

MAY 2013

eMarketer

Programmatic Buying Roundup

Real-time bidding and other forms of programmatic buying are attracting more ad dollars, as marketers and publishers alike see the benefits of these media buying methods. Spending is predicted to continue growing robustly in coming years, and by 2017 will account for around one-third of all US digital display ad spending. eMarketer has curated a roundup of key trends, statistics and information relevant to marketers and publishers using or contemplating programmatic buying. This brief will help you navigate the complexity facing all digital marketers.

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Programmatic Buying Overview

Real-time bidding and other forms of programmatic buying continue to gain traction within the ad industry. These media buying methods have benefits for advertisers and publishers alike: Advertisers can run targeted campaigns at the cost they want, while publishers can unload more inventory at attractive prices. And a whole ecosystem of programmatic buying platforms has sprung up to serve these needs.

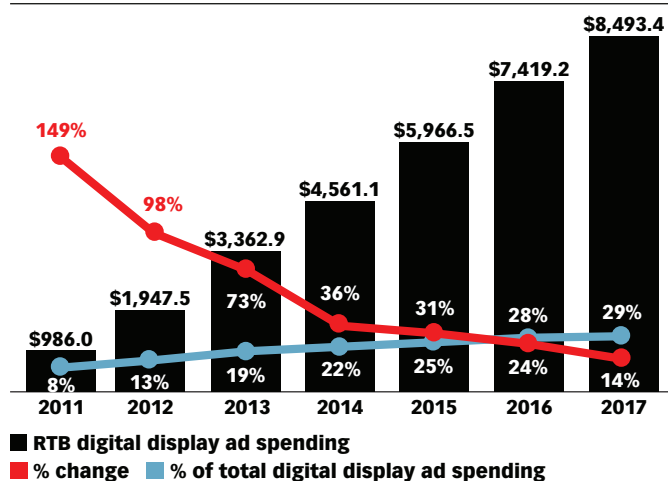
eMarketer estimates that 13% of total digital display ad spending went toward real-time bidding last year, up 5 percentage points from 2011 and set to continue its rise. This year, US advertisers will spend well over \$3 billion on real-time bidded display ads. This includes all display formats served to all devices, such as PCs, smartphones and tablets.

Spending on programmatic buying is rising in part because more advertisers and publishers are taking part in the process—though many still have reservations, or indicate they would spend more if more information was available to them as they made their bids. Last year's opening of Facebook Exchange (FBX) also helped push more dollars toward programmatic buying.

As programmatic buying continues to gain popularity and evolve, expect to see mobile making up a larger share of the pie. And tablets will account for a significant share on their own. In terms of formats, data indicates video buys are being especially enhanced by real-time bidding.

US Real-Time Bidding (RTB) Digital Display Ad Spending, 2011-2017

millions, % change and % of total digital display ad spending



Note: includes all display formats served to all devices
 Source: eMarketer, March 2013

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RTB Ad Spend Continues Robust Growth

Nearly one in five display ad dollars this year to go to RTB

Programmatic buying continues to gain traction in the US online ad market, and eMarketer's latest forecast projects growth this year of 73% on spending on digital display ads purchased through real-time bidding (RTB).

eMarketer estimates US advertisers will spend more than \$3.36 billion on real-time bidding this year, up from just under \$2 billion in 2012 and less than \$1 billion in 2011. Growth rates will continue to decline as the market matures, but eMarketer expects double-digit increases in spending each year through 2017, when real-time bidding will account for more than \$8.49 billion in digital ad spending—or 29% of all digital display spending.

Spending on all digital display advertising, including banner, video, rich media and sponsorships, will grow far slower—at 18.1%—as penetration and use of RTB among media buyers and publishers increases.

eMarketer bases its estimates of real-time bidding spending on the analysis of estimates from other research firms; survey results from brands, agencies and media publishers; digital and mobile ad spending trends, and eMarketer interviews with executives at ad agencies, brands, media publishers and other industry leaders.

