

Roy Morgan New Zealand
Internet Advertising Intentions and Attitudes Survey

ONLINE ADVERTISING FORECAST TO GROW IN 2007

New Zealand advertisers, agencies and publishers are optimistic about the role of the Internet as part of the overall media mix, with the majority of agencies (85%) agreeing that *“the Internet will be a vital component of my company’s marketing strategy over the next three years*, according to Roy Morgan New Zealand *Internet Advertising Intentions and Attitudes* survey conducted in collaboration with The Internet Bureau.

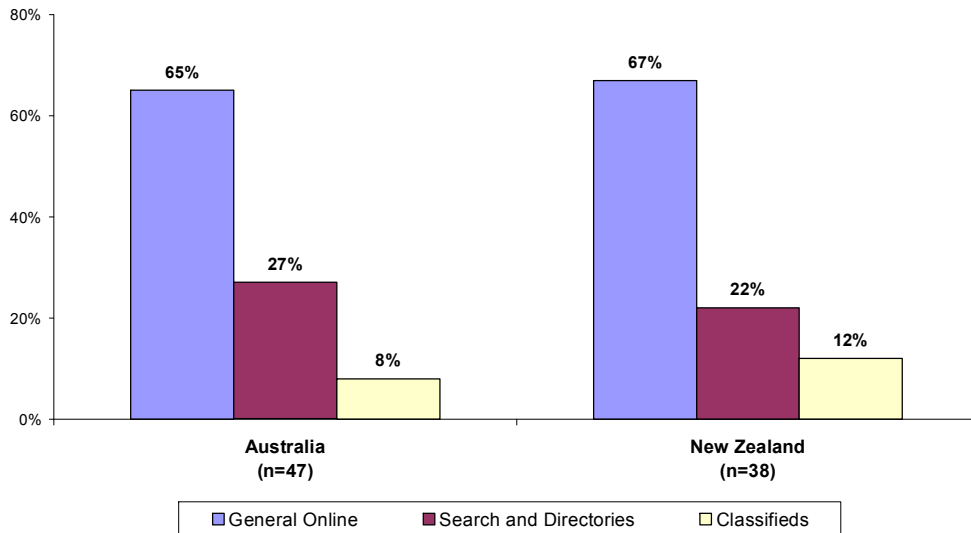
Most New Zealand agencies have now embraced the Internet 97% (38 out of 39) of agencies surveyed had placed advertising online in the past 12 months. Agencies reported allocating 8% of their advertising spend to online advertising in 2005-2006 financial year. The survey found that general Internet advertising is the dominant online advertising form representing 70% of dollars spent by New Zealand agencies, advertisers and publishers on internet advertising.

The strong trend is forecast to continue, with agencies reporting that they will allocate over 12% of their advertising dollars online in 2006-2007.

Online Advertising Behaviour

General Internet advertising, which incorporates banners, tiles and the like, attracts the lion’s share (67%) of online advertising spend amongst New Zealand advertisers. This is slightly higher than Australia (65%) where Search and Directories are higher (27%), and projected to be higher again next year (35%).

Chart 1: Distribution of Online Advertising Dollars Across Internet Advertising Categories

