



# IRAN ADTECH OVERVIEW 2018

**Insights Into Iran's Digital Advertising Scene,  
Internet & Mobile Infrastructure**

Conducted by TechRasa  
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In collaboration with Adro



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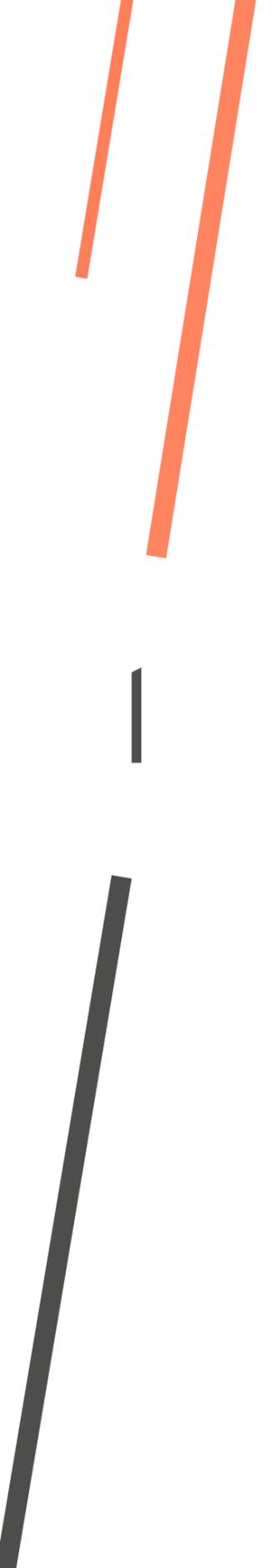
# FOREWORD

Iran AdTech Overview 2018, is the second edition of a report conducted by TechRasa with insights into Iran's digital advertising scene, along with statistics on the country's Internet and mobile infrastructure.

While this report compiles statistics regarding the global and regional state of advertising — which have been gathered from a variety of sources and reports— we felt the need to provide the Iranian market with first-hand data, as the country is showing efforts to transform itself into a digital society.

Although the report is intended to bring insights into Iran's AdTech scene, a primary focus of this research is to shed light on the country's Internet and mobile infrastructure improvements as its the main driver of AdTech technologies. Since 2013, the Iranian government has spent over \$5.3 billion on technology infrastructures, and today the mobile phone penetration rate has reached over 110.53% with over 53 million Iranians who use mobile internet.

Today, Iranian consumers are leaning on digital media more than ever. Video is becoming a great revenue-generating sector for advertisers in Iran as the broadband Internet is becoming more accessible and affordable. As a result, Iranian publishers are focusing more on creating video content since advertisers see video as a more robust form of advertising, especially for the younger audience. The video ad marketplace still needs to flourish and we believe that there are many gaps in the Iranian market to make the content more engaging.



This year, the advertisers and publishers in Iran are facing budgeting problems as the Iranian Rial hit an all-time low against the US dollar in April, 2018. Some companies in Iran have predicted half the turnover comparing to the previous year, which means less budget for marketing.

For this report, we have also conducted an in-depth survey of 26 marketing experts from 17 Iranian ad networks, advertising, and digital agencies in Iran which explores various topics such as the effectiveness of ad categories, their demands, social media ad types, the quality of AdTech services and profitability.

Looking back at our 2016 report, we have made many changes in the structure and the data gathering methods of the report, thanks to the feedback we received from our readers. Please feel free to send us your suggestions and comments as before.

Finally, we would like to thank all the experts who participated in the data collection process of this report, especially our partners at Adro. May this report which is the outcome of Iran's leading tech actors' contribution, be a small step toward bringing more transparency into the Iranian market.

S. Hamed Jafari  
Co-founder & Editor-in-Chief  
TechRasa

# INTRODUCTION

AdTech is the short term for Advertising Technology. A broad range of technologies such as Consumer Behavior Analysis, Fraud Detection, Advertising Exchange and many others are used in the context of advertising. These complex systems are designed to show digital advertisement to targeted audience. The front-end of AdTech includes items such as digital banners, social network ads, search engine ads and video and mobile ads. The back-end system helps to target the right audience. It also provides analytics and tools for both, publishers and advertisers.

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In the recent years, AdTech has changed the traditional advertising industry. This technology provides a platform for advertisers to plan and manage their own campaigns. With the recent developments, digital advertising is shifting from displaying banners, to new platforms such as social media, video and mobile advertising. These new content delivery platforms, may provide invaluable data about elements such as location, age and gender for advertisers. As advertisers have more valuable data about individuals, they can plan more successful campaigns as well. It is believed that these new platforms will be the key drivers of the whole advertising industry. Also the growth of interest on digital advertising has created a great potential for investments in this sector. In general, AdTech's purpose is to show the right content to right audience with the most reasonable price.

# GLOBAL ADVERTISING MARKET

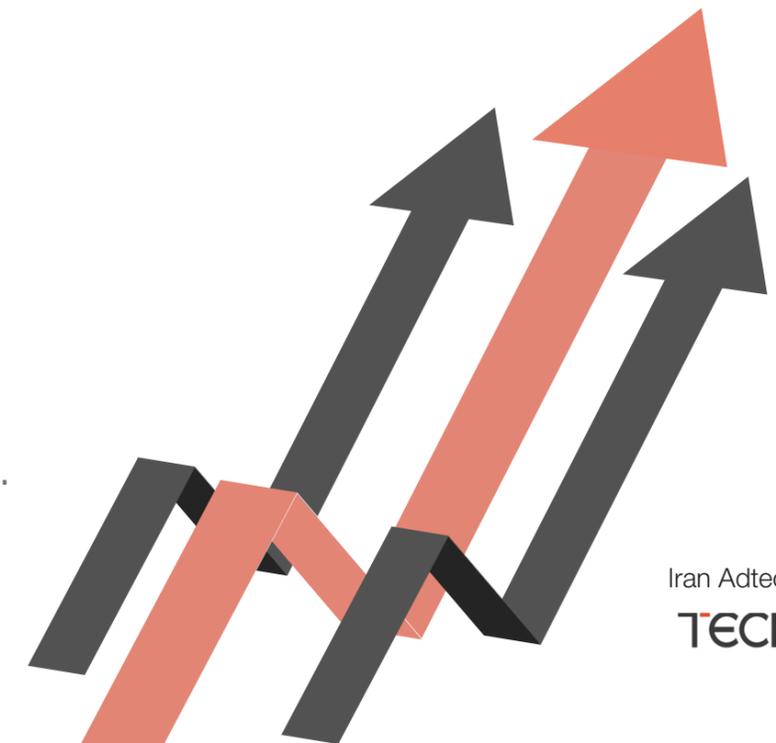
**Global Ad spending** in **2018** is estimated to reach approximately **\$570 billion\***.

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**Internet advertising's** share of global ad spend in **2017** was **\$203 billion** and is expected to rise to **\$225 billion** in **2020**.

\*Global ad spend in 2018 according to Statista: 557.99 billion, according to Zenith: \$579 billion.

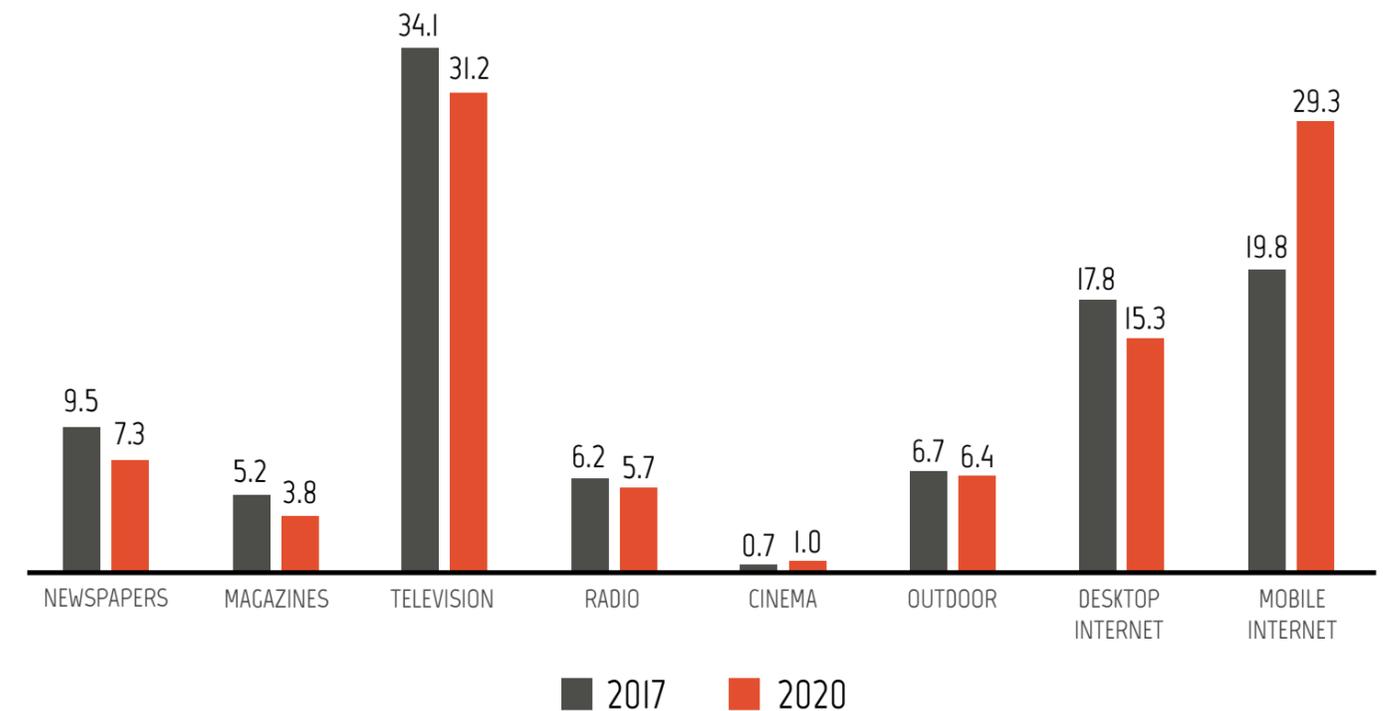
SOURCE: Statista, Zenith



## GLOBAL AD SPEND BY MEDIUM

Currently, Television advertising is the biggest medium for advertising with 34.1% of the global ad spend share. Newspaper and Magazine are still two of the biggest global mediums for ad spend with a share of 9.5% and 5.2% respectively.

In 2017, desktop Internet had 17.8% share in the global ad spend market, however its share is expected to decrease to 15.3% by 2020. the current/upcoming trend with 19.8% share in 2017 is Mobile Internet advertising which is expected to reach to 29.3% in 2020, almost taking over of Television advertising.



■ SHARE OF GLOBAL AD SPEND (%) ■

SOURCE: Zenith

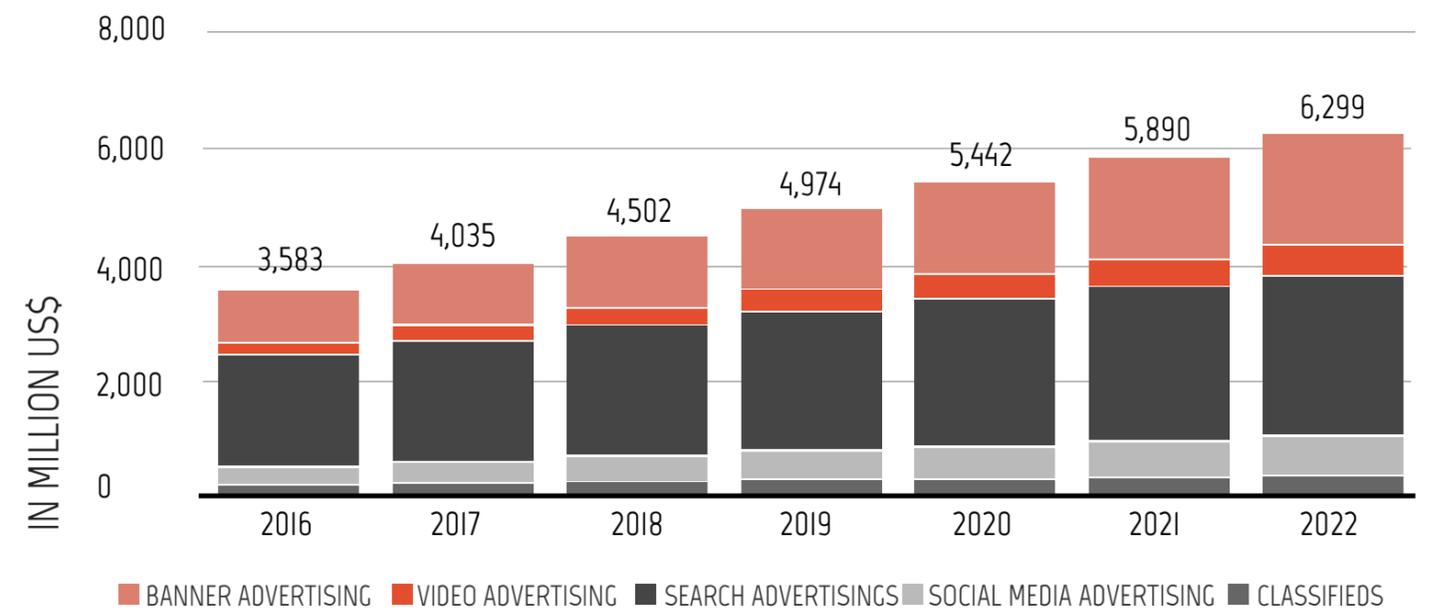
## GLOBAL DIGITAL AD SPEND

In 2018, the forecasted revenue in the digital advertising market amounts to \$4,502 million. The market's largest segment is Search Advertising with a market volume of \$2,267 million in 2018. Mobile is expected to lead the market with \$2,449 million of the total revenue in the digital advertising market in 2021.

Google and Facebook are the biggest digital advertisers owning over 50% of the global revenue and having 60% of the revenue in the US. Meanwhile Alibaba is forecasted to own over one third of the ad spend revenue in China while the rest of the market is dominated by Baidu and Tencent.

The United States generates the most revenue globally with \$106,117 million. China, The United Kingdom, Japan and Germany are the next on the list with \$75,768 million, \$19,234 million, \$11,353 million and \$7,718 million revenue respectively.

SOURCE: Statista, eMarketer



### ■ The Forecasted Global Revenue in Digital Advertising From 2016 to 2022 ■

SOURCE: Statista, March 2018; includes selected regions

# MENA ADVERTISING MARKET

The MENA ad market is worth \$5.5 billion, which is 10% of the global market\*. Although the market is transitioning from traditional, only %10 of ad spend is on digital.

While the market is slowly adapting with the western trends, newspaper and TV are still the dominant sectors in terms of ad spend in the Middle East.

The trends show that ad spend on Newspaper, TV and Radio, Magazines and Outdoor are all declining, and Internet is the only medium with a steady growth in the upcoming years. Newspaper ad spend in the region declined by 50.2% in 2017 compared to the previous year, while Internet ad expenditures grew by 12% during the same period.

Most of the advertising agencies in the region are located in Egypt and the UAE. In the Arab countries of the region, the governments spend more on advertising than any other industry categories.