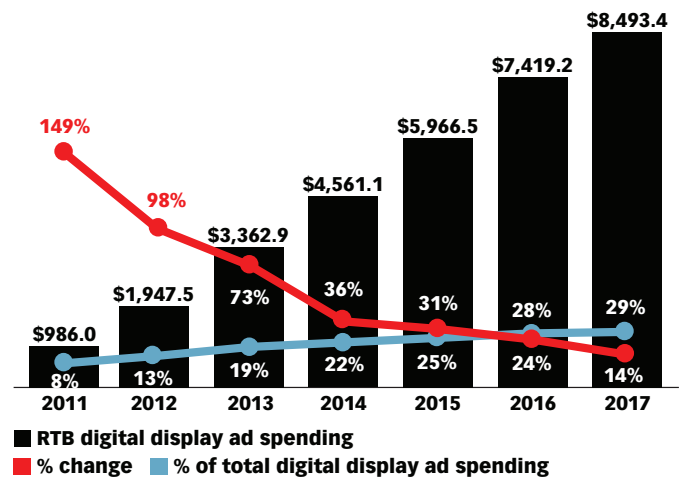
eMarketer's last forecast of real-time bidding spending, made in November 2012, was increased slightly for 2013 because of faster-than-expected growth in the area. We also expect slightly faster growth throughout the forecast period because RTB is becoming more mainstream, and mobile RTB in particular is still nascent but will drive future growth.

The major factors behind growth in real-time bidding spending are operational efficiency and better targeting. For publishers, RTB is also an attractive way of selling unused inventory—and increasing demand for RTB ads will drive prices up, contributing to growth in spending. On the marketer side, there is better control over prices paid and better return on investment (ROI) due to targeting capabilities.

At the same time, programmatic buying is a complex activity, which can hinder growth, especially given the lack of human-to-human interaction. Publishers may fear cannibalization, while marketers also have concerns about quality and transparency of placements and results.

US Real-Time Bidding (RTB) Digital Display Ad Spending, 2011-2017

millions, % change and % of total digital display ad spending



Note: includes all display formats served to all devices

Source: eMarketer, March 2013

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Despite Reservations, Programmatic Buying Gains Steam

Buyers and publishers struggle to get the info and control they need out of exchanges

Programmatic buying has begun to rewrite the way digital ads are bought and sold. Through demand-side platforms and real-time bidding exchanges, marketers are purchasing ad inventory through automated technology, which can allow for real-time response to customer actions—often at a lower cost than traditional ad-buying methods. However, both publishers and media buyers still have concerns about programmatic buying.

Digiday and digital advertising technology provider OpenX surveyed media buyers and publishers in North America in February 2013 and found that 70% were already doing some programmatic trading. And 77% of those buying via programmatic means planned to do more of it in the next 12 months.

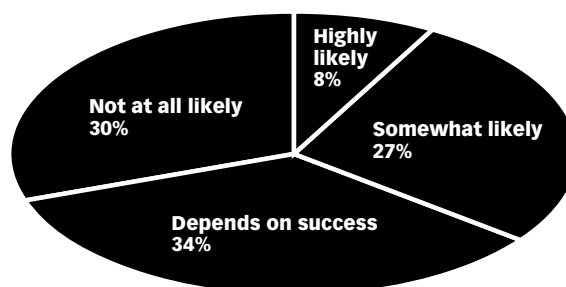
Not only are more media buyers using programmatic exchanges, but a good number are also considering moving to programmatic trading to replace their direct relationships with publishers. More than one-third of media buyers said they were at least somewhat likely to do so. And another one-third seemed willing to entertain replacing their direct relationship with publishers with programmatic buying, but they wanted to see the success of the method first. Only three out of 10 media buyers seemed certain they would not move entirely to programmatic buying.

For publishers, the concern around programmatic buying is a matter of protecting their pricing and brand image. Three-quarters of publishers surveyed said that their biggest issue with programmatic trading was controlling cost per thousand impressions (CPM) and pricing. Additionally, publishers want to protect their relationships with media buyers; maintaining a direct relationship with buyers was a concern for over two-thirds of publishers. Maintaining control over ad quality, and by extension, protecting the publisher brand itself, also ranked as a leading concern.

