



Australian Media Landscape Trends

September 2020



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Contents

Infographic	03
Executive summary	04
What caused the decline in Australian newspaper revenues?	06
Where did the growth of online search revenues come from?	12
How have reader preferences changed over time?	17
Appendix	21

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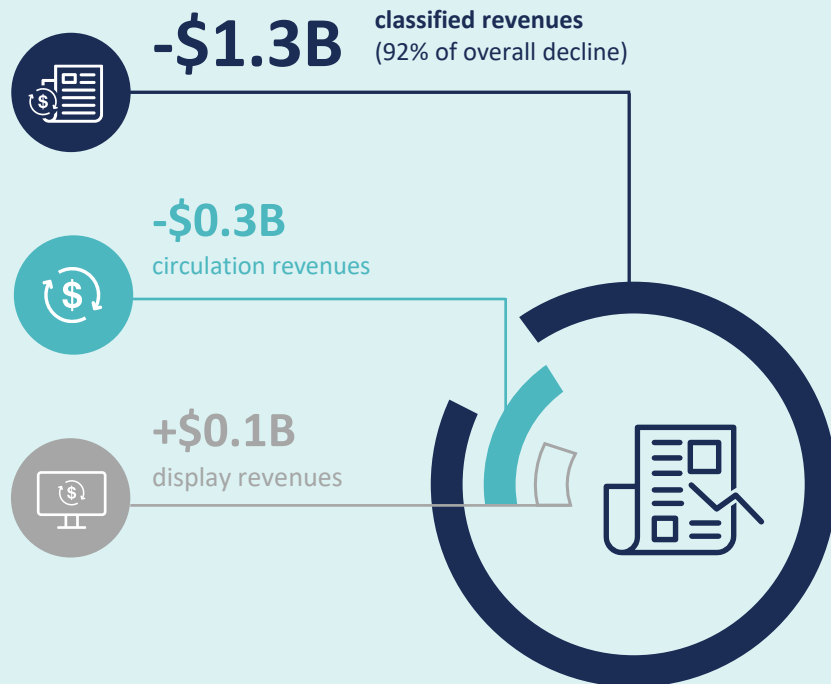
Note: All dollar figures are Australian dollars (AUD).

Australian media landscape trends

Newspaper revenues have declined

↓ **\$1.4B**

from \$4.4B in 2002 to \$3.0B in 2018 in nominal terms



In the past two decades, the overall advertising market has grown

 **\$7.7B**

Online search revenues have grown

↑ **\$3.5B**

from \$0.1B in 2002 to \$3.6B in 2018


+\$0.8B
captured revenues from
print directories


+\$2.7B
from overall advertising
market growth

A close-up photograph of a stack of newspapers, with the pages fanned out and slightly curved. The newspapers are resting on a black computer keyboard, with several keys visible in the foreground. The lighting is soft, highlighting the texture of the paper and the keys.

Executive summary

The Australian media landscape has fundamentally changed in the past two decades. The internet democratised how content is created and consumed, enabling new channels of communication between businesses and consumers.

These changes have significantly disrupted traditional newspaper revenues, which have fallen by almost a third as the market for printed classified advertisements dissolved.

Between 2002 and 2018, newspaper revenues fell \$1.4 billion, from \$4.4 billion to \$3.0 billion. Ninety-two percent of the decline was from the loss of classifieds, which contributed \$1.5 billion of newspaper revenues in 2002, but just \$0.2 billion by 2018. Most of these classified revenues have been captured by online pure plays: digital-only businesses that target specific niches such as job advertisements, second-hand goods, or real estate listings. Almost none was captured by Google.

Compared with classifieds, other newspaper revenue streams – circulation and display advertising – have been relatively stable, with most (78%) of the losses from print offset by gains in online over the past two decades. While print circulation revenues fell \$0.5 billion in the 16 years to 2018, this was offset by a \$0.2 billion increase in online circulation. And while print display advertising revenues fell \$0.4 billion, online display revenues grew \$0.5 billion.

Executive summary

Advertising and search revenues

Australian advertising revenues – including display, classifieds, search, television, radio and other categories – have grown overall despite the fall in newspaper advertising. The total Australian advertising market grew \$7.7 billion in 16 years to reach \$16.6 billion in 2018. This equated to an average annual growth rate of 4.0% (CAGR) over the period.

Online search advertising grew from \$0.1 billion in 2002 to \$3.6 billion in 2018. Three-quarters of that was captured from new opportunities as the overall advertising market grew. The remaining 24% of online search revenues was captured from traditional print directories (\$0.8 billion).

Classified revenues grew from \$1.6 billion to \$1.9 billion between 2002 and 2018. However, newspapers yielded share in the classified market to online ‘pure plays’: real estate listings sites; online job boards; automotive classifieds and others.

Reader preferences

Globally, the demand for news has remained strong. Print circulation has remained stable in the five years to 2018, while paying digital audiences have grown rapidly. Global print circulation fell by just 0.5% between 2013 and 2018. In the same period, digital circulation volumes increased by 307% to reach 31.5 million paying subscribers. Overall, the slight dip in print circulation volumes of 3 million was more than offset by the 26 million increase in paid digital subscriptions.

More Australians are reading the news, and are doing so more frequently than in the past. Total news readership – including readers of print and online publications – is higher than in 2002 and 82% of news readers say they access news at least once a day, with 56% of people doing so more frequently.

A majority of Australians (52%) still prefer to access their news offline, including via TV, radio and printed newspapers. But consumer preferences are shifting. The share of Australians who prefer offline news has fallen 4ppt from 56% in 2017. Social media is also becoming an increasingly prominent source of news. More than 1 in 5 (21%) Australian adults now use social media as their primary source of news (+5ppt from 2017).



1

What caused the decline in Australian newspaper revenues?

Australian newspaper revenues have declined significantly over the last two decades

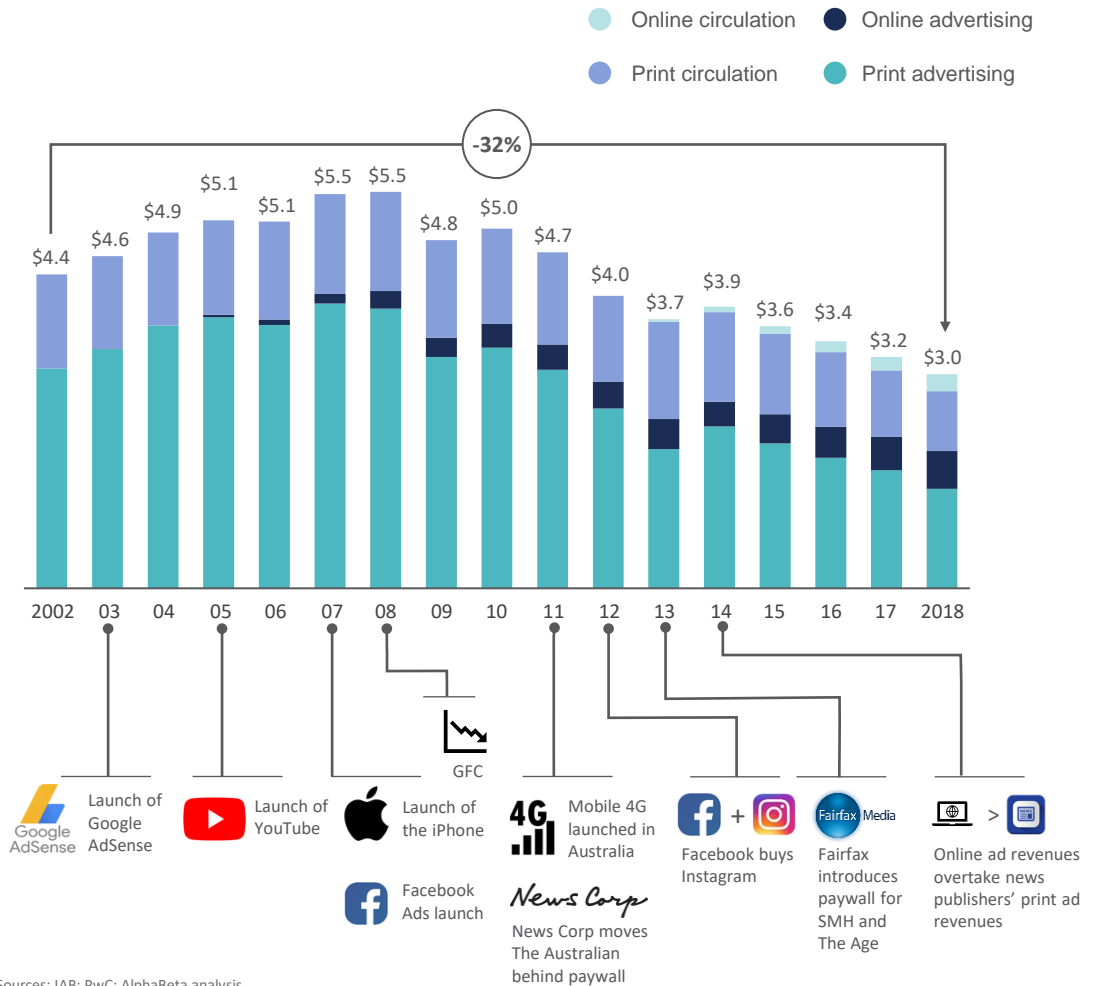
Australian newspaper revenues have fallen by almost a third from \$4.4 billion in 2002 to \$3.0 billion in 2018.¹

