AppNexus

The Digital Advertising Stats You Need for 2018

Intro

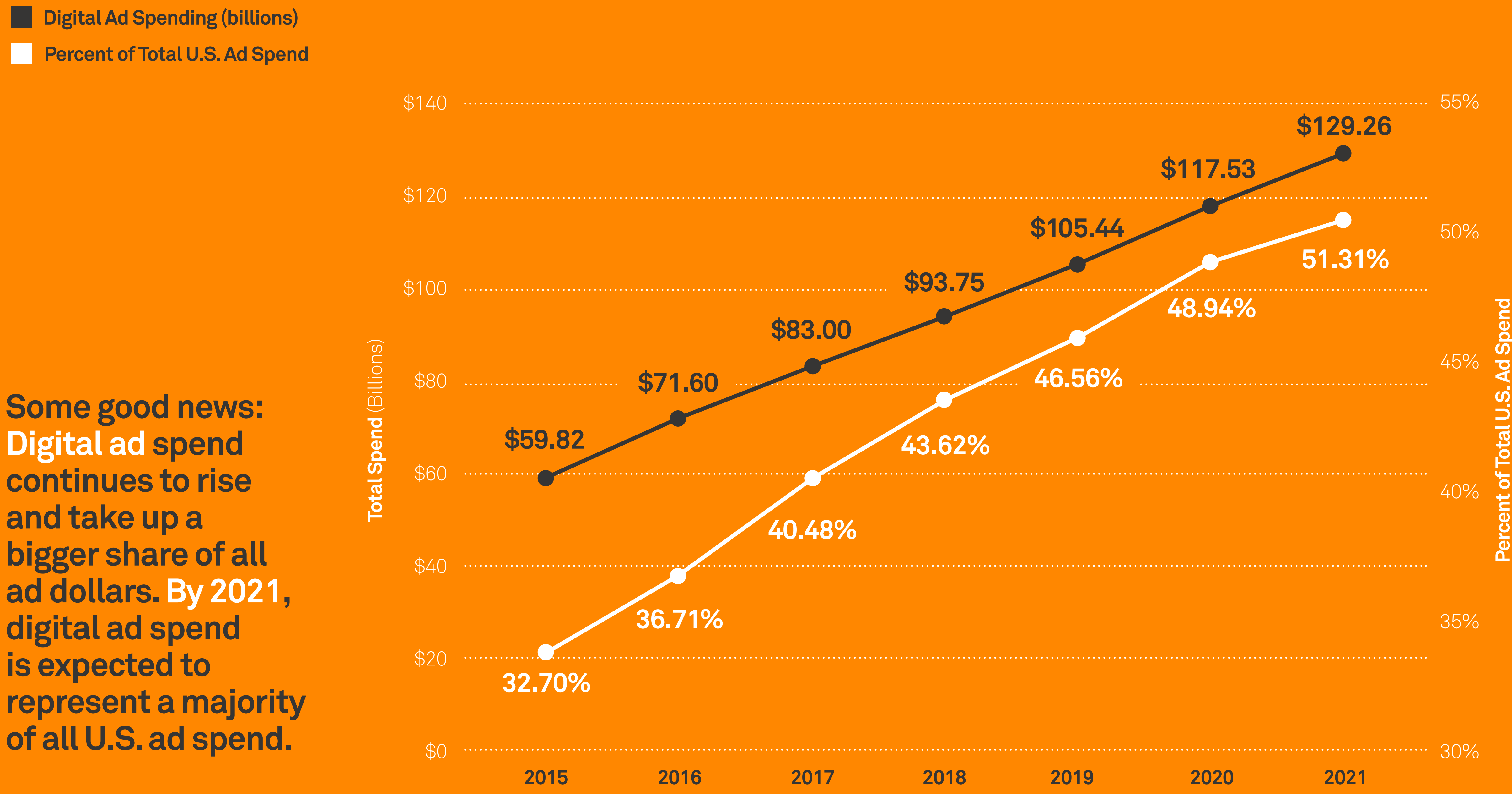
2017 was another big year for advertisers, publishers, and ad tech providers. We saw the continued dominance of client-side header bidding as well as the advent of server-to-server; the announcement of a new ad tech consortium to make cookieless, cross-device targeting a reality; a promising industry response to fraud in the form of ads.txt; and the beginnings of a potential machine learning revolution in ad tech.

But if there's one thing that's clear about our industry, it's this: Change is the rule, not the exception – so, you can expect a whole lot more of it in 2018. In order to help you prepare, we've compiled this data-driven guide. Inside, you'll find the numbers, charts, and graphs you need to refine your 2018 strategy, including information on emerging formats, header bidding adoption, the state of the duopoly, and more! Read on, arm yourself with knowledge, and get ready for a productive 2018!

Table of Contents

The U.S. Digital and Programmatic Landscape

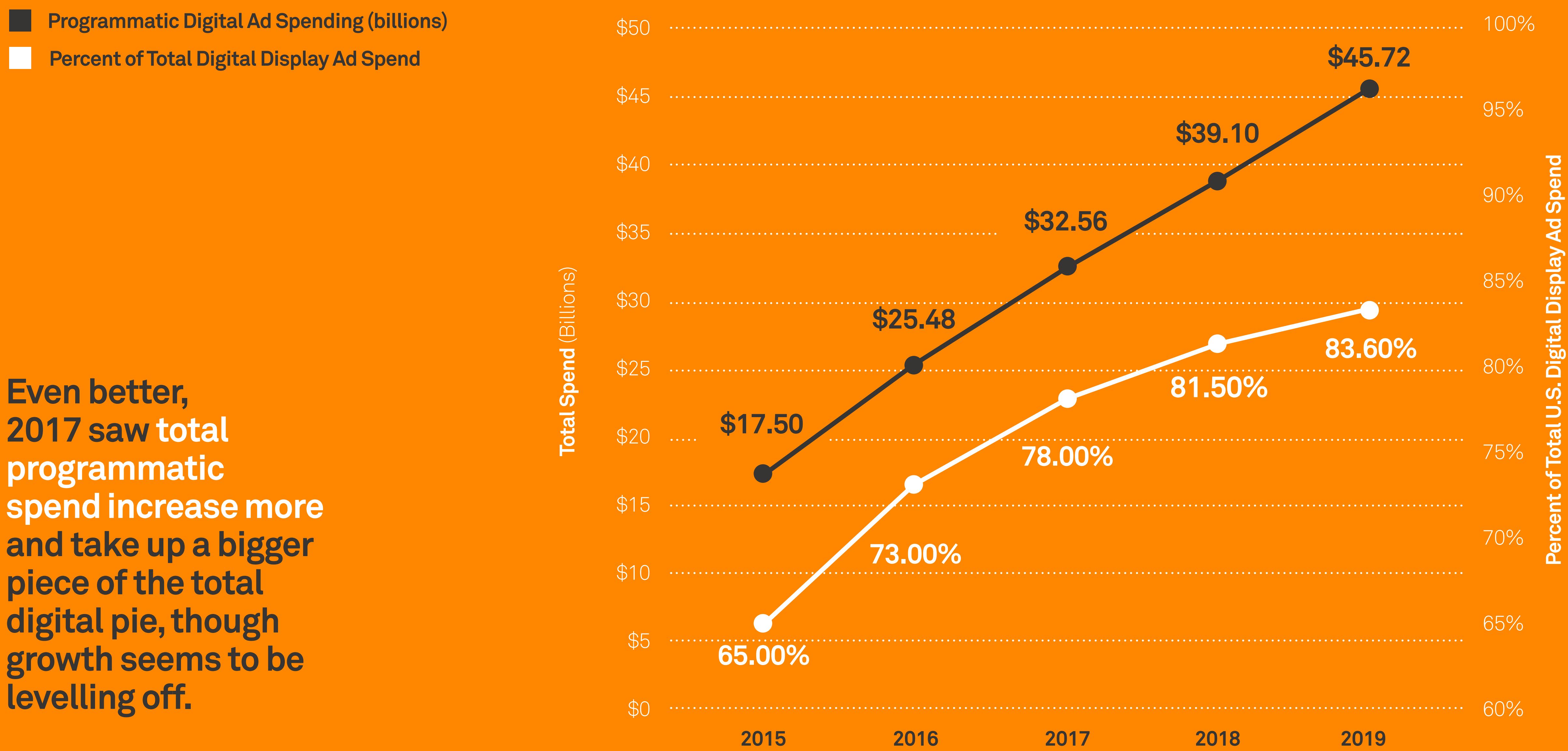
Total Projected U.S. Digital Ad Spend



Some good news: Digital ad spend continues to rise and take up a bigger share of all ad dollars. By 2021, digital ad spend is expected to represent a majority of all U.S. ad spend.

*Source: **eMarketer***

Total Projected U.S. Programmatic Ad Spend (Display)

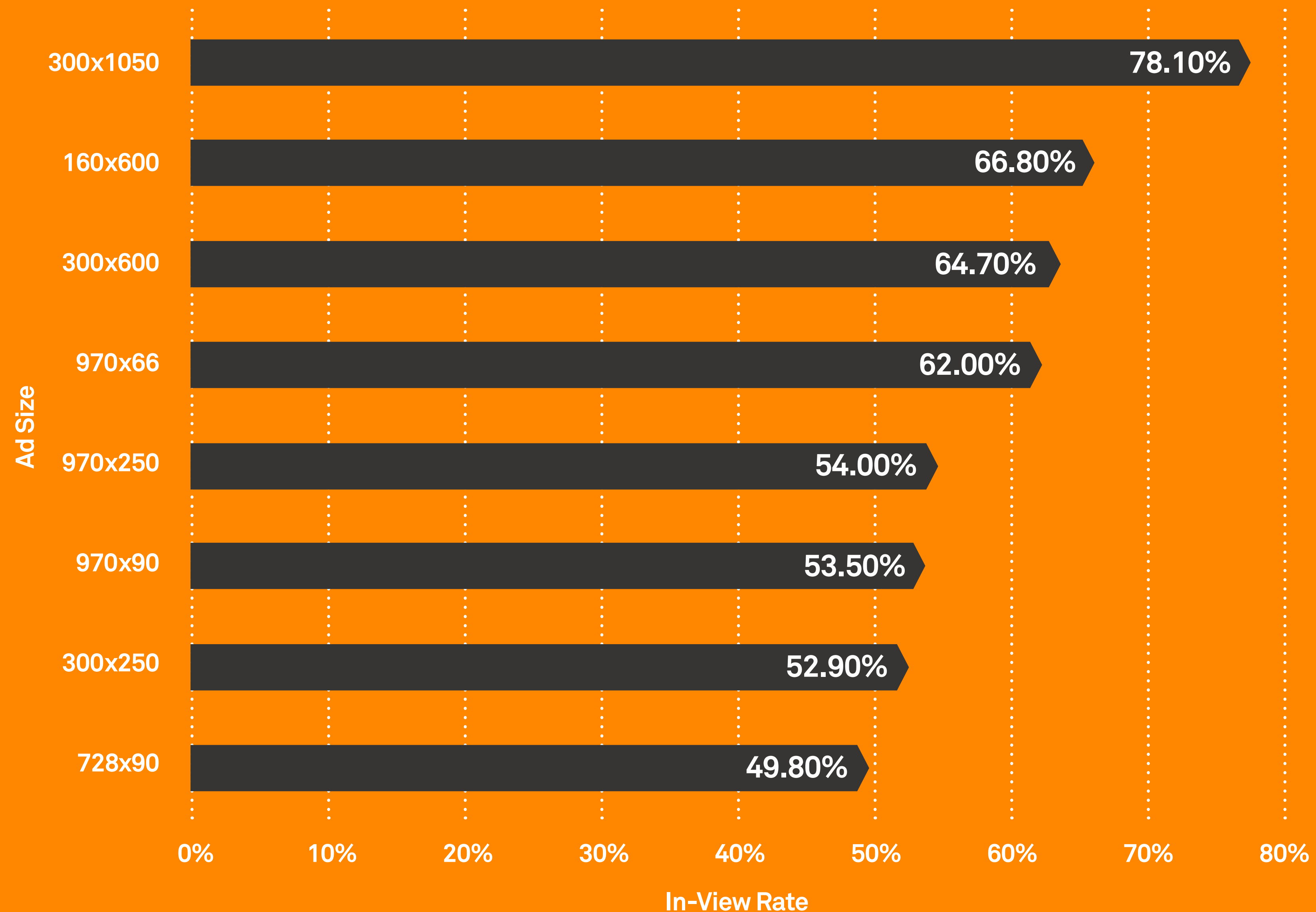


Even better, 2017 saw total programmatic spend increase more and take up a bigger piece of the total digital pie, though growth seems to be levelling off.

Source: ***eMarketer***

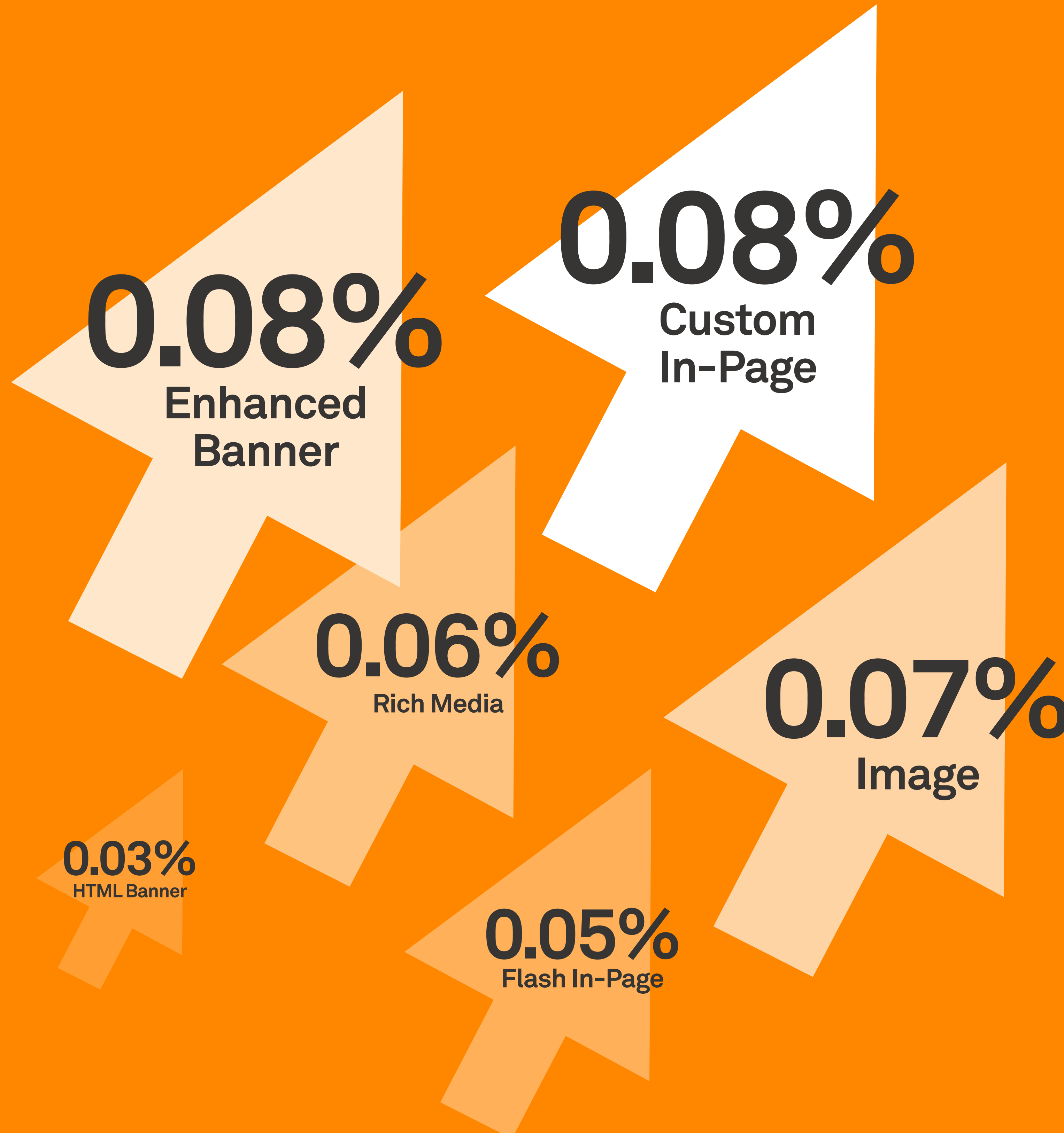
U.S. Desktop Display Viewability Rates by Ad Size

Total viewability for desktop display ads is 53.6%, meaning that nearly half of all display ads purchased are never seen by anyone.



