MOVING BEYOND PROGRAMMATIC DISPLAY
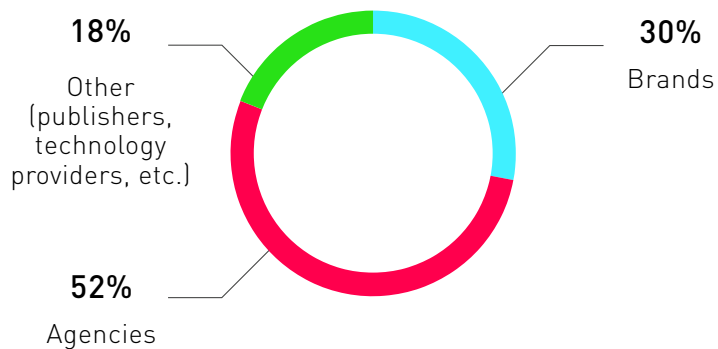
CONTENTS

INTRODUCTION

According to eMarketer, 73 percent of digital display ad spend will be programmatic in 2016. This holds true for desktop and mobile, where 75 percent of all display advertising is executed programmatically. Adoption of the technology has transformed the industry—making media buying faster, more efficient and more effective.

That said, a quick game of word association would lead most industry pros familiar with programmatic to identify it as "banner-centric." With the rise of ad blindness and ad avoidance, advertisers are feeling the pressure to get creative and make their campaigns (programmatic and otherwise) more relevant and resonant.

Given the promise of programmatic, we wanted to understand some of the key challenges and opportunities faced by those who have already made programmatic a significant part of their media programs. To this aim, we surveyed 130 respondents from brands and agencies to gauge their objectives, spending and practices.

This resulted in three primary findings:

1. **IT'S TIME TO MOVE BEYOND DISPLAY**

2. **THERE'S A GAP BETWEEN GOALS AND EXPECTATIONS**

3. **THE DESIRE FOR CROSS-SCREEN BUYING DRIVES PLATFORM CONSOLIDATION**

18%

Other
(publishers,
technology
providers, etc.)

30%

Brands

52%

Agencies

TOTAL MEDIA SPEND

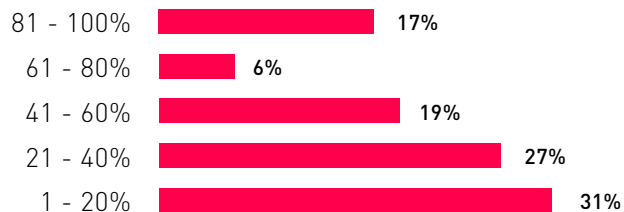|	
$10,000,001+	28%
$5,000,001 - $10,000,000	14%
$1,000,001 - $5,000,000	20%
$500,001 - $1,000,000	13%
$50,001 - $500,000	16%
$1 - $50,000	9%
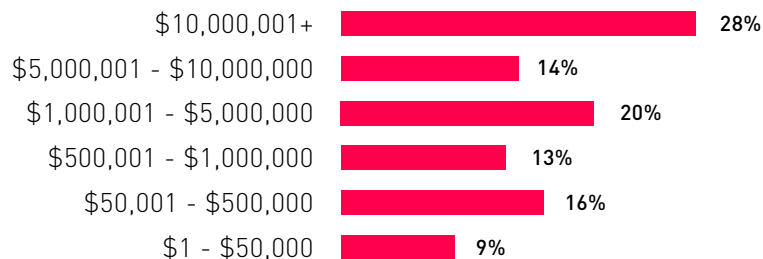
PERCENT OF MEDIA BUDGET SPENT PROGRAMMATICALLY

81 - 100%	17%
61 - 80%	6%
41 - 60%	19%
21 - 40%	27%
1 - 20%	31%

RESPONDENT SNAPSHOT

In general, the majority of respondents for this study worked for an agency (52 percent); 30 percent worked for brands. The bulk of media spend is below $10 million, with 38 percent spending less than $1 million and 34 percent spending between $1 million and $10 million. Notably, 28 percent spend more than $10 million annually on media.