In 2002, newspaper revenues totalled \$4.4 billion across online circulation, print circulation, online advertising, and print advertising. Revenues peaked in 2008 at \$5.5 billion, before falling significantly during the global financial crisis.

Between 2002 and 2018 total newspaper revenues fell by \$1.4 billion, to \$3.0 billion. This amounted to a 32% fall.

This period was characterised by significant innovation in the media sector. New advertising developments included Google AdSense which launched in 2003, YouTube in 2005 and Facebook ads in 2007. There were also changes in consumer behaviour associated with the launch of the iPhone in 2007, the growth of mobile technologies and devices and the advent of ubiquitous high speed mobile broadband.

Australian newspaper revenues over time
Nominal \$AUD billions, 2002-2018



¹ (2019) PwC, *Entertainment and Media Outlook 2019 – 2023*; (2013) Franco Papandrea, *State of the Newspaper Industry in Australia*.

The loss of classifieds accounts for 92% of the overall newspaper revenue decline

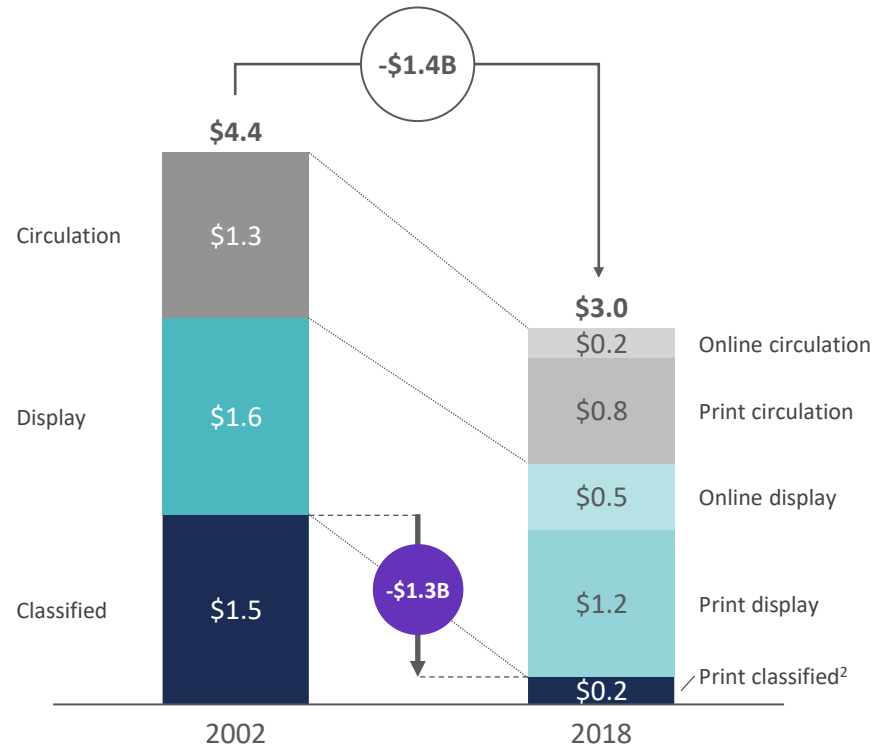
The total decline of \$1.4 billion between 2002 and 2018 involves a significant change across the segments of newspaper revenues.¹

Circulation revenues declined from \$1.3 billion to \$1.0 billion between 2002 and 2018. Print circulation declined from \$1.3 billion to \$0.8 billion, which was partially offset by an increase in online circulation of \$0.2 billion.

Display advertising revenues increased from \$1.6 billion to \$1.7 billion between 2002 and 2018. This involved a \$0.4 billion decrease in print display advertising, offset by an additional \$0.5 billion from advertising on online news sites.

Most of the overall \$1.4 billion decline has come from the loss of newspaper classifieds. These small, pay-per-line advertisements contributed \$1.5 billion – over a third – of newspaper revenues in 2002. But by 2018, newspaper classifieds generated just \$0.2 billion, accounting for 92% of newspapers' total revenue decline over the period.

Australian newspaper revenues
Nominal \$AUD billions, 2002-2018



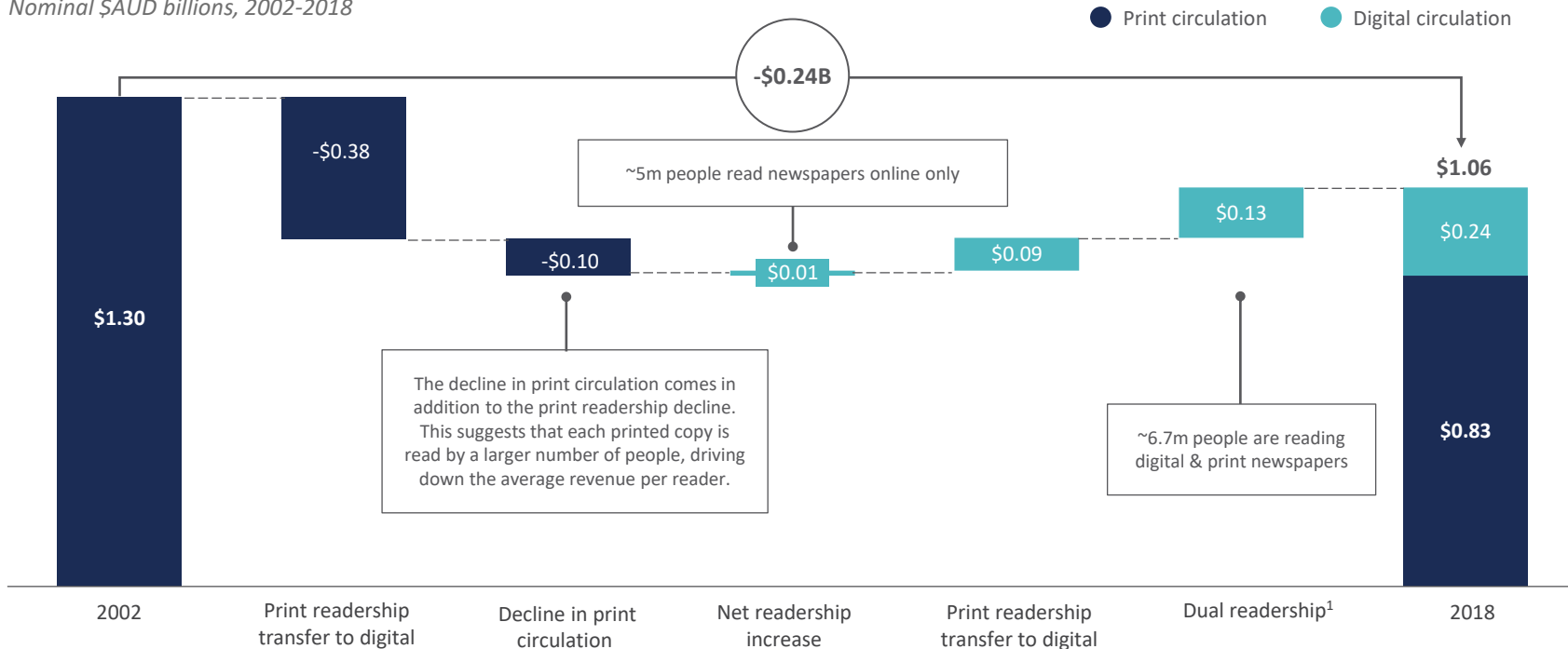
Note: Components may not sum exactly to totals due to rounding.