Source: eMarketer

U.S. Display Ad Click-Through Rates by Format



Enhanced banner and **custom in-page ads** attract the most clicks in the display category.

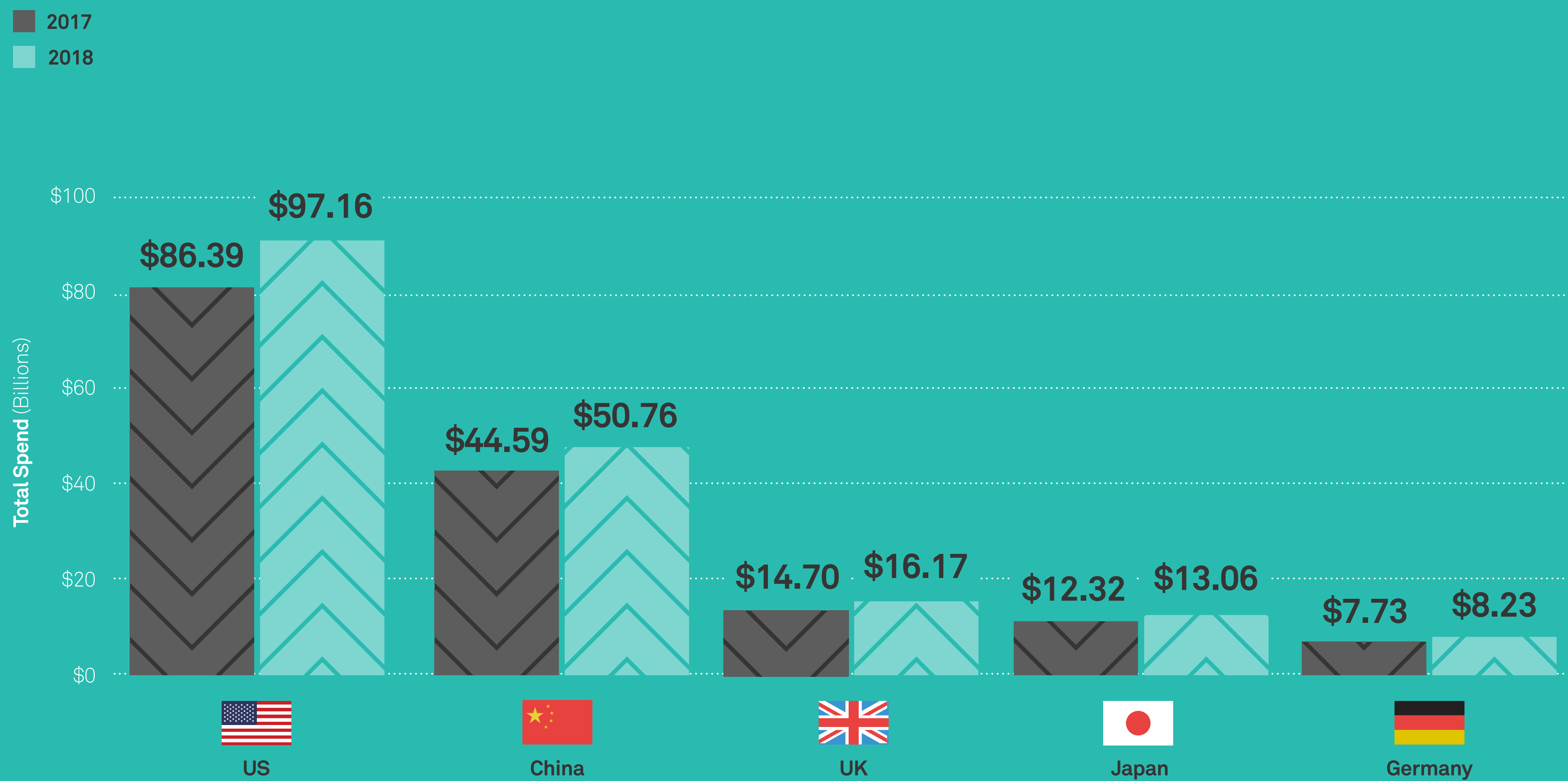
Source: ***eMarketer***

Digital Advertising Around the World

Projected Digital Ad Spend by Country: 2017 vs. 2018

(Markets of $7B and above)

Of the top five digital ad markets, China is expected to see the most growth in 2018 at 13.9%.

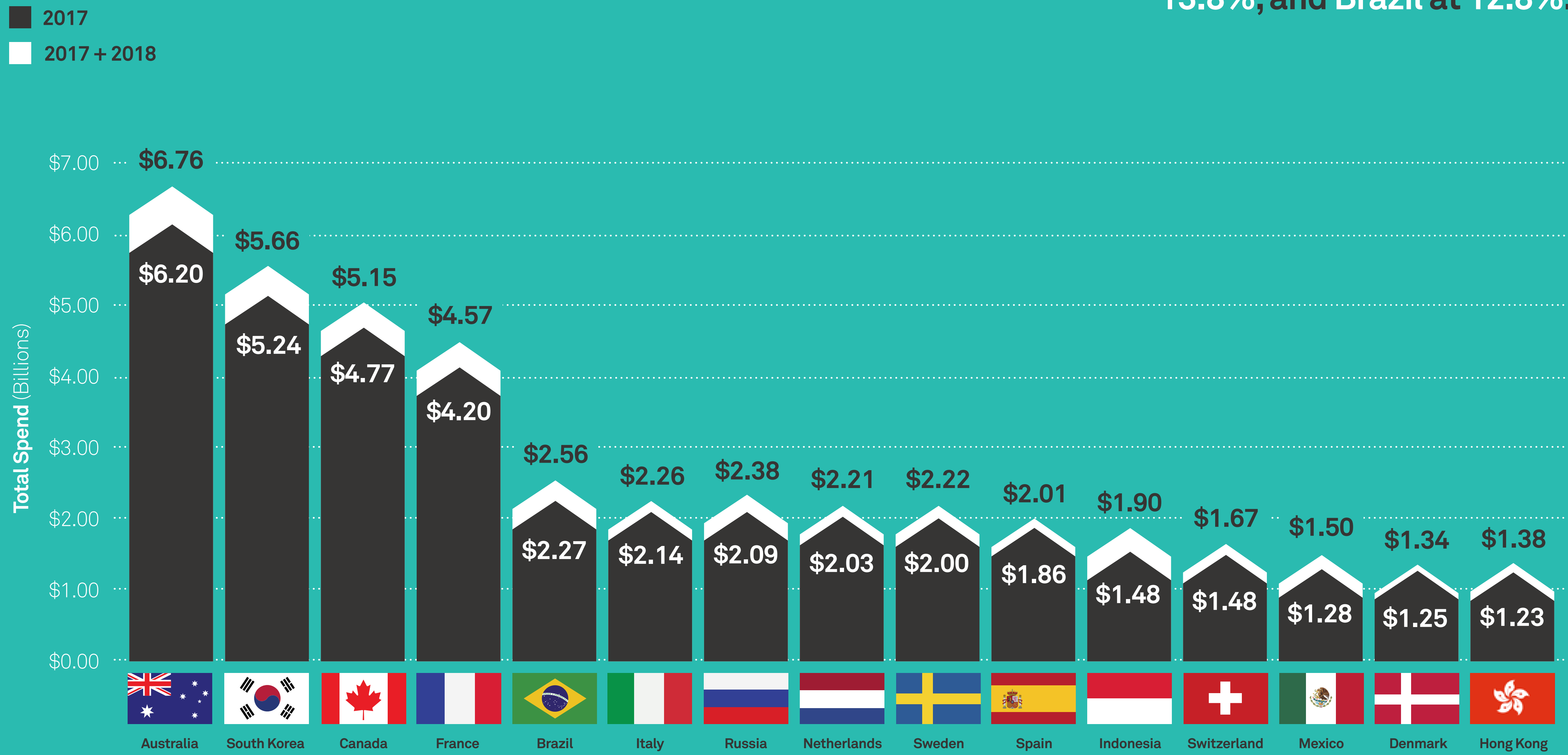


Source: ***PWC Outlook***

Projected Digital Ad Spend by Country: 2017 vs. 2018

(Markets between $1B and $7B)

Digital ad spend in **Indonesia** is expected to grow a whopping **27.8% in 2018**. Other countries expecting substantial growth are **Mexico** at **17.4%**, **Russia** at **13.8%**, and **Brazil** at **12.8%**.

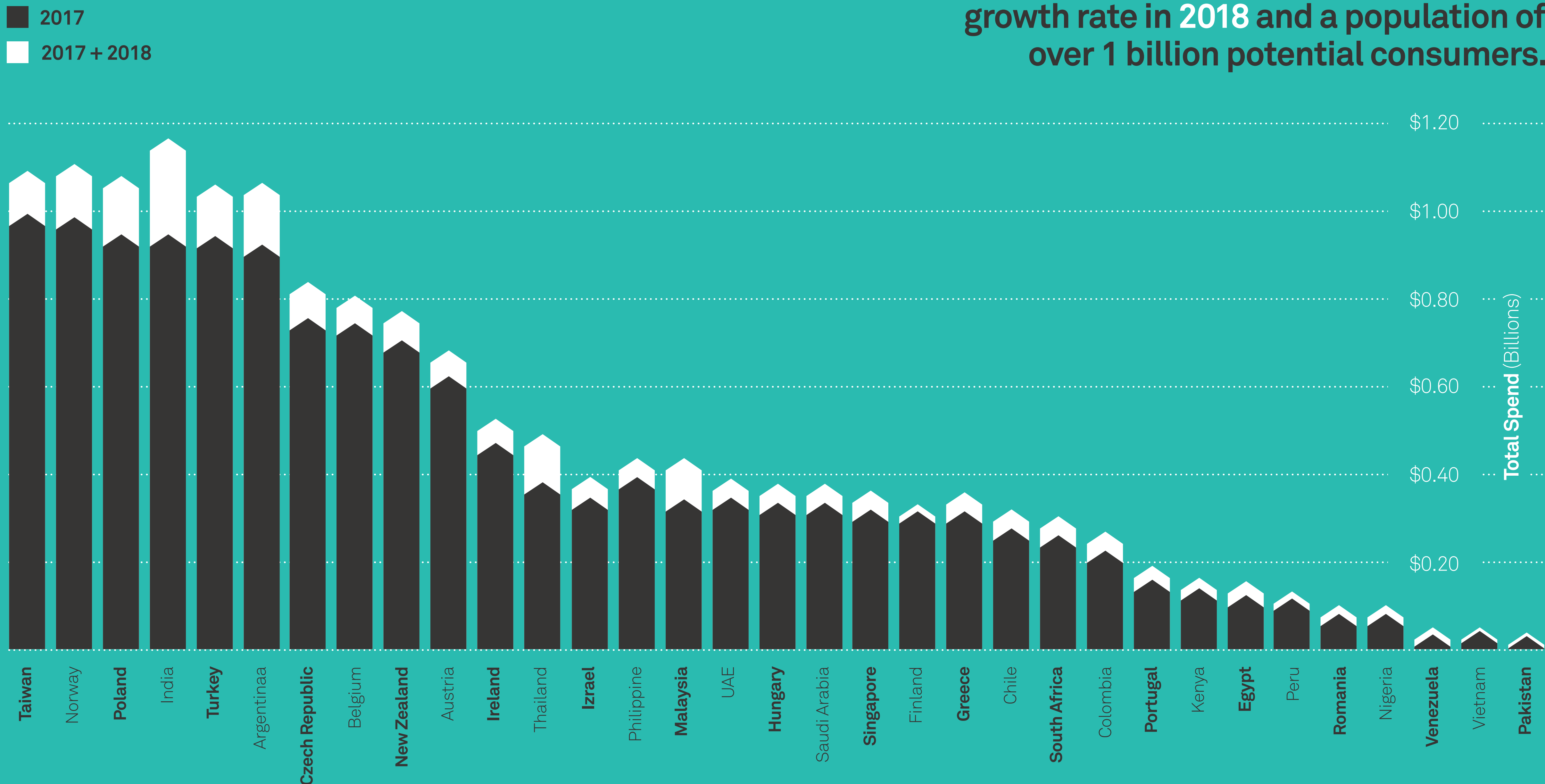


Source: ***PWC Outlook***

Projected Digital Ad Spend by Country: 2017 vs. 2018

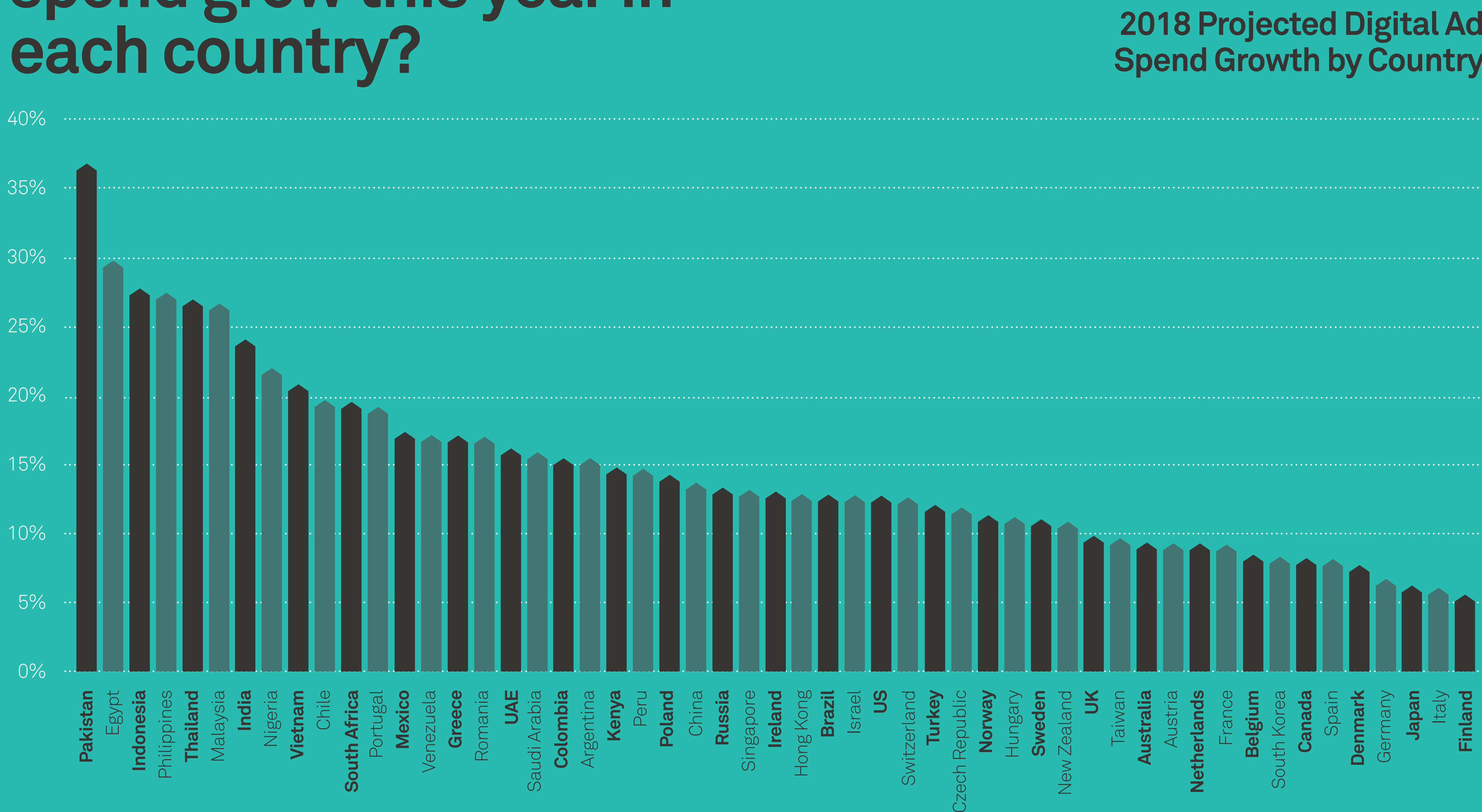
(Markets below $1B)

While all of these countries had relatively low digital ad spend in 2017, nearly all of them are expecting **double-digit growth in 2018**. India especially stands out, with an expected **24.0%** growth rate in **2018** and a population of over 1 billion potential consumers.