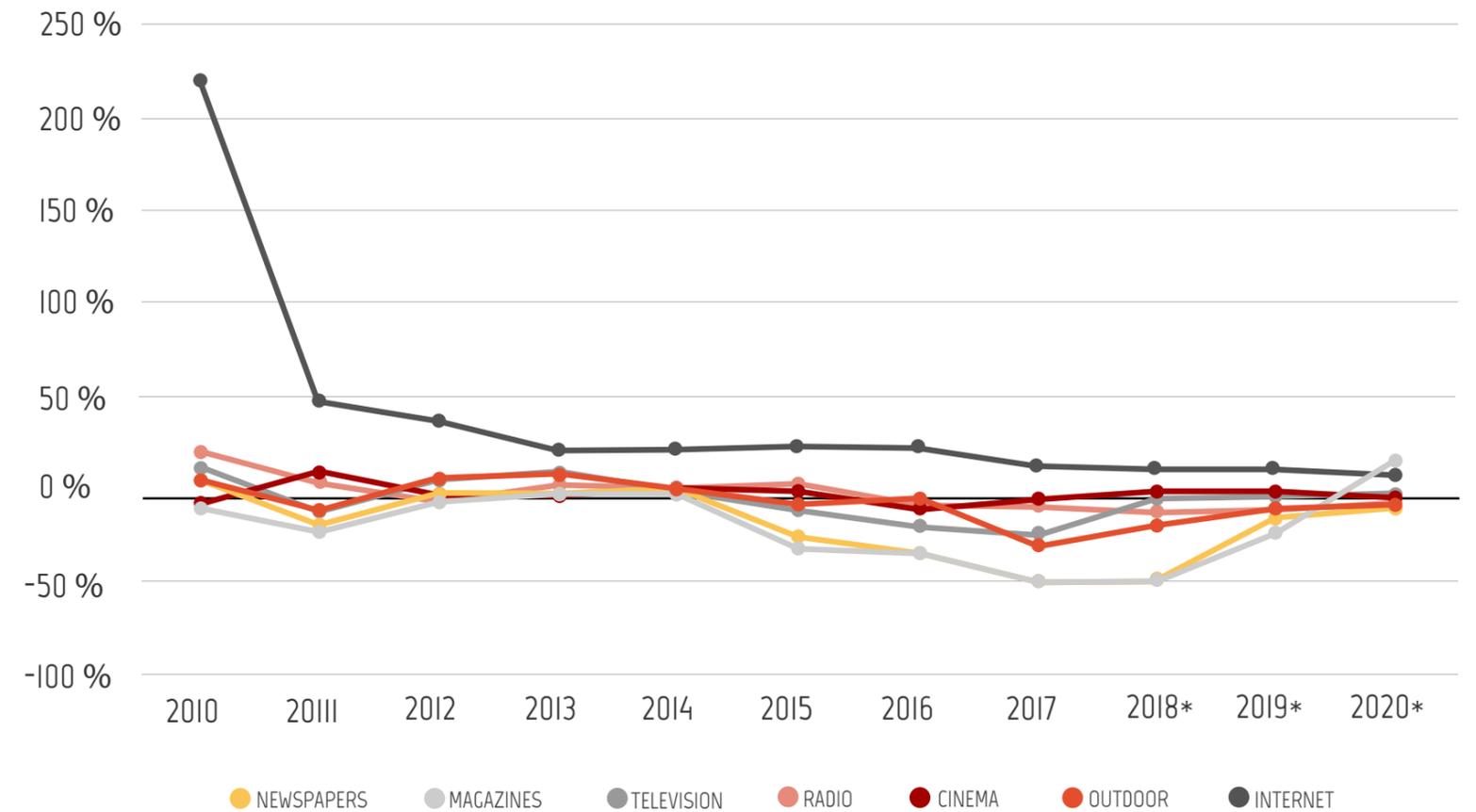
\*2015 statistics. Countries include: Pan-Arab, UAE, KSA, Egypt, Qatar, Lebanon, Bahrain, Kuwait, Oman, Jordan, Yemen, Syria, and Arasian).

SOURCE: Statista, Media In The Middle East (Research by Northwestern University in Qatar)

## AD SPEND IN MENA

As the penetration rate of the Internet access in the MENA region grows, more and more countries are heading towards a digitized economy. With a decline of 50.2% in 2017, Newspaper had the largest negative growth compared to other mediums. On the other hand, with 12% Internet was the only medium with with a positive growth in 2017.

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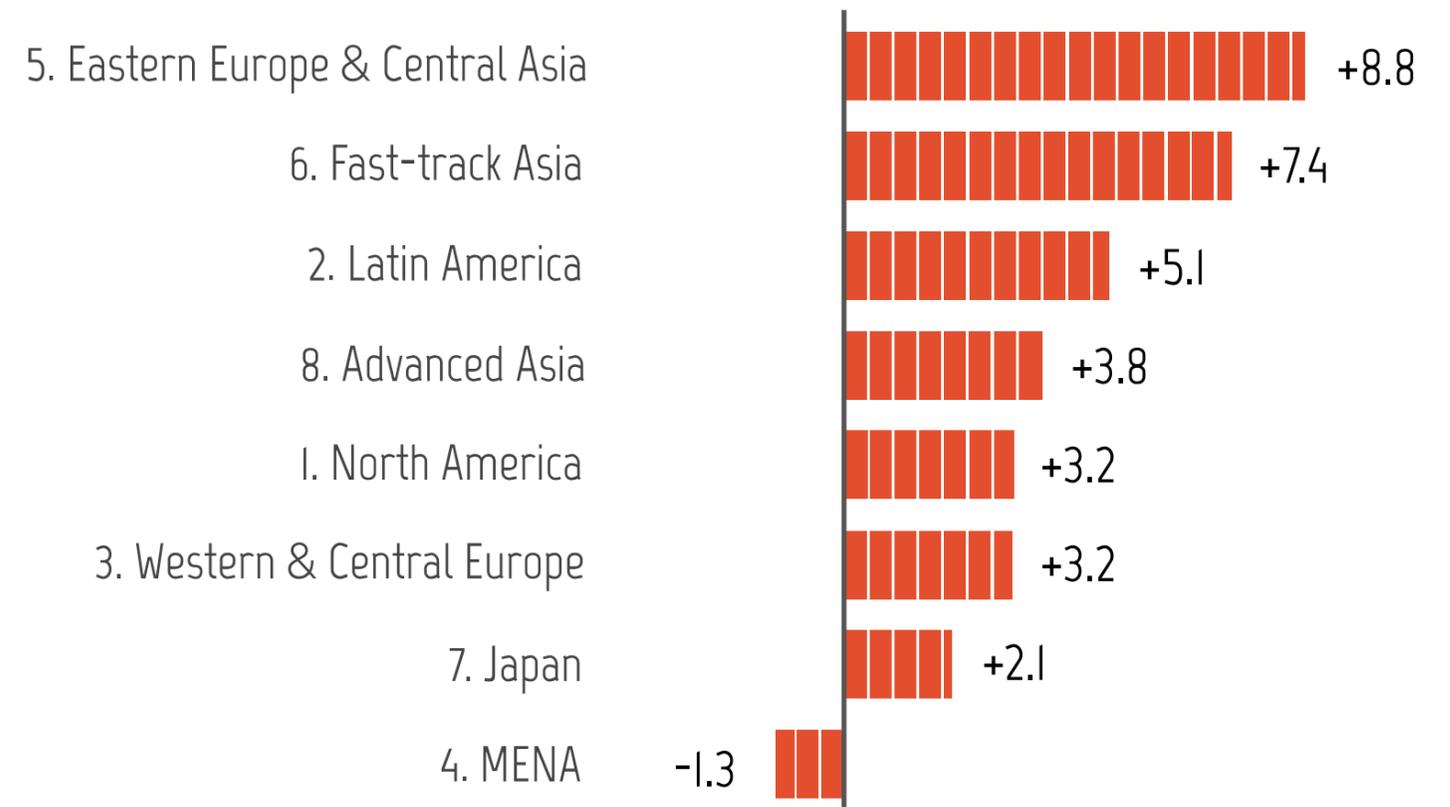


■ Growth of advertising spending in the Middle East and North Africa (MENA), from 2010 to 2020, by medium

SOURCE: Zenith, Statista 2018

## AD SPEND IN MENA

Political conflicts and the price drop of oil in the past years has put the pressure on the Middle Eastern businesses to reduce their overall costs, which has resulted in the budget cuts for advertising. Experts believe that for 2018 and 2019 the overall condition for the advertisers would improve and the market will see a growth after years of being stagnant. Although ad spending in MENA is on a steady rise, compared to other regions the growth until 2020 would be negative.



■ Average annual growth in adspend by region/ bloc 2017-2020 (%) ■

SOURCE: Zenith

SOURCE: Zenith

# IRAN

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*Iran is among the countries with the most improvements in the ICT Development Index (IDI) in 2017.*

*GDP: \$438.3bn*

*60% of Iran's 81 million population are under 30 years old.*



*110.53%, the mobile phones penetration rate.*

*87.6% is the average literacy rate for all Iranians above the age of 6. Highest in the region.*

*\$5.3bn, the money spent by the Iranian government on technology infrastructure since 2013.*

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## ICT DEVELOPMENTS

Advances in the infrastructural technologies has been a great enabler of growth in the advertising industry. These improvements have also introduced new platforms and formats to the AdTech industry in Iran. Advancements in Internet access, speed and bandwidth have influenced the mobile, video and audio platforms.

These changes have allowed the advertisers and publishers to use more intuitive and creative approaches in order to have more efficient targeting methods.

### **53 Million Mobile Internet & 11 Million Landline Internet Subscribers**

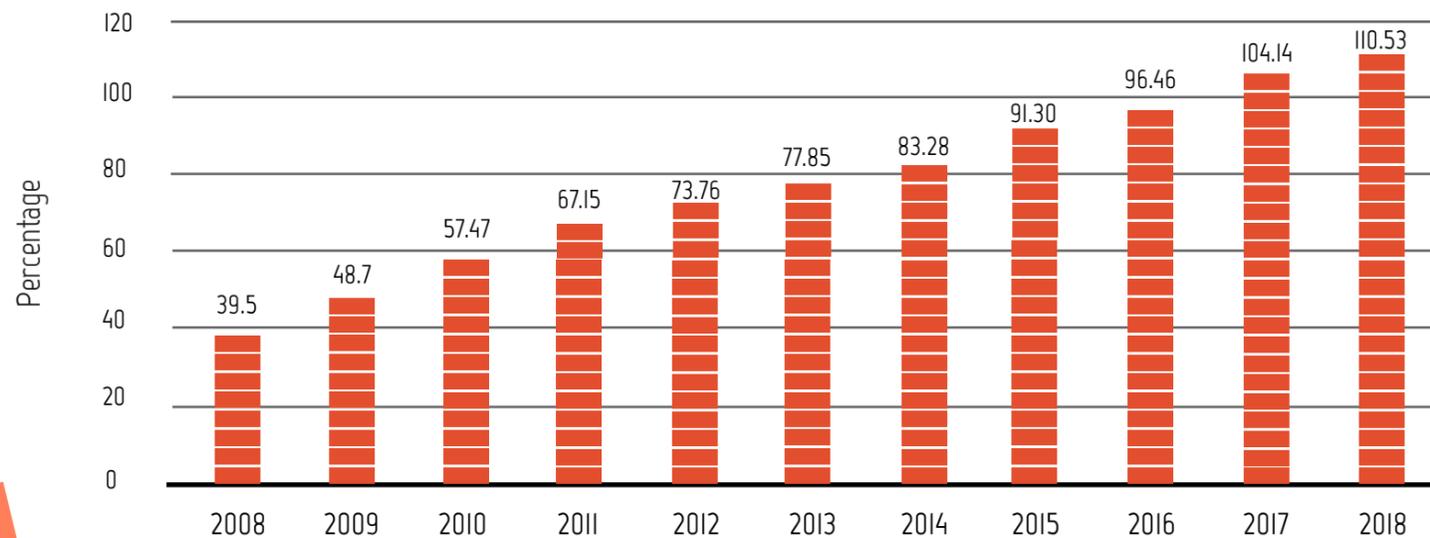
Currently, there are 53.2 million mobile internet users in Iran, thanks to the investments made in this sector by all the major mobile operators in the country. Over 11.7 million Iranians are a landline Internet subscriber who use ADSL or fiber optic services. Previous statistics from September 2017 were 47.3 Million mobile Internet and 10.4 million landline internet subscribers. As a result, Internet based services have become more highlighted in the daily lives of Iranians which would eventually have a positive impact on the digital advertising ecosystem.

# MOBILE PENETRATION

## 110.53%, the Mobile Phones Penetration Rate

The active mobile phone penetration rate in the country has reached to 110.53% until March 2018, showing over 6% increase from the same period in 2017. Ten years ago in 2008, the penetration rate of active mobile phones in the country was 39.5%.

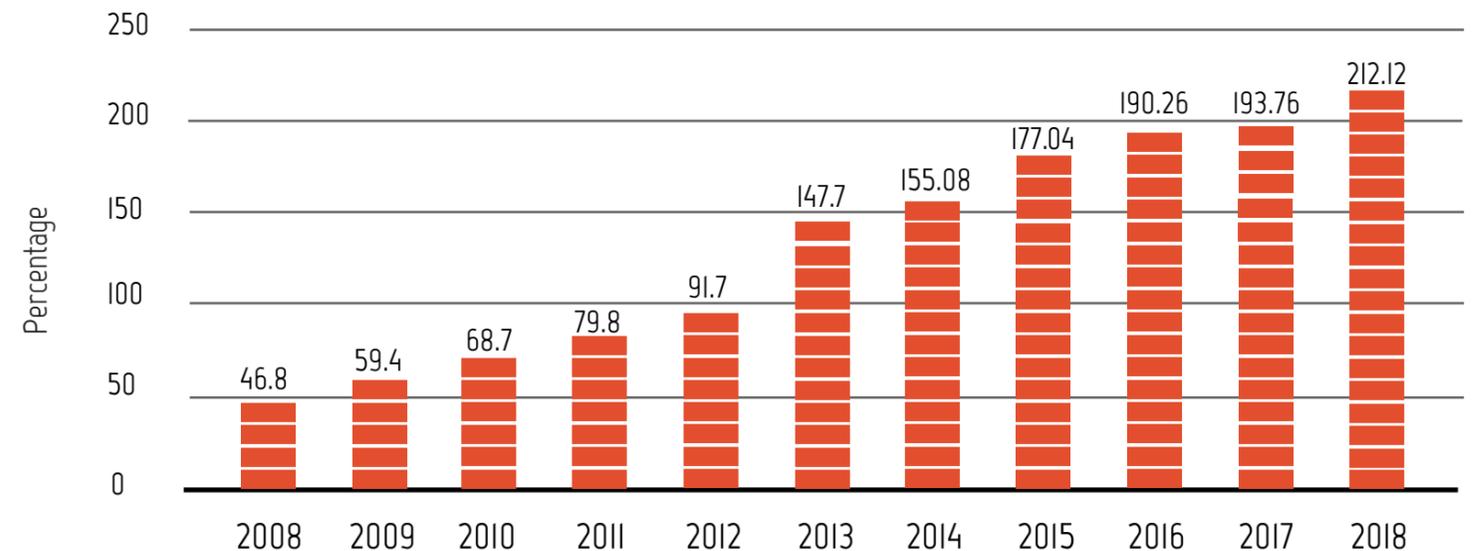
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Penetration Rate of Active Mobile Subscribers in Iran - 2008 to 2018

## 88 Million Active Sim Cards

Over 169.5 million Sim Cards have been assigned to Iranians, of which 88 million are currently active. The penetration rate of assigned Sim Cards in Iran in 2008 was 46.8% and in 2018 it reached 212.12%, showing over 18% increase from the previous year.