Sources: IAB Online Advertising Expenditure Report; PwC Entertainment and Media Outlook; AlphaBeta analysis.

1 (2019) PwC, *Entertainment and Media Outlook 2019 – 2023*; (2013) Franco Papandrea, *State of the Newspaper Industry in Australia*; AlphaBeta analysis.
2 Newspaper classified revenues are assumed to include print classifieds only, although some offer free digital classifieds or have readers advertise on affiliated digital classifieds businesses such as Domain and Seek.

Circulation revenues have fallen \$0.24B due to losses in print, and lower per-reader digital subscription fees

Changes in newspaper circulation revenues
Nominal \$AUD billions, 2002-2018



Circulation revenues for newspapers fell \$0.24 billion between 2002 and 2018, reflecting a fall in print revenue offset by digital growth.

Print circulation fell \$0.48 billion, of which almost 80% was due to readers switching from print to digital subscriptions.² The remaining \$0.1 billion was lost to a general decline in print readership.

Meanwhile, digital circulation revenue grew \$0.24 billion, offsetting half of the print decline. This includes \$0.01 billion from new online readers and \$0.13 billion from dual readers, who subscribe to both digital and print.³

The remaining \$0.09 billion was gained from the print readers transferring to digital subscriptions.³

This was lower than the loss of print circulation revenue because the average price is lower for digital subscriptions.

Newspaper circulation revenues totalled \$1.06 billion in 2018, comprising \$0.24 billion (24%) from digital and \$0.83 billion (76%) from print.

1 Dual readership refers to people who read both digital and print newspapers, and accounts for the additional revenue from adding digital subscriptions to readers' print subscriptions. 2 (2019) PwC, *Entertainment and Media Outlook 2019 – 2023*; (2013) Franco Papandrea, *State of the Newspaper Industry in Australia*. 3 (2008) Australian Press Council, *State of the News Print Media in Australia*; (2018) Roy Morgan, 'Newspaper masthead readership grows to 15.9 million'; (2019) Roy Morgan, 'Over 15.7 million Australians read newspapers in print or online'. Note: Decomposition of circulation revenue is indicative due to data limitations. Components may not sum exactly to totals due to rounding. Exhibit sources: PwC; Roy Morgan; AlphaBeta analysis.

Newspaper display advertising revenues have grown overall due to digital gains

Newspaper display advertising revenues have grown modestly since 2002, increasing a total of \$0.1 billion in the 16 years to 2018.

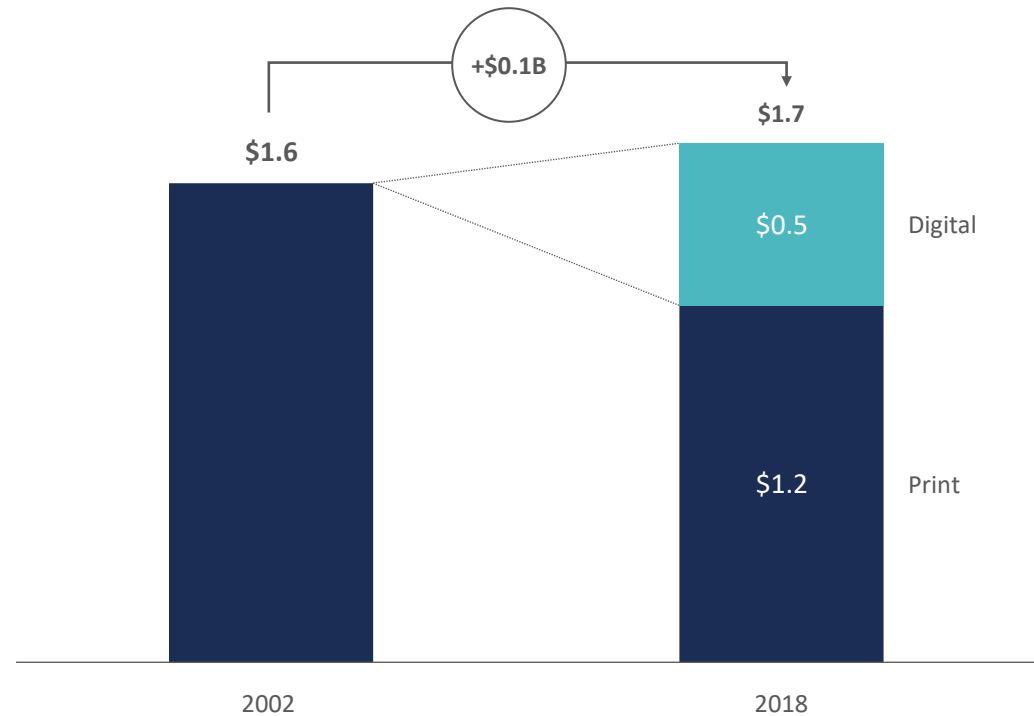
As of 2018, newspapers generated a total of \$1.7 billion in display advertising revenues, including print advertisements and advertisements displayed on their websites.

Revenue from print display advertising fell by a quarter (\$0.4 billion) during the period, from \$1.6 billion in 2002 to \$1.2 billion in 2018.¹

However, these losses have been more than offset by early gains in digital display. As more consumers access the news on their computers and mobile devices, newspapers' online audiences and digital advertising revenues have grown.

Digital newspaper display advertisements have grown from nascency in 2002 to a market that generated \$0.5 billion in 2018. Online advertisements now account for 29% of newspaper display advertising revenues.¹

Newspaper display advertising revenues
Nominal \$AUD billions, 2002-2018



Sources: PwC Entertainment and Media Outlook; State of the Newspaper Industry in Australia; AlphaBeta analysis.

¹ (2019) PwC, *Entertainment and Media Outlook 2019 – 2023*; (2013) Franco Papandrea, *State of the Newspaper Industry in Australia*; AlphaBeta analysis.

Online, 'pure play' sites have captured the majority of classified revenues

The loss of classified advertising has been a major driver of total newspaper revenue decline.

Classified advertisements include short, highly targeted advertisements that may be posted by either businesses or individuals in a specific section of newspapers or on specialised listings sites such as Domain, Carsales and seek.

In 2002, newspapers had 96% of classified revenues. By 2018 the total classified advertising market had grown to \$1.9 billion, but newspapers accounted for only 12% of the market.¹

Newspapers yielded share in the classified market to online pure plays – digital-only businesses like Seek, Domain and Carsales that focus on specific vertical markets.