Source: *PWC Outlook*

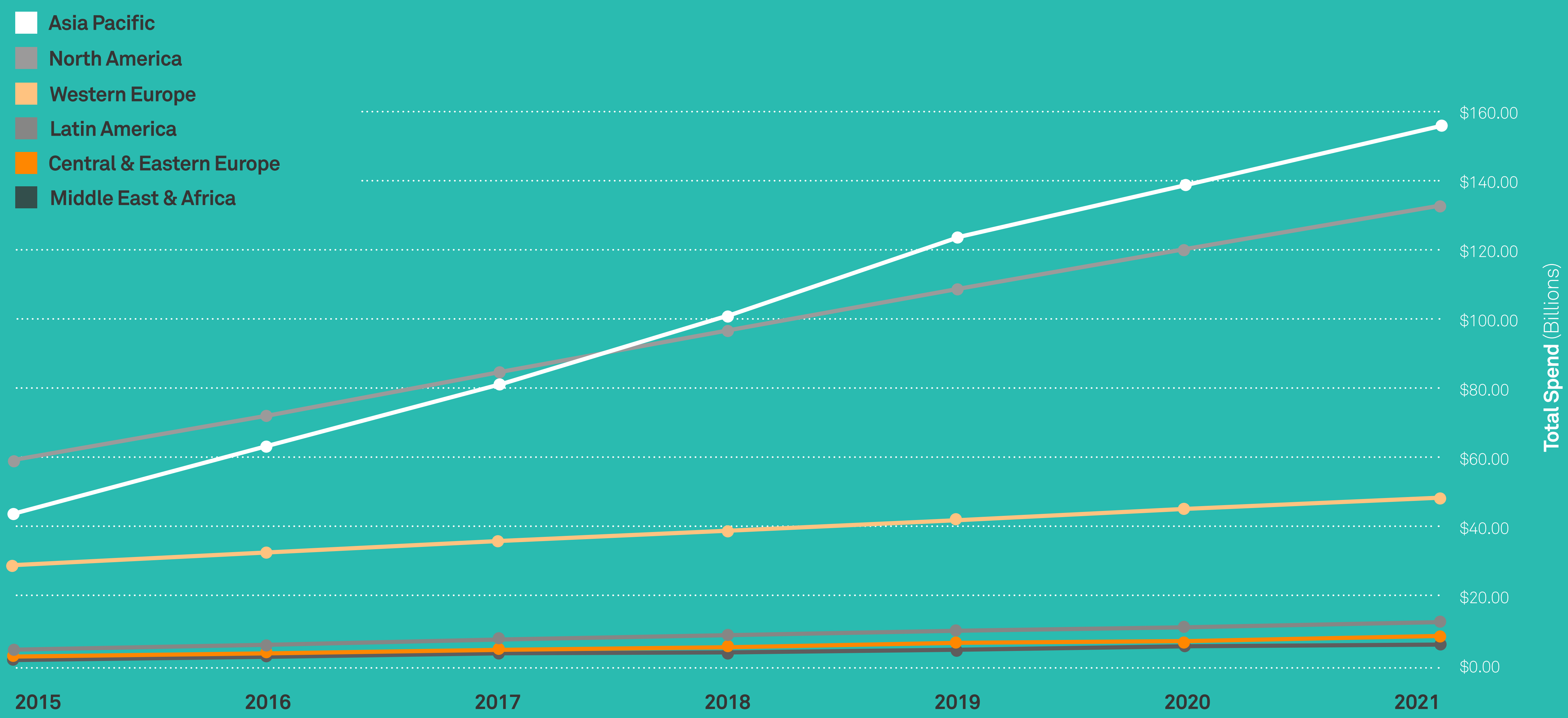
How much will digital ad spend grow this year in each country?



Source: ***PWC Outlook***

Projected Digital Ad Spend by Region Through 2021

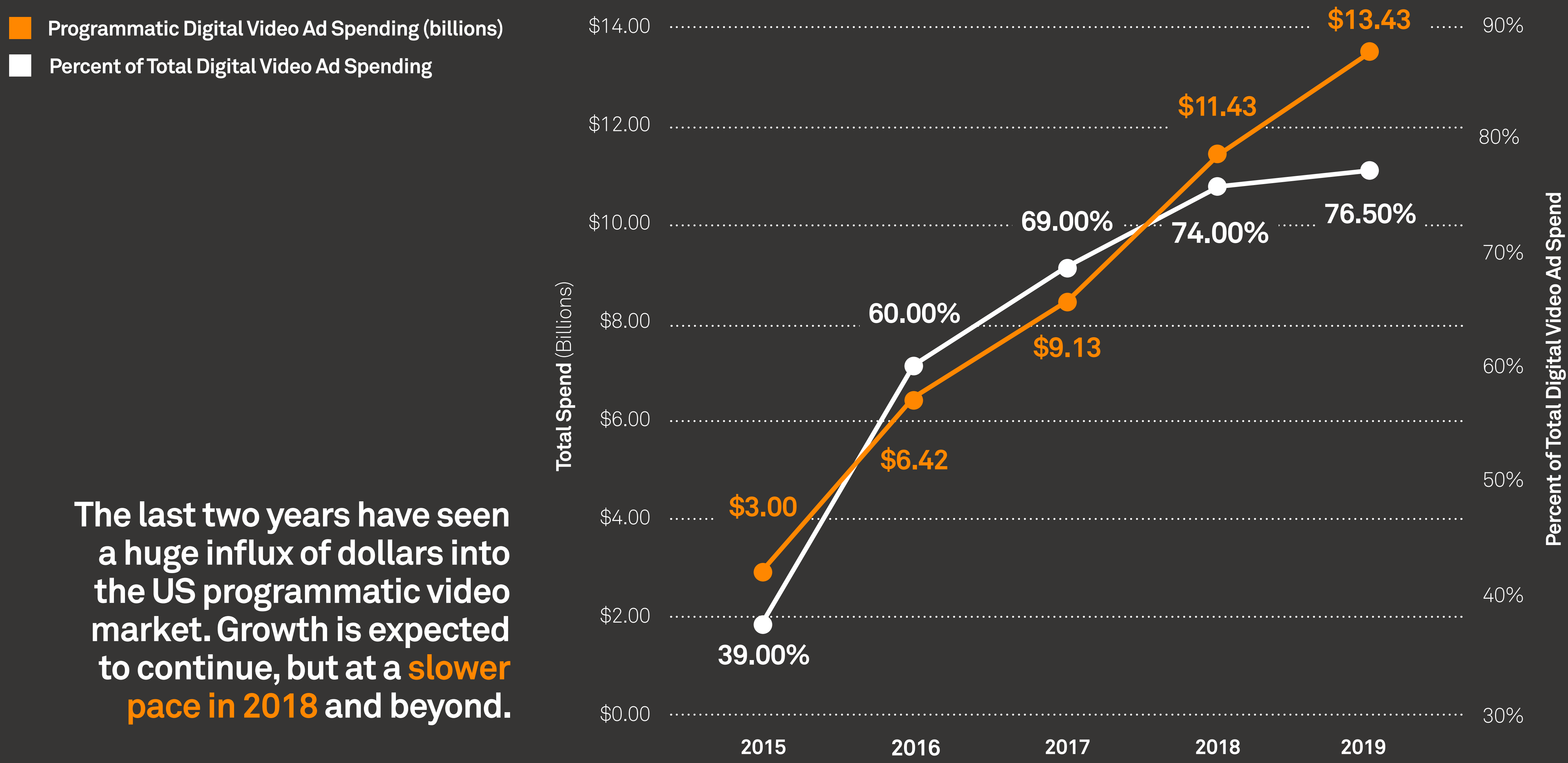
Looking at the broader regional trends, this is the year Asia-Pacific is expected to overtake North America as the world's leading destination for digital ad dollars.



Source: *eMarketer*

Video

Total Projected U.S. Programmatic Video Ad Spend

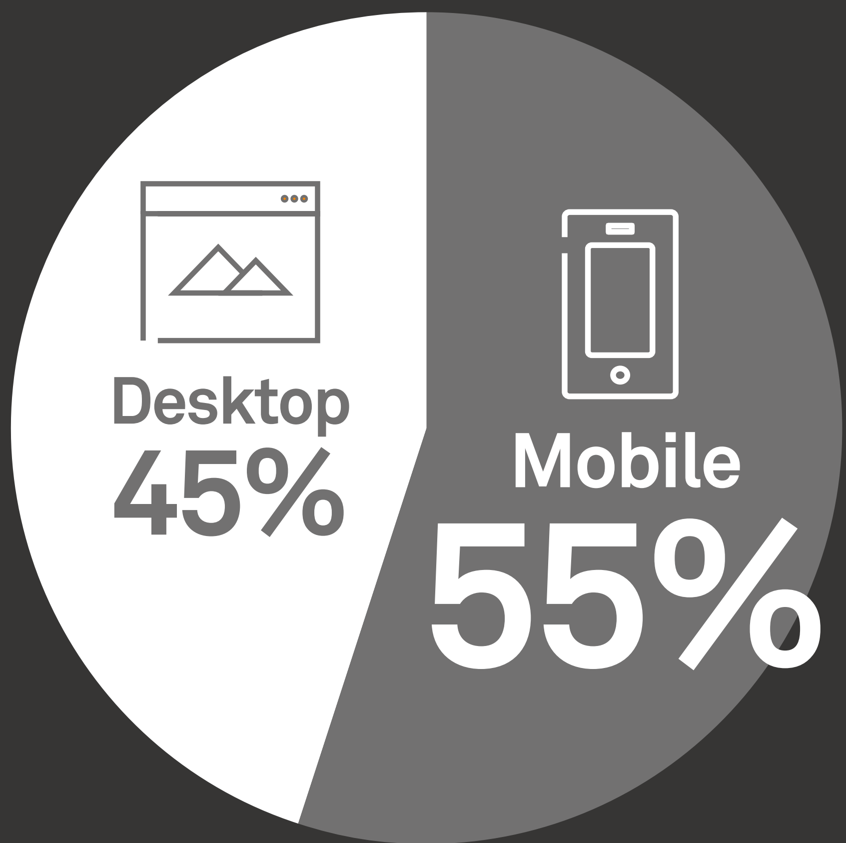


The last two years have seen a huge influx of dollars into the US programmatic video market. Growth is expected to continue, but at a slower pace in 2018 and beyond.

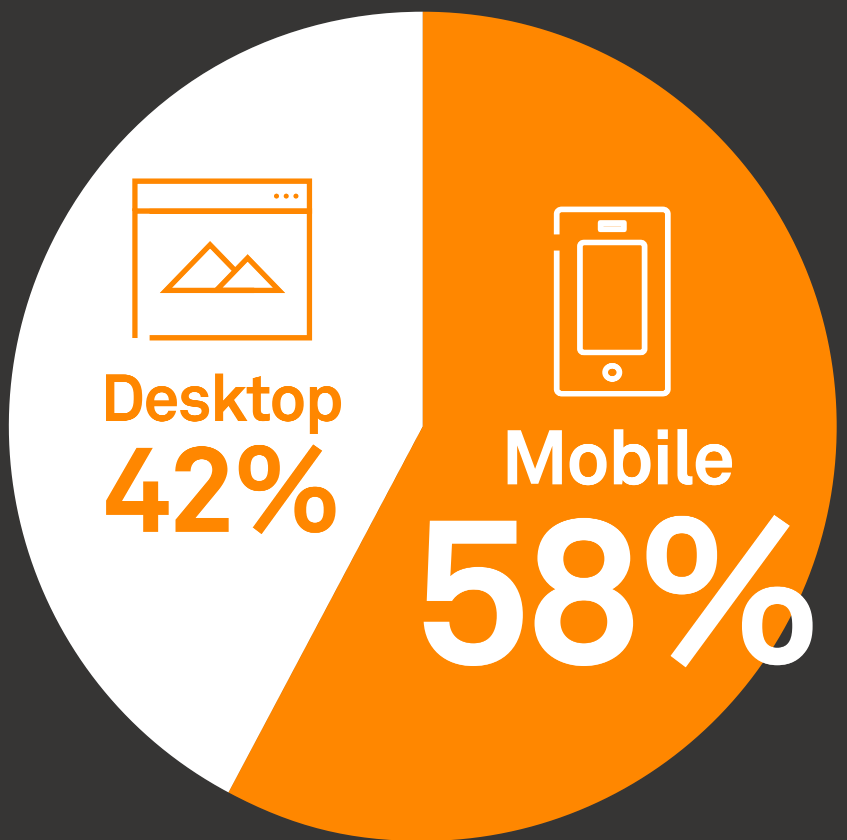
Source: *eMarketer*

Projected Share of Programmatic Video Ad Spend by Device, 2017 vs. 2018

2017 is the year mobile overtook desktop in programmatic video ad spend. The gap is expected to widen further in 2018.



2017

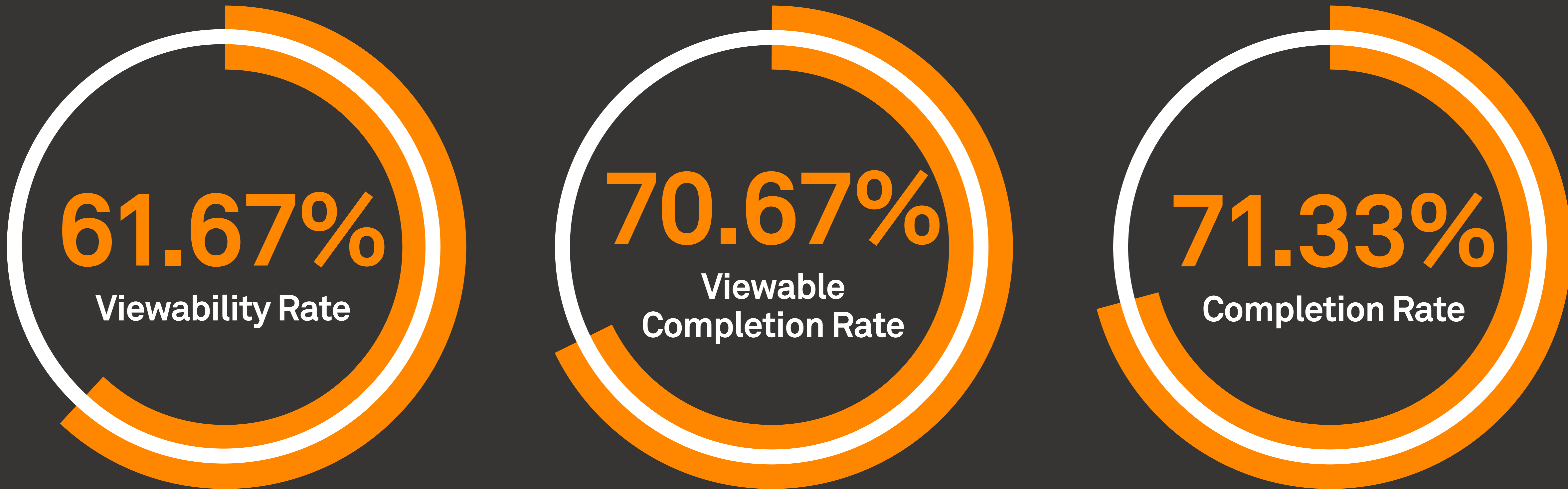


2018

Source: ***eMarketer***

2017 Video Ad Benchmarks

The completion benchmarks every video advertiser needs to know.