Programmatic is eating into more and more of these media budgets. The majority (58 percent) are spending 40 percent or less of their budgets on programmatic buys, while another quarter (25 percent) sees programmatic consuming 41 to 80 percent of their budgets. A group of "power users" (17 percent of respondents) spend between 81 and 100 percent of their budgets programmatically.

On the sell-side, some publishers like The Washington Post are ready to meet power users' programmatic expectations. "We leverage a few header bidders," said the Post's head of ad product and tech Jarrod Dicker. "We also sell direct. We leverage those technologies on our site [and] partner with Facebook and the audience network… [and we even] have our own audience extension product."

We'll hear more about our programmatic power users throughout this report.

This study only included respondents who were purchasing some type of media programmatically.

MOVING BEYOND DISPLAY

For the most part, respondents have moved beyond display when it comes to their media spend. Specifically, they're buying video, rich media and native formats.

Buying video is prolific—more than 93 percent of respondents buy video. Percentages of respondents who buy rich media and native formats were a bit lower, but still strong at 83 percent and 84 percent, respectively. Interestingly, 42 percent of respondents buy all three formats.

CROSS-FORMAT BUYING
(INCLUDES PROGRAMMATIC AND NON-PROGRAMMATIC)

93%

83%

84%

BUY VIDEO

BUY RICH MEDIA

BUY NATIVE

42%

ARE BUYING ALL THREE
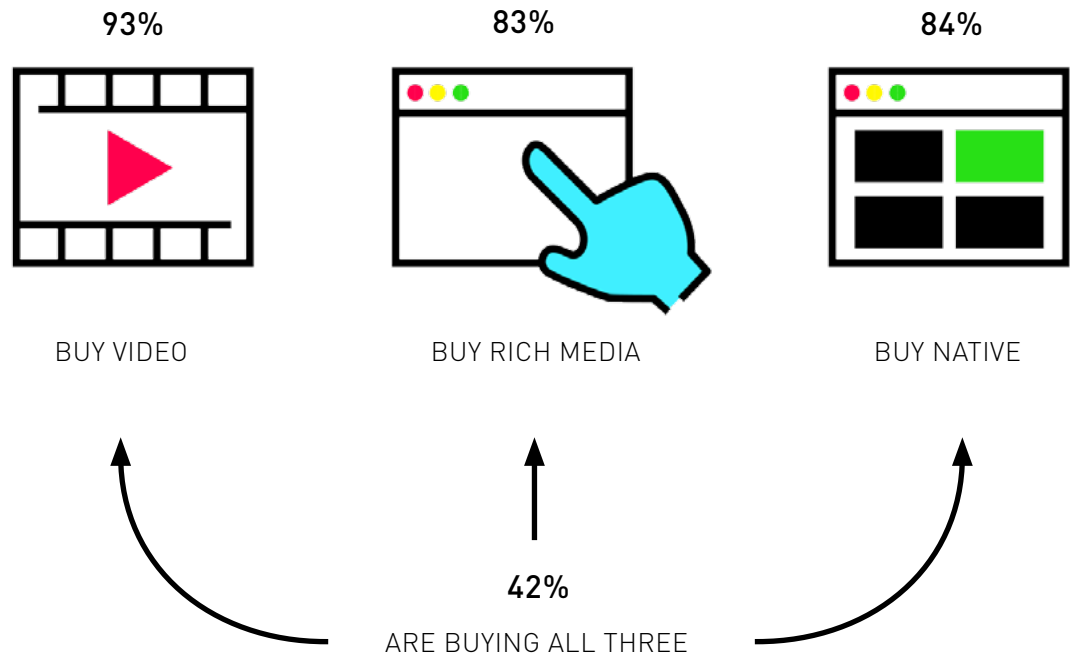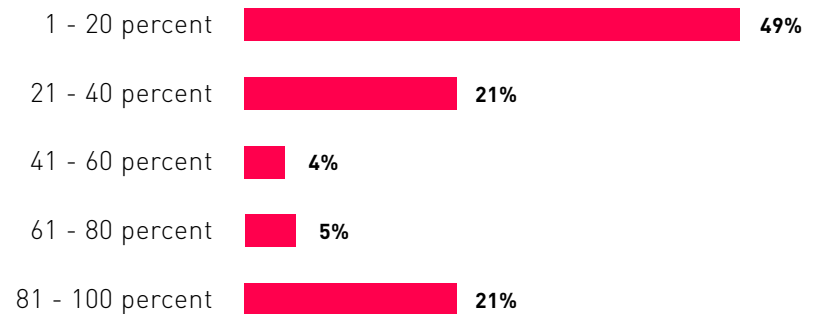
NATIVE ADVERTISING