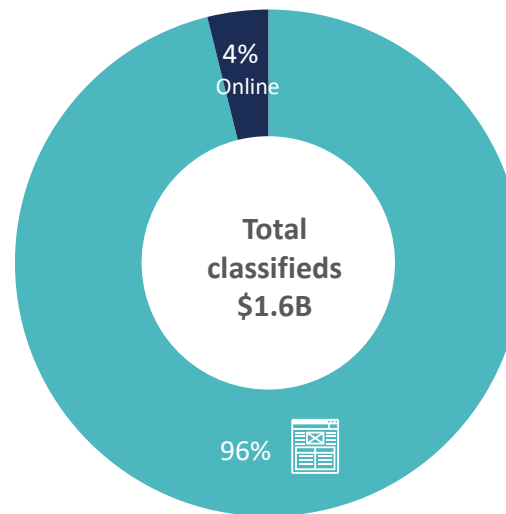
Real estate classifieds moved from print newspapers to REA and Domain which gained a combined 40% share of total classified advertising revenues by 2018.² A significant share of job advertisements moved from print classifieds to online, with the largest online player Seek capturing a fifth of the total classified advertising market between 2002 and 2018.³ Automotive classifieds also moved online, with Carsales capturing 12% of the total classified market. Other online players including eBay captured 16% of classified revenues in 2018.

As of 2018, newspaper classified revenues amounted to \$0.2 billion.

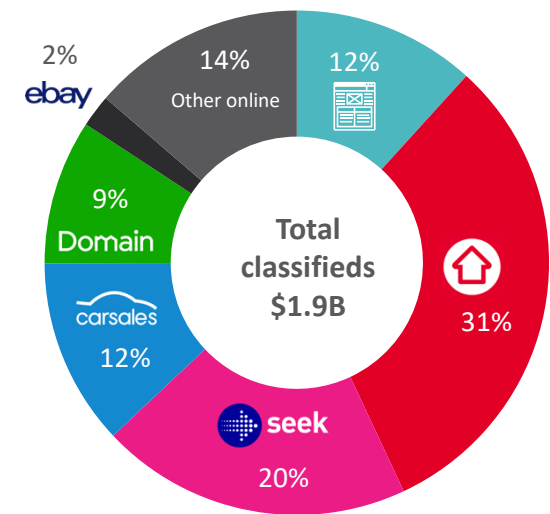
1 (2019) PwC, *Entertainment and Media Outlook 2019 – 2023*; (2019) IAB, 'Online Advertising Expenditure Report – Quarter Ended Dec. 2019 (CY18)'; (2013) Franco Papandrea, *State of the Newspaper Industry in Australia*; AlphaBeta analysis. 2 (2019) REA, *Annual Report 2018*; (2019) Domain, *2018 Annual Report*; AlphaBeta analysis. 3 (2018) Seek, *Seek Limited FY18 Results Presentation*; (2019) Seek, *2018 Annual Report*; AlphaBeta analysis

Classified advertising revenues, print newspaper vs online
Nominal \$AUD billions, 2002-2018

2002: Newspaper share 96%



2018: Newspaper share 12%



Note: Newspaper classified revenues are assumed to include print classifieds only, although some offer free digital classifieds or have readers advertise on affiliated digital classifieds businesses such as Domain and Seek. Classified revenues from pure play sites have been sourced from financial disclosures and exclude other sources of advertising revenue such as display advertising. Seek's classified revenue has been estimated from its total advertising revenue as no advertising split is available. Components may not sum exactly to totals due to rounding.
Sources: IAB Online Advertising Report; REA; Domain; Seek; Carsales; AlphaBeta analysis.



2

Where did the growth of online search revenues come from?

The advertising market grew significantly despite print revenue declines

The total Australian advertising market grew \$7.7 billion from \$8.9 billion in 2002 to \$16.6 billion in 2018. This equated to 4.0% average year-on-year growth (CAGR) over the period.

Underneath this headline growth rate there was substantial reallocation across the major components.

Many of the established broadcast segments such as television and radio grew modestly. Television advertising revenues grew from \$2.7 billion to \$3.6 billion (2% CAGR). Radio advertising revenues grew from \$0.7 billion to \$1.2 billion (3% CAGR).

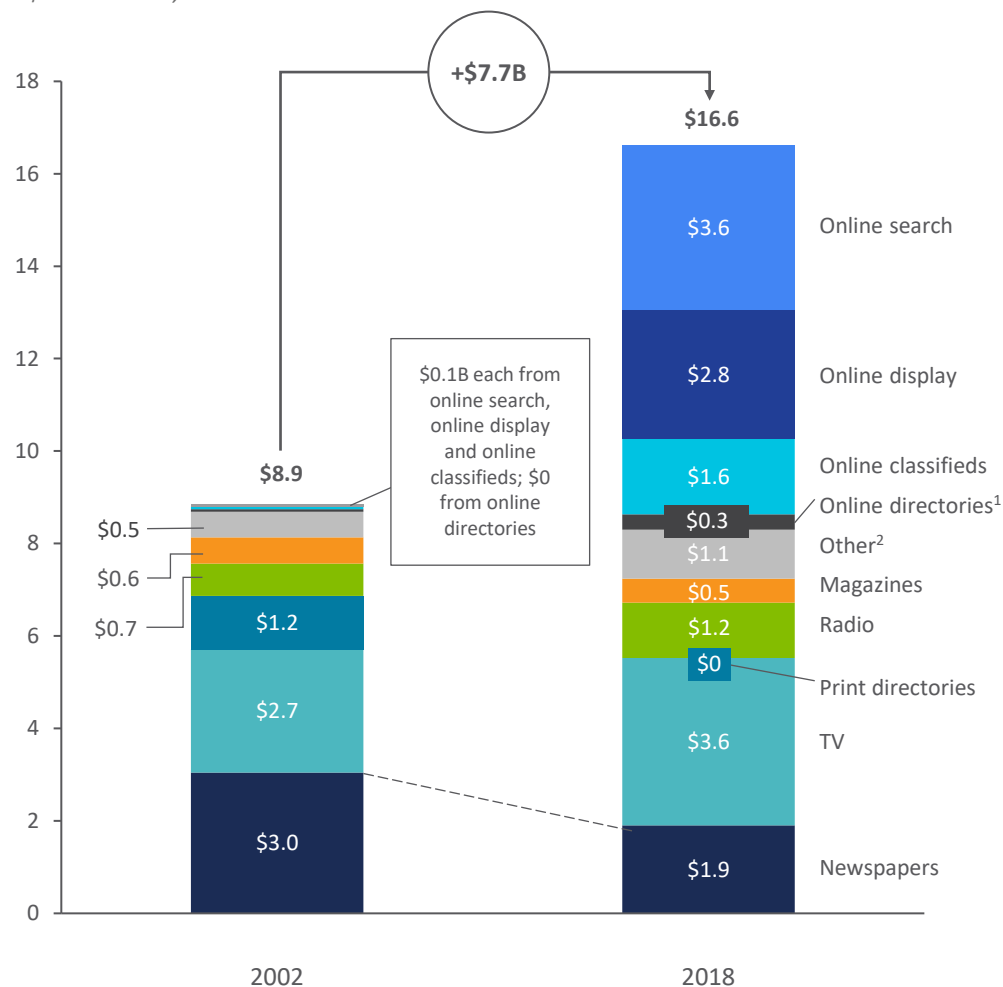
The established print segments fell over time. Magazines fell from \$0.6 billion to \$0.5 billion (-0.6% CAGR). Newspaper advertising revenues fell from \$3.0 billion to \$1.9 billion (-2.9% CAGR).

This was offset by rapid growth in online segments. Online search revenues grew from \$0.1 billion to \$3.6 billion (30% CAGR). Online display revenues grew from \$0.1 billion to \$2.8 billion (28% CAGR) and online classifieds grew from \$0.1 billion to \$1.6 billion (23% CAGR).

Online search has captured 35% of all advertising growth between 2002 and 2018, to be 21% of the overall market.

1 Online directories are sites such as TrueLocal and Yelp, which list business names, reviews and other details. 2 'Other' category includes outdoor/out-of-home and cinema advertising.

