Attitudes towards Programmatic Advertising

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1. Introduction

The last two decades of digital advertising have delivered consistent innovation and growth. Indeed figures from IAB Europe's AdEx Benchmark 2014 report[1] show an increase of 11.8% to €30.7 billion – the fifth consecutive year of double digit growth.

Now the second largest media category behind TV market performance is being driven by mobile, video, better measurement, social engagement, improved data literacy, and, of course, programmatic advertising which continues to help marketers to better reach and engage interested audiences in a real-time environment.

Indeed, programmatic advertising has increased in importance to a market value of more than €2bn[2] or 20% of the total European display market, according to IAB Europe's 2013 Programmatic Market Sizing study. During the past few years programmatic has risen from being a backroom tactical tool understood by specialist media traders to being a key imperative for every online brand strategist.

However, whilst the numbers and the profile point to strong growth, there is little clarity on the current status of programmatic adoption across Europe and the way in which it is being used for strategic competitive advantage. The IAB Europe Programmatic Trading Committee, a multi-stakeholder initiative aiming to increase understanding of the programmatic ecosystem, saw the need for research which would illustrate attitudes towards, the current adoption and the future of programmatic display (online, video and mobile) advertising on both the buy-side and sell-side of the digital advertising industry, and developed the IAB Europe Attitudes towards Programmatic Advertising survey. The survey report presented in this document forms part of a comprehensive pan-European programme of educational activities produced by the Committee.

Complimentary to the insight from the survey in this report, IAB Europe has recently published a Road to Programmatic White Paper[3], which aims to help advertisers, agencies and publishers formulate their programmatic strategies by detailing some key factors for consideration.

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[1] IAB Europe AdEx Benchmark 2014 report (July 2015), IAB Europe - http://www.iabeurope.eu/research-and-papers/european-online-advertising-spend-iab-europe-adex-benchmark

[2] IAB Europe Programmatic 2013 Market Sizing Study (September, 2014), IAB Europe - http://www.iabeurope.eu/news/iab-europe-values-european-programmatic-market-21bn-2013

[3] IAB Europe Road to Programmatic White Paper (July 2015), IAB Europe - http://www.iabeurope.eu/research-and-papers/iab-europe-road-programmatic-white-paper

The respondents were from some of the largest advertising and media organisations, including:

2. Executive Summary

Many stakeholders including strategists, planners, buyers and operational teams across the digital ecosystem are embracing programmatic advertising and building on its potential for value creation. However, there remains a tendency to use programmatic as a tactical tool to drive efficiency and miss the strategic opportunity. IAB Europe's Attitudes towards Programmatic Advertising survey digs deeper into the state of current adoption and the drivers and barriers for programmatic advertising in the future.

Turning firstly to publishers, the findings show a controlled, cautious approach with an emphasis on managing their own data and maximising value and margins by monetising inventory more effectively. More than half of the publishers surveyed are trading at least 20% or their digital display ad revenues programmatically, indicating a move from add-on to core activity. Many of them do the majority of both their manual and programmatic trading in-house. There is a recognition that inefficiencies need to be tackled in order to empower programmatic to deliver maximum value.

Agencies see themselves very much at the forefront of the adoption of programmatic, gaining trading, operational and audience targeting benefits. They can see and have to manage the difficulties of media fragmentation and keep on top of innovation for their clients and therefore need to combat operational complexity in order to spend more time adding value at a strategic level.

Advertisers are the stakeholder group least likely have programmatic in-house at this point in time and hence most likely to outsource. They are very interested in controlling their data however and state this as the key reason for considering an in-house strategy

Barriers to adoption exist with hiring and training people with the right skill set the primary obstacle. Despite this, investment in programmatic is set to increase significantly with over 90% of all stakeholders citing an increase in investment or revenue over the next 12 months. Indeed, 4 in 10 expect an increase of more than 31%.