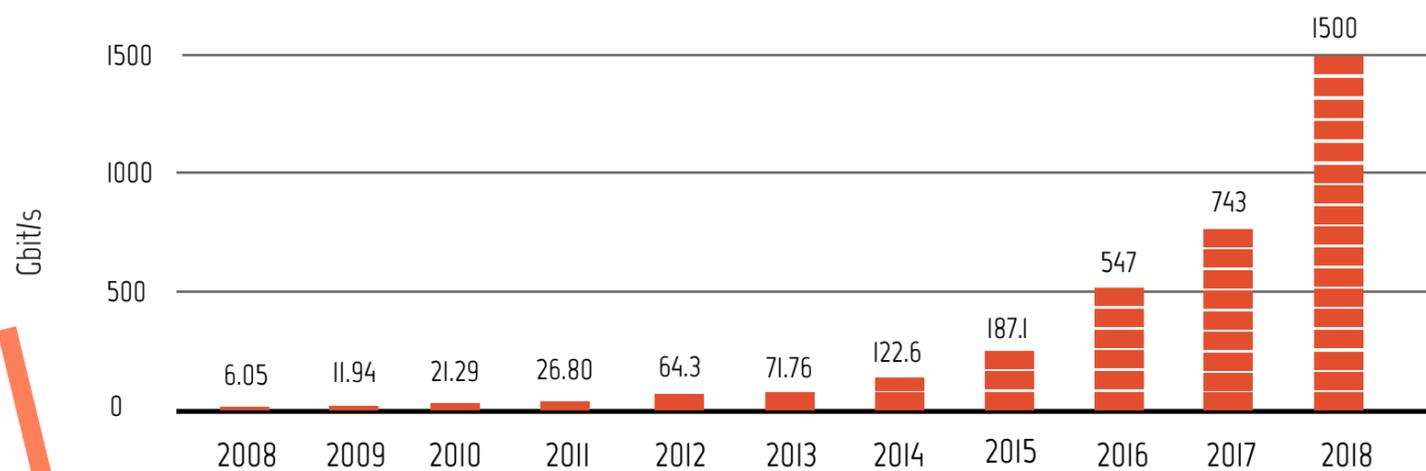


Penetration Rate of Assigned Sim Cards in Iran - 2008 to 2018

## INTERNET BANDWIDTH

### 1500 Gbit/s, the International Internet Bandwidth

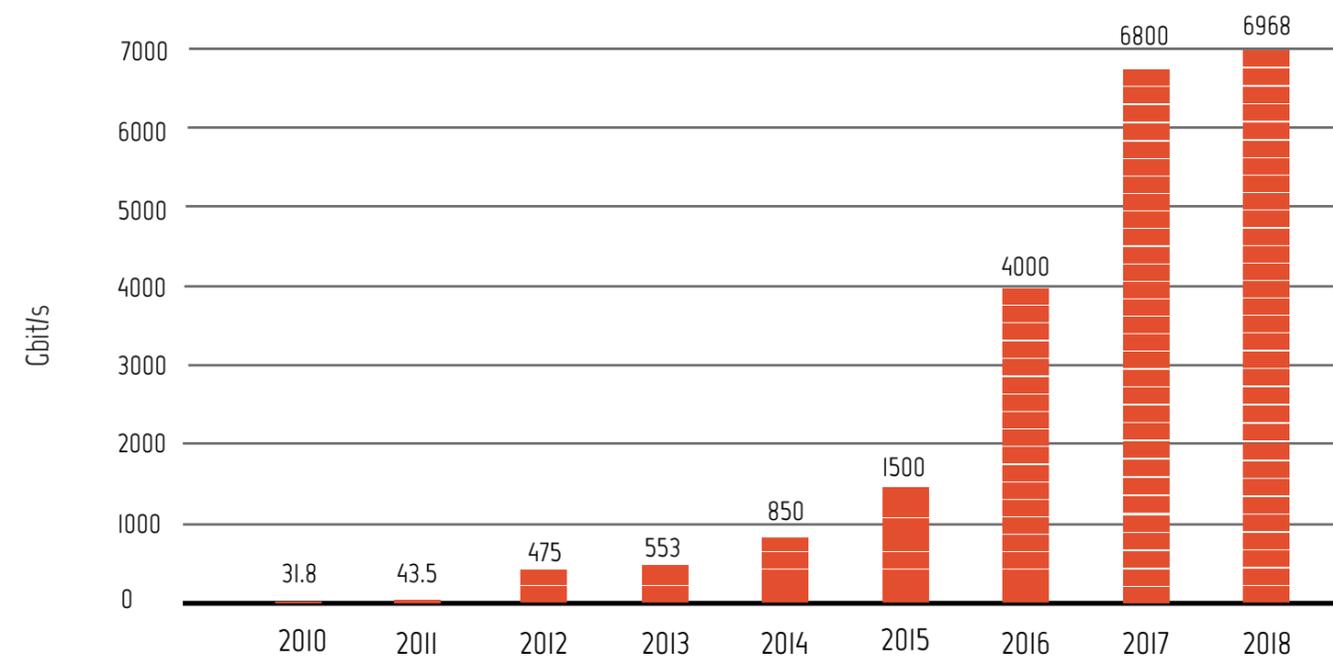
Iran's international Internet bandwidth saw an exponential growth in the past year. While in 2017, the country's international Internet bandwidth was 743 Gbit/s, in March 2018 this number grew over two fold and reached to 1500 Gbit/s. In 2008 the country's international Internet bandwidth was only 6.05 Gbit/s.



■ Iran International Internet Bandwidth - 2008 to 2018 ■

### 6968 Gbit/s, the Local Internet Bandwidth

The local Internet bandwidth in the country, until March 2018 has not seen any major improvements since 2017. Currently, the local Internet bandwidth in Iran is 6968 Gbit/s while in 2017 this number was 6800 Gbit/s. In 2016 this figure was 4000 Gbit/s and in 2010, it was only 31.8 Gbit/s.



■ Iran Local Internet Bandwidth - 2010 to 2018 ■

## NETWORK IMPROVEMENTS 2017-2018

MARCH 2018	MARCH 2017	UNIT	INDEX	#
67479	62602	Kilometer	Fiber Optic Main Network Development	1
6968	4000	Gbit/s	Local Internet Bandwidth	2
1500	558	Gbit/s	International Internet Bandwidth	3
66.5	36.86	Million Subscribers	Development of Broadband Internet (Landline & Mobile)	4
83.22	72.35	%	Penetration Rate of Active Broadband Internet Subscribers	5
109.16	104.25	%	Penetration Rate of Mobile Phones	6
89.63	89.44	%	Villages with Internet Connection	7
28551	27397	Village	Development of Broadband Internet in Villages	8

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## MOBILE OPERATORS

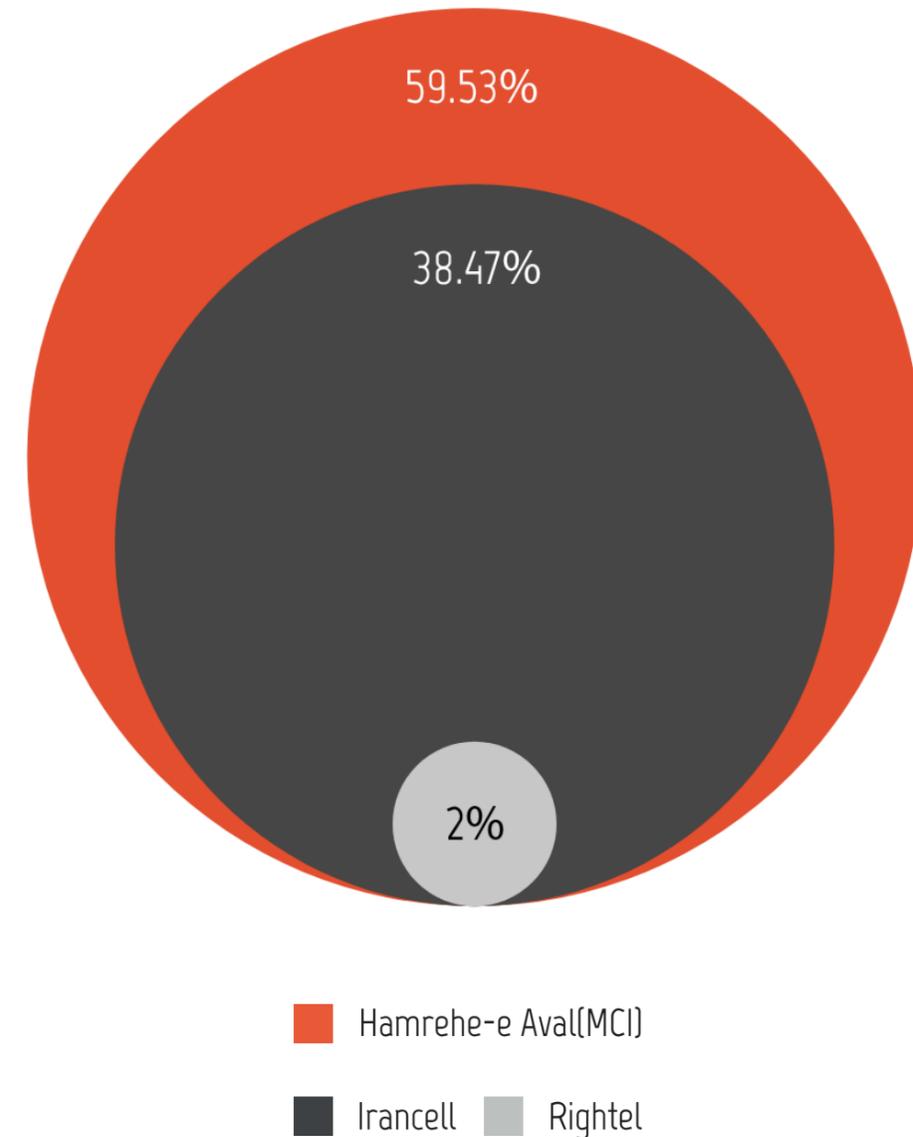
Statistics relating to the role of mobile operators in Iran's communication market shows that the first operator, Hamrah-e Aval (MCI), has a share of 59.53% of the market, and after that, Irancell owns 38.47% and the last, Rightel which owns 2%.

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Until June 2017, MCI with a coverage penetration rate of 62.5% expanded its network to 32,078 km in main routes and 34,591 km in side routes, which in total with railways reaches 75,595 km and 96.5% of the whole population of the country. Also Irancell with a penetration rate of 40.1% managed in covering a total of 35,936 km. Rightel as well with a penetration rate of 2.08% covers 27,406 km.

Currently 1246 cities in Iran have access to 3G and 4G internet, which is a 100% coverage in urban areas by the operator Hamrah-e Aval (MCI) and 97% by Irancell.

SOURCE: Iran ICT Ministry



# IRAN ADTECH

Until 2007, advertising in Iran was mainly communicated through television, newspaper and environmental billboards, and digital advertising was not a significant category to consider. Thanks to the developments in the country's Internet and telecommunication infrastructure and the fast growth of internet penetration rate, digital advertising has become a major medium for advertisers. In addition, the efficiency of online advertising, high ROI in short time and the impact of online campaigns have convinced Iranian companies to shift their advertising from non-digital to digital.

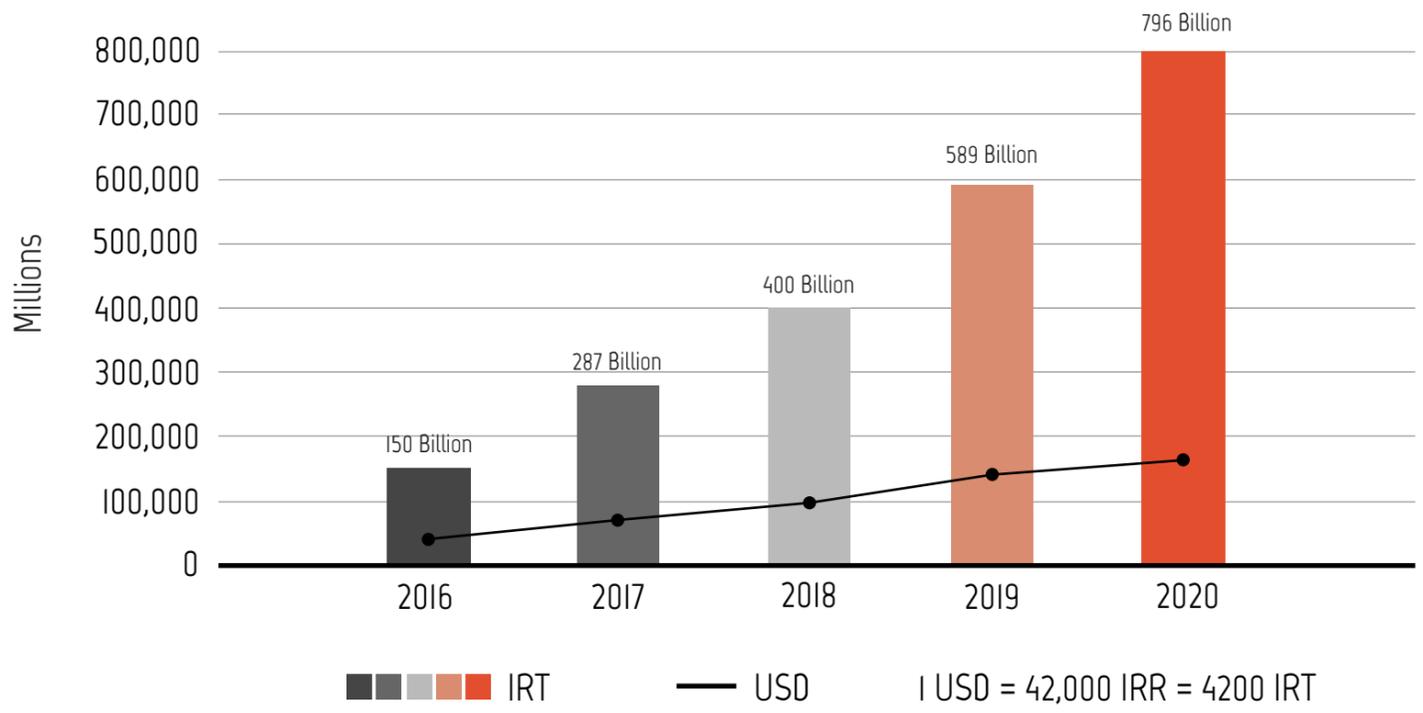
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In 2016, the implementation of the JCPOA (also known as the Iran Nuclear Deal) brought upon a political and economical calm for the country which resulted in the growth of international partnerships with European and Asian countries by the advertisers in Iran. The economic stability resulted from the post-JCPOA era also enabled local companies to expand their marketing budget and the growth of ad spend in the country.