Australian advertising revenues
Nominal \$AUD billions, 2002-2018



Note: 'Newspapers' category includes print classifieds, and display advertising both in print and on newspapers' online sites. Online search, display and classified revenues exclude online newspaper advertising. Sources: IAB Online Advertising Expenditure Report; PwC Entertainment and Media Outlook; AlphaBeta analysis.

Online search, display and classified advertising revenues totalled \$8.5B in 2018

.....

Online search, display (including social display) and classifieds accounted for just over half (51%) of the overall advertising market in 2018.

Of the total \$8.5 billion spent on these online advertising categories in 2018, search accounted for \$3.6 billion.¹ Most of Australia's online search revenues go to Google, which has a 96% share of the online search market. This is not an area that has traditionally competed with news publishers.

Regular online display advertising – in which advertisers display content on third-party websites – was valued at \$1.8 billion.² Newspapers accounted for 29% of this market, and Google has a small share via its AdSense revenue (4%).³

Online display advertising on social media platforms was valued at \$1.5 billion in 2018. Google accounts for a small share of this, primarily through its YouTube platform which makes up 8% of this component. Note YouTube's share reflects net revenue, excluding payments to publishers.

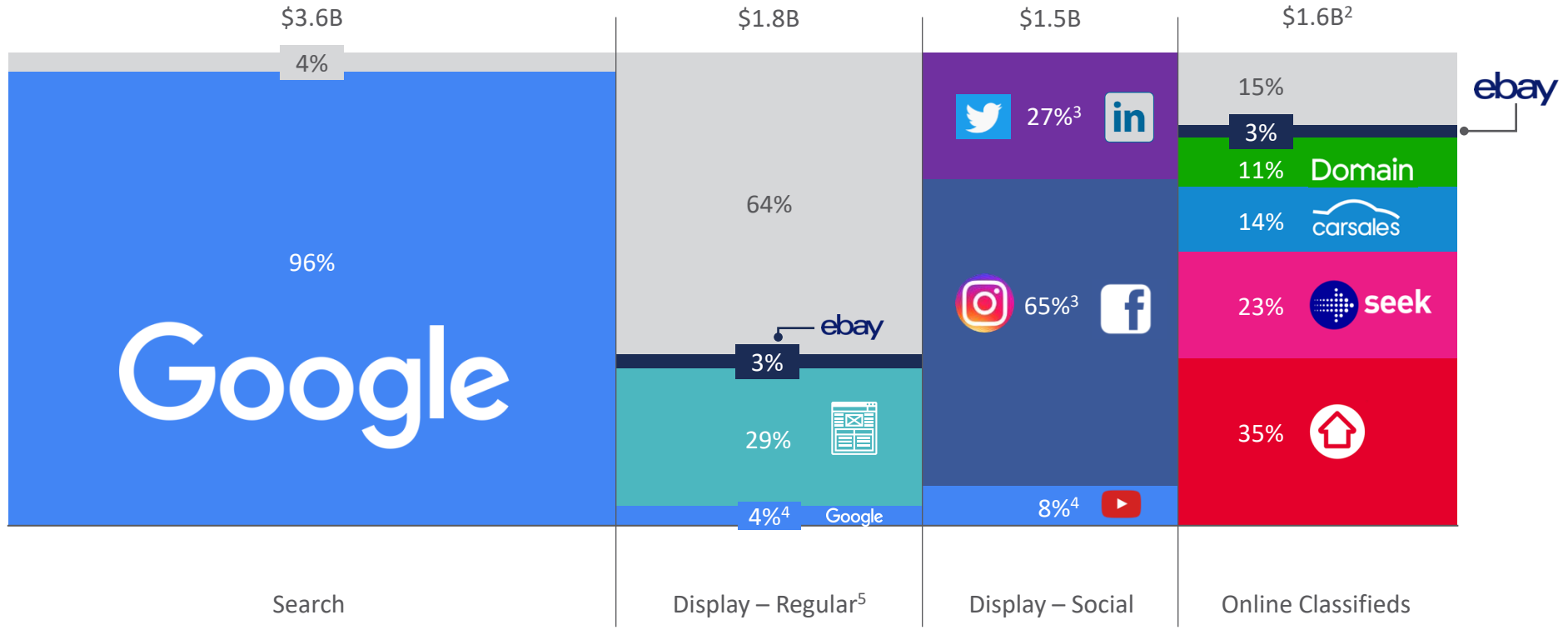
Online classifieds were valued at \$1.6 billion in 2018 in Australia.⁴ Google has virtually no presence in this market which has been the largest source of newspaper revenue loss.

1 (2019) IAB, 'Online Advertising Expenditure Report – Quarter Ended Dec. 2018 (CY18)'. \$8.5 billion figure excludes online directories. 2 (2019) PwC, *Entertainment and Media Outlook 2019 – 2023*; (2016) Morgan Stanley, *Australia Media, internet and Technology*; AlphaBeta analysis. Includes statistics for online and social display advertising categories. 3 (2018) Alphabet Inc, *United States Securities and Exchange Commission: Form 10-K for the fiscal year ended 31 December 2018*; Google, 'AdSense revenue share'; (2011) Doubleclick (Google), *What's Trending in Display for Publishers?*; AlphaBeta analysis. 4 See footnote 1 above.

Online search, display and classified advertising revenues totalled \$8.5B in 2018

Estimated online advertising market share¹
% of market revenue, 2018

Online video advertising generated \$1.4B in 2018, and sits predominantly in the \$3.3B of display ads (regular and social)



- Google
- Seek
- Domain
- REA
- eBay
- Carsales
- Newspapers (digital)
- Facebook⁶
- Other websites⁷
- Other social media

1 Excludes online directories. 2 Online classifieds account for \$1.6B of the total \$1.9B generated by print newspaper and online classifieds. Components may not sum exactly to totals due to rounding. 3 The market share of social media platforms such as Facebook, LinkedIn and Twitter are estimated based on secondary research that is not explicit about how payments made to content creators are treated; 4 Google's display ad revenues are expressed in net terms, excluding payments to content creators; 5 Non-social media display, largely traditional websites and content publishers; 6 Facebook includes all other social media platforms that it owns (e.g. Instagram); 7 Other websites include all other websites excluding Google, Facebook, Domain, REA, Seek, Carsales, eBay, newspapers and social media. Sources: Alphabet Inc. Form 10-K; REA 2018 Annual Report; Seek 2018 Annual Report; Domain 2018 Annual Report; Carsales 2018 Annual Report; IAB Online Advertising Expenditure Report; Morgan Stanley Research; Statista; DoubleClick; AlphaBeta analysis

Search advertising has grown to \$3.6B, predominantly from new opportunities

The value of online search advertising has grown significantly from less than \$0.1 billion in 2002 to \$3.6 billion in 2018. Google captured a large share of this market over this time period.

Online search advertising grew \$3.5 billion in the 16-year period, which amounts to a CAGR of 30%. Just over three-quarters (\$2.7 billion) of the growth came from new opportunities as the overall advertising market grew. In other words, search won market share over other categories of advertising, but did not actually reduce the absolute value of advertising spend in these other categories.