Source: ***eMarketer***

Video Ad Formats Users Report as Interruptive

(U.S. Internet Users)

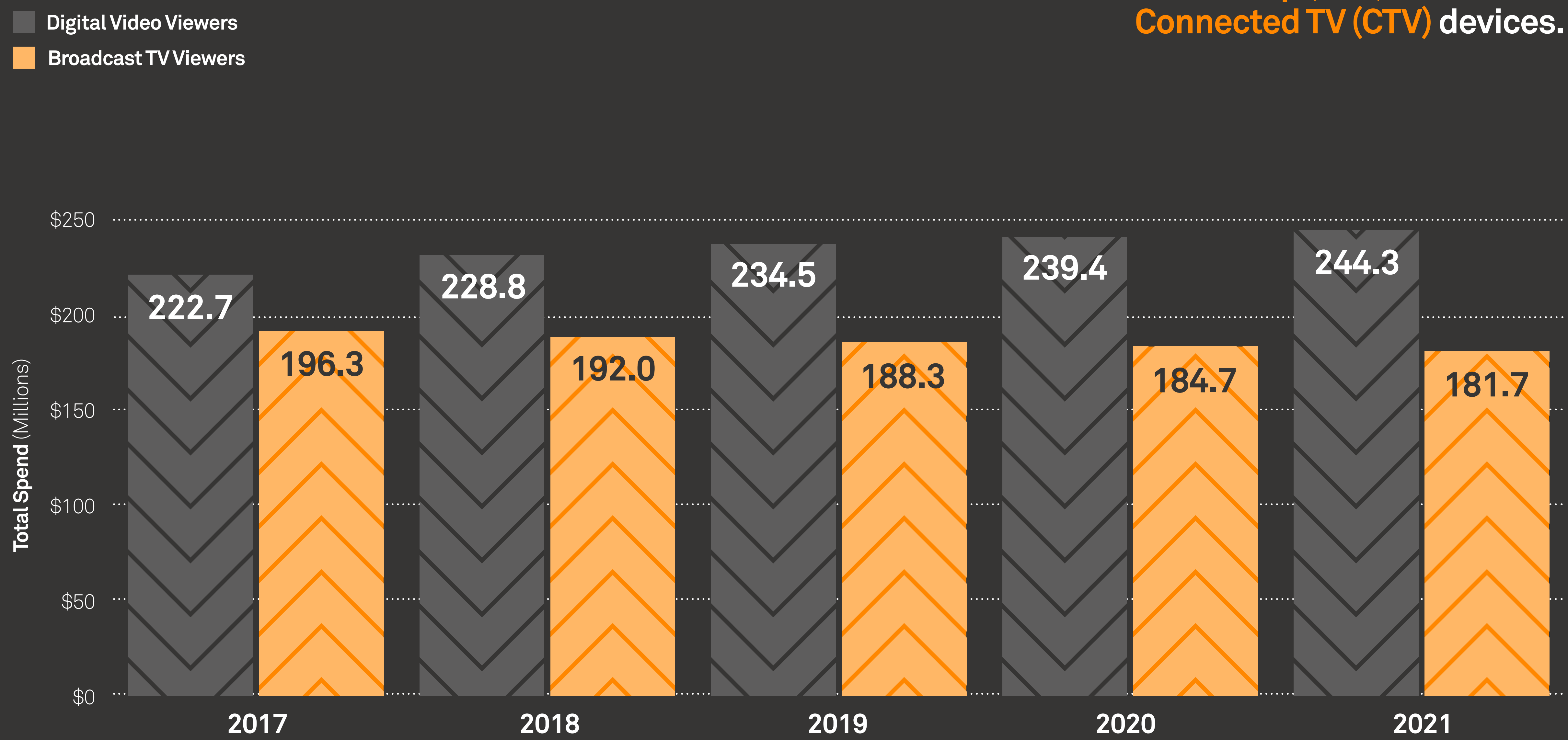
	Desktop	Mobile
Outstream	46%	60%
Pre-roll	17%	17%
Mid-roll	53%	72%

Publishers and advertisers may want to be weary of mid-roll ads – on both desktop and mobile – as users are most likely to say they find them interruptive.

Source: ***eMarketer***

Projected U.S. Viewership: Digital video vs. Broadcast TV, 2017–2021

Cord-cutting: Through 2018 and beyond, people will be watching less broadcast TV and more digital video every year, fleeing broadcast for digital options, including Over-The-Top (OTT) content via Connected TV (CTV) devices.



Source: *eMarketer*

Average Time per Day Spent with Video for U.S. Adults: TV vs. Digital Time per day

(Hours:Minutes)

TV

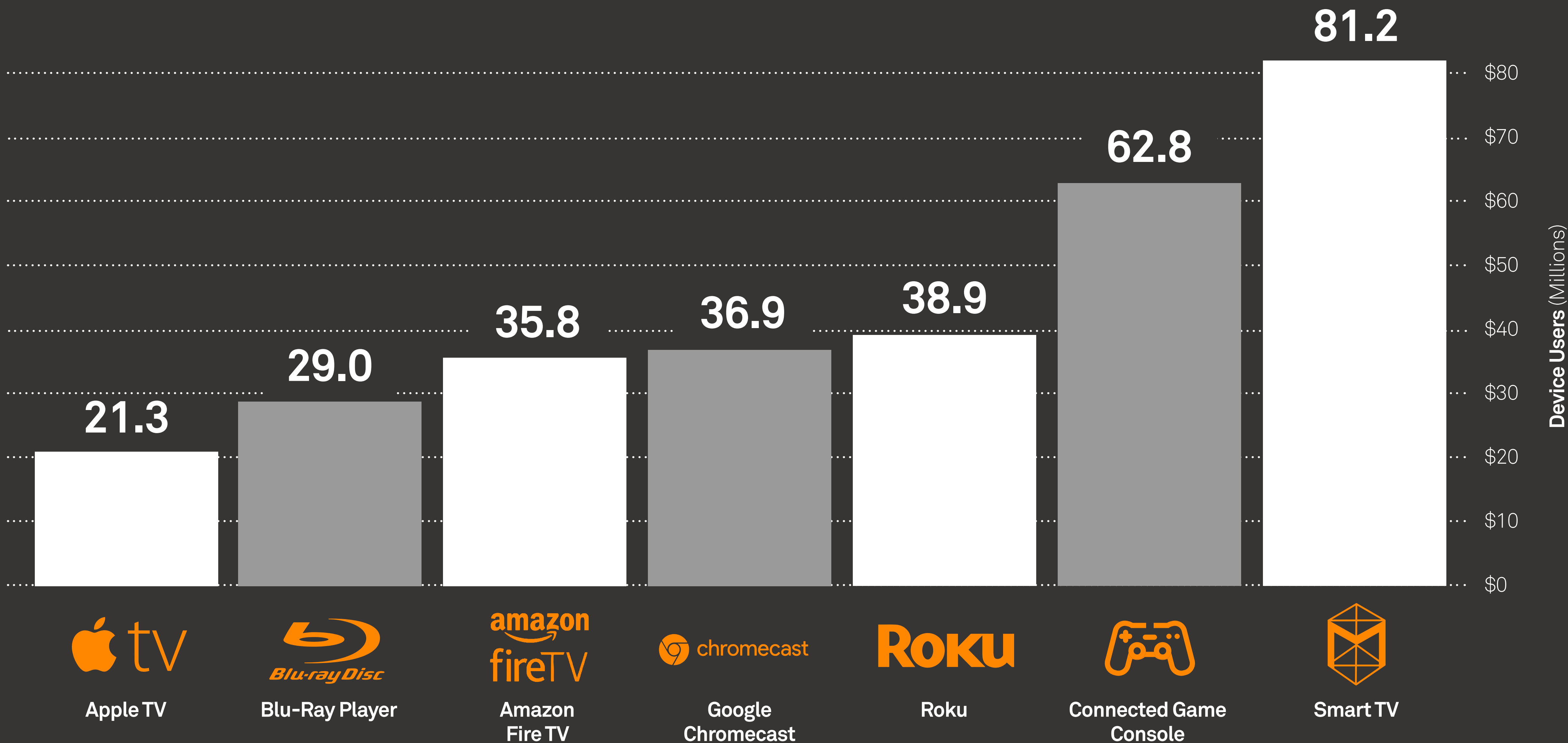
Digital Video

Consequently, as digital video grows, we're seeing users spend less and less time per day watching broadcast TV.

Source: ***eMarketer***

U.S. CTV Users by Device

With over **168 million** users in the U.S. alone, **CTV** keeps on growing. But which **CTV devices** are **the cord-cutters** flocking to?

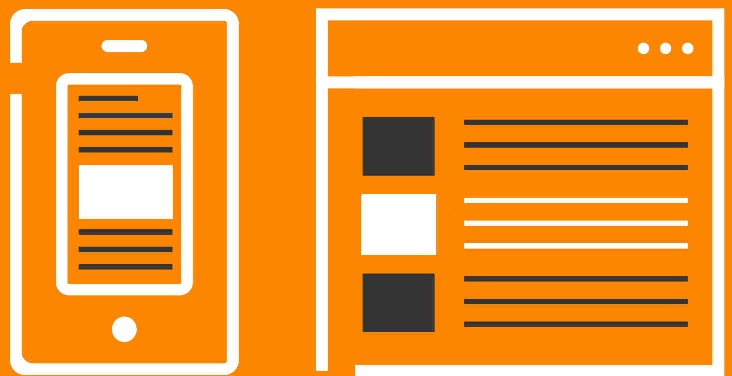


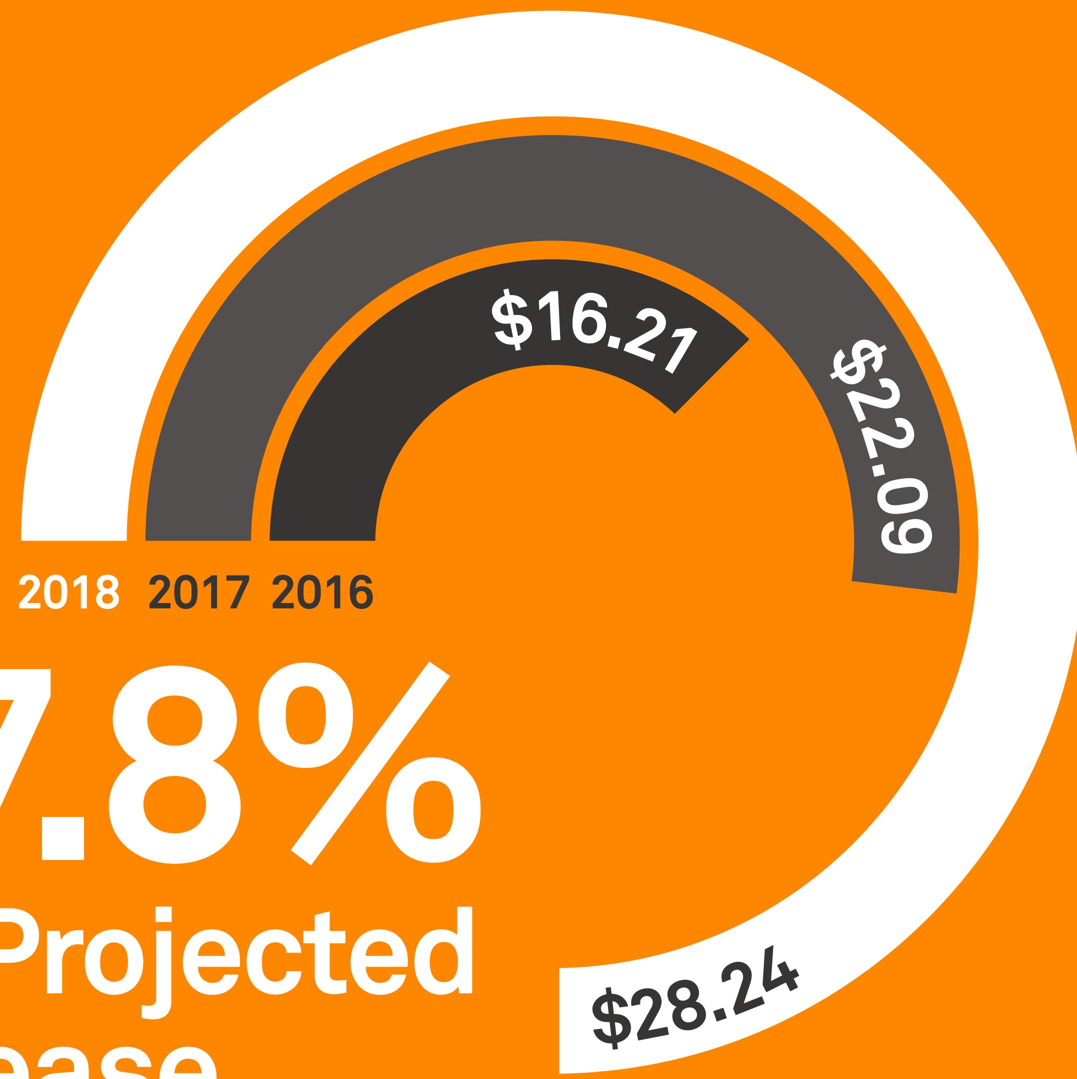
Source: *eMarketer*

Native

Total Projected U.S. Native Ad Spend

(billions)





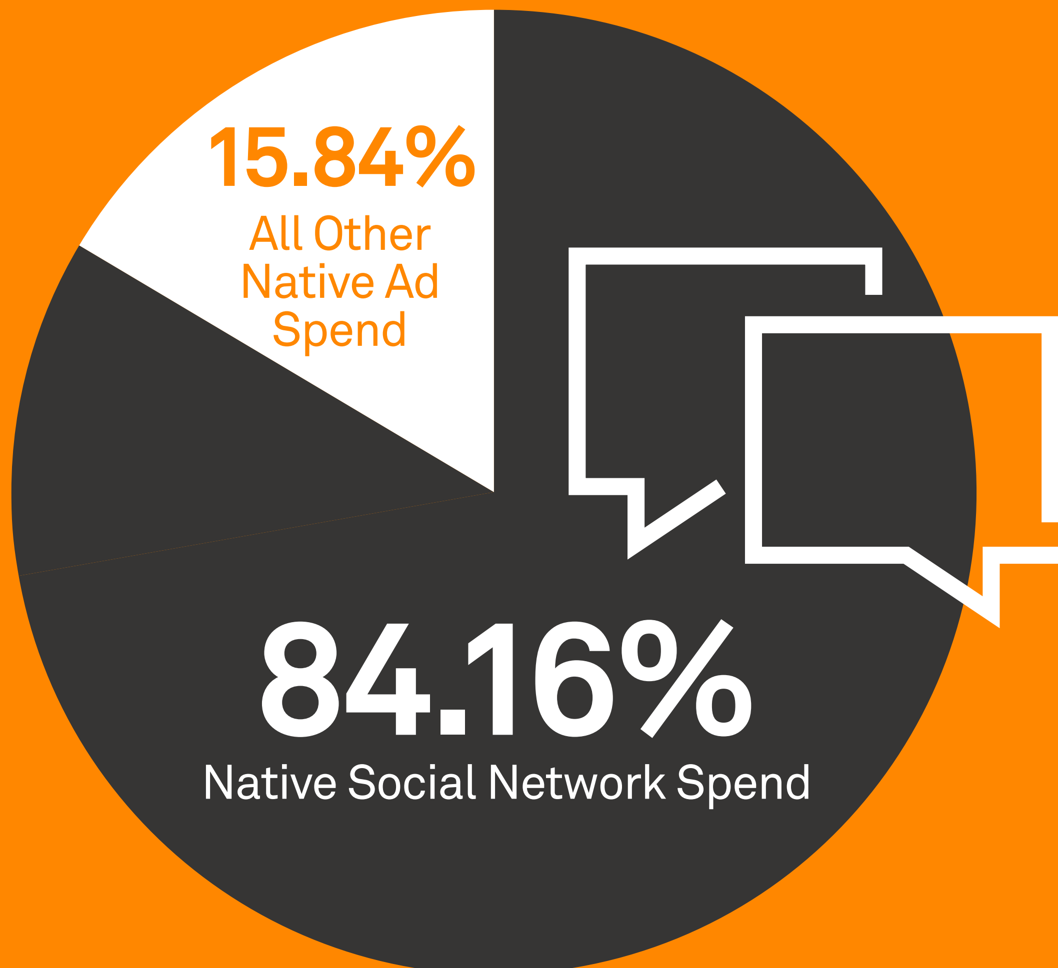
27.8%

YoY Projected Increase

Native ad spend in the US is estimated to reach $28 billion in 2018, a 27.8% percent increase from 2017.

