand relationship growing among consumers in general, those marketers that fail to adapt their strategies will soon find themselves losing out to more responsive and reactive competitors.

### Respond to Emerging Consumer Traits to Build Effective Online Brand Communications

| Fig. 8 Marketing Strategies to Appeal to the Empowered Digital Consumer | Digital Technology                                     | Consumer Impact           | Required Marketing Response                                       |
|---|--|---------------------------|---|
|   | <b>Ability to access/sift abundance of information</b> | More savvy, well-informed | Improve relevance, targeting, offer access to unique infotainment |
|   | <b>Ability to publish self-expression</b>              | More publicly expressive  | Offer invitation to co-create and contribute                      |
|   | <b>Ability to customize consumption</b>                | More in control           | Offer invitation to participate and personalize                   |
|   | <b>Ability to interconnect and congregate</b>          | More socially networked   | Encourage consumer connections/brand community                    |
|   | <b>Ability to gain satisfaction on demand</b>          | More exacting             | Enable quick and efficient satisfaction of needs                  |
|   | <b>Ability to communicate and interact</b>             | More communicative        | Maintain mutually beneficial dialogue                             |

Source: JupiterResearch (11/05)  
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In order to incentivize and encourage willing brand engagement among consumers, online marketers should play to the advantages their particular target audiences experience due to their digital empowerment. Along with improved relevancy and targeting of messages, and the quick and efficient satisfying of consumer needs, marketer should strive to do the following:

- **Offer access to unique and rich infotainment.** Appeal to both the rational and emotional sides of savvy consumers by offering access to content and concepts that are informative and

entertaining (both, where possible), as well as new and exclusive. With broadband uptake, marketers can increasingly offer infotainment value through the use of multimedia, audiovisual branded content. For example, BMW offered unique 60-second animated content showcasing its new M5 car at [www.roadmonster.co.uk](http://www.roadmonster.co.uk). Volvo's Life on Board and Mystery of Dalara campaigns both feature online video content as integral to the activity. Virgin Atlantic launched New York travel guides via an online podcast service, and Jaguar Cars produced an online golfing game at [www.jaguarurbangolf.co.uk](http://www.jaguarurbangolf.co.uk) to engage its audience.

- **Offer invitation to co-create and contribute.** Appeal to consumers' increased ability to publish their self expression by enabling them to co-create and contribute to marketing communications, whether by inputting their own written or audiovisual content or simply entering a competition or poll. Sony Ericsson broadened awareness of its K300i handset model and generated brand interest and involvement by allowing consumers to upload photos to an online gallery at [www.shameacademy.com](http://www.shameacademy.com). Fanta encouraged its audience to write their own subtitles to a Bollywood-esque movie clip for its Shokata brand. Sony launched a Summer of Freedom campaign with consumer videoblogging for its PlayStation.
- **Offer invitation to participate and personalize.** Marketers who develop campaigns with consumer participation at the core, whether through providing consumers with opportunities to contribute feedback, opinions, voting, or input their own details, will likely generate interest and buzz. Dove's Campaign for Real Beauty encouraged participation in the discussion and generated considerably wide attention. Furthermore, putting consumers in control of communications and their Web experience, by inputting personal details or asking their preference, is likely to resonate with the audience.
- **Encourage connections and communities.** Facilitating consumers' interconnections and ability to congregate within social networks around ideas and issues, products, and services will benefit brands. Building "fan sites" and communities around brands and thereby acting as a platform will help harness the multiplication effect of networked, peer-to-peer, viral communication, and thus spread positive brand messages among consumers. Nivea exploited the social networking aspect of the Internet in the Easy Fridays campaign for its Nivea Soft product, which empowered its young adult female audience to organize their nights out together.
- **Maintain mutually beneficial dialogue.** Marketers must demonstrate that they are listening to and learning from consumer interactions. By being responsive to consumers' incoming messages and behavior (e.g., turnaround response times on incoming e-mail, remarketing e-mail based on behavior, behavioral targeting) and interpreting consumer data from all sources, marketers should be able to develop mutually beneficial and long-lasting relationships.

## Case Study

### Online Consumer Participation at the Heart of Dove's "Campaign for Real Beauty"

**Participants:** Dove is the largest 'personal care' brand owned by Unilever, offering a full range of products, including soap, shampoo, deodorant, and a skin care range, across more than 80 markets globally. OgilvyOne is its international, integrated marketing agency.

**Goals:** In order to achieve aggressive growth targets, OgilvyOne was set the challenge of increasing cross-sell of Dove products among its existing global customer base, revitalizing and modernizing the 50-year-old brand image to appeal to new users, and creating standout communications in a highly competitive marketplace.

**Execution:** Following a global study of women's perceptions and attitudes of beauty and the portrayal of beauty in advertising, which revealed a feeling of dissatisfaction and pressure among respondents, Dove set out to change the nature of beauty advertising and initiated a "Campaign for Real Beauty." It sought to capture the imagination of its female target audience on a global scale.