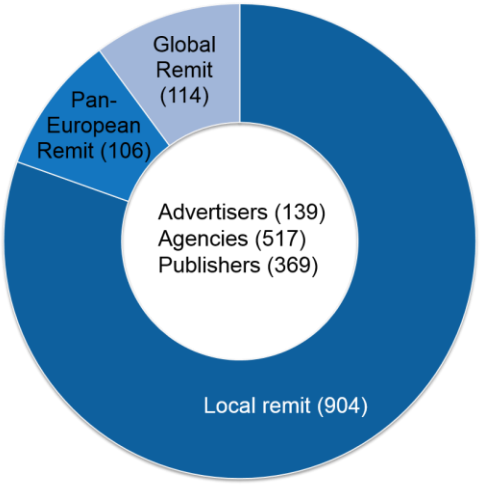
Advertisers, agencies and publishers alike are making significant investments in programmatic technology, assets and human capital. There is still much learning, education and testing to be done, and an approach which involves strategic, revenue and operational goals will be key.

3. Methodology and Participants

The Attitudes towards Programmatic Advertising survey aimed to uncover the key drivers for programmatic investment; current level of adoption; priority within the organisation; strategies and investment including levels of in-house vs. outsourced trading; drivers for moving in-house; the evolution of programmatic over the next 12 months and the key barriers to adoption.

An online survey was used with the help of the national IAB network to ensure a representative sample across European markets. The survey received over 1,100 respondents between April and June 2015.

The responses came from advertisers, agencies and publishers in 29 markets and respondents with both pan-European and Global remits.



IAB Europe analysed how stakeholders trade internationally compared to locally by grouping the respondents according to international (global or pan-European) or local remit.

IAB Europe also segmented the markets according to their level of programmatic adoption:

- Advanced markets: UK, Netherlands, France, Denmark, Sweden, Norway, Finland
- Mid-development markets: Austria, Belgium, Germany, Ireland, Switzerland, Greece, Portugal, Spain, Italy
- Markets new to programmatic: Bulgaria, Croatia, Czech Republic, Hungary, Macedonia, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey, Ukraine, Belarus

4. Attitudes towards Programmatic Advertising

Efficiencies emerge as a key driver of programmatic trading adoption

Gaining efficiencies stands out as a key motivation for the industry to invest in programmatic; on the buy-side advertisers seek targeting efficiencies, whilst the sell-side wants to see trading and operational efficiencies. Agencies also cite trading and operational efficiencies as a top reason for investing in programmatic trading.

Advertisers want to deliver relevant ads to relevant audiences and are looking to programmatic to scale their campaigns whilst lowering the cost of media.

Publishers are looking for maximum value for their inventory. Whilst this is a top priority for them they are also keen to respond to client demand and ensure they have the desired inventory.

Top 5 reasons for investing in programmatic

Advertisers	Agencies	Publishers
Targeting efficiencies (78%)	Targeting efficiencies (85%)	Maximising media value (60%)
Lower cost of media (53%)	Trading/operational efficiencies (50%)	Trading/operational efficiencies (52%)
Delivery of brand advertising campaigns at scale to target audience (50%)	Gain competitive advantage (44%)	Client demand (48%)
Gain competitive advantage (33%)	Lower cost of media (44%)	Making premium inventory available at scale (45%)
Increased granular control of media (28%)	Delivery of brand advertising campaigns at scale to target audience (41%)	Increase value of inventory (44%)

Advanced markets show signs of more mature expectations

When looking at the programmatic investment drivers according to market development, there are some differences between the advanced and mid-development markets as outlined below.

In the advanced markets more advertisers cite increased granular control of media (44% vs. 19%) and reaching audiences via programmatic mobile (31% vs. 8%) than the mid-development markets. This perhaps reflects the more mature expectations of the advanced markets as they have experience of working with programmatic and have consequently developed an ability to deepen and broaden their strategies.