Who's buying native programmatically? A large majority of our respondents are buying native, and of those buying native, 83 percent are buying programmatically and 17 percent are not. Among native programmatic buyers, about 49 percent appear to be experimenting, purchasing 1 to 20 percent of their native inventory that way.

Another 21 percent are buying 81 to 100 percent (all or most) of their native inventory programmatically. This makes sense, since many native programmatic buyers are very happy with the available native inventory. About 40 percent report both good volume and good quality.

WHAT DO WE MEAN BY NATIVE?

Despite the fact that a large majority of respondents were buying native programmatically, there was no clear consensus on what the format really means. When asked first to define it, most native programmatic buyers considered it to be sponsored content (75 percent), in-feed ads (64 percent) and recommendation or content widgets (53 percent).

HOW MUCH OF YOUR NATIVE AD INVENTORY IS PURCHASED PROGRAMMATICALLY?

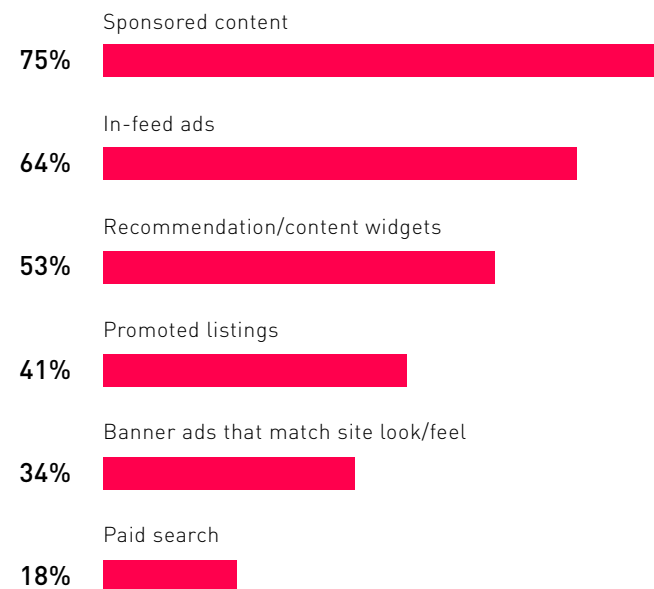|	
1 - 20 percent	49%
21 - 40 percent	21%
41 - 60 percent	4%
61 - 80 percent	5%
81 - 100 percent	21%

> **❝** I think of native advertising as any form of communications from a brand that has been in some way thought about—either creatively or through the execution—to be tailored to the publisher or platform on which it is being served," said Jim Caruso, chief product officer at New York-based agency Anomaly.
>
> "This can span anything from having multiple formats or versions so the ads don't appear in a 'standard format,' to having different creative concepts that are embedded in different ways based on how the publisher distributes content."

The focus of these definitions seems to be within the stream of the publisher page or social feed, with most of the above forms of native advertising using those platforms for the brunt of their distribution. This, in turn, makes them more attractive to buyers, as 59 percent of native programmatic buyers point to the less disruptive and invasive nature of native as the key driver in usage.

The truth is that the IAB defines native as all of the formats in the below chart. Expanding our understanding of what constitutes "native" may help, but the real creative opportunity here is to take better advantage of in-feed, content widgets and native banners.