Source: ***eMarketer***

2017 Share of Total Native Ad Spend: Social Networks vs. All Other Native Display



The vast majority of that spend goes to **social networks.** Native advertising on the open internet – what most people probably think of when they think native – accounted for just under **$3.5 billion** in spend.

Source: **eMarketer**

Click-Through Rates (CTR): All Display vs. Native Display

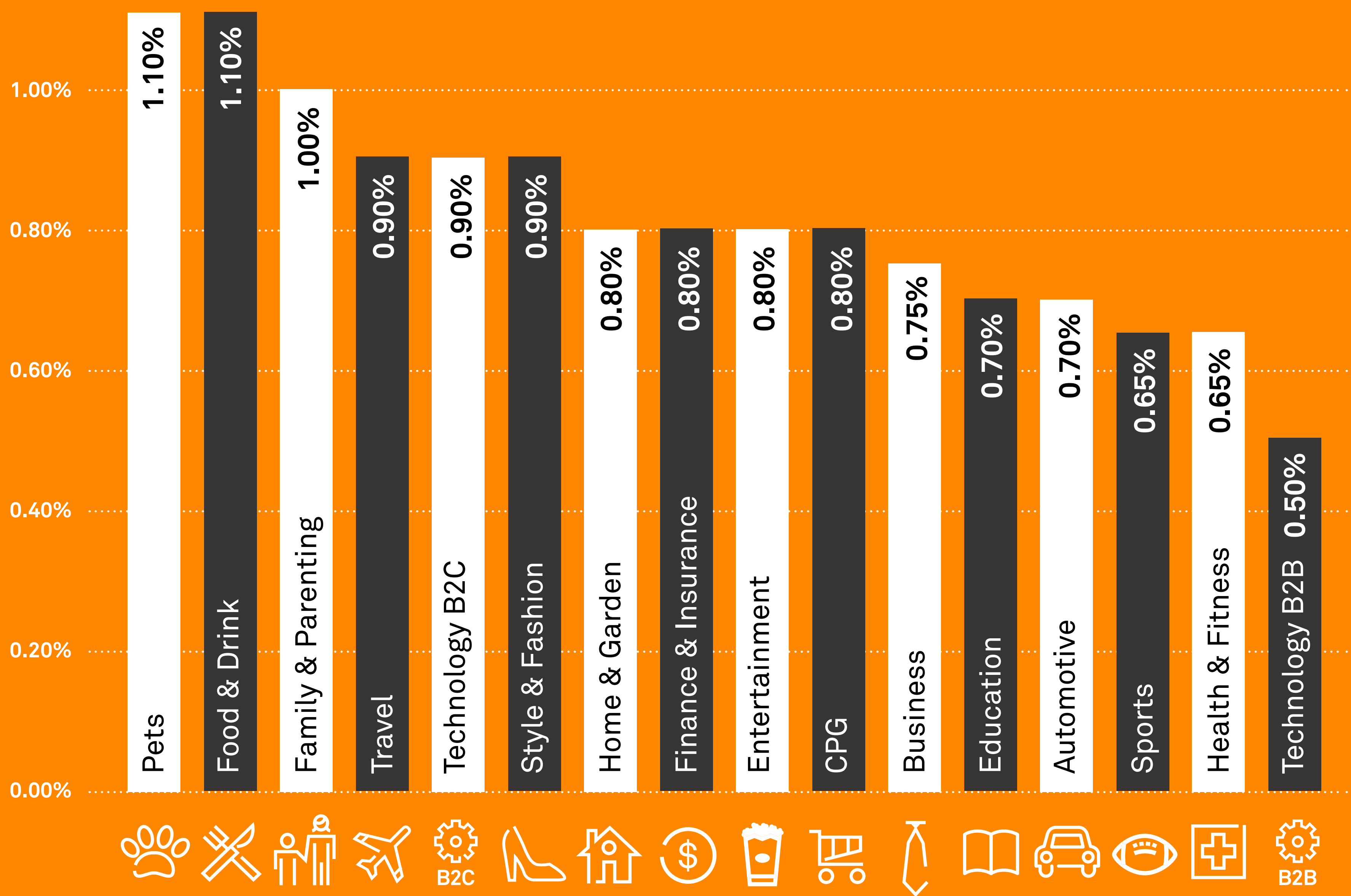
0.80%
Native Display

0.09%
All Display

CTRs for native display ads are **8.8x higher** than the average display ad.

*Source: **eMarketer***

Native Ad Click-Through Rates by Brand Category



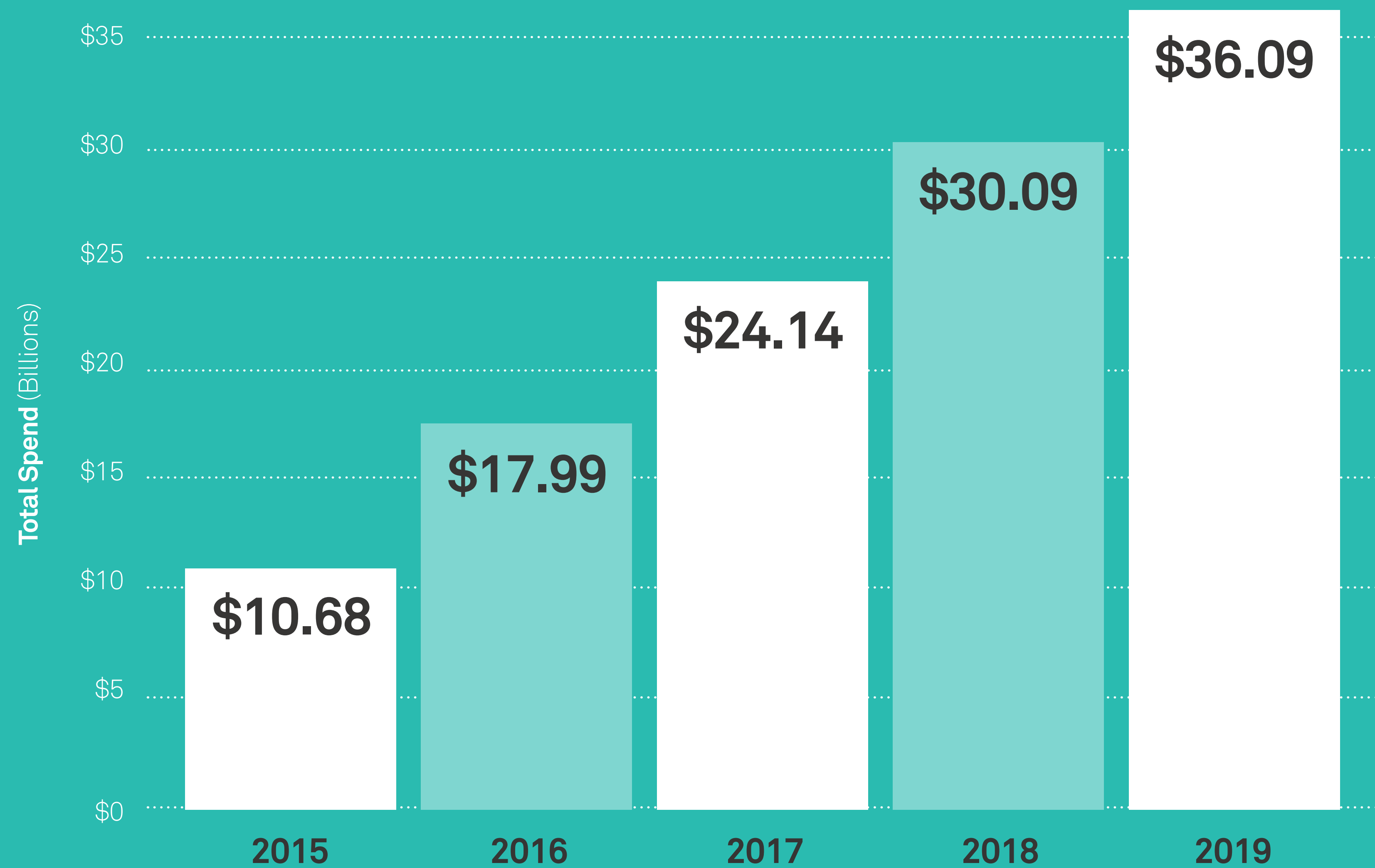
Native ads have performed particularly well for advertisers in the Pets, Food & Drink, and Family & Parenting brand categories.

Source: *eMarketer*

Mobile

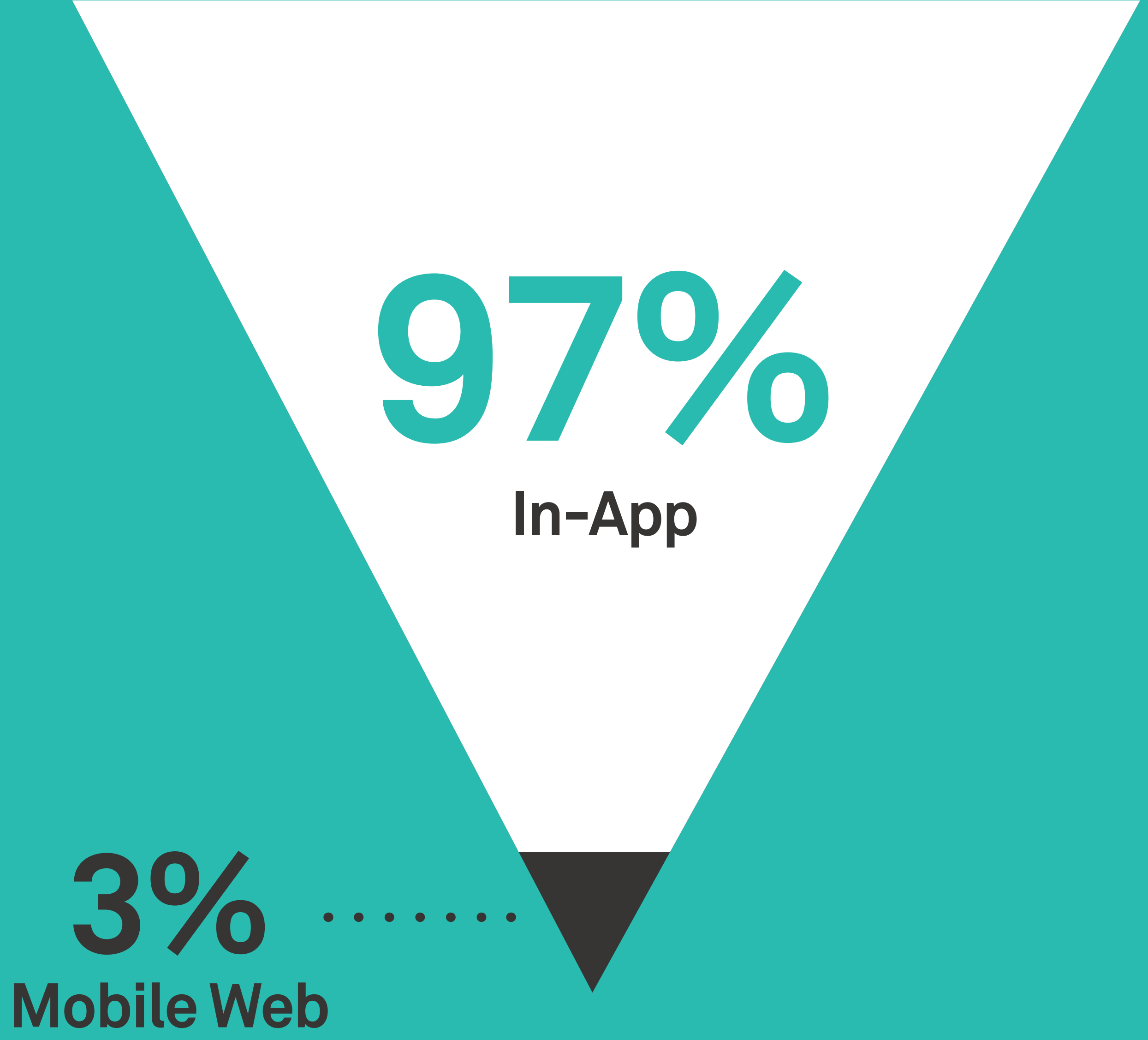
Total Projected U.S. Mobile Programmatic Ad Spend

Programmatic mobile spend in the US continues to rise, and made up **74.1%** of all programmatic display spend in **2017**. That share is expectedto climb to **77.0%** in **2018.**



Source: ***eMarketer***

U.S. Programmatic Mobile Ad Spend: In-App vs. Mobile Web

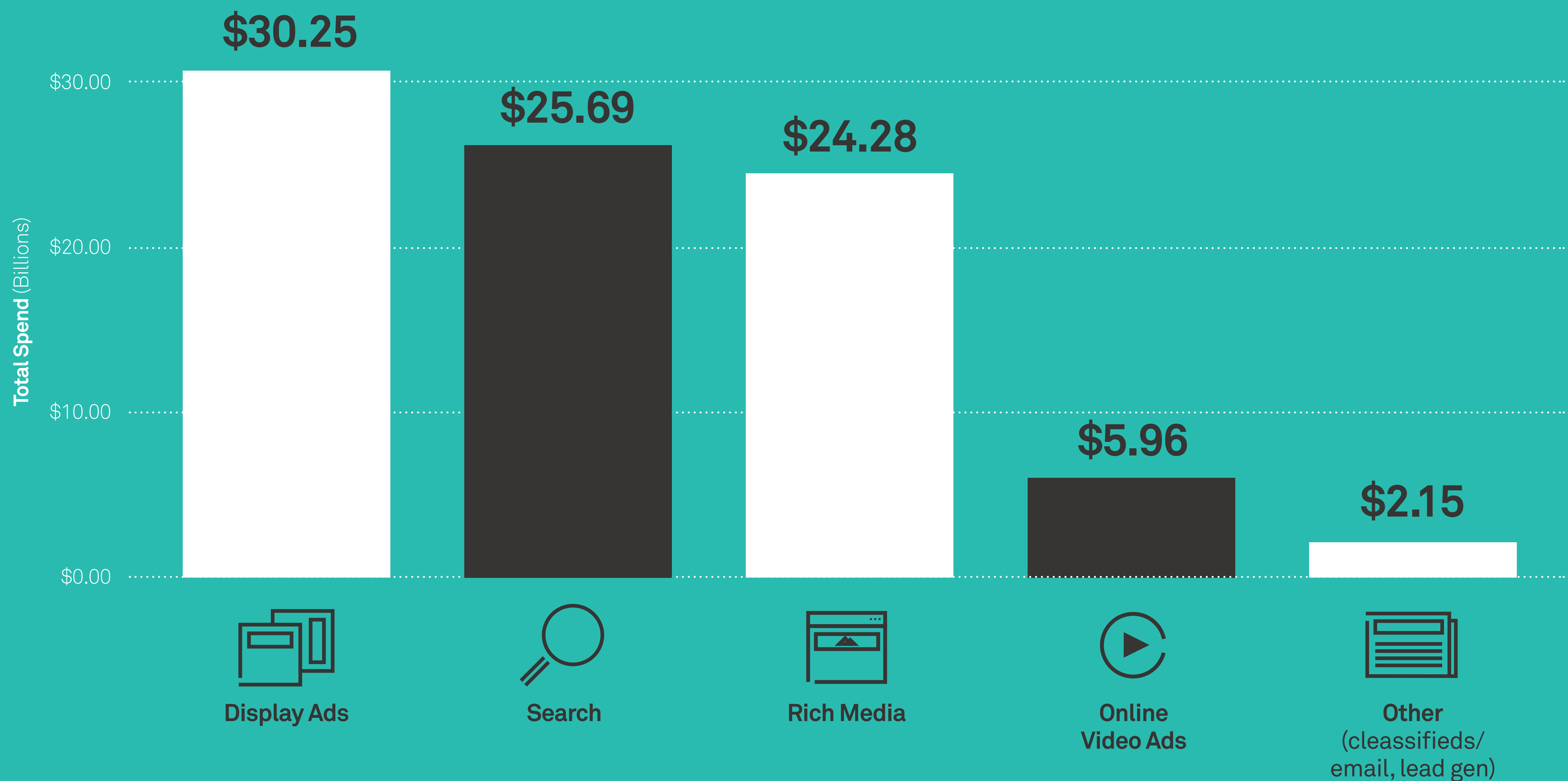


In-app ads dominate mobile programmatic ad spend. That shouldn't be a surprise considering the average U.S. consumer spends 89% of their time on their smart phone in-app.