A similar trend occurs with agencies, as more in the advanced markets cite increased engagement via programmatic video (28% vs. 14%) and granular control of media (50% vs. 41%) as key drivers for investing in programmatic than in the mid-development markets.

Advertisers and agencies in the mid-development markets are primarily driven by targeting efficiencies, advertisers in these markets are also driven by lower cost of media. Almost a

quarter of agencies in the new to programmatic markets are also driven by client demand to invest in programmatic.

On the sell-side then, publishers in the advanced markets also show signs of more mature expectations as they look to scale their inventory; over half seek to make premium inventory available at scale. In contrast to agencies, significantly more publishers in the advanced markets are being driven by client demand (53% vs. 19%) than those in the new to programmatic markets.

For international reach, mobile is key

Looking at respondents according to their remit, the survey shows that international agencies are more interested in mobile with half citing reaching audiences via programmatic mobile as a key reason to invest in programmatic compared to just over a third of local agencies.

Targeting efficiencies are particularly important to international advertisers with almost 9 in 10 stating this as a key reason for investing in programmatic. Gaining efficiencies is also particularly important to international publishers with 64% stating trading and operational efficiencies as a key investment driver.

Programmatic is a top priority for agencies and local respondents

When looking at how stakeholders prioritise programmatic, agencies prioritise it highly with a third (32%) stating that it is a top priority for their company. Its importance is lower amongst the other two stakeholder groups surveyed, particularly amongst advertisers where just 1 in 10 cite it as a top priority.

Again, there is a marked difference between international and local respondents; just under a quarter of respondents with an international remit cite programmatic as a top priority compared to over a third (34%) of respondents with a local remit.