WHICH OF THE FOLLOWING AD TYPES WOULD YOU CONSIDER TO BE NATIVE ADVERTISING?

Sponsored content
75%

In-feed ads
64%

Recommendation/content widgets
53%

Promoted listings
41%

Banner ads that match site look/feel
34%

Paid search
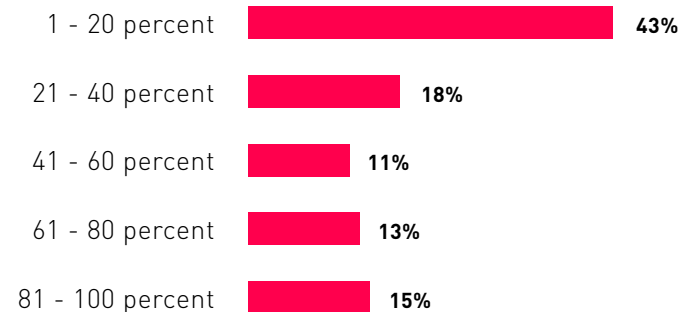**18%**

VIDEO ADVERTISING

While video buying was near ubiquitous (93 percent), 89 percent bought video programmatically and 11 percent did not, which was the highest for the three non-standard formats.

This higher level of programmatic confidence also plays out in satisfaction. In fact, respondents are even happier with their programmatic video options than they are with native, with 50 percent of video programmatic buyers saying they're satisfied with both volume and quality of available inventory.
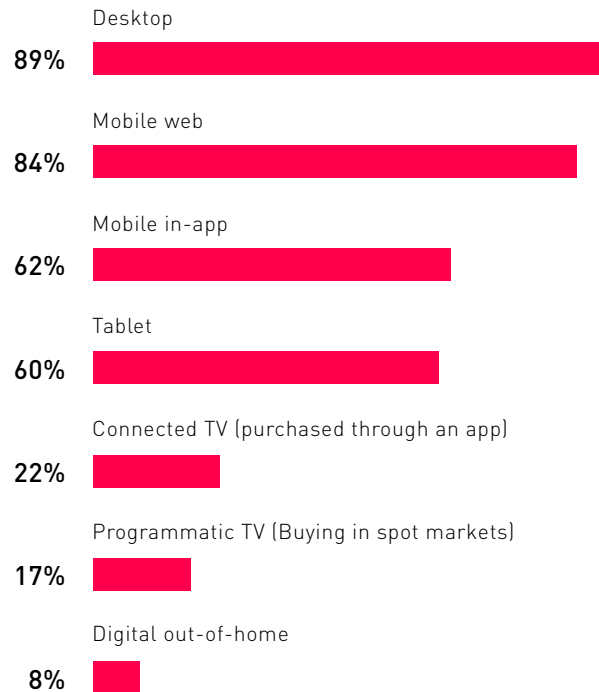
So where is all of this video inventory showing up? Well, it makes sense that the largest screen nears the top of the list (89 percent of video programmatic buyers buy video for desktop audiences), though it's trumped by the 95 percent who buy video for mobile devices (smartphones and tablets combined).

"We primarily use our publisher partner's social platforms for video distribution," said Harry Inglis, media director at Protein, a London-based marketing and advertising agency. This fact points to distribution on smaller screens, as most social platforms are accessed by mobile devices. The ubiquity of mobile video provides the widest possible access to a variety of audiences. It's no surprise, then, that 100 percent of programmatic power users surveyed are buying video for mobile.

HOW MUCH OF YOUR VIDEO AD INVENTORY IS PURCHASED PROGRAMMATICALLY?

1 - 20 percent	43%
21 - 40 percent	18%
41 - 60 percent	11%
61 - 80 percent	13%
81 - 100 percent	15%

ON WHICH DEVICES ARE YOU BUYING PROGRAMMATIC VIDEO?