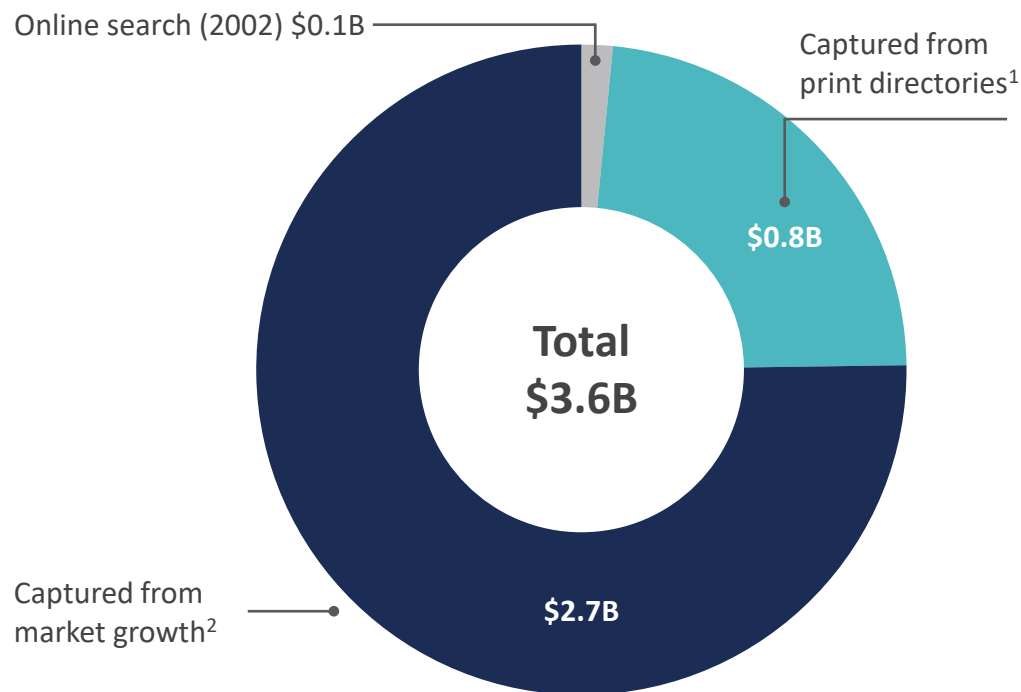
Online search has captured 35% of all advertising growth since 2002.

The remaining \$0.8 billion of online search revenue growth was captured from print directories such as the Yellow Pages and other sources of information. Advertising revenues for print directories have ultimately declined to zero, losing a total of \$1.1 billion since 2002. Of this, \$0.8 billion was captured by online search and \$0.3 billion was captured by online directories such as TrueLocal and Yelp, which list business names, reviews and other details.¹

No other category of media advertising has declined materially in absolute value since 2002 that is attributable to online search.

1 (2019) IAB, 'Online Advertising Expenditure Report – Quarter Ended Dec. 2018 (CY18)'; (2019) PwC, 'Entertainment and Media Outlook 2019 – 2023'; AlphaBeta analysis.

Online search advertising revenues – estimate of sources
Nominal \$AUD billions, 2018



1 This value reflects that the absolute value of advertising dollars from print directories declined by \$1.1B post 2002 (ultimately to zero), with \$0.3B captured by online directories and the remaining \$0.8B captured by online search. No other category of media advertising has declined materially in absolute value since 2002 that is attributable to online search; 2 This value reflects market growth capture resulting from share gain vs. other media advertising categories (i.e. relates to growth other media could have captured if they held share, but does not include any actual reduction in absolute value of ad spend in other media Sources: IAB Online Advertising Expenditure Report; PwC Entertainment and Media Outlook; AlphaBeta analysis

3



How have reader preferences changed over time?

Globally, paying audiences for news continue to grow, driven primarily by digital circulation

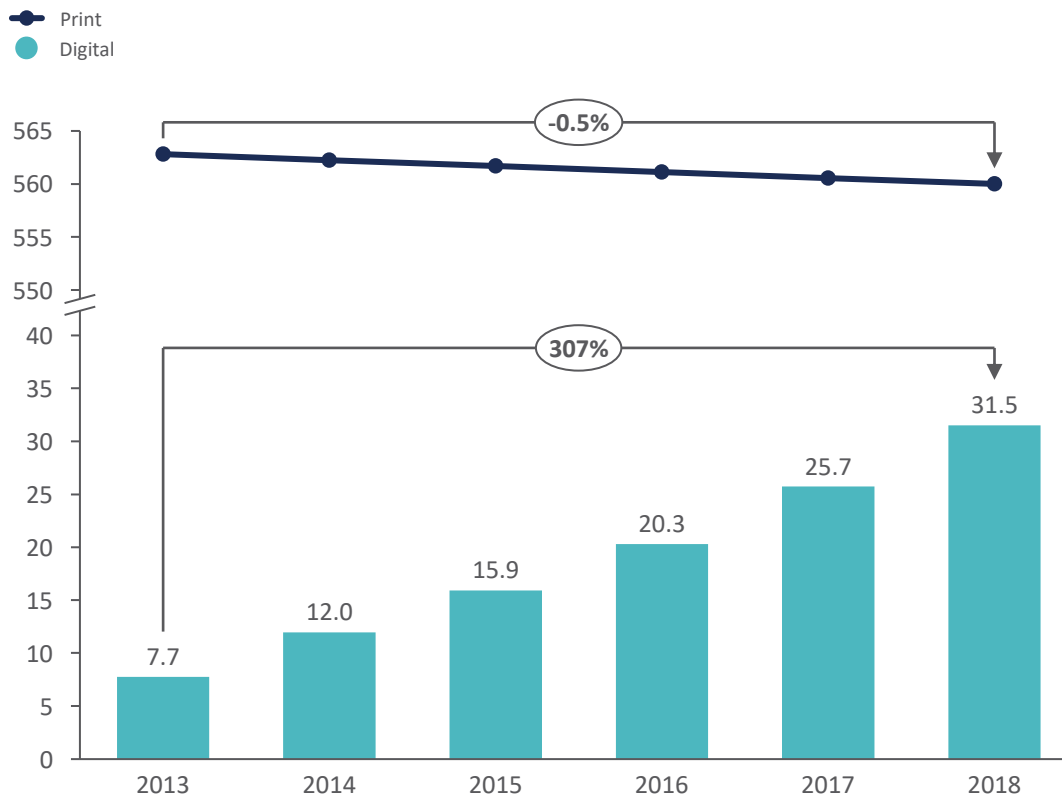
Globally, the demand for news has remained strong. Print circulation has remained stable over the five years to 2018, while paying digital audiences have grown rapidly.¹

Global print circulation figures remained relatively stable between 2013 and 2018, falling by just 0.5%.

However, paid digital circulation has grown rapidly as publications deploy new payment models and content strategies. Data shows that consumers are willing to pay for digital news. Between 2013 and 2018, digital circulation volumes increased by 307% to reach 31.5 million paying subscribers.

Across all news publications globally, the fall in paid print subscriptions has been more than offset by growth in paid digital news subscriptions. Between 2013 and 2018, the number of paid print subscriptions fell approximately 3 million while paid digital subscriptions increased by 26 million.

Global average daily print and digital circulation
Millions of units daily, 2013-2018



Sources: World Association of News Publishers, World Press Trends 2019

1 (2019) World Association of News Publishers, 'World Press Trends 2019'.

More Australians are reading the news, and doing so more frequently than in the past

The underlying demand for news is strong. Data shows that more Australians are reading news, and are doing so more frequently than in the past.

Total newspaper readership has grown, with Australian newspapers serving a total of 15.7 million readers as of 2018, up from 15.0 million in 2002.¹

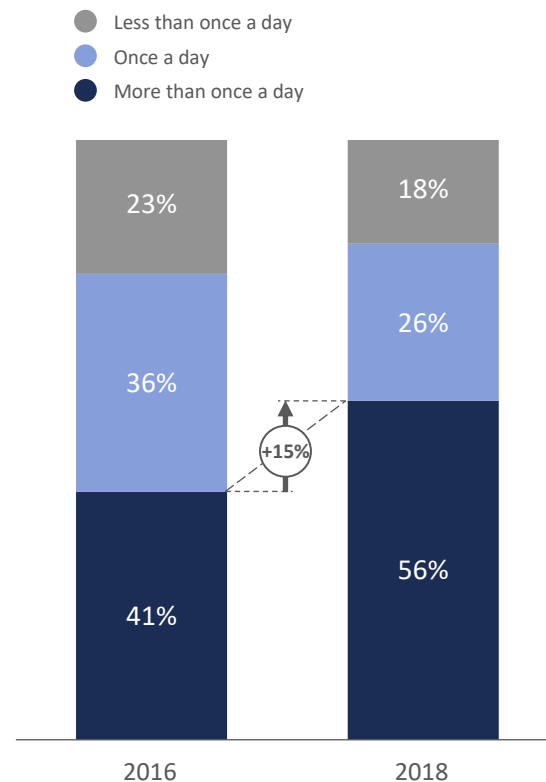
The frequency at which Australians access the news is also rapidly increasing. In the two years to 2018, the number of people who accessed news multiple times a day a day increased 15%.²

More than eight in ten (82%) of news readers now say they access news at least once a day, while 56% say they access news more frequently.