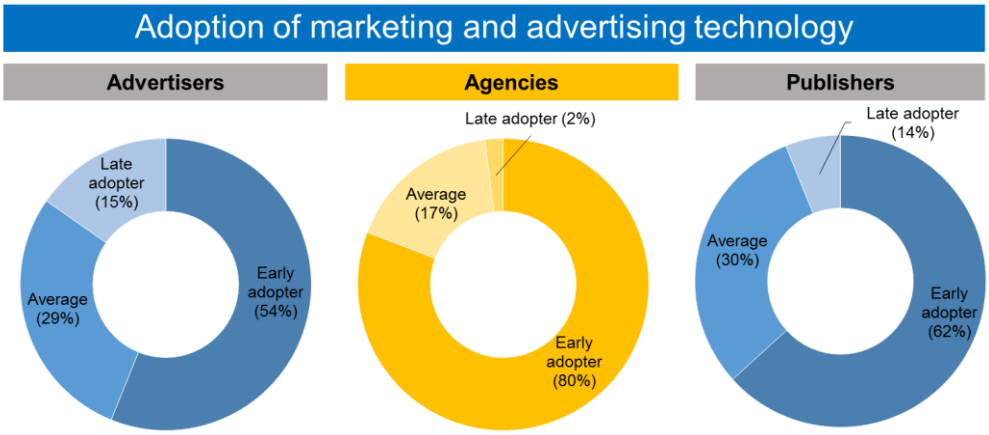
5. Current Adoption and Strategies

Agencies at the forefront of technology adoption

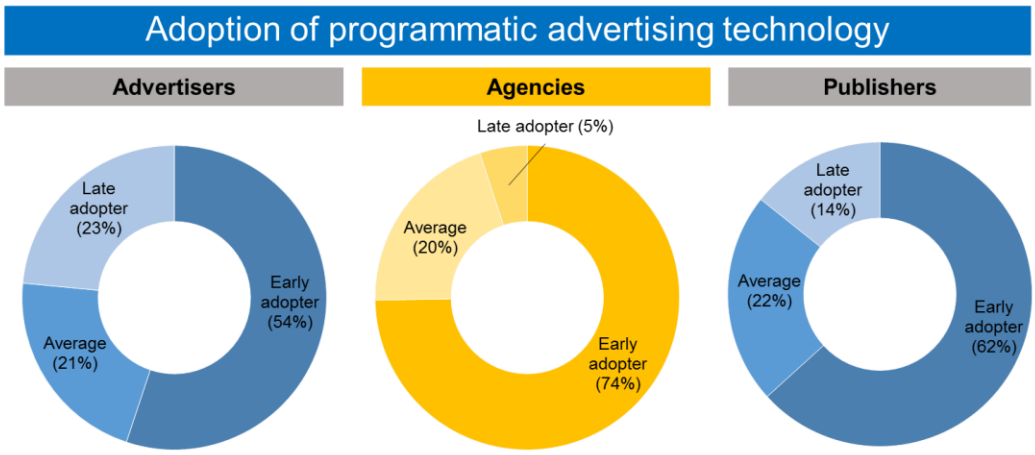
Agencies demonstrate a strong commitment to digital with 4 in 10 investing over 80% of their total advertising spend in digital. The majority of agencies (70%) are using the same success metrics for programmatic and non-programmatic display campaigns. It is worth noting that IAB Europe has formulated a set of goals and recommended actions for online audience and ad effectiveness metrics and KPIs to attract further brand advertising investment into digital channels across Europe in a Measurement Blueprint[4].

In terms of technology, agencies see themselves at the forefront of adoption with more describing themselves as early adopters (8 in 10) of general advertising technology than any other stakeholder group, and nearly three quarters (74%) state the same about programmatic advertising technology.

77% of agencies are investing up to 40% of their digital display advertising spend via programmatic. Additionally, more than 4 in 10 state that the majority of their programmatic investment is done in-house.



[4] IAB Europe Blueprint on Online Audience Measurement and Ad Effectiveness Metrics and KPIs - http://www.iabeurope.eu/research-and-papers/iab-europe-blueprint-online-audience-measurement-and-ad-effe



Evolution of advertisers

On balance advertisers are less bullish than agencies, with 54% committing between 21% and 60% of their advertising investment to digital and 21% committing over 61%. As with agencies, the majority of advertisers (62%) are using the same success metrics for programmatic and non-programmatic display campaigns.

Looking in depth at advertisers, nearly a quarter describe themselves as late adopters of programmatic technologies, the highest in the three stakeholder groups surveyed. Additionally, 56% of advertisers are buying a low level (less than 20%) of their digital display advertising programmatically and the majority of advertisers are outsourcing at least 81% of this programmatic investment.

Publisher's programmatic strategies are advancing

The publishers surveyed indicate that more than half of their revenue now comes from digital. The majority of publishers (60%) report on campaigns using the same metrics for programmatic and non-programmatic display campaigns.

Programmatic strategies on the sell-side are developing; on average across Europe over 60% of publishers trade at least 20% of their display advertising revenue programmatically. 55% of those publishers trading programmatically state that more than 81% of its programmatic revenue is traded in-house.

Despite these levels of adoption, the survey shows that 47% of publishers are still manually trading 81% or more of their digital display advertising revenue so there would appear to be plenty of potential for gaining competitive advantage through optimisation of operations. The large majority of this manual trading is in-house characteristic of a traditional, controlled approach to premium advertising.

Agencies most prepared for a programmatic in-house strategy

Developing a programmatic in-house model is a strategic consideration for stakeholders and there are a number of considerations, such as budget and staffing. The recent IAB Europe Road to Programmatic White Paper is aimed at helping buy-side and sell-side stakeholders determine the right operational strategy for their business.

Survey findings show that over half (56%) of the agency respondents are already managing programmatic trading in-house. Of the agencies who are still considering an in-house move, 8 in 10 state that they have sufficient budget to invest in programmatic technology and 7 in 10 have sufficient budget for the required staff.

