

## Internet advertising will be relatively unscathed in the downturn

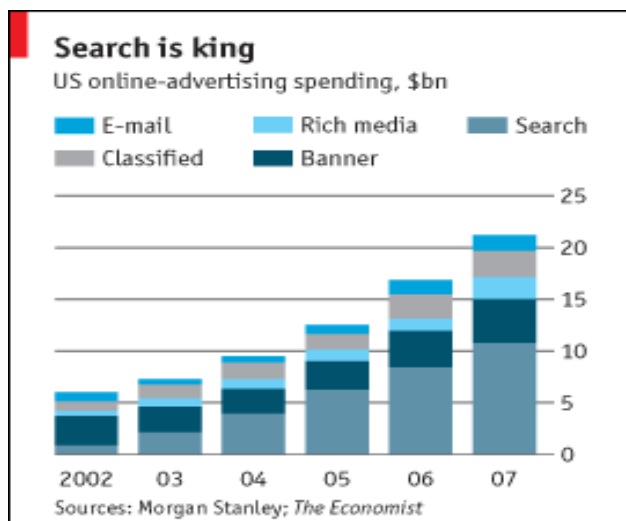


**This week eMarketer, a market-research firm, predicted that online-advertising spending in America, which makes up about half the global total, will increase by 8.9% in 2009**, rather than the 14.5% it had forecast in August. The firm thinks search advertising will grow by 14.9% and rich-media ads by 7.5%, whereas display ads will grow by 6.6%. **In short, online advertising will continue to expand in the recession**, just not as quickly as previously expected.

Mary Meeker, an internet analyst at Morgan Stanley, believes that modern ad budgets rise and fall much more than GDP does. According to her estimates, if the economy stops growing, ad spending is likely to fall by 4%. Between 2000 and 2002, during the dotcom recession, online ad spending in America fell by 27%.

Yet the web has changed a lot since 2002.

Back then, gaudy display “banners” on web portals such as Yahoo! and MSN were the preferred technology. These still exist, but they now account for less than 20% of online ad spending.



**More than half (of all on-line advertising) goes to search advertising on Google and rival search-engines**, which place small text ads next to results based on the keyword of the query, and charge only when a user clicks on them. All this makes spending on advertising much less speculative.