Desktop
89%

Mobile web
84%

Mobile in-app
62%

Tablet
60%

Connected TV (purchased through an app)
22%

Programmatic TV (Buying in spot markets)
17%

Digital out-of-home
8%

ARE YOU IN-STREAM OR OUT-STREAM?

When it came to differing practices between in-stream programmatic video (inventory within the stream of another video) and out-stream programmatic video (video ads that do not run within another streaming video), almost all video programmatic buyers (93 percent) reported buying in-stream, while less than half buy its less-integrated alternative.

Among our "programmatic power users"—those who purchase 81 to 100 percent of their inventory programmatically—64 percent were buying out-stream. That's compared to just 40 percent of their less-committed counterparts.

The reason likely lies with the fact that in-stream comes with a captive audience: the audience for the video in which it's embedded. Out-stream requires the video ad itself to grab attention. That said, given out-stream's higher usage levels among programmatic power users, it's safe to conclude that they are achieving success with this format, and that it presents an opportunity for those who currently focus on in-stream.
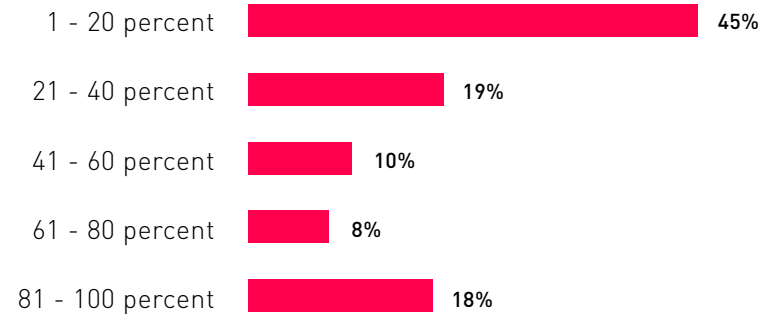
RICH MEDIA ADVERTISING

Let's start by defining our terms: When it comes to rich media, we're talking about display advertising that uses interactive or dynamic technology to provide a more robust experience for the user.

Interestingly, 83 percent of respondents are buying rich media, and among rich media buyers 89 percent are buying programmatically and 11 percent are not.

Of those who are buying rich media programmatically, 18 percent are going all-in, buying 81 to 100 percent programmatically, clearly demonstrating the value of this high-impact format. However, the majority (64 percent) are buying 40 percent or less.
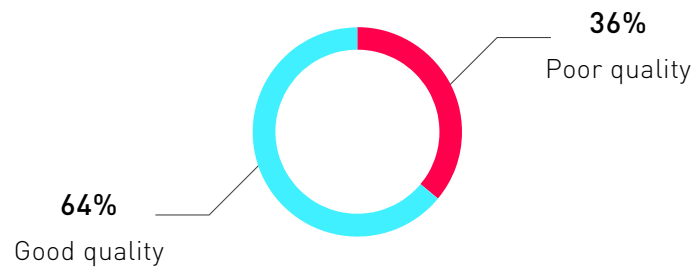
Now, this is no indication of the satisfaction of rich media programmatic buyers, as an impressive 58 percent are satisfied both with the volume and quality of available rich media inventory. These are higher rates than even video.

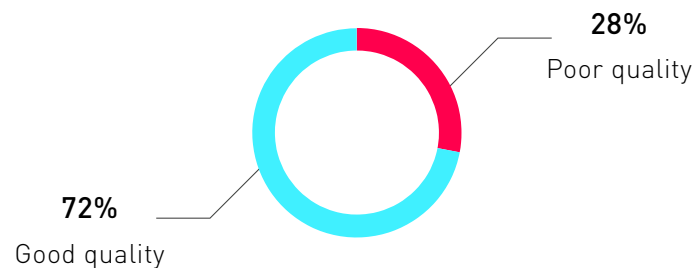## HOW MUCH OF YOUR RICH MEDIA AD INVENTORY IS PURCHASED PROGRAMMATICALLY?