Source: ***Smaato***

2017 U.S. Mobile Ad Spend by Ad Format

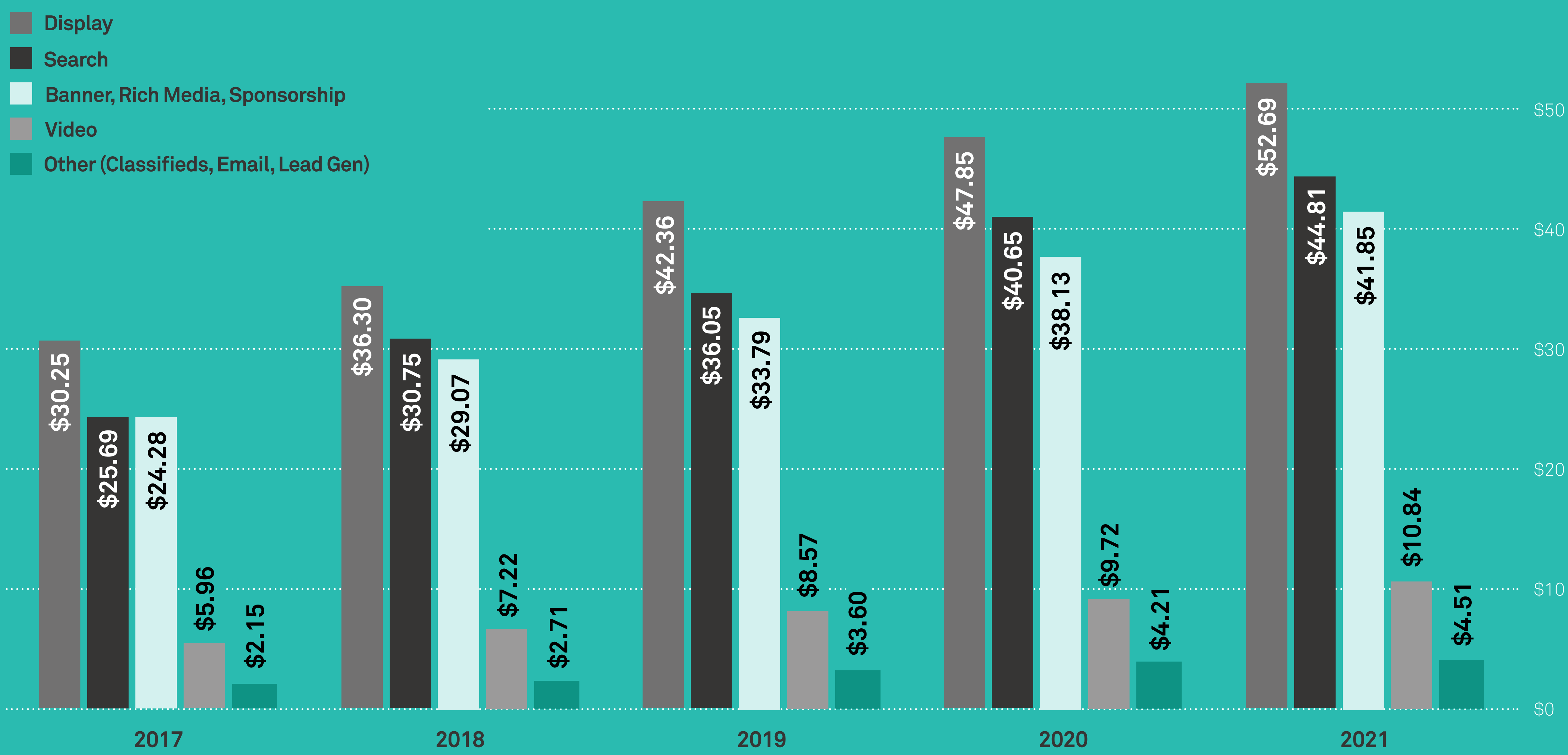
Display, search, and rich media are the formats driving mobile ad spend.



Source: ***eMarketer***

Projected U.S. Mobile Ad Spend by Format, 2017-2021

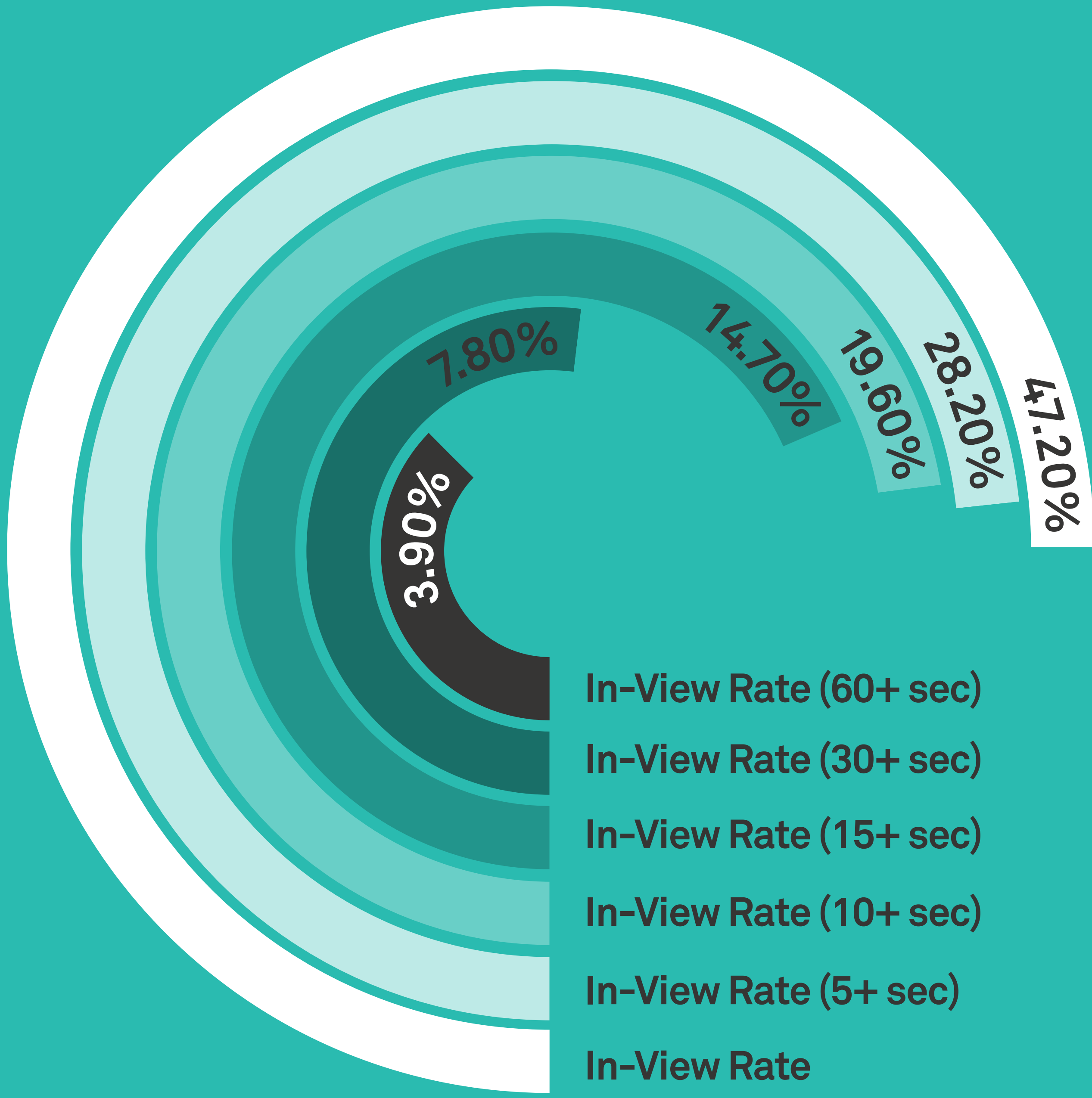
We expect each of those formats to grow in the coming years, especially video, display, and search.



Source: *eMarketer*

U.S. Mobile Display Ad Viewability Rates

Performance benchmark:
How long are mobile ads in view?



Source: ***eMarketer***

Ad Fraud

Global Estimated Ad Revenue Lost to Fraud

Ad fraud accounted for over $14 billion in lost revenue in 2017. By 2022, that total is expected to rise 214% to $44 billion – unless we band together to stop it in its tracks.

Source: ***Juniper Research***

Estimated Global Ad Fraud Rates by Format and Transaction Type

When it comes to programmatic, mobile display inventory presents the highest risk of fraud.

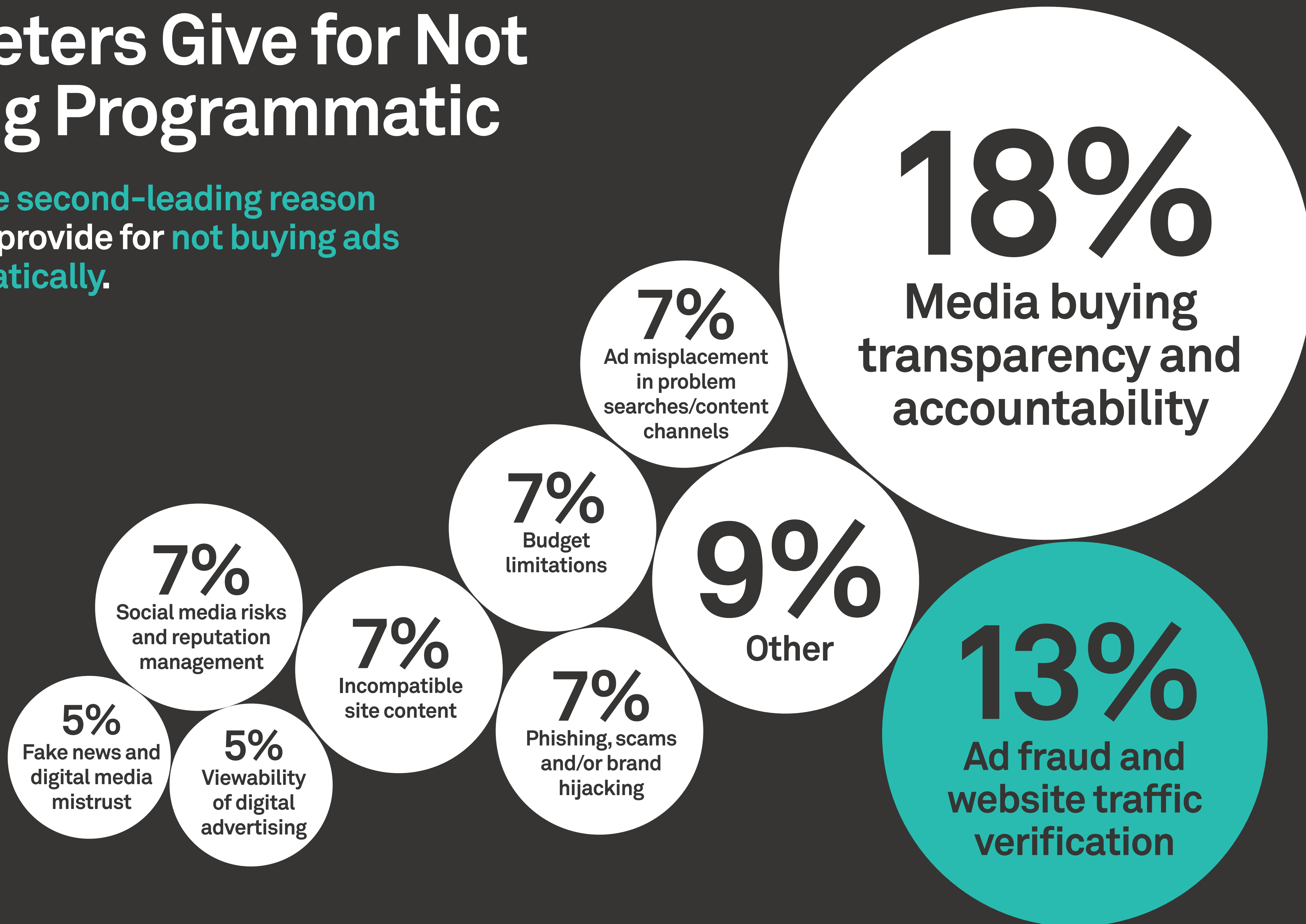
Detected Rate of Ad Fraud

	Desktop Dislay	Mobile Display	Desktop Video	Mobile Video
Programmatic Buys	12%	15%	13%	2%
Direct Buys	10%	6%	16%	4%

Source: ***Integral Ad Science*** *(Please note: This chart's data reflects fraud rates for buyers not using ad fraud prevention technology)*

Reasons Senior Marketers Give for Not Buying Programmatic

Fraud is the second-leading reason marketers provide for not buying ads programmatically.



Source: ***CMO Council and Dow Jones***

How Mobile Ad Executives Say They're Responding to Ad Fraud

Given the heightened fraud risk in mobile programmatic, Forrester asked 250 marketing leaders how they're fighting back. Many of their responses are applicable across all formats and channels.