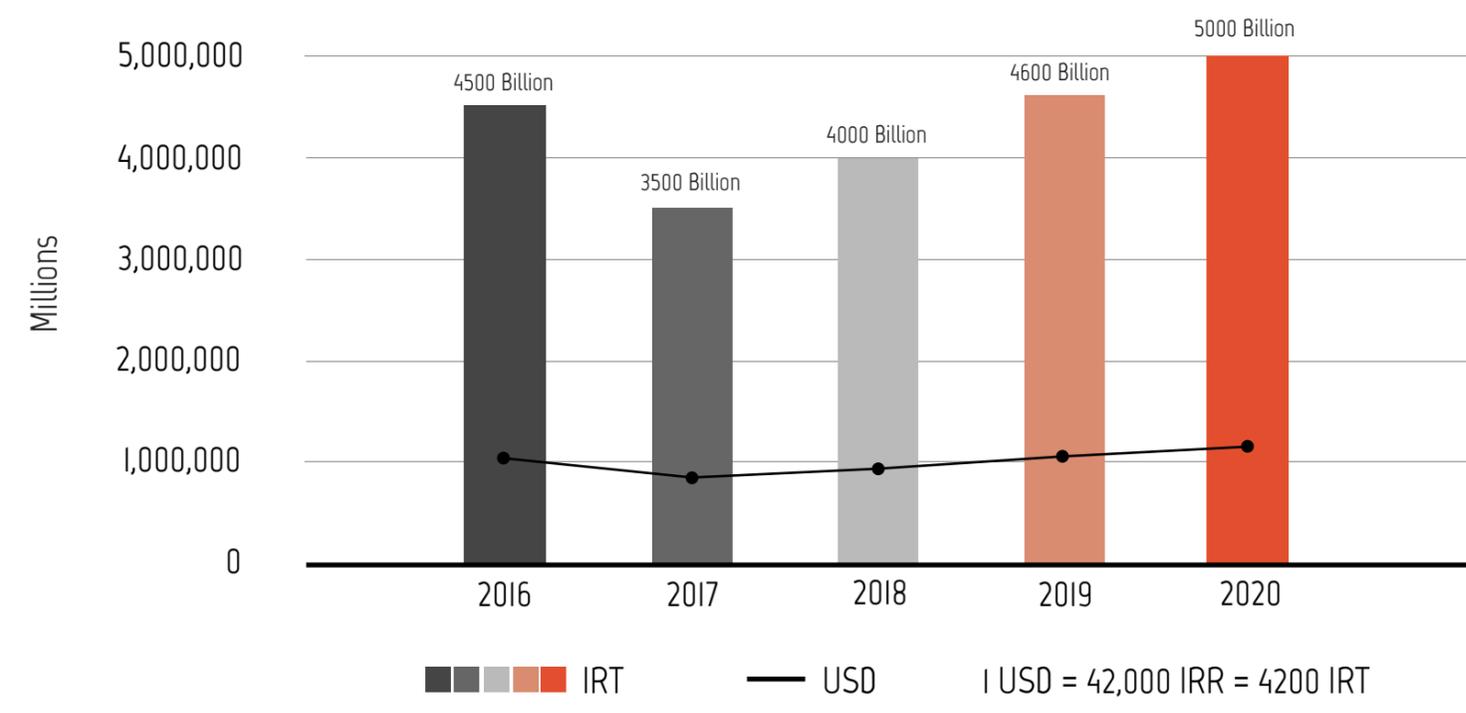
In May 2018, after the withdrawal of the US from the JCPOA, a new political turmoil was raised in Iran. In the Spring of 2018, the Iranian Rial hit an all-time low compared to the US dollar, and resulted in a panic mode for the private companies. The ambiguity in the market and lack of an outlook of what the future holds, has precipitated budgets cuts by the advertising and tech companies in Iran.

# IRAN ADTECH

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Iran Ad Expenditure - Digital Expenditure



Iran Ad Expenditure - Traditional Expenditure

SOURCE: Adro



# ECOSYSTEM PLAYERS

## NON-DIGITAL

- Carat-ICA
- Final Target
- Magnolia
- Badkoobeh
- Kanoon Iranian Novin
- Eshareh
- Maat
- Aftabnet
- Daarvag
- Zigma8
- DMC
- KMA Network
- Lavan Marketing & Advertising
- PGt Advertising
- Aein Honar Advertising
- Four Mind Advertising
- TARHBARAN
- Peyk-e-Bartar
- Resaneh khallagh
- Felesh Advertising
- Agency
- AVIDEH
- Ideparvaran
- Parand Advertising
- NoAdStudio
- Mahur Negar
- Un Adverting Group
- KARGOSTAR
- Zavin
- Namabrand
- Carassi

## DIGITAL

- Adro
- Anetwork
- Adad
- FastClick
- SabaVision
- Clickyab
- Tapsell
- Adnegah
- VatanClick
- Tabligh Irani
- Magnet
- Vidad
- Clickresan
- YektaNet
- Kaprila
- Bding
- AdSensor
- Zanboor

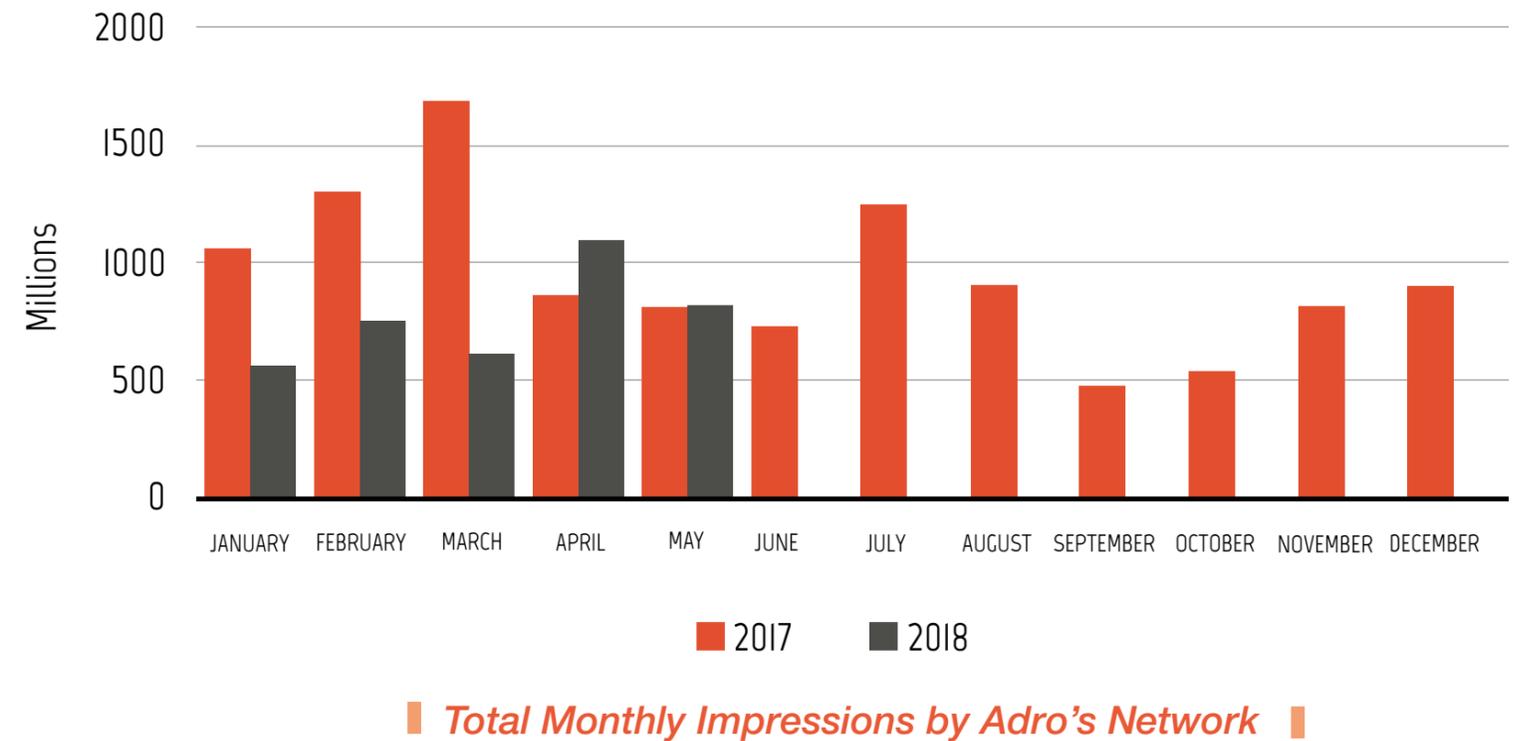
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## ADTECH IMPRESSIONS

The following chart shows the monthly impressions by Adro's network in 2017 and 2018. The impressions are provided based on the demand from the advertisers. According to the data provider, while in the first half of 2018 Adro had more ad publisher serving requests, however the reported impressions are showing the demanded ads that were served.

During the last month of the Iranian calendar (March) businesses demand more advertising which explains the peak during this month in 2017. Also during this time companies strive to reach their annual KPIs by creating more engaging campaigns.

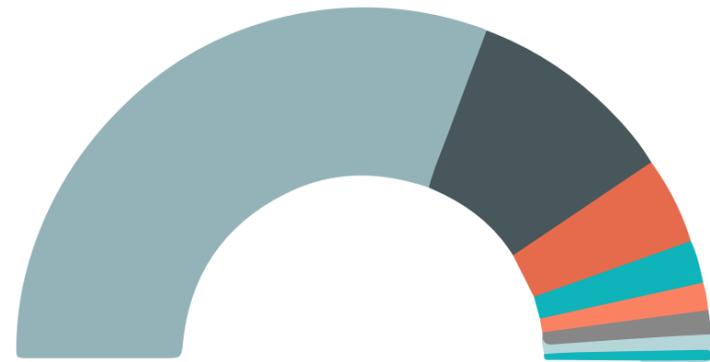


SOURCE: Adro



# MOBILE AD IMPRESSIONS

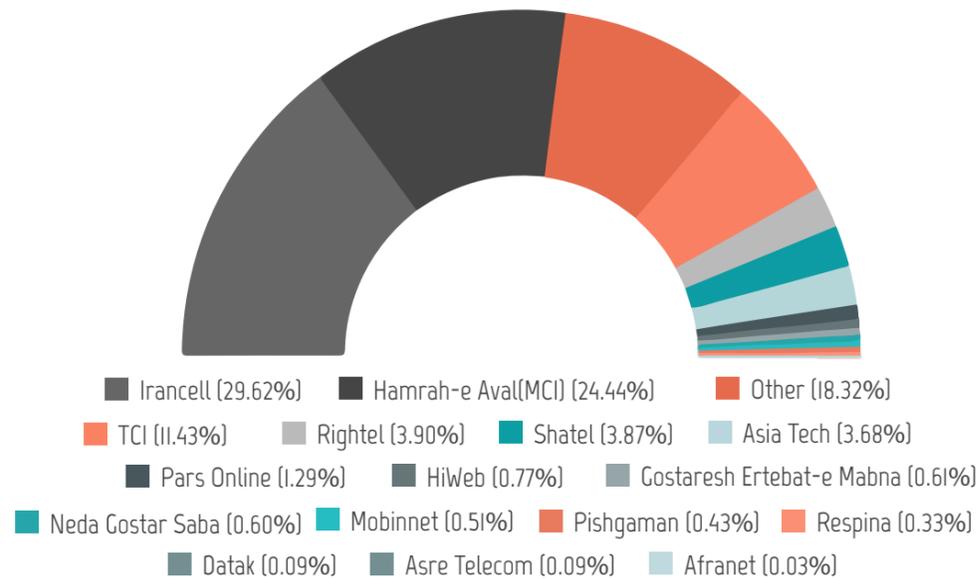
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Share of Iran Mobile Advertising Impressions by Brand, From March to June 2018

According to the data provided by Adad, a mobile advertising network in Iran, most of the mobile ad impressions by users in Iran belong to Samsung and Huawei with an impression share of 61.32% and 19.65% respectively.

SOURCE: Adad



Share of Iran Mobile Advertising Impressions by ISP, From March to June 2018

Hamrah-e Aval (MCI) and Irancell, the two major mobile operators in Iran, are the main Internet providers for mobile users in the country, with a share of 24.44% and 29.62% respectively. Next is the Telecommunication Company of Iran, a partially state-owned company with 11.43% share. Rightel the third mobile operator has 3.9% share, while next on the list are, Shatel, Asia Tech, Pars Online which are all private ISPs.



Share of Iran Mobile Advertising Impressions by Mobile Operator, From March to June 2018

In terms of mobile ad impressions by mobile operators, Hamrah-e Aval (MCI), Irancell and Rightel have a share of 53.29%, 36.65% and 3.12% respectively.

# MOBILE AD IMPRESSIONS

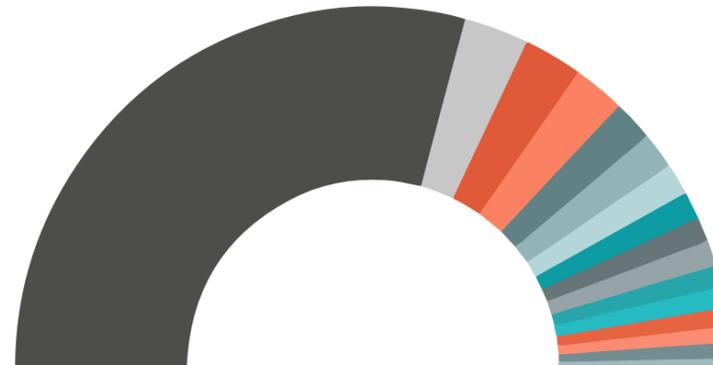
6/3



WiFi (36.47%)  
Mobile Internet (36.47%)

Share of Iran Mobile Advertising Impressions by Internet Connection, From March to June 2018

In total, 63.47% of the mobile ad impressions are over mobile Internet, while the rest are over WiFi connections.



Unknown (58.16%) Khuzestan (5.75%) Tehran (5.37%) Fars (4.71%)  
Isfahan (3.77%) Mazandaran (3.27%) Razavi Khorasan (2.67%)  
Kerman (2.54%) Bushehr (2.16%) Alborz (2.16%) Hormozgan (2.08%)  
Sistan and Baluchestan (1.93%) East Azerbaijan (1.61%) Gilan (1.47%)  
West Azerbaijan (1.28%) Golestan (1.07%)

Share of Iran Mobile Advertising Impressions by Province, From March to June 2018

While over half of the impressions are coming from an unknown\* location, Khuzestan, Tehran, Fars, Isfahan and Mazandaran, are the top five provinces in Iran with the most mobile ad impressions.

\*Unknown locations are mainly due to the use of VPN services



Games & Entertainment (56.63%) Utilities (19.82%)  
Education, Culture & Religion (2.69%) Social (4.30%) Music (4%)  
Health (2.69%) Photography (1.32%) Business & Finance (0.72%)  
Weather, Map & Transportation (0.56%) News & Magazines (0.27%)

Share of Iran Mobile Advertising Impressions by App Category, From March to June 2018

56.62% of the total mobile app ad impressions are owned by the “Game & Entertainment” category, which shows the high interest of advertisers and also the large number of their audience. After that comes the “Utilities” and the “Education, Culture & Religion” category with 19.82% and 9.68% share respectively.

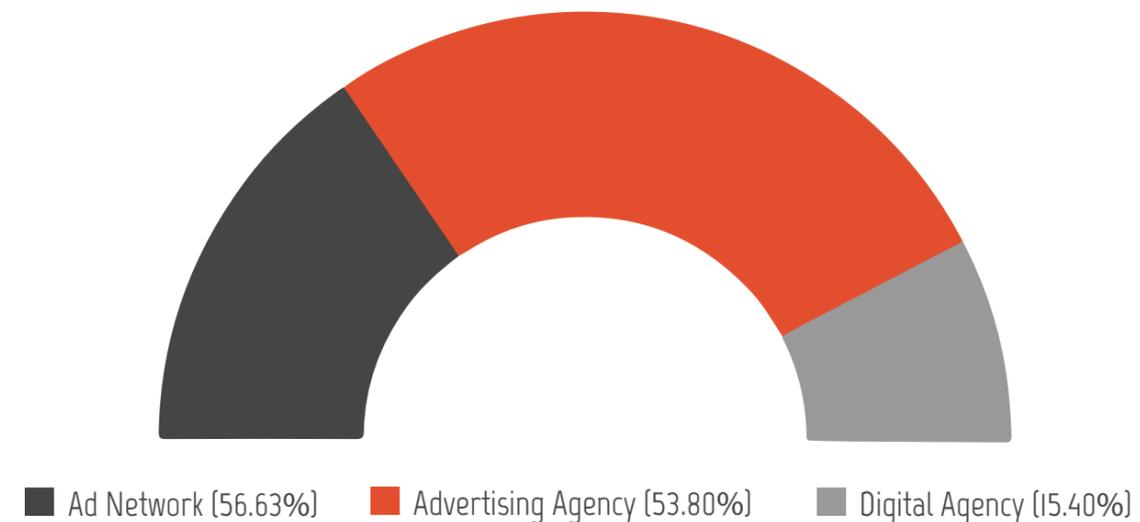
# IRAN ADTECH ECOSYSTEM SURVEY

To gain a deeper understanding of the challenges in Iran's AdTech ecosystem, we conducted an in-depth survey of 26 marketing experts from 17 ad networks and digital agencies in Iran which explores various topics such as the effectiveness of ad categories, their demands, social media ad types, the quality of AdTech services and profitability.