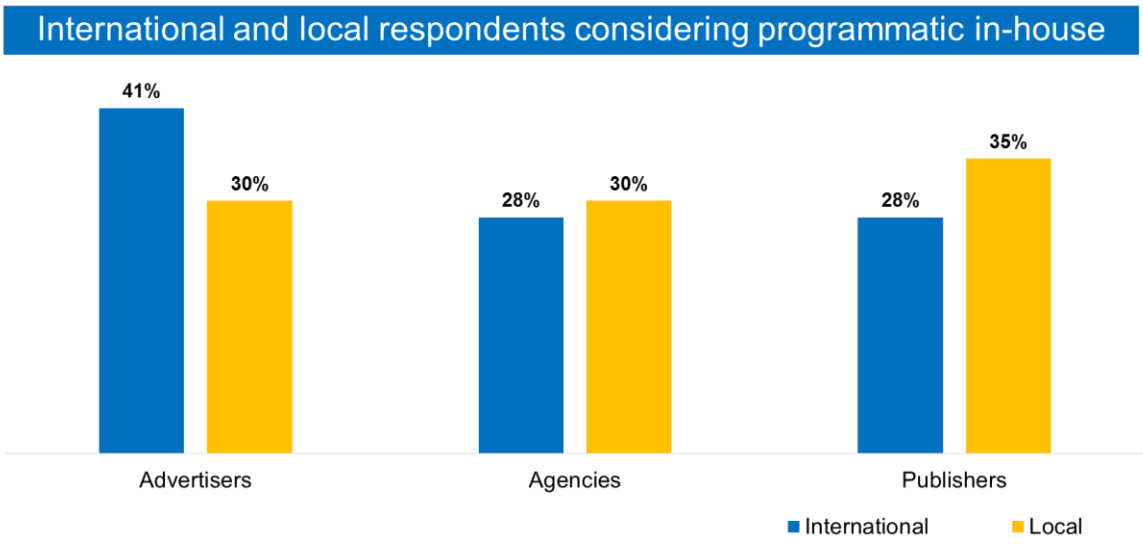
Advertisers and publishers are less likely to have developed an in-house strategy; less than half (46%) of the publishers surveyed are already managing programmatic trading operations in-house and for advertisers this is just 14%.

It is interesting to note that more advertisers are not considering an in-house strategy (54%) than those considering one (32%). Those that are considering the move also appear less prepared than agencies with 46% stating they have the required budget and 54% stating they have the required staff.

77% of publisher's state that they have the sufficient budget to develop their programmatic inventory strategy but just half (51%) have the sufficient budget for the required staff.

International stakeholders have more budget to develop a programmatic in-house strategy

Whilst there is little difference between the international and local agencies and publishers considering in-house, there is a significant difference between how prepared they appear to be for this.



Looking further at those who are considering a programmatic in-house strategy, international stakeholders have more budget to develop programmatic operations with 9 in 10

international publishers and agencies stating they have sufficient budget, compared to approximately three quarters of their local counterparts. This potentially reflects international stakeholder's requirement for larger scale and reach where programmatic can play an important role.

Turning to advertisers then, more international advertisers are considering in-house than their local counterparts, and in fact 63% of local advertisers are not considering an in-house strategy currently. Additionally there is less certainty around required budget, the comparison between with 60% of international advertisers stating they have the required budget to develop programmatic in-house operations, compared to just 40% of the local advertiser respondents.

Control of data is the key reason for buy-side stakeholders to develop an in-house strategy

The motivations for an in-house strategy for the buy and sell-side are outlined below.