53%
We have assigned fraud-related KPIs to our media buying agency and ad networks

48%
We use data and analytics tools to understand and measure suspicious patterns for mobile ad fraud

43%
Third-party traffic validation technology

32%
Require clarity from vendors on how they combat fraud

32%
Require clarity from vendors on how they combat fraud

31%
We reduced the media budget assigned to mobile web advertising

28%
We implement target white lists

25%
We reduced the media budget assigned to in-app advertising

25%
We subscribe to a blacklist service

19%
We aggressively update blacklists

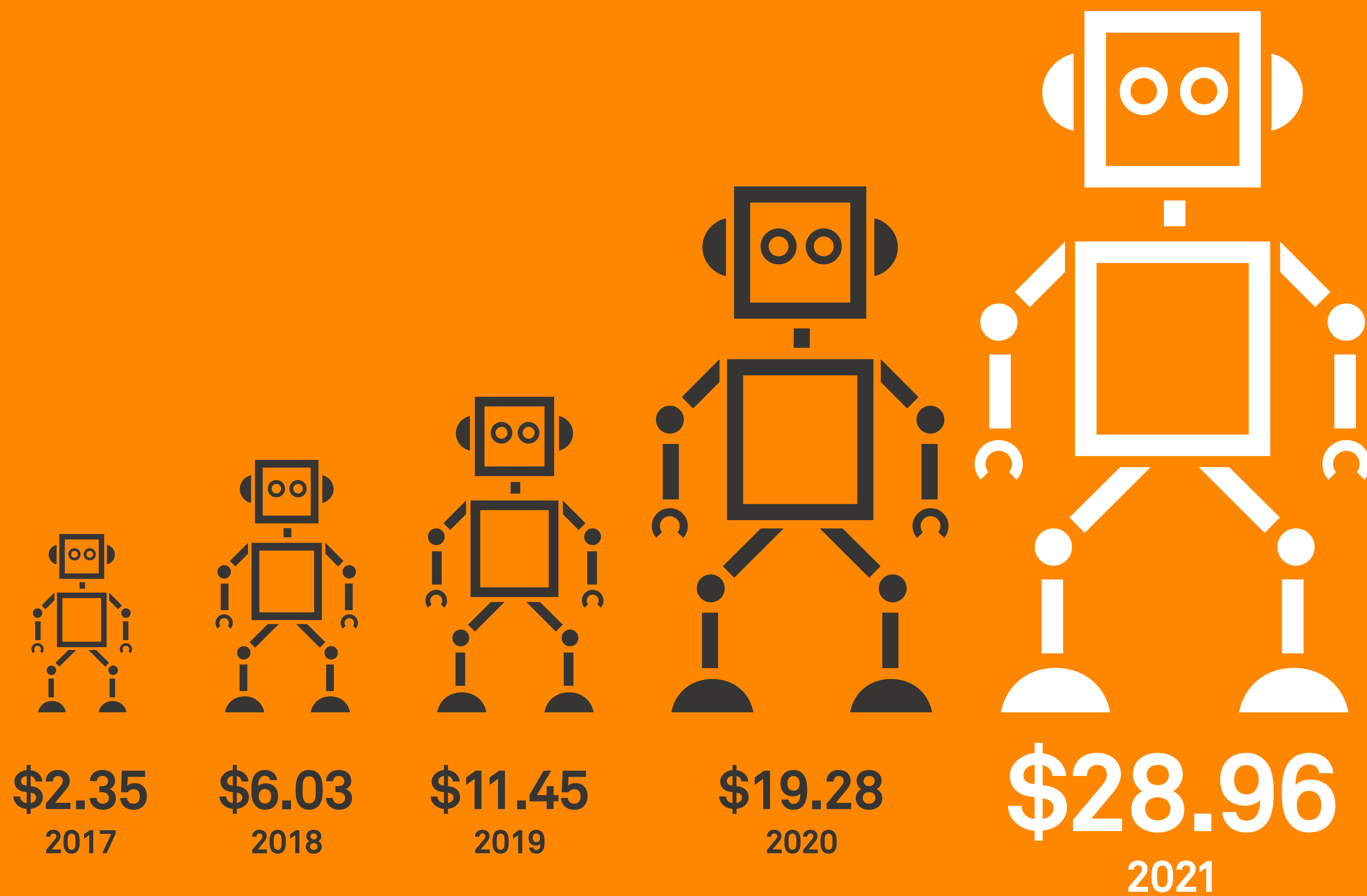
6%
Have not responded yet but plan to

Source: *Forrester and AppsFlyer*

Machine Learning and AI

Projected Worldwide AI Technology Investment

Companies across nearly all industries are expected to **rapidly embrace artificial intelligence in 2018 and beyond.**



Source: ***eMarketer***

Retail Marketers' Attitudes Toward AI in Marketing

86%

Makes marketing teams more effective

86%

Makes marketing teams more efficient

80%

AI marketing will revolutionize the marketer's role

79%

Changes the role of marketing toward more strategic work

82%

Allows marketing staff to focus on value-generating tasks as AI automates workflows

Marketers are especially excited about what AI can do for them. 80% of surveyed marketers say AI will revolutionize their role.

Source: ***Emarsys***

Areas Marketing Leaders Believe AI Can Help Them

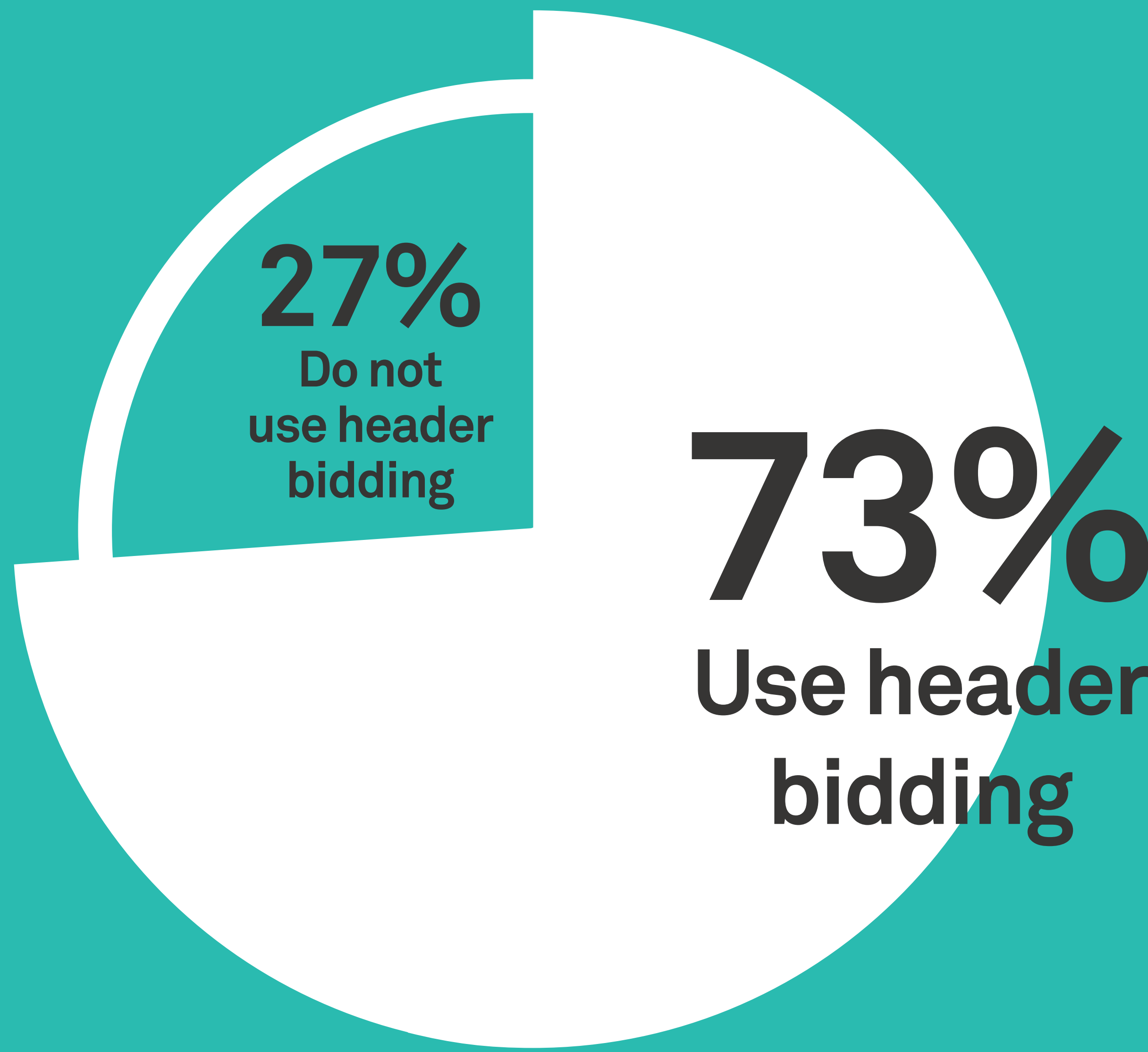
Sentiment analysis	56%
Lead scoring	57%
Customer segmentation/lookalike audience modeling	58%
Productivity of marketers	59%
Hyperpersonalization at scale	59%
Digital asset management	59%
Campaign analytics	59%
Business insights across data and systems	59%
Predictive journeys	60%
Hyperpersonalized product recommendations	60%
Programmatic advertising and media buying	60%
Hyperpersonalization of content	61%
Dynamic landing pages and websites	61%
Delivering the right message, on the right channel, at the right time	61%

60% marketing leaders already believe AI can help them run more effective programmatic campaigns. We agree, which is why we put machine learning at the center of our new DSP: the AppNexus Programmable Platform (APP).

Source: ***Salesforce***

Header Bidding

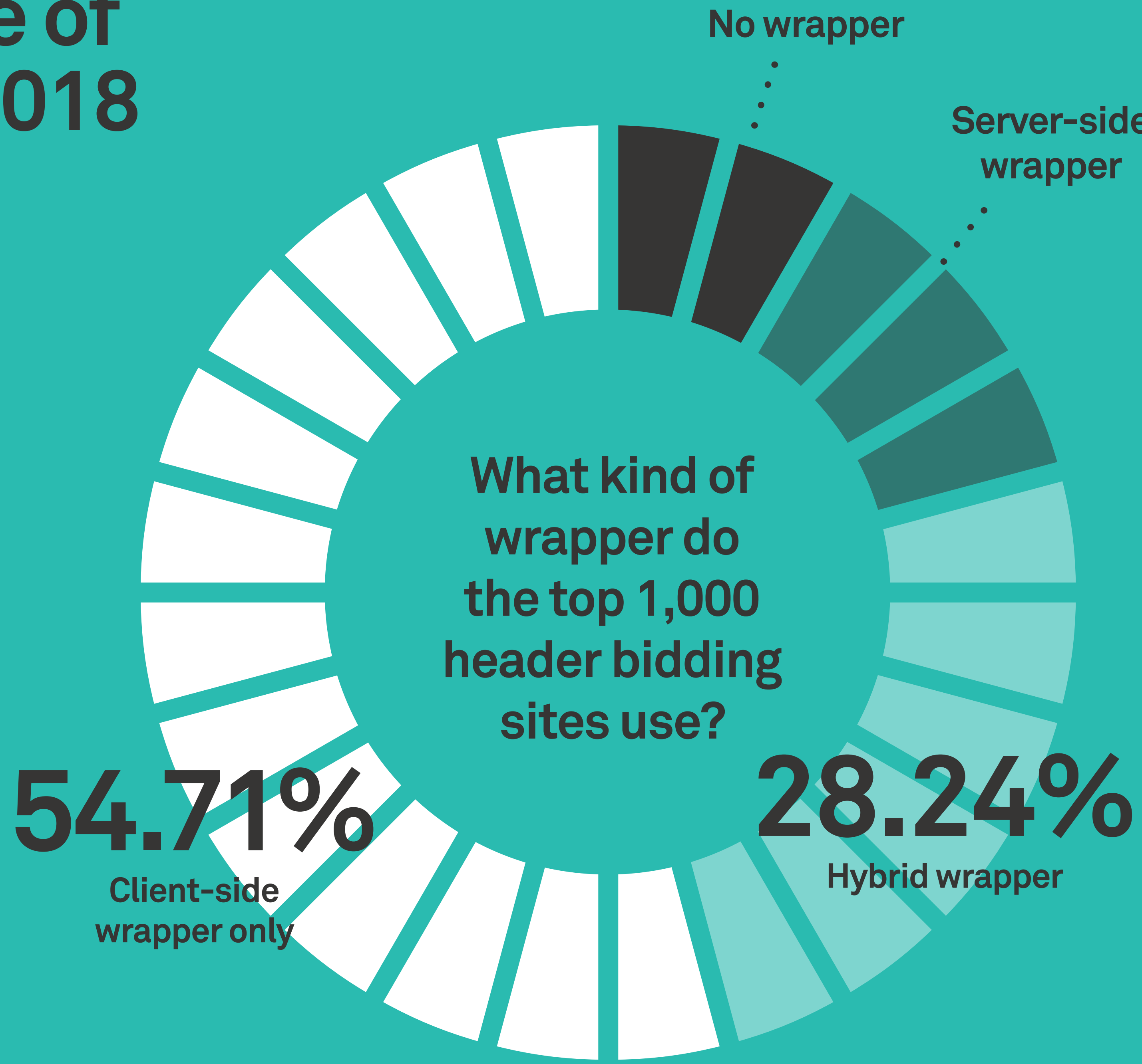
Percent of Top 1,000 U.S. Web Sites Using Header Bidding, January 2018



The vast majority of the most popular, programmatic ad-supported sites on the internet have adopted header bidding.

*Source: **ServerBid Header Bidding Industry Index**. Note on methodology: ServerBid tracks header bidding usage among the top 1,000 sites using programmatic advertising, as ranked by Alexa.com.*

Header Bidding Sites in Top 1,000 by Type of Wrapper, January 2018

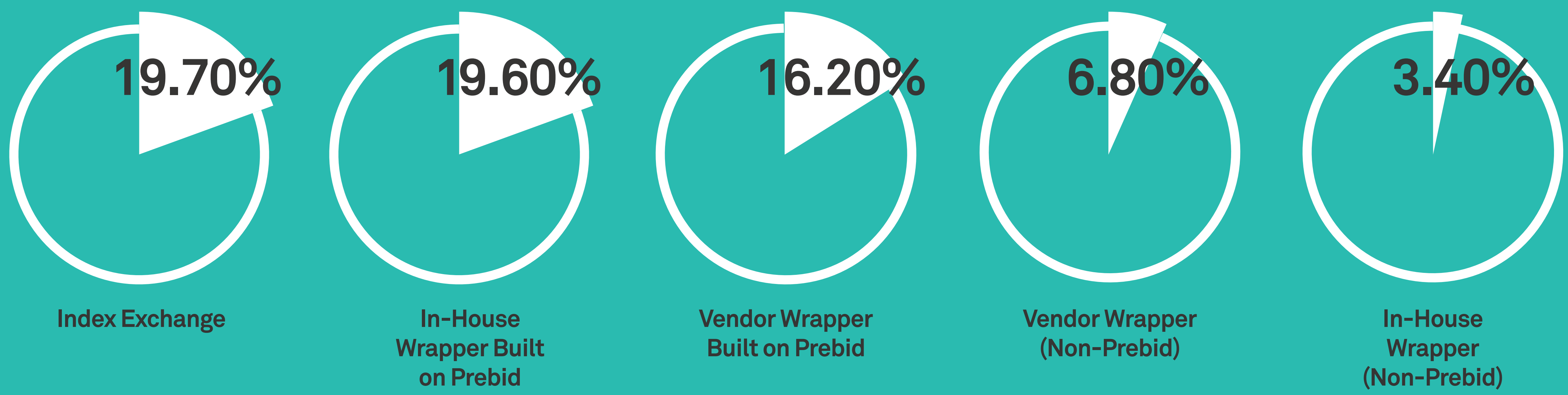


Right now, more than half of header bidding adopters are only using a client-side wrapper. But **server-side header bidding** can help publishers add more demand partners without increasing latency. **7.91%** of header bidding adopters are using a **server-side wrapper**, while **28.24%** are **deploying**.

*Source: **ServerBid Header Bidding Industry Index***

Header Bidding Sites in Top 1,000 by Type of Wrapper, January 2018

What wrappers are **publishers** using?