When asked what part of the ad-sales process could be automated, publishers ranked reviewing an ad's quality last. Only one-quarter thought this aspect of ad sales could be automated, reiterating the importance publishers place on being able to review what goes alongside their content.

Likelihood of Media Buyers in North America to Replace Direct Relationship with Programmatic Buying, Feb 2013

% of respondents



Note: numbers may not add up to 100% due to rounding
Source: Digiday and OpenX, "Programmatic + Premium: Current Practices and Future Trends," March 27, 2013

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Leading Concerns About Programmatic Trading Among Publishers in North America, Feb 2013

% of respondents



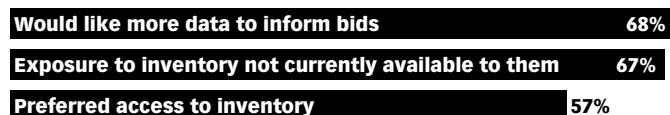
Source: Digiday and OpenX, "Programmatic + Premium: Current Practices and Future Trends," March 27, 2013

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Leading Concerns About Programmatic Media Buying Among Media Buyers in North America, Feb 2013

% of respondents



Source: Digiday and OpenX, "Programmatic + Premium: Current Practices and Future Trends," March 27, 2013

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Despite Reservations, Programmatic Buying Gains Steam (continued)

While the cheaper pricing and better targeting upside of programmatic buying may be obvious for media buyers, they too have concerns about migrating onto programmatic platforms. The greatest percentage (68%) wanted more data to inform bids. There was also significant interest in exposure to additional inventory.

In terms of what features publishers look for when choosing an ad server to use for their programmatic trading operations, yield optimization was most important to publishers, at 88%. Eight out of 10 also wanted to be able to set price floors based on which buyer or segment was making a purchase—a preference borne out of anxiety about losing pricing control.

Media Buyers Up FBX, Site, Search Retargeting Budgets

Revenue is top retargeting goal

More media buyers are putting online display and search dollars to ads served to consumers based on their previous digital behavior. Media-buying platform Chango found that in February 2013, over half of media buyers surveyed in the US, Canada and the UK planned to increase their investments in site, search and Facebook Exchange (FBX) retargeting.

The greatest percentage of media buyers (60%) expected to up their FBX investment, which makes sense given the newness of the platform, and its early successes. But interestingly, FBX was also the only retargeting type for which any media buyers at all (a still-small 2%) planned to decrease their investment, suggesting that some of the earliest adopters of FBX may be starting to pull back slightly.

Site and search retargeting were tactics already in use by nearly all media buyers surveyed, whereas a significantly smaller 40% had started using FBX, further underscoring why this particular retargeting tactic will see more investment as it is more widely adopted.

Change in Retargeting Budget According to Media Buyers in North America and the UK, by Tactic, Feb 2013

% of respondents

Facebook exchange (FBX) retargeting



Site retargeting



Search retargeting



■ Increase ■ Stay the same ■ Decrease

Note: n=51; over the next 6 months

Source: Chango, "Retargeting Barometer," April 17, 2013

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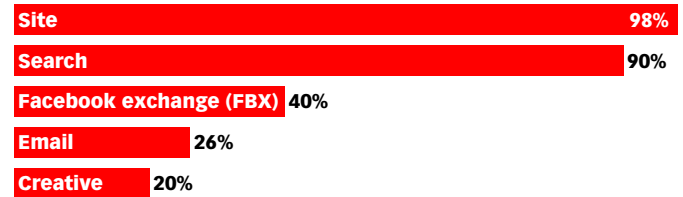
Media Buyers Up FBX, Site, Search Retargeting Budgets (continued)

Serving ads to consumers based on actions they've already taken—for example, showing an internet browser an ad for a shoe he'd previously searched for—is not about building up the brand or finding new prospects. It is a direct attempt to get the consumer through the final phases of the purchase funnel. As such, it's no surprise that the top goal of both site and search retargeting was increasing revenue.

Increasing on-site engagement was also a search retargeting goal for over two-thirds of media buyers and a site retargeting goal for over one-third.