Net readership of Australian newspapers
Millions of readers, 2002-2018



Frequency of Australians accessing news
% of online adults, 2016-2018



Sources: Roy Morgan; University of Canberra; AlphaBeta analysis.

1 (2019) Roy Morgan, 'Over 15.7 million Australians read newspapers in print or online'; (2008) Australian Press Council, *State of the News Print Media in Australia*; (2007) Australian Press Council, *State of the News Print Media in Australia*; AlphaBeta analysis. 2 (2018) University of Canberra, *Digital News Report: Australia 2018*.

Australian news preferences have changed over time, with social media playing a bigger role

A majority of Australians still prefer to access their news offline, including via TV, radio and printed newspapers. But consumer preferences are shifting, with 1 in 5 adults now using social media as their primary source of news.

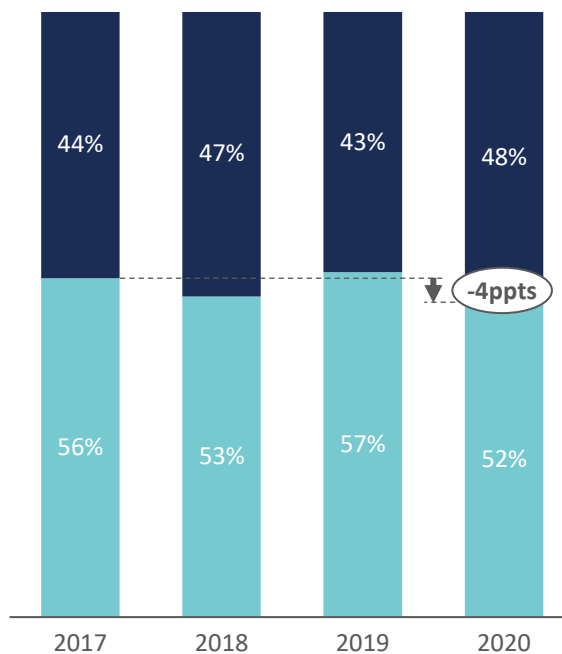
For most Australians, offline news channels – TV, radio, newspapers and others – are still their preferred method of consuming news. In 2020, 52% of Australian adults said they preferred to access news offline.¹ However, this is 4 percentage points lower than in 2017, as some consumers move to online alternatives such as news websites, social media and other platforms.

Social media has become an increasingly prominent source of news. In the 5 years to 2020, the share of Australians who access news primarily through social media increased 5 percentage points. More than 1 in 5 (21%) Australian adults now use social media as their primary source of news, up from 16% in 2017.¹

Preferred method of consuming news in Australia

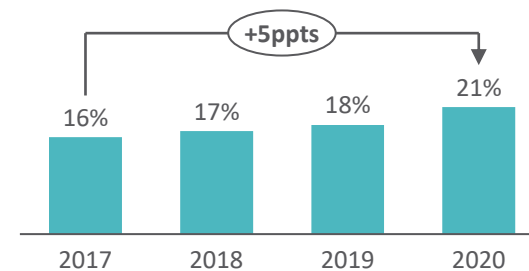
% of online adults, 2017-2020

- Online (e.g. social media, news sites, etc)
- Offline (e.g. TV, radio, newspapers, etc)



Social media as primary source of news in Australia

% of online adults, 2017-2020



Sources: Digital News Report 2018, Digital News Report 2020

¹ (2020) University of Canberra, *Digital News Report 2020*; (2019) University of Canberra, *Digital News Report 2019*; (2018) University of Canberra, *Digital News Report 2018*.

Appendix: Methodology

Estimating total print readership

We combined data from the ABS, AMAA, and Roy Morgan to determine the total number of print newspaper readers in Australia between 2002 and 2018.

We used this data to determine total readership for major newspapers, and for local community newspapers. Recognising that some proportion of readers read both major and community newspapers, we looked to avoid double-counting by estimating and subtracting the overlap from our total net readership estimate.

Due to data limitations, readership figures prior to 2008 were extrapolated based on trends in the data. Our calculations assumed that total net readership remained relatively flat during this period. Net readership of community newspapers were assumed to fall by about 1% a year. This was based on conservative extrapolations of community newspaper readership declines between 2013 and 2016.¹

We crossed-check our analysis against data on newspaper circulation and readership statistics for individual newspapers.

¹ (2016) Roy Morgan, 'Australian Community Newspaper Readership results'

Approach to estimate total print readership

Sources

<p>1 Estimate net readership for major newspapers</p>	<ul style="list-style-type: none"> We estimated net readership for major newspapers using available data from Roy Morgan (e.g. net readership for 2012) Estimations were based on trends reported in other news reports and Roy Morgan press releases 	<ul style="list-style-type: none"> ABS AMAA Roy Morgan cross-platform 2018 net readership Roy Morgan press releases
<p>2 Estimate net readership for local community newspapers</p>	<ul style="list-style-type: none"> We estimated net readership for local community newspapers using available data from AMAA and Roy Morgan. We assumed that net readership for local community newspapers had declined ~1% p.a. since 2008 	<ul style="list-style-type: none"> ABS AMAA Roy Morgan press releases
<p>3 Estimate total net readership for all newspapers</p>	<ul style="list-style-type: none"> We estimated the proportion of readership that overlaps between local community newspapers and major newspapers from available data We then estimated total net readership by adding net readership figures from (1) and (2) and subtracting overlap 	<ul style="list-style-type: none"> ABS AMAA Roy Morgan cross-platform 2018 net readership Roy Morgan press releases

Key Assumptions:

- Total net readership remained relatively flat between 2002 and 2008
- Community newspapers net readership declined by ~1% p.a.

Calculation checks:

- Total net readership as a percentage of the Australian population aged 14+
- Trend in readership for individual newspapers 2009-2018
- Trend in newspaper circulation 2002-2018

Sources: ABS; AMAA; Roy Morgan, AlphaBeta analysis

Estimating Google’s online advertising revenues (1/2)

Google’s online search and display advertising revenues have been estimated using a top-down approach. This involved first determining the size of each market in Australia, then determining Google’s share of each.

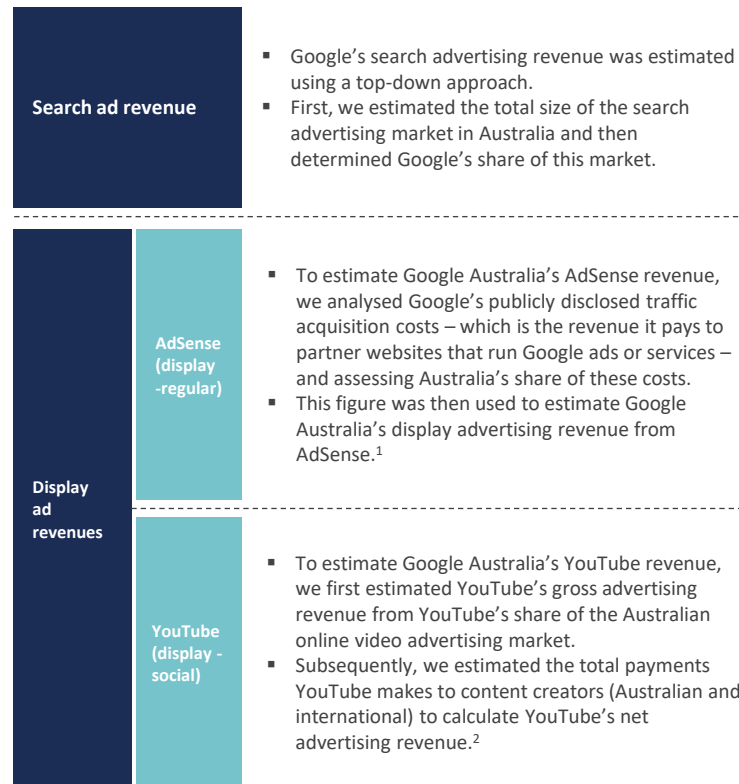
We determined the total size of the Australian search advertising market using market research from IAB Australia, PwC and IBISWorld.