1 - 20 percent	45%
21 - 40 percent	19%
41 - 60 percent	10%
61 - 80 percent	8%
81 - 100 percent	18%

NATIVE INVENTORY

36%
Poor quality

64%
Good quality

VIDEO INVENTORY

28%
Poor quality

72%
Good quality

RICH MEDIA INVENTORY

22%
Poor quality

78%
Good quality
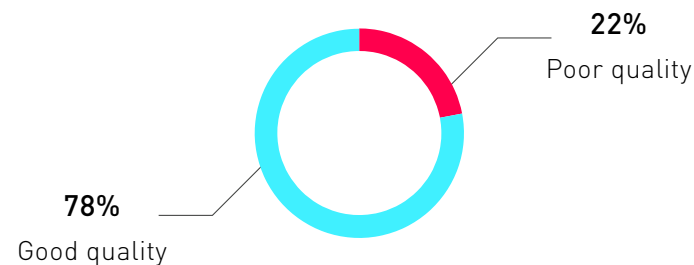
BRAND SAFETY

One of the most surprising findings we encountered among programmatic buyers who had broken out of the display mold is that brand safety—despite of all the headlines—is not their top concern, regardless of the format.

As Anomaly's Caruso put it, "I've always thought that brand safety concerns are exaggerated when it comes to programmatic. If anything, there is more transparency via programmatic buying than other methods."
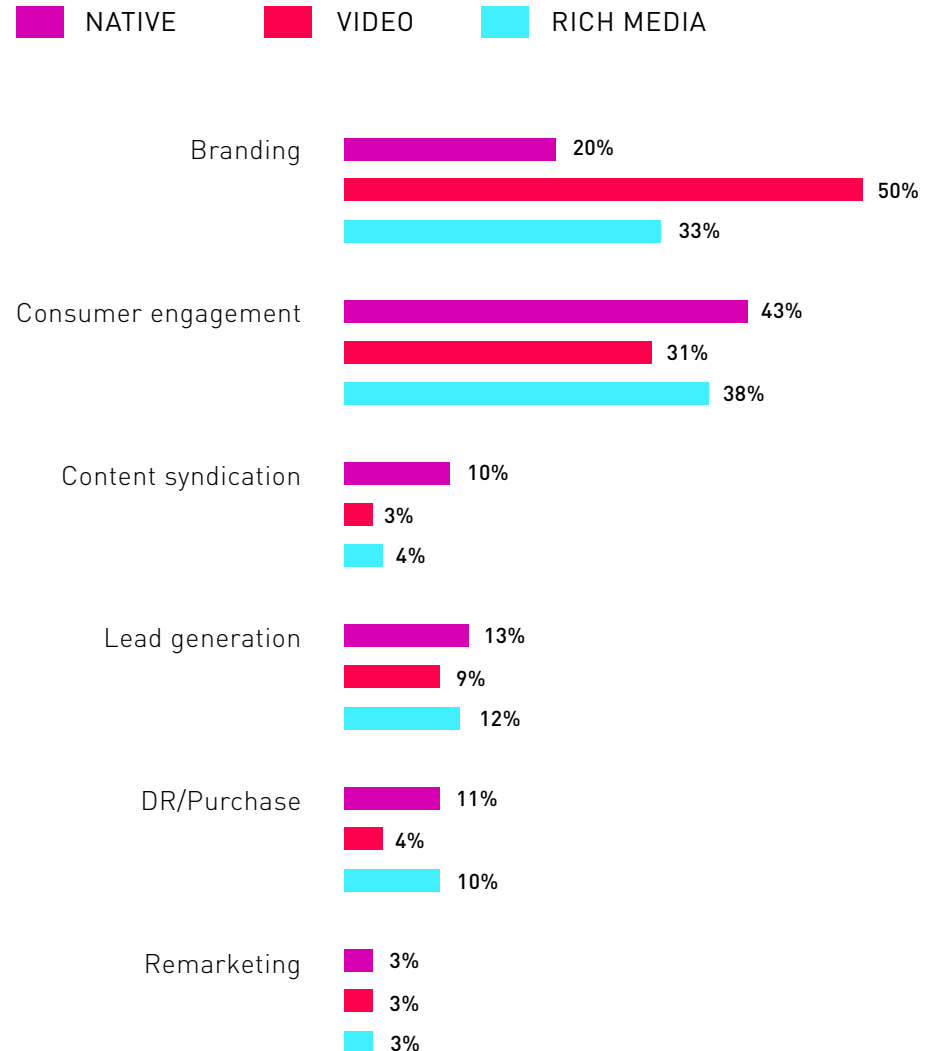
While no one is suggesting that brand safety, viewability and verification do not require vigilance, it seems that when buying programmatically, trust is on the rise.