\* Companies participated in the survey: Adnegah, Adro, Anetwork, Avideh, Barmaan, Carat-ICA, Clickyab, DYMO, Four Mind, LimitLines, Sabaldea, Sigma, Tapsell, Zigma8, Magnolia, Vatan Click and adLift.

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What best describes your company?



# IRAN ADTECH ECOSYSTEM SURVEY

2. How do you see different types of online advertising based on the client's priority of interest and campaigns?

---

- 1st| Video Ads
- 2nd| Display Ads
- 3rd| Native Advertising
- 4th| Email Marketing
- 5th| SEM / Google Ads

3. In your opinion, what are the most popular active models advertisers use for campaigns?

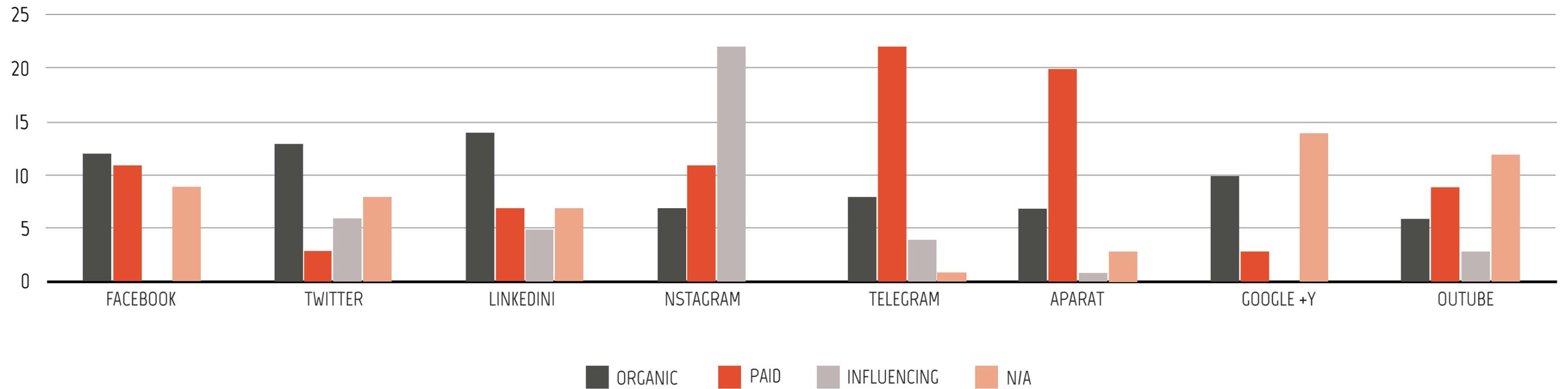
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- 1st| CPC (Cost Per Click)
- 2nd| CPV (Cost Per View)
- 3rd| CPM (Cost Per Mille)
- 4th| CPI (Cost Per Install)
- 5th| Reach

7

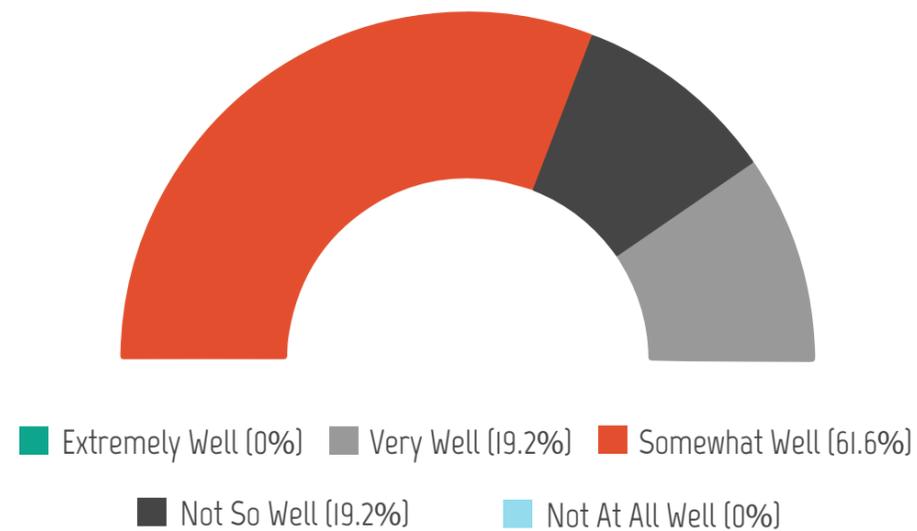
# IRAN ADTECH ECOSYSTEM SURVEY

## 4. What are the most prominent ad types in the social media ad category?



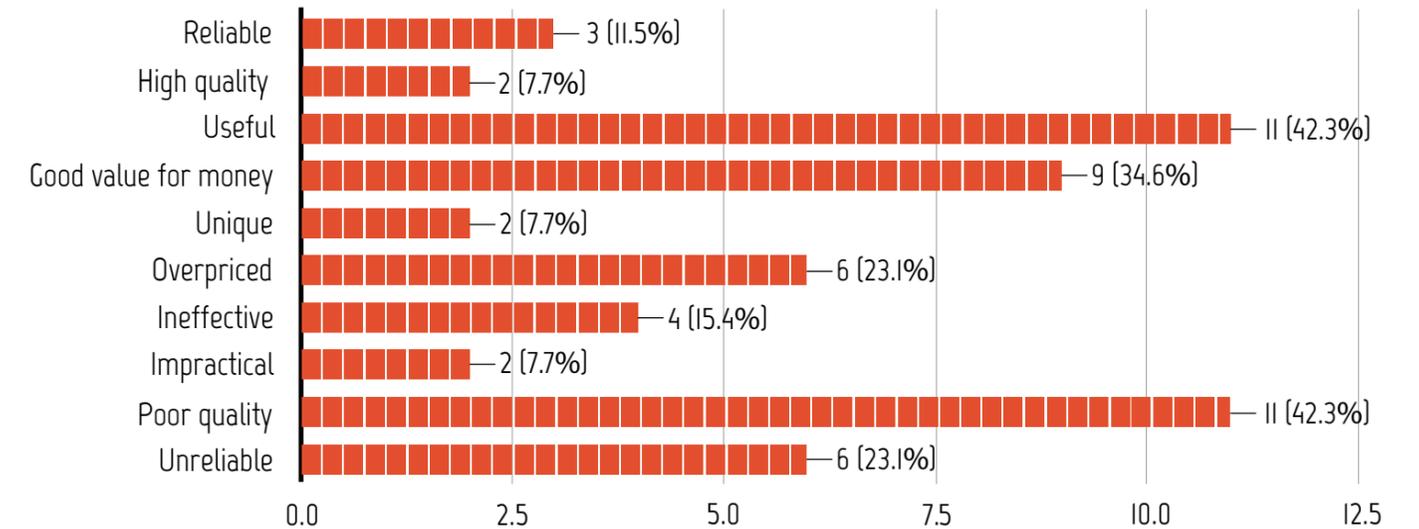
# IRAN ADTECH ECOSYSTEM SURVEY

5. How well do ad-network services meet advertisers' needs and expectations?



While the majority of our respondents chose “somewhat well” for Iranian ad network services meeting the advertiser’s expectations, both the “extremely well” and “not at all” options were not picked at all.

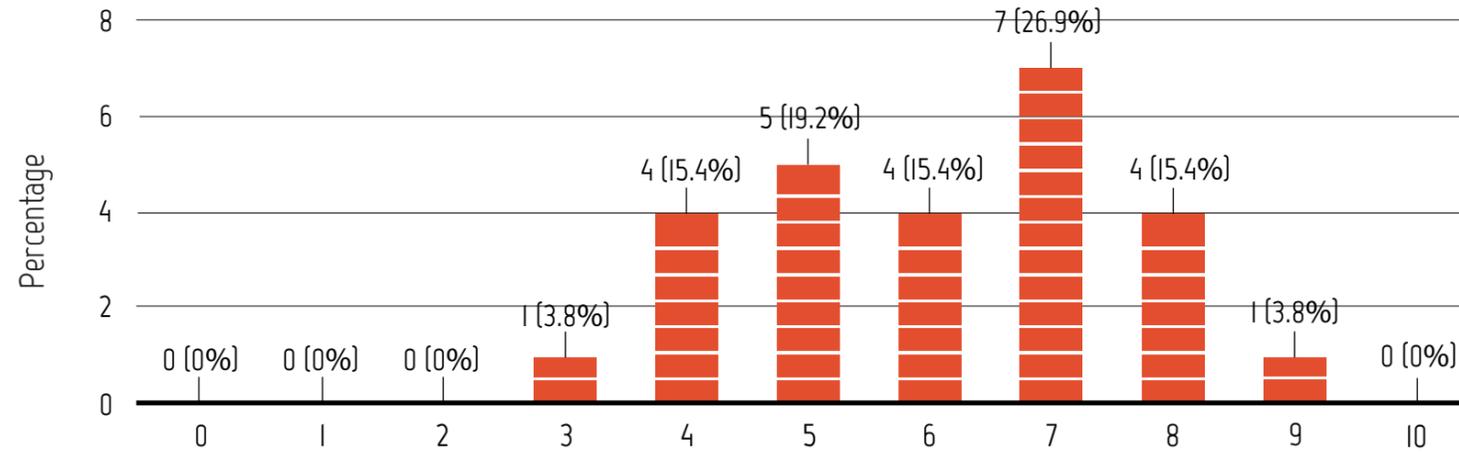
6. In your opinion, what do advertisers think about the AdTech services in Iran?



When we asked our survey takers to choose from the five positive and five negative attributes on the state of AdTech services in Iran, the “useful” and “poor quality” options were picked the most.

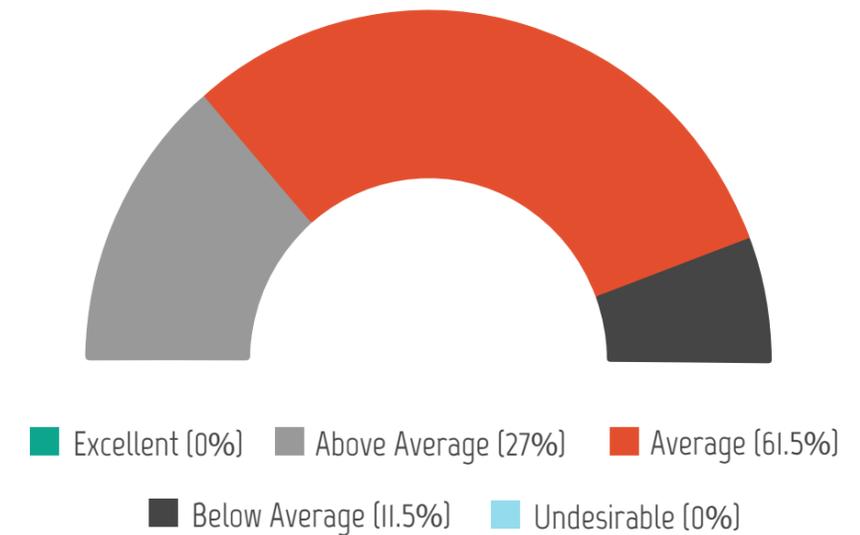
# IRAN ADTECH ECOSYSTEM SURVEY

7. How do you find the publisher's ad fraud status of the Iranian AdTech ecosystem?



The survey takers were asked to rate the status of publisher's ad fraud prevention on a scale of zero to ten. Zero being no active ad fraud and ten being increasing amount of ad fraud.

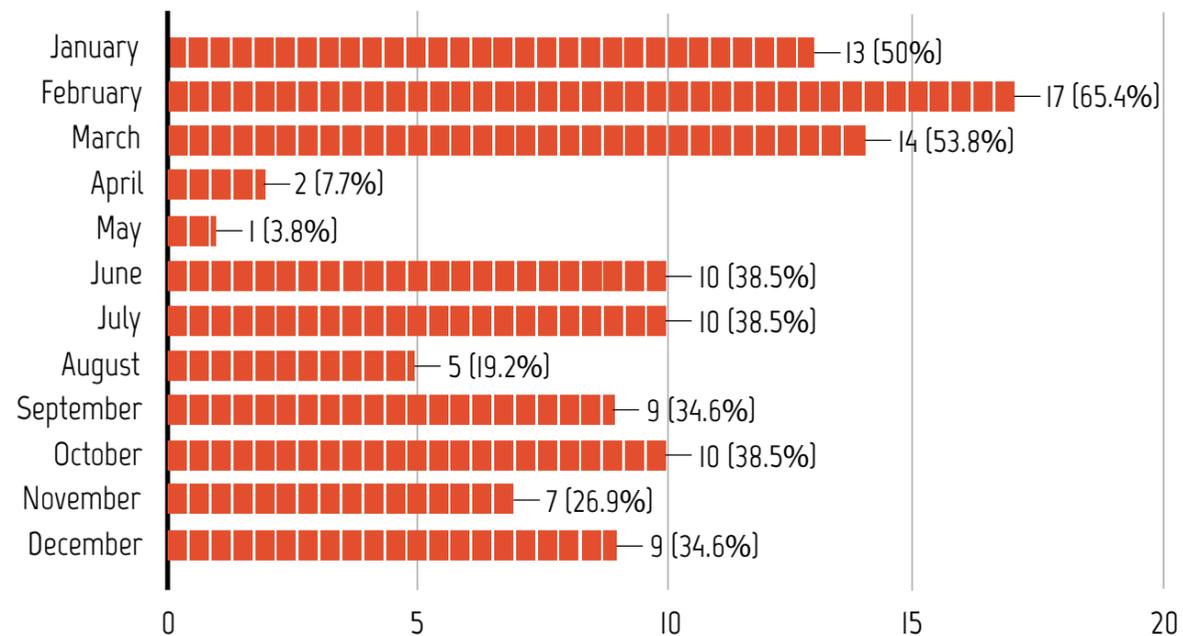
8. How do you find the ad fraud prevention quality of the networks?



While the majority of the respondents believe that the ad fraud prevention quality of the networks in Iran is average, 26.9% voted for above and 11.5% below average.