Top 5 reasons for bringing programmatic in-house

Advertisers	Agencies	Publishers
Keep first party data under control (79%)	Keep first party data under control (70%)	Better monetisation of inventory (71%)
Integrate programmatic with other in-house teams like CRM, customer service etc. (63%)	Better access to audience insight (56%)	More efficient sales and ad operations process (69%)
Gain greater transparency on where campaigns run (42%)	Better understanding of the consumer pathway (51%)	Better integration of audience data into trading processes (63%)
Reduce media costs (38%)	Increased efficiency by managing inventory previously managed by ad networks (44%)	Opportunity to implement more efficient multi-platform advertising strategy (46%)
Reduce agency costs (38%)	Deliver brand campaigns at scale more effectively (44%)	Gain greater transparency and control of operations (45%)

Again, the buy-side cites a need to protect and develop its assets – keeping first party data under control is the key reason for them to implement an in-house strategy.

Agency reasons for bringing programmatic in-house underline the need to manage media fragmentation and include increasing their understanding of the audience and consumer lifecycle to deliver more value for their clients – more than half state a better ability to access audience data and a better understanding of the consumer pathway as key drivers for them to make this move.

Advertisers are keen to integrate programmatic with other in-house teams like CRM, customer service etc. with more than 6 in 10 stating this as a key rationale for a move to programmatic in-house.

Publishers aim to monetise inventory more effectively with in-house operations

Maximising value is key to publishers considering moving programmatic in-house with 7 in 10 stating their key motivations as monetisation of inventory and more efficient sales and ad operations processes.

Publishers motivations also differ according to the market they are in; for example publishers in the mid-development markets and those markets new to programmatic are the groups that cite monetisation reasons as key to moving programmatic in-house. Advanced markets are looking to further their programmatic strategies to better integrate audience data into trading processes.

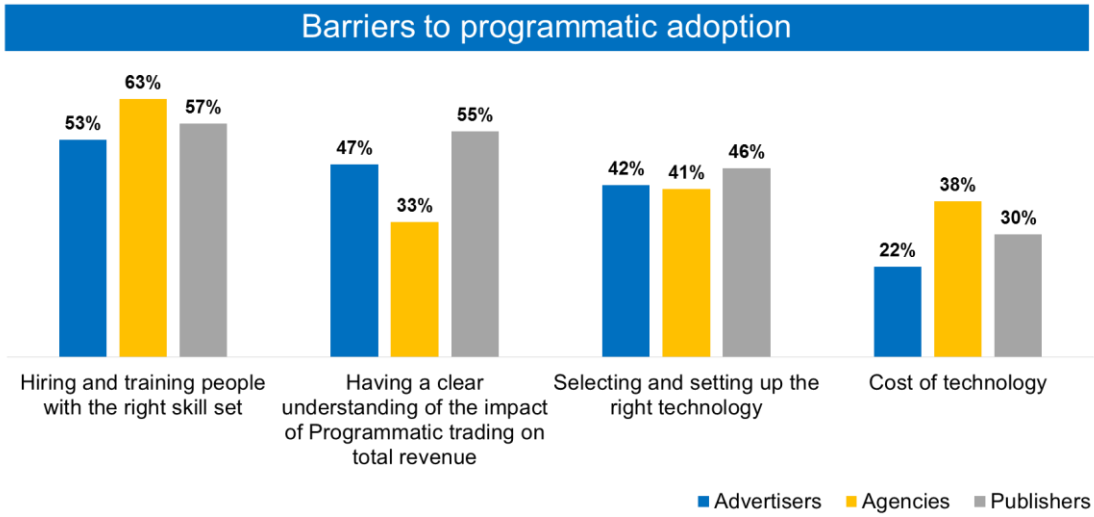
6. The Future of Programmatic Investment

Investment in programmatic is set to increase significantly

Programmatic trading revenues and investments are set to increase, regardless of market or stakeholder type.

Whilst agencies see themselves at the forefront of programmatic adoption, there is little difference in optimism regarding the expected increase of programmatic trading investments and revenues across all stakeholders as over 90% of advertisers, agencies and publishers surveyed cite an increase over the next 12 months. Indeed, more than 4 in 10 expect an increase of more than 31%.