In terms of figuring out whether their retargeted ads are getting the attention they're hoping for, over three-quarters of respondents said they looked to both clickthrough and view-through data for measurement. The dual evaluation suggests that when media buyers put dollars toward retargeting, they are expecting to see a substantial and quantifiable return on investment.

Types of Retargeting Tactics Used by Media Buyers in North America and the UK, Feb 2013 % of respondents



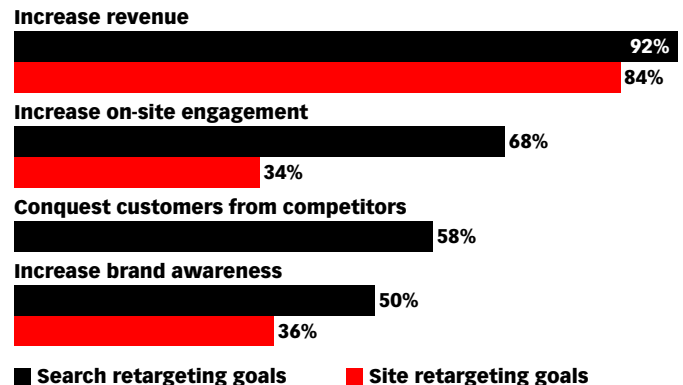
Note: n=51

Source: Chango, "Retargeting Barometer," April 17, 2013

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Goals of Search and Site Retargeting According to Media Buyers in North America and the UK, Feb 2013 % of respondents



Note: n=51

Source: Chango, "Retargeting Barometer," April 17, 2013

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RTB Gives Digital Video an Extra Boost

Spending on video bought via RTB to significantly outpace overall digital video growth

Advertisers and publishers have been quick to join the real-time bidding (RTB) marketplace. Drawn by the efficiency and targeting offered by programmatic buying, RTB spending on display formats has risen fast. And digital video—already a fast-growing format—is now seeing a significant percentage of that RTB outlay.

Forrester Consulting, in a survey commissioned by video RTB marketplace SpotXchange, found that in 2012 the number of video ad impressions bought via RTB exchanges doubled year over year; this year, the number of video impressions will top 100 billion.

Programmatic buying is a new means of purchasing display ads, and many advertisers and publishers are still not fully versed in the process. Moreover, video poses its own challenges to the RTB model; premium pricing has made publishers reluctant to move too much inventory onto RTB markets too fast. But as more familiarize themselves with the process, the inventory and corresponding dollars will climb.

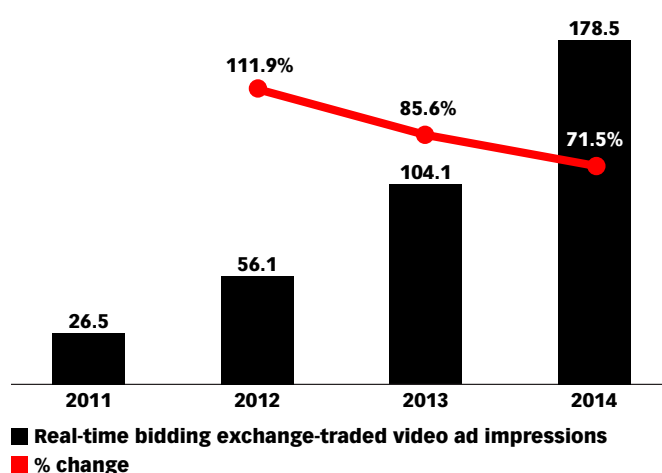
Forrester projected that spending on video ads bought via RTB will reach \$686 million this year and top \$1 billion in 2014. At that point, RTB spending on the format will account for nearly one-quarter of digital video outlays.

Between 2011 and 2014, RTB video spending will also grow at nearly three times the rate of overall video spending, rising at a compound annual growth (CAGR) rate of 57% vs. 20% for video overall, according to Forrester.

eMarketer estimates that total US RTB digital display ad spending will rise by 73% this year, after more than doubling in 2011 and nearly doubling again in 2012. In 2015, RTB spend will account for one out of four display dollars.

eMarketer estimates that video spending overall will rise by 41% this year to \$4.1 billion, slightly higher than Forrester's estimate of \$3.59 billion.