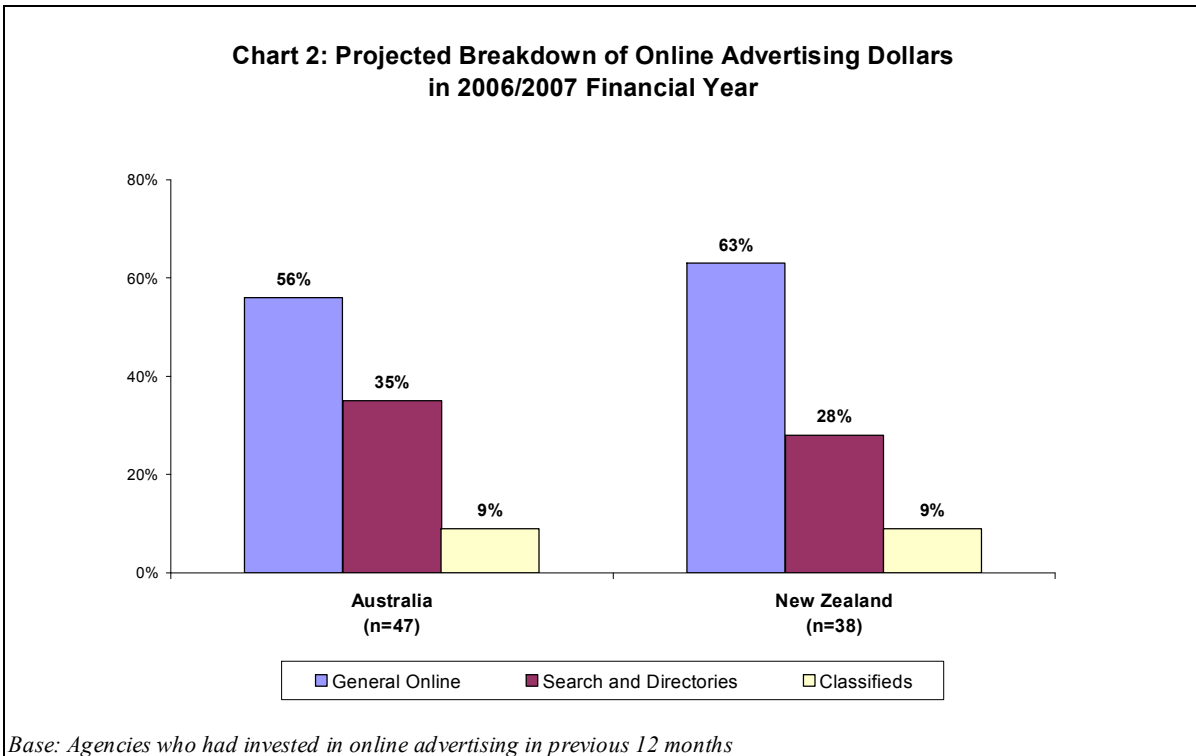


Base: Agencies who had invested in online advertising in previous 12 months

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Forecast Internet Spending for 2006 - 2007

When asked to consider how their Internet advertising spend would be allocated in 2006-2007, it is expected 63% of online advertising dollars amongst agencies in New Zealand will be spent on general Internet advertising (down 4 percentage points from 67% outcome in 2005-2006), with advertising on search engines and directories expected to attract 28% (up six percentage points) and spending on Internet classifieds expected to attract 9% (down three percentage point) of the online advertising dollars.

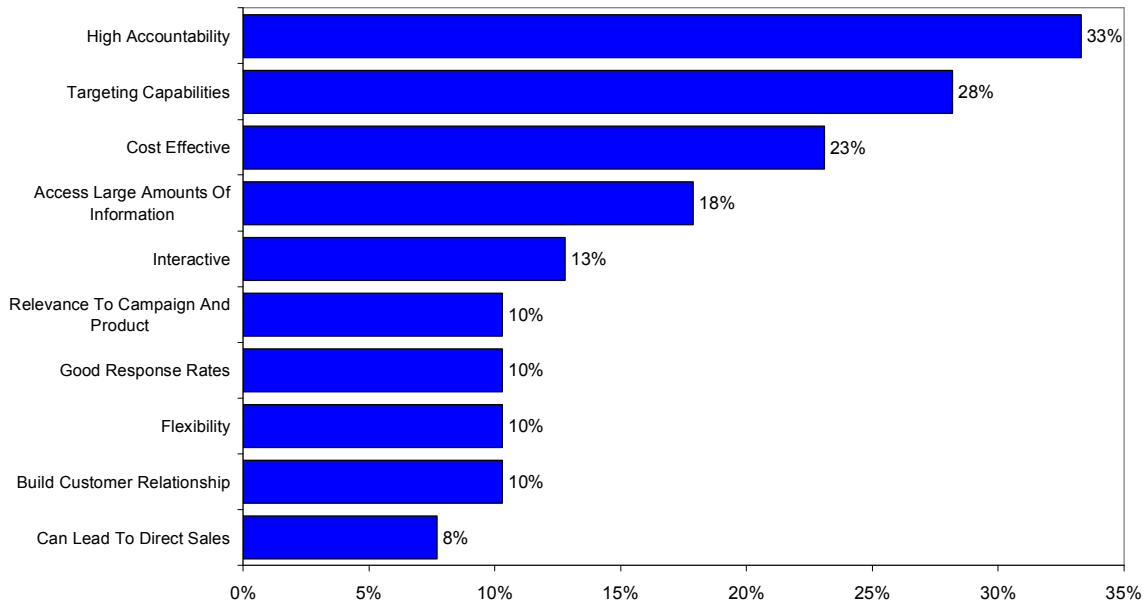


Perceived Strengths and Weaknesses of Internet Advertising

Both *agencies* and *publishers* in New Zealand regard the “high accountability” as the greatest strength of the Internet as the advertising medium (mentioned by 33% of agencies and 59% of publishers). “Targeting capabilities” and “cost effectiveness” are also regarded as key strengths.