Success in programmatic demands the right expertise



There is a recognition that success in programmatic demands the right technology and the right expertise as both buyers and sellers feel that hiring and training people with the right skill set to drive programmatic is currently the top barrier to adoption.

Further, publishers are concerned with more understanding to drive revenue as over half (55%) state that having a clear understanding of the impact of programmatic trading on total revenue as a barrier at this time.

7. And Finally

This report has summarised they key findings from the Attitudes towards Programmatic Advertising survey including the key drivers for programmatic investment; current level of adoption; priority within the organisation; strategies and investment including levels of in-house vs. outsourced trading; drivers for moving in-house; the evolution of programmatic over the next 12 months and the key barriers to adoption.

IAB Europe members can gain access to the full data report – please contact Marie-Clare Puffett (puffett@iabeurope.eu) to enquire.

The Road to Programmatic White Paper is aimed at helping brand advertisers, agencies and publishers formulate their programmatic strategies by detailing some key factors for consideration. Below are some key recommendations to keep in mind when travelling the 'Road to Programmatic':

- Start by thinking about audience and objectives so that programmatic can act as a strategic tool
- Find out which programmatic operational model is best suited to the company
- Think about how the data strategy fits – it is essential to have complementary trading and data strategies
- Decide how to shape / follow the consumer journey and how to feedback the information from consumers to refine the strategy
- IAB Europe's White Paper on Viewable Impressions[5] sets the scene for companies wanting to trade on viewability – watch out for more developments in this space
- Consider using ad formats, e.g. IAB Europe's Brand Builders[6], which lend themselves well to programmatic methods and anticipate more cross-media campaigns
- With predictions anticipating nearly 1 billion smartphones in Europe by 2020[7] make sure that mobile is a key consideration when developing a strategy

[5] IAB Europe Viewable Impressions White Paper (February, 2015) - http://www.iabeurope.eu/news/iab-europe-publishes-viewable-impressions-white-paper

[6] IAB Europe PC and Tablet Brand Builder formats - http://www.iabeurope.eu/files/3713/9530/9256/IAB_Europe_Brand_Builders_Ad_Formats_Descriptions.pdf

IAB Europe Mobile Brand Builder formats - http://www.iabeurope.eu/files/7114/3083/8067/IAB_Europe_Mobile_Brand_Builders_Ad_Format_Recommendation.pdf

[7] Source: IHS Technology

- As digital video increases in scale and takes a greater share of total video consumption so the opportunity to engage with programmatic video increases
- To increase learning ask the experts and engage with IAB Europe and the local IABs across our network

With thanks

IAB Europe would like to thank the following contributors who helped to devise the survey:

Graham Wylie, Chairman, IAB Europe Programmatic Trading Committee and Senior Director EMEA and APAC Marketing, AppNexus

Dino Bongartz, Vice-Chair, IAB Europe Programmatic Trading Committee and CEO The ADEX

Tim Jones, Chairman, IAB Europe Research Committee and Research Lead Europe, Microsoft Advertising

Oliver Gertz, Managing Director Interaction EMEA and Programmatic Lead Global Clients, MediaCom

About the IAB Europe Programmatic Trading Committee

The IAB Europe Programmatic Trading Committee is a multi-stakeholder initiative to help Publishers, Agencies and Advertisers increase their understanding of the programmatic ecosystem and the impact it is having on digital advertising. The Committee will deliver a comprehensive pan-European programme of educational activities.

Chairman: Graham Wylie, Senior Director EMEA and APAC Marketing, AppNexus
Vice-Chairman: Dino Bongartz, CEO, The ADEX

8. Contact

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About IAB Europe

IAB Europe is the voice of digital business and the leading European-level industry association for the digital advertising ecosystem. Its mission is to promote the development of this highly innovative sector by shaping the regulatory environment, investing in research and education, and developing and facilitating the uptake of business standards. Together with its members – companies and national trade associations – IAB Europe represents over 5,500 organisations. www.iabeurope.eu