US Real-Time Bidding Exchange-Traded Video Ad Impressions, 2011-2014
billions and % change



Note: includes mobile-based video ads; CAGR=61%
Source: Forrester Consulting, "RTB Powers The Rapid Growth of Online Video" commissioned by SpotXchange, April 8, 2013

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US Real-Time Bidding Video and Total Digital Video Ad Spending, 2011-2014
millions, % change and CAGR

	2011	2012	2013	2014	CAGR
Real-time bidding video ad spending	\$190.0	\$402.0	\$686.0	\$1,141.0	57%
—% change vs. prior year	-	112%	71%	66%	-
—% of total digital	9%	14%	19%	25%	-
Total digital video spending	\$2,190.0	\$2,923.0	\$3,590.0	\$4,616.0	20%

Note: includes mobile-based video ads
Source: Forrester Consulting, "RTB Powers The Rapid Growth of Online Video" commissioned by SpotXchange; eMarketer calculations, April 8, 2013

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Tablets Grab Nearly Half of Mobile RTB Share Worldwide

In-app gets more than nine in 10 mobile RTB ad views

Mobile real-time bidding (RTB) ad buys were not particularly common as recently as Q1 2012. Mobile ad-buying platform Adfonic reported that in Q1 2012 mobile RTB ads accounted for only 8% of ads served on its network worldwide. By Q4 2012, the white-hot RTB market accounted for 64% of total mobile ad requests. And tablets, with their dynamic ad opportunities, are taking a significant share of those mobile RTB requests.

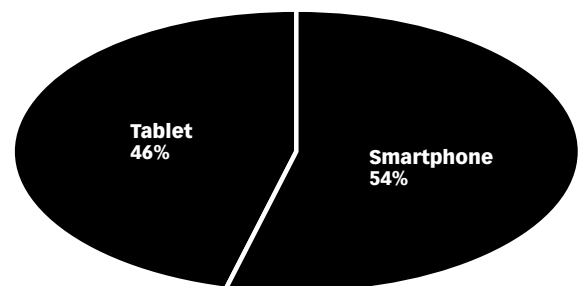
Media-buying firm Accordant Media found in Q1 2013 that tablets accounted for 46% of mobile RTB ads viewed worldwide, compared with 54% viewed on smartphones. That is particularly notable since tablets are in the hands of far fewer overall users. ABI Research estimated in January 2013 that there will be 268 million tablet users worldwide this year, compared with 1.4 billion smartphone users.

Despite tablets' significant share of mobile RTB ads viewed, the iPad's dominance of the tablet market is not making a major dent in the operating systems where users are seeing these ads. Android was the leader with over three-quarters of viewed mobile RTB ads. iOS took a 21% share.

In-app advertising accounted for the bulk of mobile RTB ads, at 93% of ads viewed. Browsers accounted for the remaining 7%.

The mobile RTB market's robust growth reflects digital advertisers' increasing reliance on programmatic buying and the surge in mobile advertising dollars, boosted especially by the growing excitement around tablet advertising.

Share of Mobile Real-Time Bidding Ads Viewed Worldwide, by Device, Q1 2013
% of total

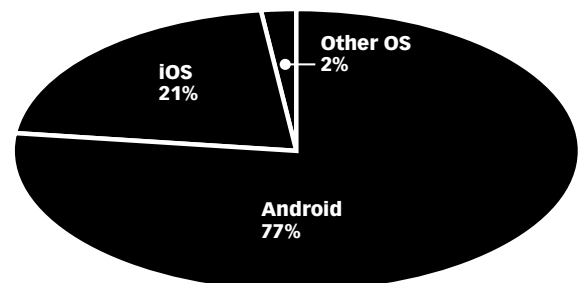


Source: Accordant Media, "Real-time Media Buying: Q1 Market Pulse," April 17, 2013

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Share of Mobile Real-Time Bidding Ads Viewed Worldwide, by OS, Q1 2013
% of total