GOALS AND EXPECTATIONS

As the volume and variety of programmatic ads increases, so too does the range of goals brands are trying to achieve and the metrics they use to measure success.

Initially, programmatic was primarily used for retargeting, as programmatically-enabled platforms could easily consume data from a brand and use that to target consumers who had visited their site or performed a certain action. Now, with programmatic supply available across devices and formats, marketers are beginning to see programmatic as a buying modality (as opposed to simply another channel) and are correspondingly expanding both their goals and expectations.

WHAT IS YOUR PRIMARY GOAL IN BUYING EACH ADVERTISING FORMAT?

Legend: NATIVE · VIDEO · RICH MEDIA

Branding
- Native: 20%
- Video: 50%
- Rich Media: 33%

Consumer engagement
- Native: 43%
- Video: 31%
- Rich Media: 38%

Content syndication
- Native: 10%
- Video: 3%
- Rich Media: 4%

Lead generation
- Native: 13%
- Video: 9%
- Rich Media: 12%

DR/Purchase
- Native: 11%
- Video: 4%
- Rich Media: 10%

Remarketing
- Native: 3%
- Video: 3%
- Rich Media: 3%

NATIVE

Native seems to get most play at the top of the funnel, with native programmatic buyers pointing to consumer engagement (43 percent) and branding (20 percent) as their main goals.

Interestingly, budget matters when it comes to those goals: Those spending over $1 million are more likely to focus on engagement (52 percent) than other goals like branding or direct response and lead generation; for those spending under $1 million, their native goal is split more evenly between engagement and content syndication (with 27 percent each).

As Protein's Inglis put it, the "main goal with native is to drive engagement of content amongst the very specific, taste-maker audience of the independent publisher network we represent. In driving our advertisers' credibility with this audience, we also look to brand-lift metrics to benchmark success."

One thing's for sure: Native is not a direct response vehicle, as evidenced by only 11 percent of programmatic buyers choosing that option—this despite the fact that there are a number of native programmatic platforms that are selling supply on a cost-per-click basis.

But programmatic efficiencies bring to bear certain inventory evaluation criteria, especially given the perception of higher cost. First in native programmatic buyers' minds: clear performance. There needs to be a solid ROI to justify the tactic. Second, the quality of the placements themselves is crucial, especially when it comes to their availability with certain publishers.

Once those other concerns are dealt with (and all things being equal), it comes back down to pricing and cost.

VIDEO

At first glance, video is largely an awareness-centric approach for those buying it programmatically: 50 percent said their primary goal was branding; 31 percent said consumer engagement.

But the objective is more balanced when isolating the responses of those programmatic power users. Unlike their general practitioner peers, they were just as likely to choose engagement as they were branding (44 percent for each), signaling a more nuanced approach to video from those who have invested more into its automation. Overall, however, goal diversity is lower with video than it is with native advertising.

A final point of differentiation from native comes in how programmatic video inventory is evaluated. Here, pricing is consideration number one: 61 percent identify it as a deciding factor. Viewability follows, probably since branding and engagement rank so highly in overall goals for the format and since the format itself is not effective unless played through.

Third is performance. If a video impression didn't lead to money in the bank or eyeballs on a homepage (or whatever else the KPI happens to be), it likely wasn't worth its asking price.