The intention of the campaign was to raise consciousness of the issues surrounding beauty and to challenge long-held stereotypes. It invited women's active participation and debate in broadening the definition of beauty in a large-scale international campaign with online at its core. It encouraged viewers to join the debate. While media spend was largely off-line, the Web site and interactivity in general played a central and integral role in realizing the campaign. Dove became a brand platform for a larger discussion about an issue, creating a forum for women to participate in a dialogue and debate about the definition and standards of beauty in society.

Integral to the campaign was the creation of the Web site, [campaignforrealbeauty.com](http://campaignforrealbeauty.com).

The site offered multiple ways to participate, including: Signing a virtual pledge book to support donations to uniquely ME! (a program to help boost young girls' low body-related self-esteem); voting on examples of beauty, allowing consumers to choose between two possible responses to animated images of real women; themed discussion boards where participants could state their views and engage other users with new questions and opinions; the ability to upload a headshot photo and caption on beauty to Dove's Million Faces album; the ability to invite a friend to participate through entering their contact details; the option to contact Dove about issues of beauty and products; watching videos of live Dove events and finding out more information.

**Economics:** While the campaign was a multimillion-dollar activity across many countries, the coverage and general buzz it generated in the media more than paid for itself. From a European perspective, the UK campaign had extensive coverage on three TV networks, 14 radio stations, 23 newspapers, and nine Internet sites. It generated €7 million worth of media by press coverage alone. The result was similar in Germany, France, and other countries where the campaign went out. Sales of Dove Firming Lotion in the UK alone increase from 280,000 bottles in 2003 to 2.3 million in the first half of 2004.

**Bottom Line:** This campaign was only possible through interactive, online media, which formed the core of the integrated campaign. On average, consumers spend six minutes on the site and view seven pages. In 2005, the Web site is rolling out across 16 European markets. Along with building brand awareness and normal benefits achieved through an advertising campaign, the debate generated lots of positive spin-off PR, especially among female journalists. It also generated much online discussion among female consumers.

## Report Methodology

The core of JupiterResearch's products is the perspective and opinion of JupiterResearch's professionals. JupiterResearch's analysts are immersed in the industries they cover through ongoing contact with corporate and technology leaders, daily study of trends and events in the online world, and their collective professional experience. Individual analysts' perspectives are filtered through rigorous collective debate and deliberation, producing research that reflects the combined sensibility of JupiterResearch's entire team.

Analysts' perspectives are enhanced and refined through JupiterResearch-designed market research. JupiterResearch uses many data research tools, including consumer surveys, systematic polling of leading industry executives, comScore Media Metrix measurement data, and a rigorous approach to building market forecasting models. Specialists with JupiterResearch's data research group assist analysts in the technical development of these tools, such as survey design, sample building, data weighting, and data analysis.

This report benefited from a number of specific market research projects, described below.

### **JupiterResearch/IAB European Advertisers and Publishers Executive Survey**

To gain an insight into corporate strategies and macro-level trends, JupiterResearch, in conjunction with the European Internet Advertising Bureau (IAB), conducted a formal survey of leading advertising and publisher executives within market-driving companies. JupiterResearch and the IAB surveyed 80 companies, a sample based on JupiterResearch judgment of the most important and representative firms in this space. Executives from these companies were contacted via e-mail requesting their participation in the survey, with the questionnaire attached; this was followed up with a telephone interview between the executive and a JupiterResearch analyst. Although the sample is not fully inclusive, JupiterResearch believes that the high positions held by respondents and the relatively low number of total companies in this sector make the data directionally indicative and illustrative of important market trends.

### **Jupiter Research/Ipsos Consumer Survey**

For the UK, France, Germany, Spain, and Italy all information was collected via Capibus, Ipsos's face-to-face weekly omnibus survey. Capibus uses state-of-the-art CAPI (computer-assisted personal interviewing) technology to interview at least 1,000 adults a week in each of these countries, and the sample is rigorously controlled to be random and representative of the national adult populations. In Sweden, Ipsos uses a preferred local supplier to carry out interviewing by telephone omnibus. The supplier works to Ipsos's strict guidelines to ensure the data is representative of the national adult population and of a

high quality. All data processing and final quality control checks are carried out in-house by Ipsos.

Capibus uses a random or random location sampling design to select survey respondents. Each week Ipsos interviewers are given carefully selected areas of up to circa 100 addresses in which to work. At each location—a Capibus survey will use up to 250 random locations per week in any one country—quotas for age, sex, occupation, and working status are set; in France, housing type is included. This ensures that the survey sample is representative at a national level.

In Sweden, where a telephone omnibus is used, respondents are selected at random through random-digit dialing. Quotas are set for age, sex, working status, and occupation to control the sample and ensure it is nationally representative of each country.