Advertisers rated “customer reach” and “cost effectiveness” (33%) as the greatest strengths of the Internet as the advertising medium.

**Chart 3: Top 10 Strengths
of the Internet as an Advertising Medium (Advertising Agencies)**

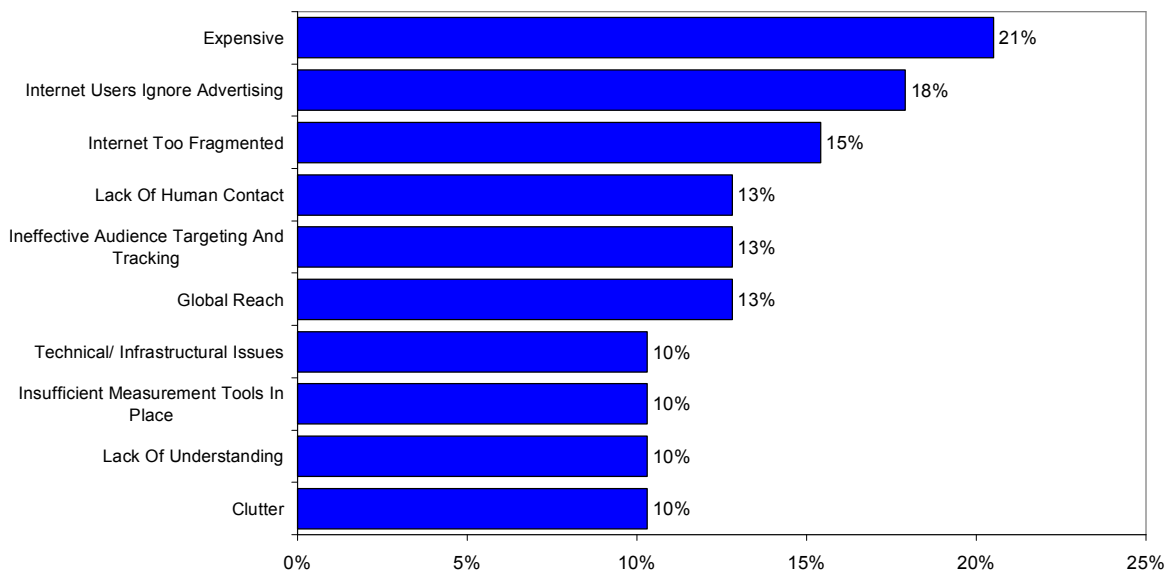


Base: Agencies (39)

Agencies regarded “expensiveness” (mentioned by 21% of agencies) as the greatest weakness of the Internet as the advertising medium.

Advertisers said the greatest weakness of the Internet as advertising medium were issues of “clutter” (28%), while publishers regard “fragmentation” (18%) as the greatest weakness of the Internet as an advertising medium.

**Chart 4: Top 10 Weaknesses
of the Internet as an Advertising Medium (Advertising Agencies)**



Base: Agencies (39)

Evaluating the Medium

A large majority of New Zealand agencies (80%) agreed with the statement “*The Internet allows me to efficiently reach my target audience*” and 82% agreed that “*Advertising on the Internet has high accountability due to the sophisticated measurement tools available*”.

The majority of New Zealand publishers (77%), agreed that the Internet offers advertisers “...*great value for money*” and 61% of New Zealand advertisers agreed that “*Advertising on the Internet is an effective way to build brand awareness*”.

A great majority of New Zealand agencies and advertisers (77% and 72% respectively) plan and purchase online media as part of a total media strategy; in contrast nearly half of publishers (47%) plan and sell online media with its own specific objectives.

Roy Morgan New Zealand *Internet Advertising Intentions and Attitudes* survey is conducted in collaboration with The Internet Bureau.

This survey was conducted via internet during the first few weeks of August 2006. Respondents were 39 advertising / media agency media decision makers, as well as senior sales executives from 17 of New Zealand’s leading online publishers and marketing decision makers from 18 prominent New Zealand advertisers.

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For more information contact:

Jonathan Brown
Media Services Director
Roy Morgan Research
Ph: 09 912 7032
Fax: 09 913 1789
www.roymorgan.com

John Schofield
General Manager
The Internet Bureau - Online Advertising for Agencies
Ph: 09-916 0348
Fax: 09-915 7269
www.internetbureau.co.nz