We identified the Google businesses that generate its online search and display revenue streams. Google’s search advertising revenue is generated by its search engine business. Its display advertising revenues are generated by its video platform YouTube and its website monetisation business, AdSense.

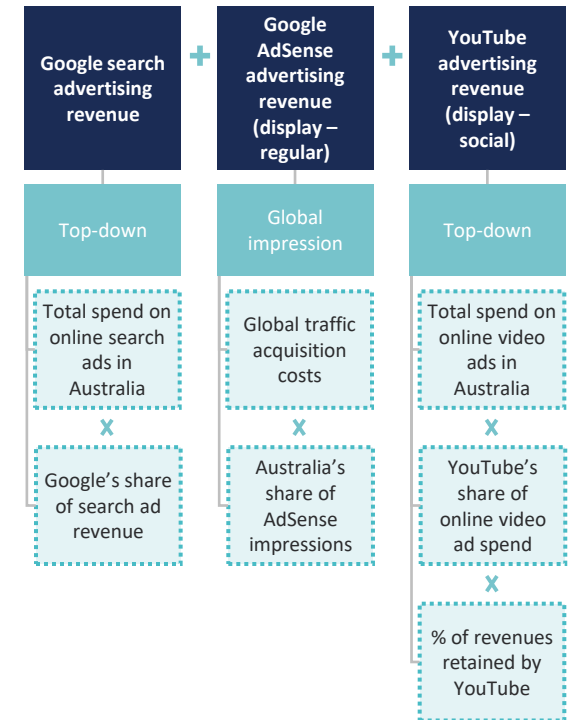
We then relied on a range of publicly available data sources including financial disclosures, market research, regulatory reports, and news articles to determine the revenue generated by each of these businesses. Data sources for these estimates are listed on next page.

We validated our estimates using a bottom-up approach outlined in AlphaBeta’s *Google Economic Impact Australia 2019* report.

Approach to estimate Google’s online advertising revenues



Google’s online advertising revenues



¹ Google pays website publishers 68% of the revenues they generate via AdSense

² YouTube content creators are paid approximately 55% of total advertising revenues generated by YouTube

Sources: AdSense (Google); Doubleclick (Google); IAB Online Advertising Expenditure Report; Morgan Stanley; PwC Entertainment and Media Outlook; Statista; AlphaBeta analysis

Estimating Google's online advertising revenue (2/2)

Estimation	Metric	Source
Google Search advertising revenues	Online search advertising market size	<ul style="list-style-type: none"> IAB Australia (2019), 'Online Advertising Expenditure Report' PwC (2019), 'Entertainment and Media Outlook' IBISWorld (2019), 'Online Advertising in Australia'
	Google's market share in online search	<ul style="list-style-type: none"> ACCC (2019), 'Digital Platforms Inquiry: Final Report' Statista (2017), 'Share of Google in the revenue of general search advertising in Australia' IBISWorld (2019), 'Online Advertising in Australia'
Google AdSense advertising revenues	Global traffic acquisition costs related to AdSense (converted to AUD)	<ul style="list-style-type: none"> Alphabet Inc (2018), 'United States Securities and Exchange Commission: Form 10-K for financial ended 31 December 2018'
	Australia's share of global impressions on AdSense	<ul style="list-style-type: none"> Google DoubleClick (2014), 'What's trending in display for publishers?'
YouTube advertising revenues	Total spend on online video advertising in Australia	<ul style="list-style-type: none"> IAB (2019), 'Online Advertising Expenditure Report' eMarketer (2019), 'Digital Ad Spending' IAB (2019), 'IAB internet advertising revenue report'
	YouTube's share of online video advertising spend	<ul style="list-style-type: none"> Statista (2019), 'Video advertising revenue market share of YouTube in the United States from 2015 to 2018' App Nexus (2018), 'The digital advertising stats you need for 2018'
	Proportion of revenues retained by YouTube	<ul style="list-style-type: none"> Google product forums "YouTube Monetization" Influencer Marketing Hub (2019), 'YouTube Money Calculator: Calculate how much you can make' DrSoft (2019), 'How to achieve success and make money on YouTube'

Estimating the split of newspapers' print advertising revenue streams

We have estimated newspapers' display and classified advertising revenues for 2018 based on growth of the overall Australian advertising market, growth of online advertising categories, and newspaper advertising trends.

In 2018, newspapers generated a reported \$3.0 billion in advertising revenues, including circulation, display and classified advertising.¹ However, within the print revenue stream, there is no publicly available data on the split of display and classified advertising revenues.

The overall Australian advertising market grew by \$7.7 billion between 2002-2018. This market includes a range of online, broadcast and print advertising, including online display and classified advertising, which are growing categories that directly compete with newspapers' print display and classified advertising revenues.

To estimate the share of print display vs classified advertising revenues for newspapers in 2018, we estimated the growth of their online equivalents over between 2002-2018, and identified the share of this growth that would have been captured from either new opportunities; gaining market share from newspapers; or gaining market share from other media.

This calculation allowed us to estimate the print display and classified advertising revenues lost from newspapers to online channels in 2018. We analysed these against historical newspaper advertising trends to determine newspaper print display and classified advertising revenues in 2018.

¹ (2019) PwC, *Entertainment and Media Outlook 2019 – 2023*. Newspaper classified revenues are assumed to include print classifieds only, although some offer free digital classifieds or have readers advertise on affiliated digital classifieds businesses such as Domain and Seek.

Approach to estimate display and classified newspaper advertising

1

Estimate the growth of online display and classified advertising

- First, we measured the growth of online display and classified advertising and identified the revenues each of these categories captured by:
 - i. gaining market share from other advertising categories; vs
 - ii. capturing growth of the advertising market.

2

Estimate the revenues captured from newspapers vs other media advertising

- We analysed the revenues captured by gaining market share to estimate the total revenue captured from print newspapers by online display and advertising categories between 2012 and 2018.

3

Estimate the revenues captured from newspaper display and classified advertising

- Finally, we estimated the proportion of revenues that newspapers lost from display vs classified advertising based on their trajectories and how their share of newspaper advertising had changed over time.
- From this, we were able to estimate newspaper display and classified advertising revenues in 2018.

Note: Display and classified newspaper revenues prior to 2013 were estimated using secondary research from the University of Canberra and IAB Australia
Source: AlphaBeta analysis

Estimating flows of revenue in the advertising market

Online search, display, classified and directory advertising revenues grew significantly between 2002-2018. Some of that growth came from capturing market growth of Australian advertising overall, while some came from capturing market share from print advertising categories.

We estimated the flow of revenues between print and online advertising in 2002-2018 using the following method:

- Where a non-online advertising category declined in absolute terms between 2002 and 2018, the lost revenues were allocated to the most relevant online advertising category (eg. print classifieds to online classifieds, and print directories to online search and directories).
- Where a non-online advertising category grew in absolute revenue, we assumed the category captured part of the growth in the advertising market between 2002 and 2018 (eg. TV).
- The remainder of the growth in the advertising market between 2002 and 2018 was allocated to online categories – including online search, display, classifieds and directories – to reconcile with the known 2018 revenue values for these categories from secondary sources.
- Accordingly, for each online category the 2018 revenues consisted of the 2002 revenues, any revenues captured from other advertising categories, and market growth captured.

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