## JupiterResearch European Internet Advertising Model

### Drivers and Inhibitors

**Online population.** The first lever in JupiterResearch's forecast is the size of the online audience. Expected growth in the online population provides the most substantial boost to market size. Increased penetration in less sophisticated markets such as Spain and Greece will be key.

**Broadband adoption.** Increased adoption of broadband in all markets will attract advertisers.

**Time online.** Increased time spent online will improve the Internet's status among reach- and frequency-focused advertisers.

**Online tenure.** As Internet users' tenure increases, they will increasingly use the Internet to inform their online and off-line purchase decisions. As the influence of the Internet over consumers increases, advertisers will reevaluate the weight they give to the off-line channel in the media mix.

**Political and economic environment.** Falling financial markets and uncertainty hindered economic recovery and had a direct impact on Europe's online ad market.

**Shift in spend.** Share of total advertising spend that is spent online is driven by growing understanding of the advantages of the Internet (e.g., cost efficiency and accountability).

### Analogous Markets

**Traditional advertising market.** JupiterResearch quantified the changes in the traditional advertising market and the impacts upon it by external factors to inform future growth patterns of the online ad market

**US online advertising market.** JupiterResearch made reference to the evolution of the US online ad market to analyze the future impact in Europe of factors such as online tenure, time spent online, and broadband adoption.

## Definitions

The forecast model does not include advertising expressly developed for wireless and interactive television platforms. Although these two segments are important in understanding the full interactive advertising landscape, the unique market dynamics of these segments warrant that they are analyzed separately from the broader Internet environment.

**Display.** JupiterResearch defines display advertising as graphical or text-only commercial messages—paid for on a fixed-fee, CPM, or performance basis—featured on a Web site, online service, or other interactive medium (e.g., instant messaging). It excludes creative and development costs, Web site build and maintenance costs, trafficking and implementation costs, and other forms of interactive marketing spending not directly related to the purchase of advertising space from online media owners. The model also excludes barter transactions, given the inherent difficulty in evaluating the true value of such exchanges.

**Paid search.** JupiterResearch defines Paid Search as money spent on securing placement of commercial messages (and click-through links) displayed as a result of a user-initiated search request. It includes programs provided to advertisers by the likes of Google, Yahoo! Overture, MSN, AskJeeves, and Miva, such as paid listings and sponsored links, where fees are usually determined by keyword auction/bidding and price paid dependent on volume of click-throughs (called pay-for-performance or pay-for-click). It also includes paid inclusion, where advertisers pay for the right to be automatically and periodically included in a search engine index, either by regular harvest (pull) or submission (push). It does not include money spent on Web site optimization to achieve natural or organic listings or keyword-related contextual advertising, through programs such as Google AdSense.

**Classified.** JupiterResearch defines online classified advertisements as listings fees paid to online publishers to advertise particular products, services, and employment opportunities, including B-to-C advertising as well as private-party listings, and online peer-to-peer and B-to-C auctions listings. The categories covered in this forecast are recruitment, real estate, automotive, and general merchandise for sale or auction. It excludes the following types of ancillary revenues from online classifieds forecasts:

- Banner advertisements on classifieds sites
- Paid search listings
- Revenues from lead generation (e.g., autobytel.com)
- Directory-type listings, which advertise companies rather than individual products or services (e.g., Yellow pages)

**E-mail.** JupiterResearch defines e-mail advertising as the sending, or sponsorship, of permission-based, commercial e-mail messages to consenting consumers for the purpose of customer acquisition. This includes the following:

- **Acquisition e-mail.** This type of e-mail advertising is used to directly target new prospects typically through the purchase or rental of qualified e-mail lists from third-party list owners or brokers.
- **Sponsored e-mail.** This type of e-mail advertising takes the form of display ads, whether graphical or text only, placed in third party e-mail newsletters, which are sent to a pre-defined and targeted opted-in audience.

It excludes the following:

- Retention e-mail marketing, which consists of sending e-mail communications to in-house e-mail databases for customer retention, development, and loyalty purposes. It is excluded because this activity does not involve a media buy from the marketer.
- Unsolicited commercial e-mail, or 'spam'



*JupiterResearch provides analyst research and advisory services to help companies develop, extend and integrate business strategies across online and emerging channels. Backed by proprietary data, JupiterResearch's industry-specific analysis, competitive insight and strategic advice give businesses the tools they need to exploit new technologies and business processes. JupiterResearch is headquartered in New York City with offices throughout the United States and around the world. For more information on JupiterResearch's services, including syndicated research and custom research tailored to the specific needs of your business, visit [www.jupiterresearch.com](http://www.jupiterresearch.com), e-mail [researchsales@jupiterresearch.com](mailto:researchsales@jupiterresearch.com) or call 800 481 1212 (North America), +44 (0) 20 7903 5020 (Europe) or +1 212 389 2032 (rest of world).*



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