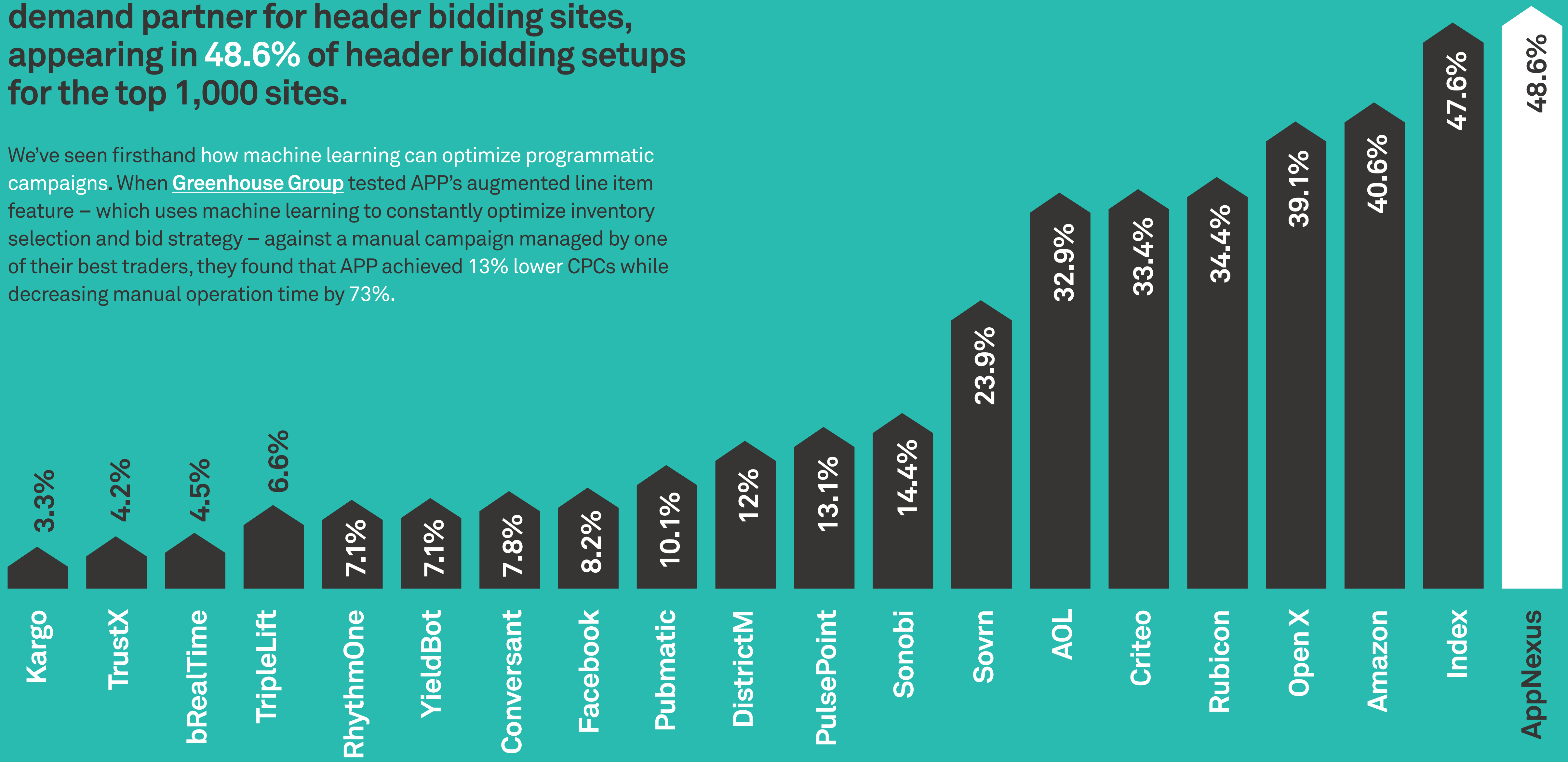


Source: ***ServerBid Header Bidding Industry Index***

Top 20 Header Bidding Demand Partners

AppNexus is the most widely-adopted demand partner for header bidding sites, appearing in 48.6% of header bidding setups for the top 1,000 sites.

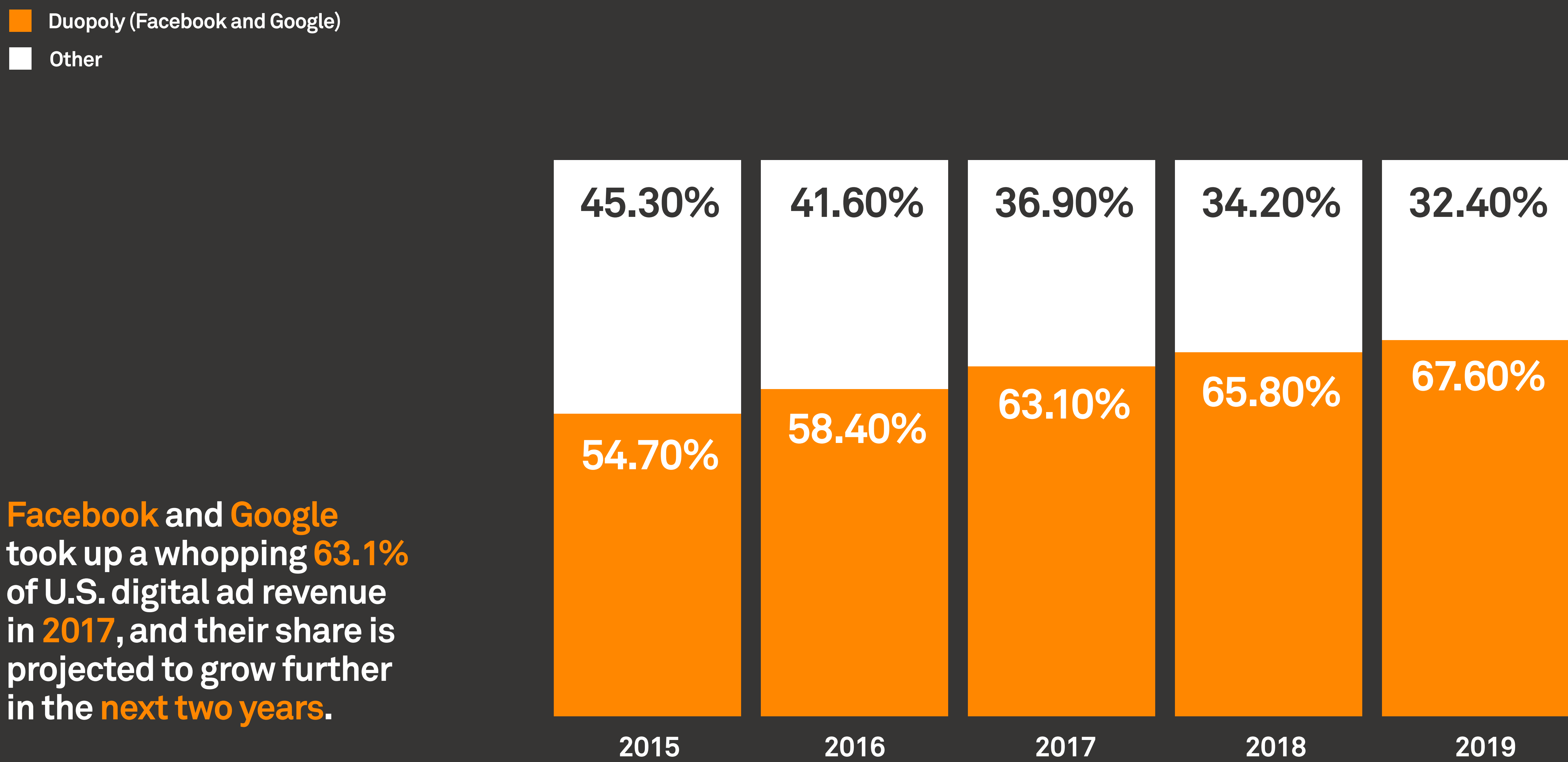
We've seen firsthand how machine learning can optimize programmatic campaigns. When Greenhouse Group tested APP's augmented line item feature – which uses machine learning to constantly optimize inventory selection and bid strategy – against a manual campaign managed by one of their best traders, they found that APP achieved 13% lower CPCs while decreasing manual operation time by 73%.



Source: ***ServerBid Header Bidding Industry Index***

Duopoly

Duopoly vs. All Publishers: Estimated Share of Total U.S. Digital Ad Revenue

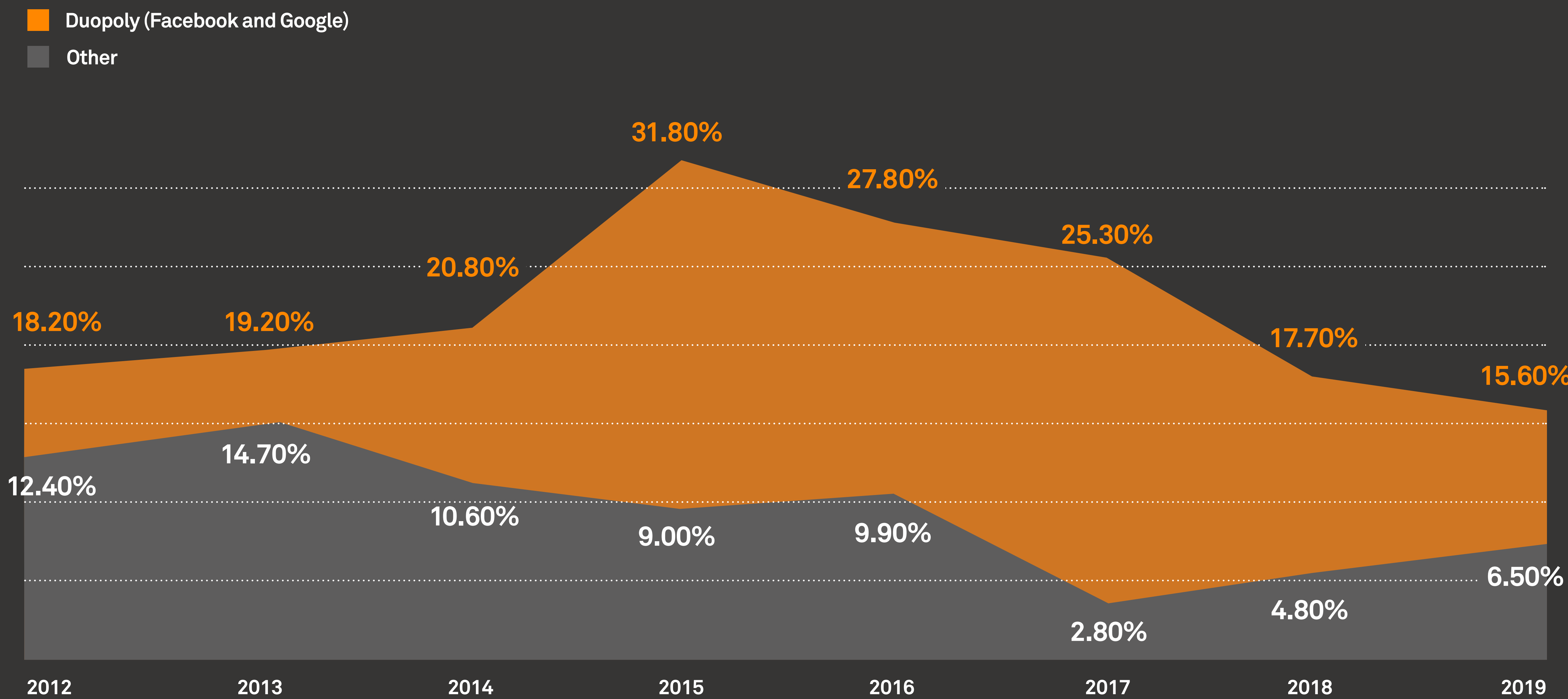


Facebook and Google took up a whopping 63.1% of U.S. digital ad revenue in 2017, and their share is projected to grow further in the next two years.

Source: ***eMarketer***

Duopoly vs. All Publishers: Yearly Estimated Digital Ad Revenue Growth

The concentration has gotten worse since 2015, when Google and Facebook began capturing new digital ad revenue at a much higher rate compared to publishers and other platforms.



Source: *eMarketer*

Duopoly vs. All Other Publishers: Estimated Share of U.S. Mobile Ad Revenue

Other

41.50%

Duopoly (Facebook & Google)

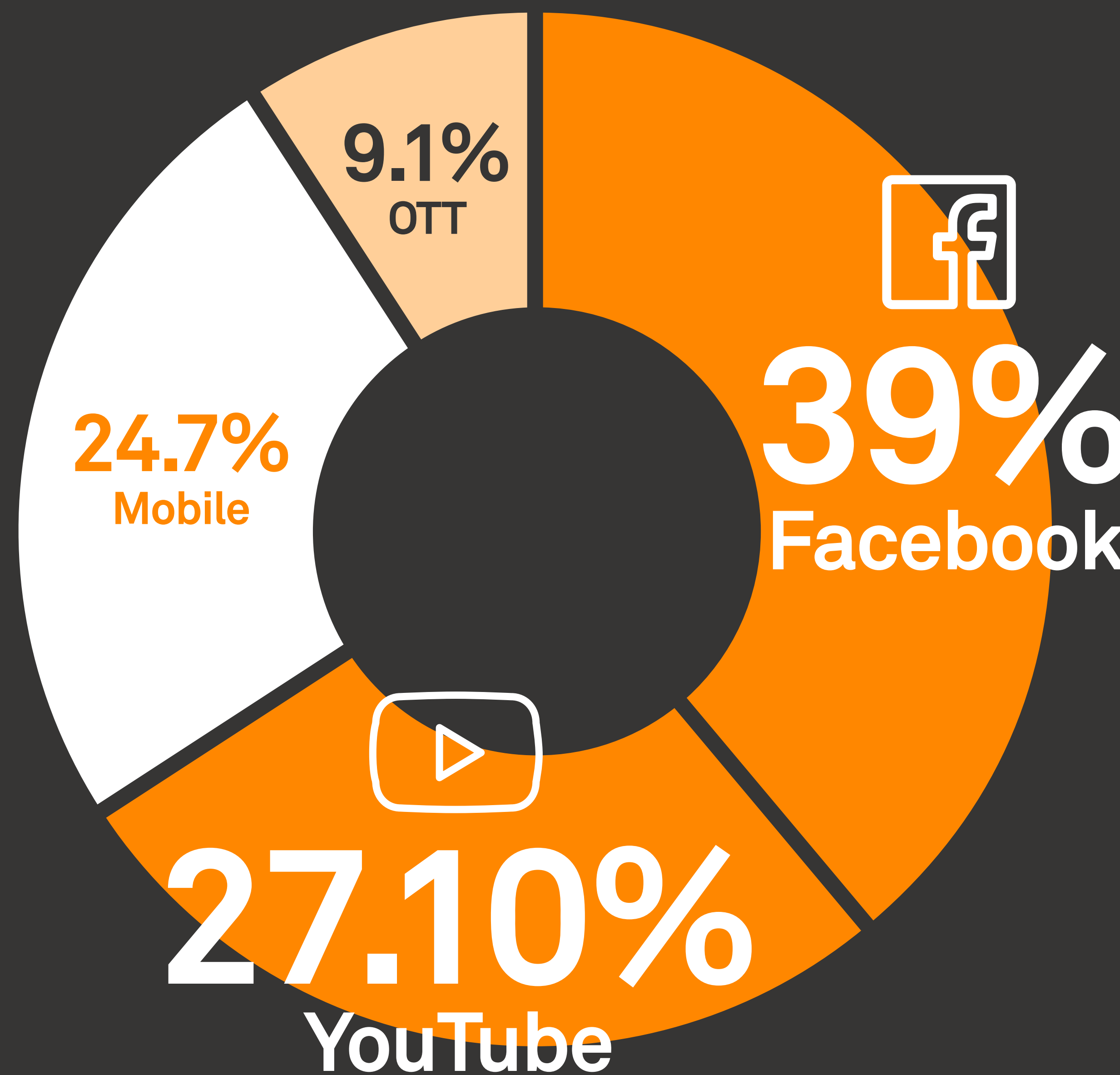
58.50%

The duopoly captures a lower – but still a clear majority – share of mobile ad revenue as well. In 2018, that share is expected to jump from 58.5% to 60.9%.

Source: *eMarketer*

Where Digital Video Ad Revenue is Going, According to Senior U.S. Marketers

The issue persists in video as well. Between Facebook and YouTube, marketers estimate the duopoly takes in 66.1% of all digital video ad revenue.



Source: *eMarketer*

Disclaimer

U.S. Display Ad Click-Through Rates by Format

0.08% Custom In-Page

0.08% Enhanced Banner

0.07% Image

0.05% Flash In-Page

0.06% Rich Media

0.03% HTML Banner

Enhanced banner and custom in-page ads attract the most clicks in the display category.

Source: ***eMarketer***