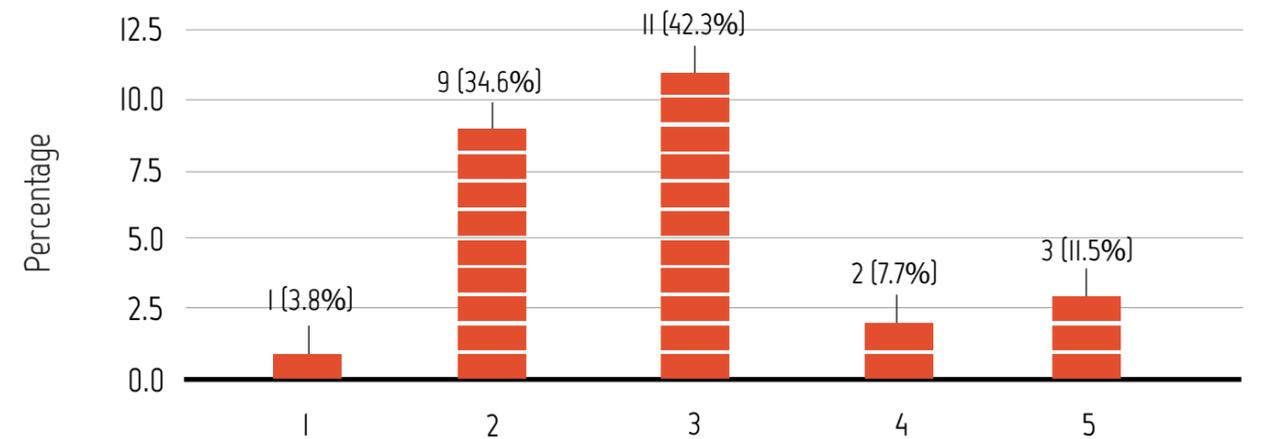
# IRAN ADTECH ECOSYSTEM SURVEY

## 9. Which time of the year do buyers want to interact with advertising more?



February and March were chosen as the peak season for advertising in Iran, which are the ending months leading to the Persian new year.

## 10. Do you think Iran AdTech is seeing a profitable year?



From a scale of 1 to 5 — 1 being extremely unlikely and 5 being extremely likely— the majority gave the average answer of 3. The uncertainty in the Iranian market and the devaluation of Rial could be the reasons behind this answer.

# OPPORTUNITIES

## VIDEO PLATFORMS

Video is changing the landscape of the online world and is redefining the user interaction with brands and products with new cutting-edge technologies and forms of content. The global Internet traffic is growing rapidly, and this is thanks to the role of various video contents on social networks and video-sharing platforms.

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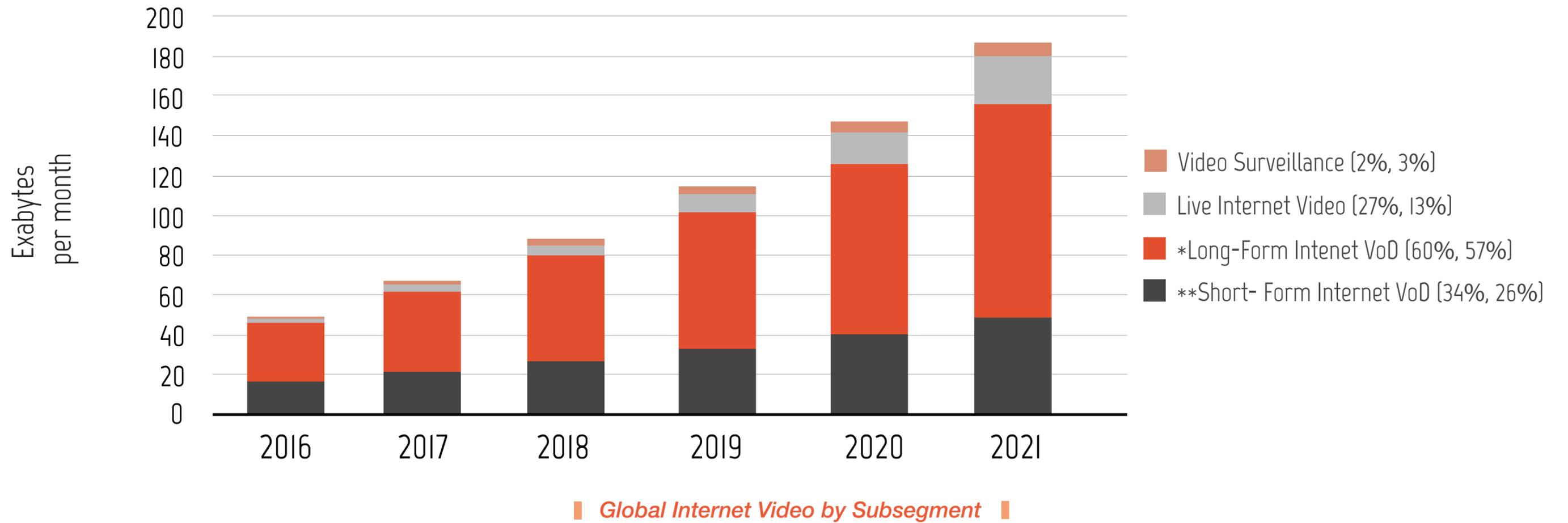
Video has proven to be a major driver of user engagement. According to a survey\* 80% of Internet users can recall a video ad they had seen in the last 30 days, and 46% of those people took some action after viewing the ad.

It's projected that 82% of the global internet traffic by 2021 will be used by video, up from 73% from 2016. Live Internet video will also reach 13% of the global Internet video traffic by 2021, up from 3% in 2016. By the year 2021, a million minutes of video content will cross global networks every second.\*\*

\*Survey by Online Publishers Association

\*\*Source: Cisco Visual Networking Index

# VIDEO PLATFORMS



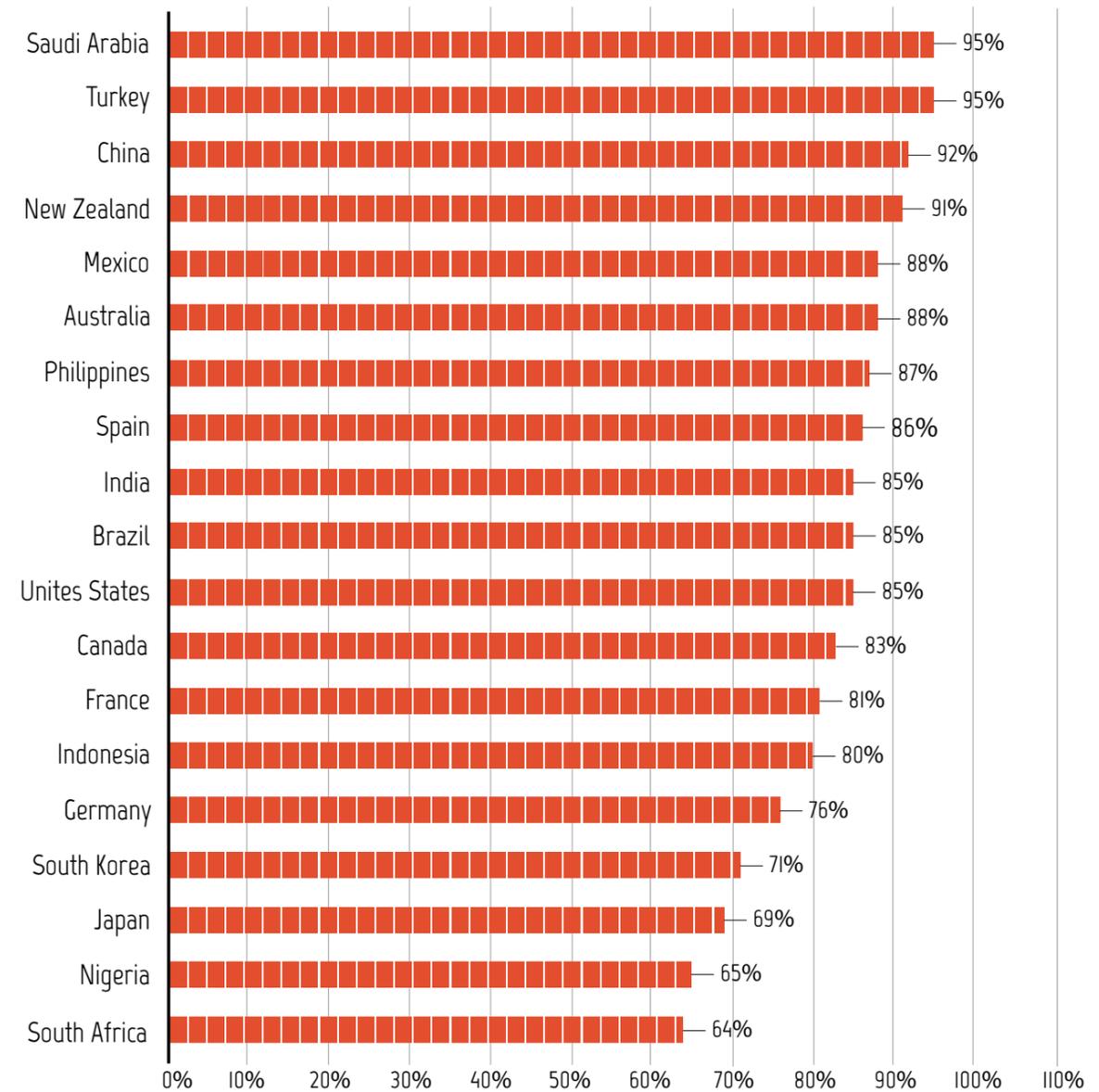
\*Long form: Video content generally greater than 7 minutes in length

\*\*Short form: User-generated video and other video clips generally less than 7 minutes in length

SOURCE: Cisco VNI Global IP Traffic Forecast

## VIDEO PLATFORMS

Current statistics show that Internet traffic is growing fastest in the Middle East and Africa, followed by Asia Pacific. Saudi Arabia and Turkey have the highest percentage of Internet users who watch online videos on a daily basis, with a penetration rate of 95%. After Saudi Arabia and Turkey, the other countries in the top 5 are China, New Zealand and Mexico with a penetration rate of 92%, 91% and 88% respectively. For the United States, 85% of the country's population are accessing video content on a daily basis.



*Percentage of Internet Users Who Watch Video Content on Any Device, As of January 2018, by Country*

Source: Cisco Visual Networking Index, Statista

Source: We Are Social, Statista

# GROWTH OF VIDEO CONTENT IN IRAN

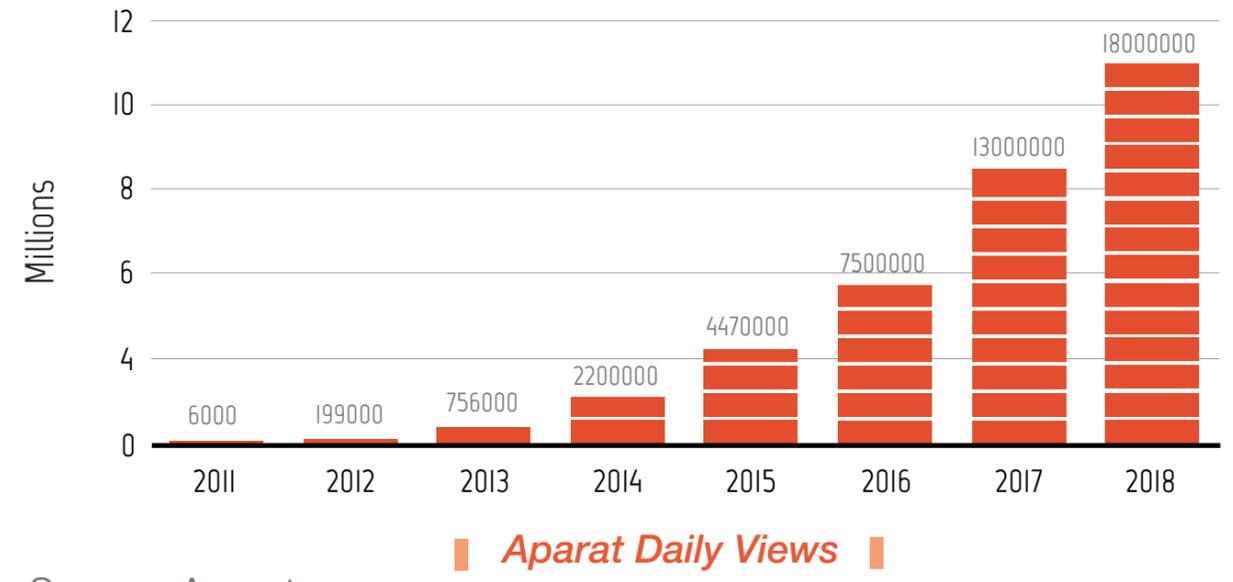
In the recent years, original video content creation has increased tremendously in Iran, mainly due to the improvements of the land-line and mobile Internet infrastructure and lowering the cost for the end users. Since the implementation of the “National Information Network” which acts as a domestic Internet, the price of Internet bandwidth for users accessing websites hosted inside the country has dropped to a great extent, thus increasing the watch-time of online videos in Iran. Many Iranian video-sharing platforms and VoD services have also partnered up with the local ISPs in the country to offer free traffic for their users. This increase in the overall watch-time of videos over the Internet by Iranians has persuaded online advertisers to redefine their approach towards this type of advertising.

Aparat, an Iranian video-sharing platform gets 18 million video plays per day on average and Filimo, an online VoD platform in Iran, gets 18 million minutes of video plays per day.

Based on statistics provided by Aparat there are 7 million daily unique online video viewers for all video-sharing platforms in Iran.

According to Tapsell, an Iranian ad network/agency, there are 25 million daily video views in Iran on UGC, VoD, IPTV and advertising platforms.\*

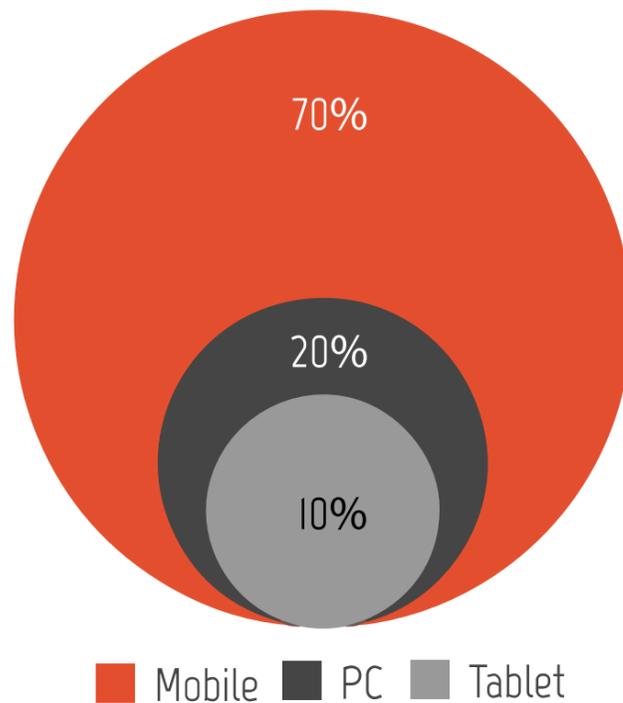
\*This number does not include the video views on messaging apps and social media such as Telegram and Instagram.