Source: Accordant Media, "Real-time Media Buying: Q1 Market Pulse," April 17, 2013

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Forbes Media Invests in Premium and Real-Time Buying



Mark Howard

Senior Vice President of Digital Advertising
Forbes Media

Mark Howard, senior vice president of digital advertising strategy at Forbes Media, oversees all advertising products, including the company's ad exchange. Howard spoke with eMarketer's Lauren Fisher about how Forbes is benefiting from offering media buyers exchange-based display advertising and where real-time bidding (RTB) is headed.

eMarketer: The attention and demand devoted to RTB has been increasing steadily over the last 18 to 24 months. What affect has this had on Forbes Media?

Mark Howard: The industry has seen such a monumental shift toward programmatic buying, so for us, it's been a huge year in terms of investment and resources, really dedicating people here to both the technology and sales efforts of our private ad exchange.

"We've had more of an abundance mentality where we've said no black lists, no white lists and no pricing floors."

There's money that's being spent through programmatic channels that is happening with or without the direct sales efforts. So rather than try and fight something that's happening anyway, we wanted to run toward it and invest those resources so we could make ourselves more available to those who want to do business this way.

While a lot of publishers are either using the exclusive, private marketplace model or opening up all of their inventory to the buying marketplace but with limitations, we've had more of an abundance mentality where we've said no black lists, no white lists and no pricing floors. This encourages everyone to come and bid for our inventory.

eMarketer: Most premium publishers are taking the approach of building private ad exchanges where they can tightly control who bids on their impressions and for how much. That ensures their inventory is sold at a price that meets their margins. What affect has loosening these controls and inviting everyone to bid had for you?

Howard: We find that the more competition we see for each bid, the higher the rates people are willing to pay for that inventory. As a result, we see higher yield in terms of not just the cost per impression but the overall revenue generated. This has been really useful in helping us understand the true value of our display inventory as a result of that increased competition.

It gives us a daily feedback mechanism that shows us where the volume of activity is taking place, in what industries, for which companies and for which campaign objectives.

"RTB is moving further up the funnel, but it's still early days."

eMarketer: What are some of the objectives and goals media buyers are looking to accomplish?

Howard: Our direct sales channel typically deals with agency planning and buying teams on bigger-ticket items such as sponsorships, mobile and video. Then we've got the indirect channels, which are flowing through these exchanges, and we see two distinct dynamics with those.

A large part of the indirect channel is still very focused on direct response. But one of the new phenomena we're seeing is the agency trading desks now starting to look at doing private, direct deals on the exchanges where they can start to blend in some of the more premium ad placements with those buys. It's evidence that RTB is moving further up the funnel, but it's still early days.

eMarketer: Where do you see programmatic buying headed in the next year or so?

Howard: There's no doubt that more dollars are going to continue to shift to RTB as these technologies get more sophisticated. I think we've gone through that first huge wave, and now we're going to need a second wave to come in behind it.

I think that second wave will mostly be metrics-driven. We'll see an emergence of metrics that brand marketers will need to measure the branding impact of this channel.

"I think we've gone through that first huge wave, and now we're going to need a second wave to come in behind it."

Over the next few years, I think a lot of the technologies that exist today only in the programmatic marketplace will start to penetrate the direct-buy process. You'll see a lot of those efficiencies from a buying, execution and optimization standpoint start to affect what you can do on the direct side, but I don't see programmatic buying replacing direct buys any time soon.

A lot of marketers, especially the brand marketers, will continue to look for opportunities for key sponsorships, high impact placements and more sophisticated content marketing strategies—all of which are so far removed from what you can currently do with programmatic buying. So, I don't see RTB replacing the direct buy, only enhancing it.

When considering an
ad exchange, do the math.

94%

of the top 100
brand advertisers

53%

of the Comscore top
100 publishers

125 billion

monthly
transactions

12 billion +

daily bids
from buyers

Any questions?

“We saw a 100% increase in CPMs almost immediately.”

Aaron Toynton Director of Digital Marketing, Journal Communications

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