Source: Aparat

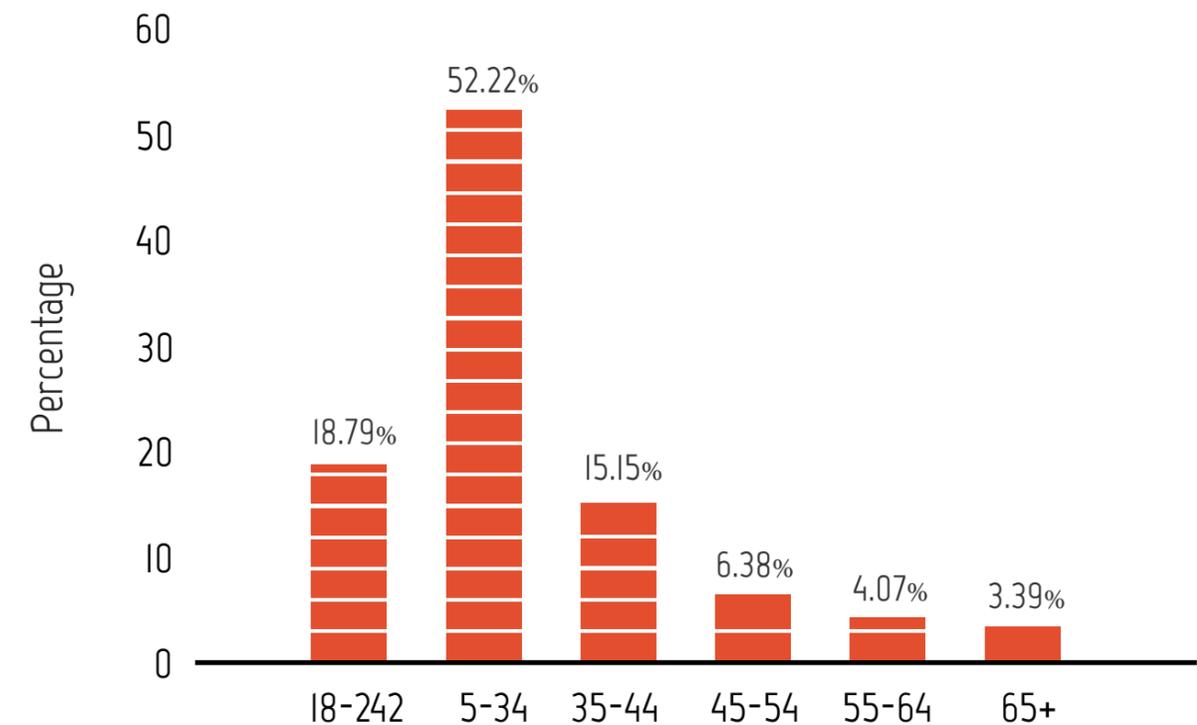
## GROWTH OF VIDEO CONTENT IN IRAN

The chart below depicts the platform distribution of Aparat's users. As it's shown, the majority of Aparat's users tend to use their mobile devices to watch online videos.



Platform Distribution of Aparat's Users

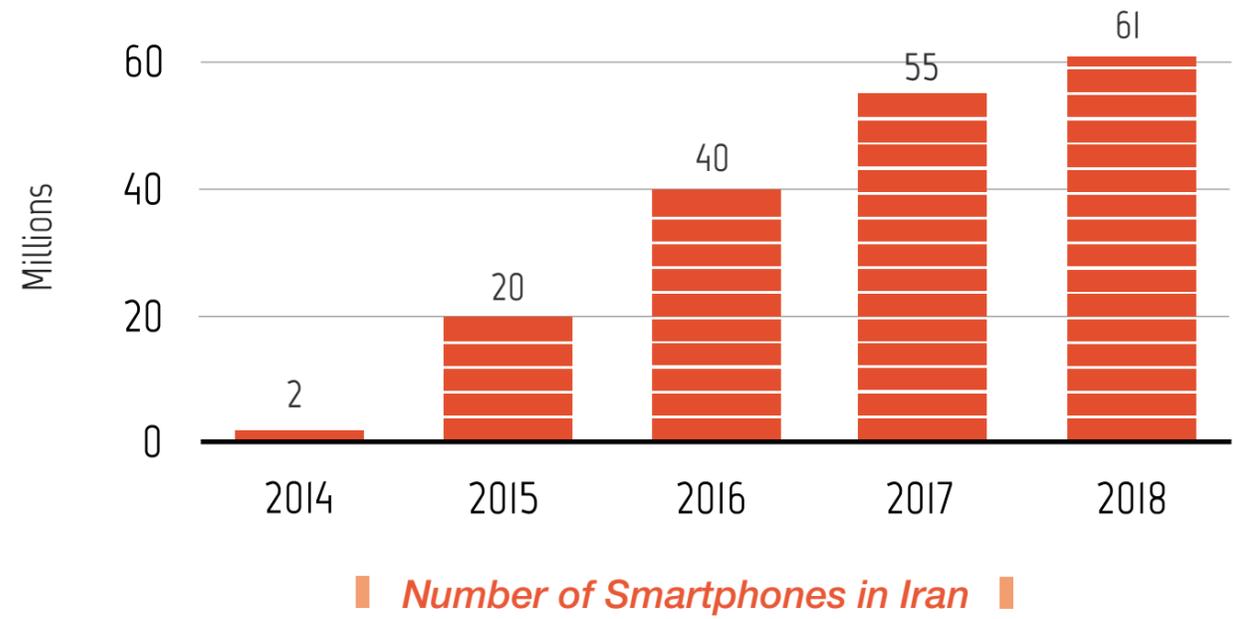
Data from Filimo's age distribution shows that with 52.22% the majority of this VoD platform's audience are between the age of 25 to 34 years old. With 18.79%, the youth between the age of 18 to 24 are the second biggest audience of this platform.



Filimo Age Distribution

# GROWTH OF SMARTPHONES IN IRAN

With the rise of smartphones and the amount of time which people spend on their devices, mobile advertising has become an attractive field in the digital advertising industry. While in 2014 there were only 2 million active smartphones in the hands of Iranians, today in 2018 this number has reached to 61 million.



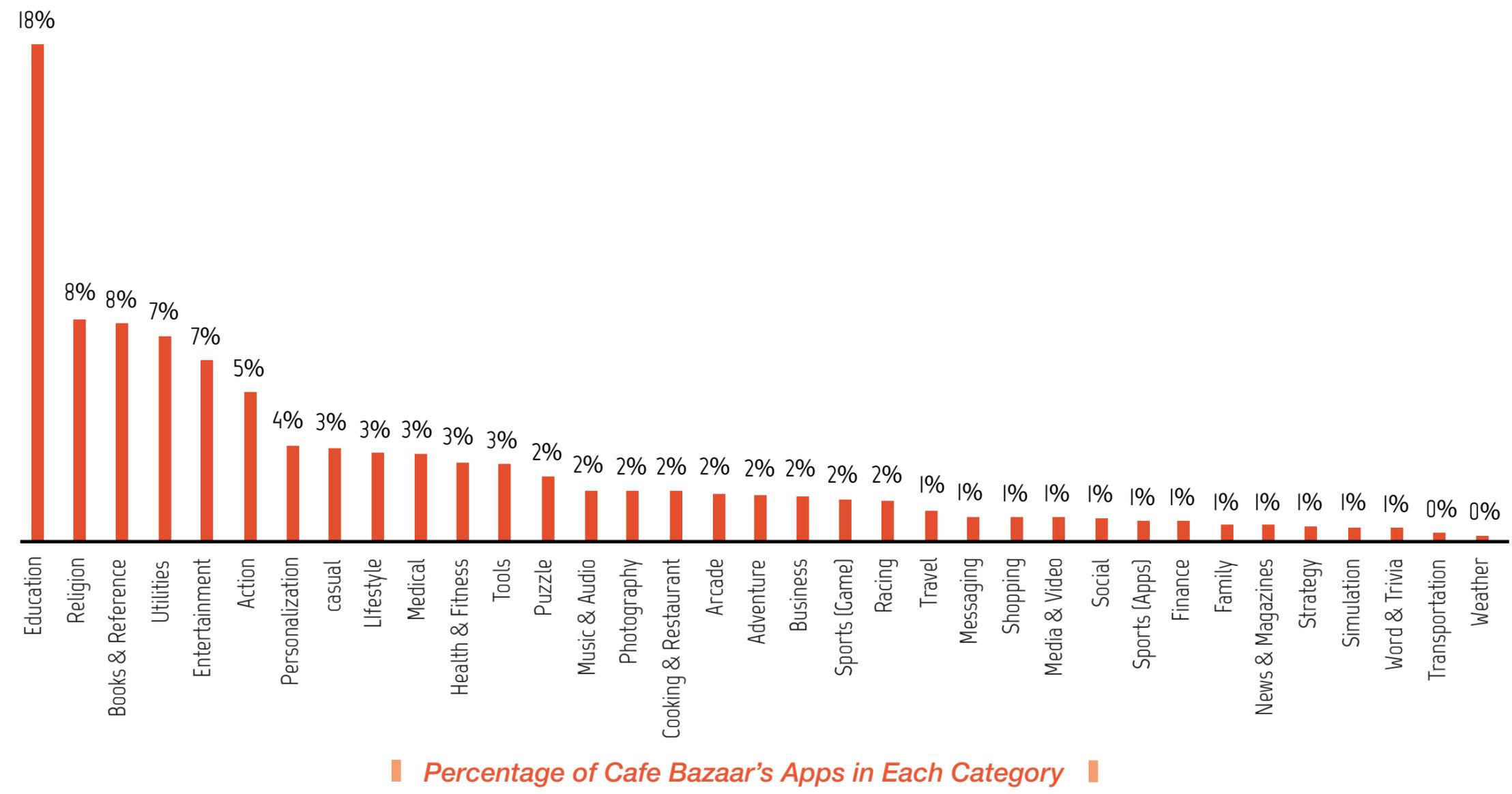
Source: Iran ICT Ministry

As the number of locally developed mobile games and utility apps have increased in the country, the advertising inventory has also expanded. Many advertisers in Iran rather have their ads on the popular games and applications which are using a freemium business model. According to Cafe Bazaar, an Iranian Android app store which provides its services specifically to Persian-speaking users, there are over 36 million unique Android users on this platform.

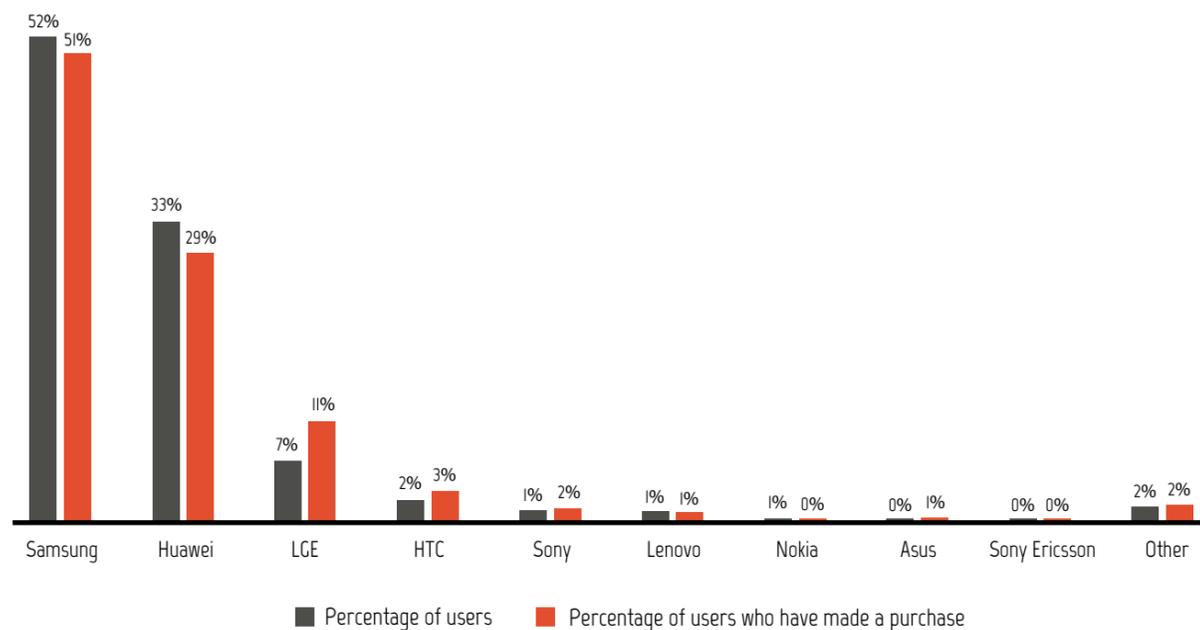
The applications on this platform have reached to 151 thousand until May 2018, and 23 thousand developing teams have collaborated with Cafe Bazaar and distributed their apps on this platform, making 1,800 billion Rials over the period of one year.

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# GROWTH OF SMARTPHONES IN IRAN



SOURCE: Cafe Bazaar's Quarterly Market Review - March 2018



Iran Android Smartphone MarketShare

SOURCE: Cafe Bazaar's Quarterly Market Review - March 2018

Samsung and Huawei are the market dominants in Iran's Android smartphone market with a share of 52% and 33% respectively, having over 80% of the country's market share. The chart also shows the percentage of users who have made a purchase on Cafe Bazaar, indicating that the majority of users on this platform are willing to pay for their desired app.

	Game	App
Amount of Transactions	94%	64%
Number of Transactions	20%	18%

Revenue Changes for Iranian Apps in 2017 Compared to the Previous Year\*

\* The data on this chart and the growth of transactions have been compared over a period of one year (Persian year 1395 & 1396)

SOURCE: Cafe Bazaar's Annual Report - May 2018

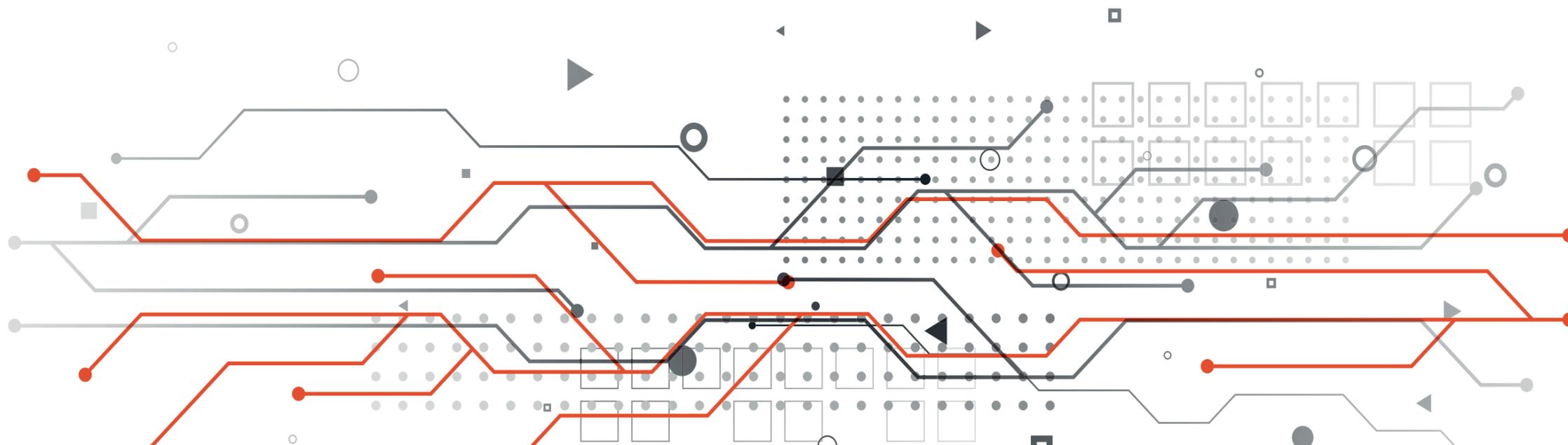
The above chart shows the revenue changes for Iranian applications and games on Cafe Bazaar. In the Persian year 1396, Iranian games and applications had 94% and 64% growth respectively in terms of revenue compared to the previous year. Also the number of transactions for Iranian games and applications saw a 20% and 18% growth respectively during the same period.

## DATA MANAGEMENT PLATFORM (DMP)

DMP is a centralized platform for data-driven marketing. This platform uses in-depth first-party and third-party data from a variety of online and offline sources that go beyond the standard analytics tools. DMP uses raw data from sources such as web browsers, mobile applications, social networks, CRM, smart TV, PoS data, family income and many other sources to bring precise targeting and provide deeper insights about the audience.

DMP can then manage and divide the data to different segments and target particular age groups, with specific tastes, demographics, social and economic community class and many other criteria.

Currently in Iran, there are no companies working specifically on a DMP. Filling this gap in the market could help business decision makers and also marketers and agencies to classify their audience and run high-performance advertising campaigns.



# CHALLENGES

## IRAN'S CURRENCY CRISIS

The Iranian Rial has been losing its value since March 2018, due to international political tensions and instability in the country's overall economy. Iran's economic downtime and the the uncertainty of the market has led the Iranian companies to reduce their expenses and make budget cuts which have also effected the marketing agencies.

In this situation, what could save the digital advertising agencies in the country could be to focus more on the international market, including the neighboring counties.

Due to the absence of international players, Iran's AdTech ecosystem was built within the country. Currently, the low costs of living and salaries could be a great time for foreign companies to diversify their investments and fill in the gaps in the country's AdTech scene.

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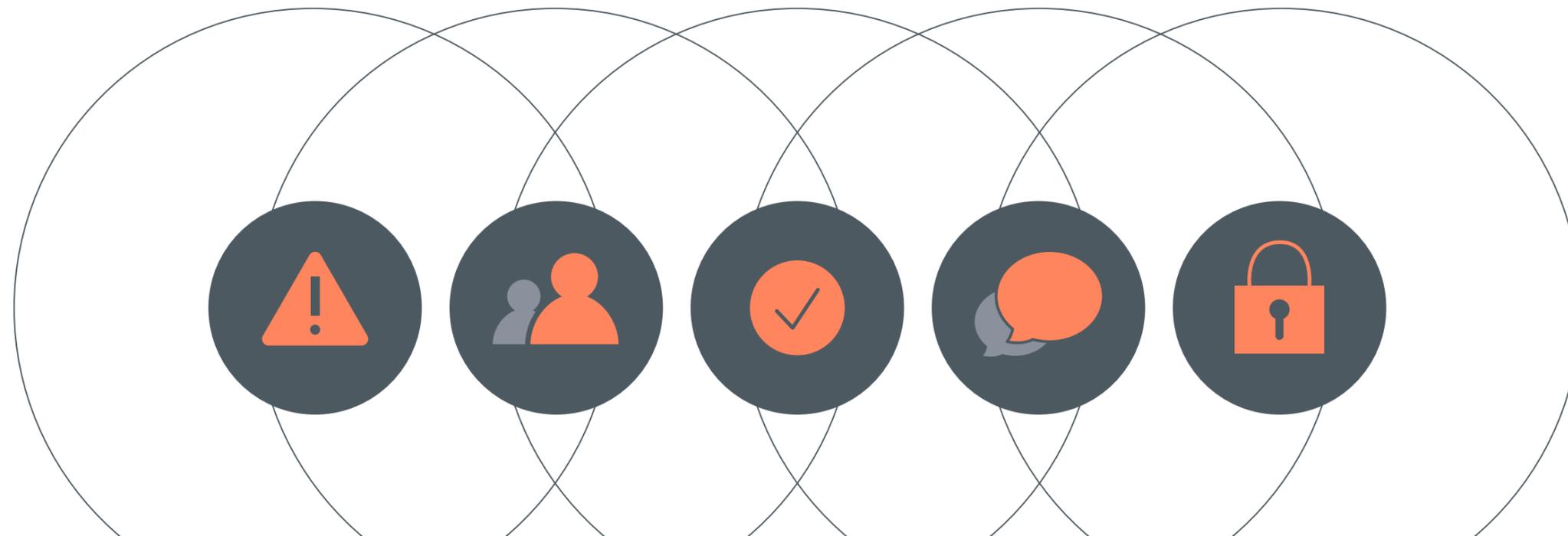
## GENERAL DATA PROTECTION REGULATION (GDPR)

Once enforced and coming to effect, the GDPR could cause some issues for advertising agencies, since the core value of many businesses in this field is data-gathering and user targeting. In case of infringements, penalties could cost companies up to 4 percent of their annual global turnover or up to 20 million Euros.

Iranian companies might also soon become GDPR-compliant.

Iran's ICT Minister has also shown contentment about the GDPR, saying that he's also looking forward to passing the data protection bill, and in the near future he will conduct talks with the EU about mutual legal and technical assistance.

While Iranian advertising companies should be aware of the details of this regulation in order to not violate its terms, they can also see it as an opportunity which could increase their market size once complied to this act.



## AD BLOCKING

Ad blocking is one of the major threats to the AdTech industry and is continuing to become more widely used among users. Advertisements are the main revenue stream for many online publishers and ad blocking could be a major cause of revenue loss for publishers.

9 According to PageFair, 11% of the global Internet population is blocking ads over the web and a total of 614 million devices are blocking ads.\* According to an audit by the Association for Online Publishing, during a two-year period between Q1 2016 and Q4 2017, the percentage of advertising impressions being blocked was fallen, while revenue loss kept on the rise for publishers. To recover the loss from ad blocking, many media publishers have turned to paid subscriptions in order to provide ad-free content for their users.

\*SOURCE: PageFair, 2017 Global Adblock Report

## AD FRAUD

Ad fraud is considered a global threat to the AdTech industry. Ad fraud happens when bots (or automated scripts) create invalid impressions, conversion or clicks on ads. Proving that a click on an ad is a fraud or not is a tricky and challenging process for ad exchangers everywhere in the world.

According to Juniper Research, Ad Fraud will cost advertisers \$19 billion in 2018, representing 9% of the total digital advertising spend. The total revenue loss caused by ad fraud will reach \$44 billion in 2022, rising from \$14.2 billion in 2017.

We estimate the ad fraud ratio in Iran to be between 18% to 21%.

## SOCIAL NETWORKS

In Iran, most of the popular social networks, except Instagram are blocked in the country. Also due to international sanctions, AdTech service providers have restricted their services to Iran, including Facebook and Google. This two-way restriction has made the deal harder for Iranian advertisers to use programmatic advertisements. Currently most of the advertisements on social networks/media in Iran are over Telegram and Instagram.

### Instagram

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There are no official statistics regarding the number of Instagram users in Iran, but we estimate this number to be over 30 million users.

Although Iranian companies aren't able to officially place their ads on Instagram, a few have found a way to get around the sanctions and were able to target the users inside Iran using Instagram's platform for advertisers. However, advertisers in Iran rather use influencer marketing as it brings more engagement and impressions with their given budgets compared to Instagram's ads.

Depending on the number of followers, and engagements the prices among the influencers are different. An Iranian influencer on Instagram with 200 thousand followers receives 20 to 50 million Rials on average for a single post endorsing a brand. The top influencers in the +1 million followers league in the Iranian market on Instagram receive up to 200 million Rials for a single post. There are a number of Iranian influencer marketing platforms which help advertisers to track the performance of their influencer campaigns, however there are still service quality gaps in this market.

## Telegram

During the recent years, due to the lack of access to the popular messaging apps, Telegram was able to become a medium for Iranians and answered many of their digital needs. Unofficial statistics claim that 200 thousand people in Iran made a living using content creation, thanks to the 45 million Iranians on the app. Many Iranian Telegram channels and bots also brought considerable amount of revenue for their creators with sponsored content and ads.

9 While some AdTech companies in Iran have tried to implement a systematic measurement for advertisement's efficiency and providing analytics, the majority of the advertisements on this messaging app are still done in a traditional process.

On April 30th 2018, Telegram got blocked in Iran and as the result, the number of views and also advertisements on the app hit a record low. While statistics show that the activity of Iranian users on Telegram was dropped during the first week of the ban, view counts of Telegram channels' posts show that users are again coming back to this platform using VPN services.

# TRENDS

## NEW TECHNOLOGY-DRIVEN ADS

Although in their early stage, Artificial Intelligence (AI), Augmented Reality (AR), Virtual Reality (VR) and voice-based personal assistance could become a new channel of advertising while creating more data on user's activities and further expanding the advertising inventory.

While many of today's traditional ads are skipped or blocked, future commercials on video sharing platforms and TV could benefit from the data sent and received to smart speakers and advertise in a subtle manner using the stored data of users. In the upcoming years advertising platforms which are able to monetize voice-search systems such as the Google Home could price the ads on a cost-per-sale basis.

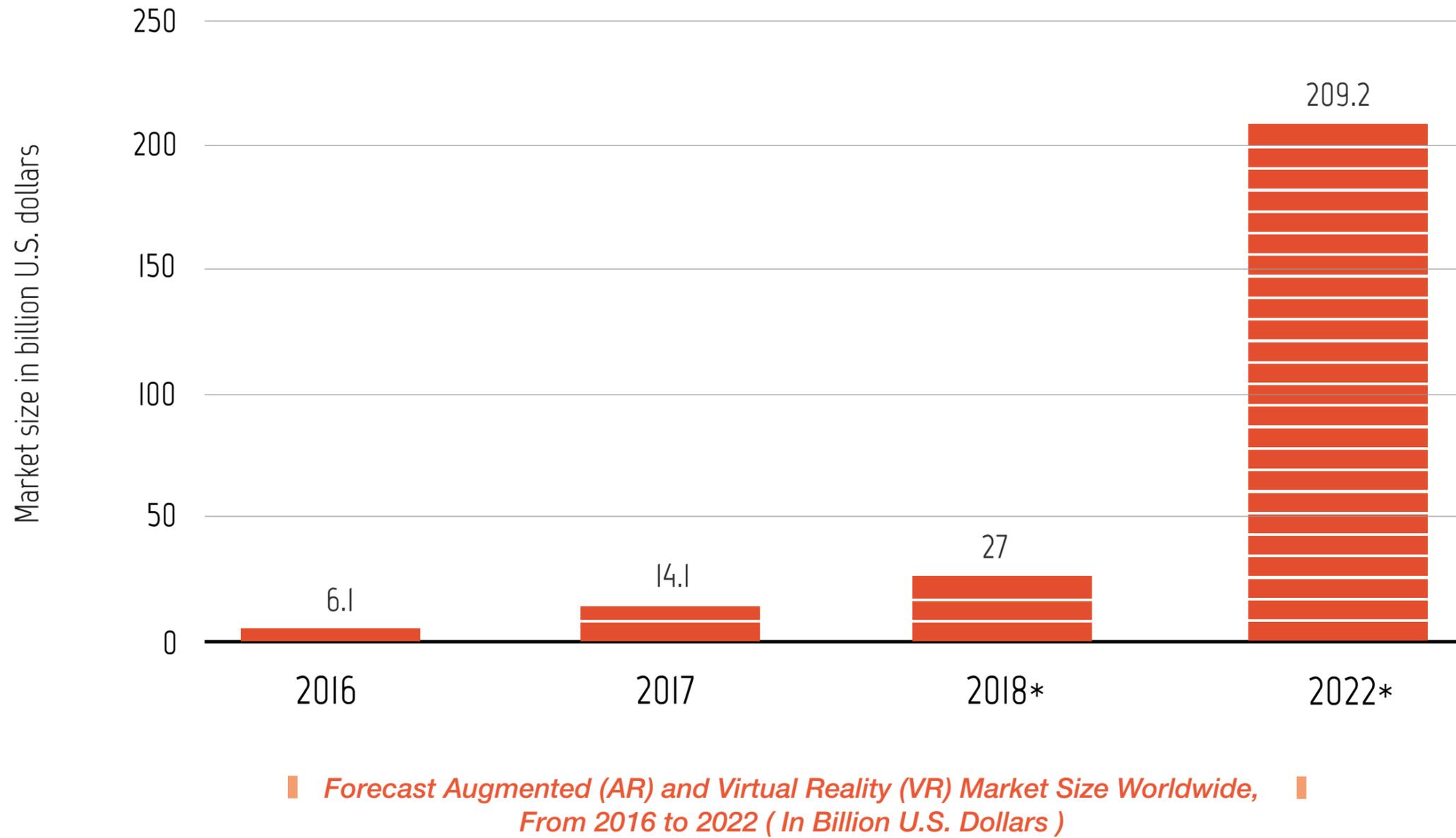
Instead of pre-rolls and product placements, AR and VR will revolutionize advertising by enabling advertisers to create interactive and engaging experiences for each user.

The traffic from Virtual Reality and Augmented Reality is projected to increase 20-fold between 2016 and 2021, at an annual growth rate of 82%.\*

\*SOURCE: Cisco Visual Networking Index

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SOURCE: Statista

## AD SERVER

The AdServer service, is an innovative option for the publishers, ad networks and advertiser which look into maximizing their sells over targeted ads. An ad server stores information about the ad's content such as banners, images or videos and delivers them to selected websites, apps and video players. A major advantage of this system is that it allows the client to display its content to targeted audience.

While previously in Iran, many publishers preferred using fixed banners, today many are using programatic methods thanks to the spread use of AdServers. This trend shows the maturity of the market which is further moving from traditional to digital.

## AFFILIATE MARKETING

Affiliate marketing is a practice in which company products or services are recommended to potential customers, and a commission is earned by the affiliate website and network if a sale is generated.

Today, publishers in Iran are not working on just CPC, and are moving towards revenue sharing models. Affiliate marketing is also growing popularity among advertisers in Iran, especially the e-retailers.

## PUSH TECHNOLOGY

In the recent years, push notifications have become a popular method of marketing for advertisers which can reach millions of users in a second, while avoiding intermediaries. A major upside of this type of marketing is that the push notifications could be received while the user is not interacting with the app or browsing the website.

Since the past year, push notifications have become widely used in Iran by advertisers on both mobile and desktop.



## NATIVE ADVERTISING

Native advertising is a form of paid media which matches the structure of the publication's content. This type of sponsored content could appear in different forms and styles such as in-between the search engine results, social media and website feeds, widgets and listings.

According to eMarketer, native advertising spending in the US is projected to reach \$32.9 billion in 2018.

# APPENDIX

Iran Ad Expenditure		Year				
	Currency	2016	2017	2018	2019	2020
Digital Expenditure	IRT	150,000,000,000	287,000,000,000	400,000,000,000	589,000,000,000	796,000,000,000
	USD	\$ 35,714,285	\$ 68,333,333	\$ 95,238,095	\$ 140,238,095	\$ 189,523,809
Traditional Expenditure	IRT	4,500,000,000,000	3,500,000,000,000	4,000,000,000,000	4,600,000,000,000	5,000,000,000,000
	USD	\$ 1,071,428,571	\$ 833,333,333	\$ 952,380,952	\$ 1,095,238,095	\$ 1,190,476,190

Average Exchange Rate : \$1= IRT 4200

# ACKNOWLEDGEMENT

This report is brought to you by the kind support and help of many individuals and organizations. We would like to extend our sincere thanks to all the people who have helped us since the first edition of this report.

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Mohammad Javad Shakouri Moghadam

Saeed Sadeghi

Mina Abedi

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# ABOUT US

## TECHRASA

TechRasa is the leading tech & startup media and analysis platform in Iran and the bridge connecting regional and international startup ecosystems together.

Since its launch in June 2015, TechRasa has become the primary source for investors, entrepreneurs, startups and financial firms in research and strategy to enter Iran.

TechRasa's task is to expose the activities of Iran's startup ecosystem with the vision of empowering and inspiring Iranian entrepreneurs.

In addition to these activities, TechRasa also provides consultancy for companies planning to enter the Iranian market.

[hi@TechRasa.com](mailto:hi@TechRasa.com)



Adro is the only source of Iranian ad inventory and a gateway for international brands to advertise to Iranians. By becoming the first Iranian AdExchange, Adro has revolutionized Iran's online advertising landscape.

Due to the sanctions, Iran's local AdTech scene only kicked off a few years ago, and a local ad exchange could be considered a metric of growth of this industry.

Adro Ad Exchange's services consist of an RTB platform, DSP and SSP.

[info@adro.co](mailto:info@adro.co)