RICH MEDIA

So what are rich media programmatic buyers really looking for when they're evaluating buys? Given its interactive nature, consumer engagement is the most important goal for the format, chosen by 38 percent of respondents. Branding follows it up, since the flashiness of the ads is good at grabbing attention.

In terms of success metrics, first and foremost, it has to work. Seventy-five percent of rich media programmatic buyers said that performance is the make-or-break metric for evaluating rich media inventory. Another 58 percent cited price as their major deciding factor. Rich media ads carry a cost for publishers because their heavy weight creates latency. Those costs are passed on to advertisers, so buyers traditionally try to limit the overhead.

As with other display formats, including video, viewability is critical. Forty-nine percent of rich media programmatic buyers rated it a top priority, and with good reason. After all, an ad can glitter and flash all it wants, but it doesn't matter if no one can see it.

MIND THE GAP

Another interesting trend we noted relative to goals and expectations is that there is a discrepancy between the goals buyers are setting and the metrics they use to define success.

We found that the majority of those who were buying programmatically across channels focused heavily on the top end of the funnel: For those buying video and rich media, it was branding; for those buying native, it was engagement. The only format that appeared to have some traction on the lower end of the funnel was rich media—but even then, brands' and agencies' primary goals were still top of funnel.

Across all formats, performance-focused metrics were one of the top defining success KPIs—even though performance is not typically something that happens with top-of-funnel tactics (at least not immediately). Eventually, this gap will have to come closer if programmatic is going to continue to progress. Additionally, programmatic has the power to be optimized to reach a variety of goals—this is an opportunity of which marketers have yet to take full advantage.
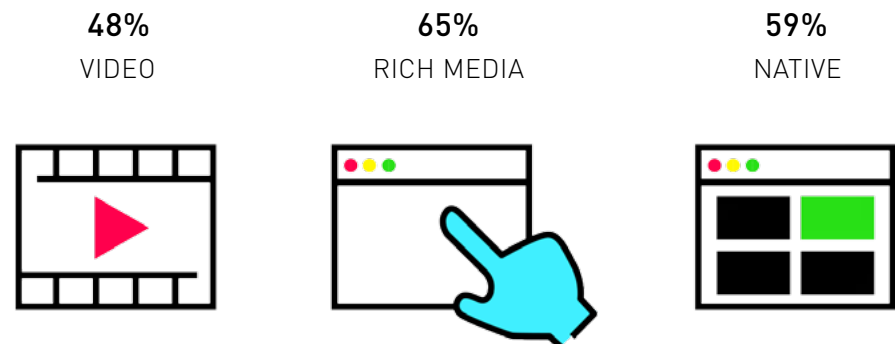
TOP GOALS

Proportion of respondents who prioritize upper-funnel goals (awareness, consideration) by format

39%	42%	42%
VIDEO	RICH MEDIA	NATIVE
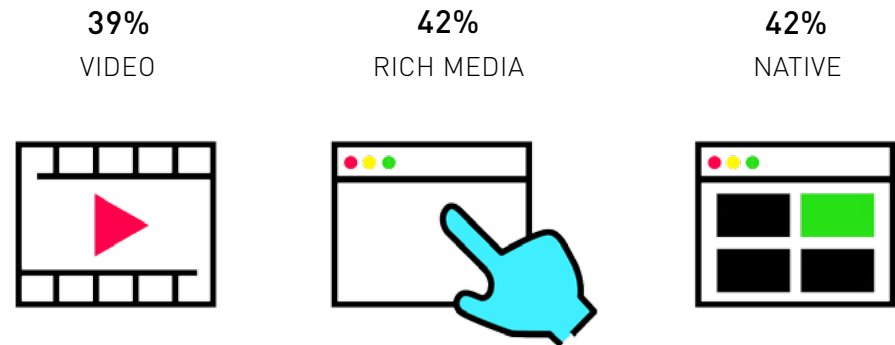
TOP SUCCESS METRICS

Proportion of respondents who judge success by lower-funnel metrics (conversion, loyalty) by format

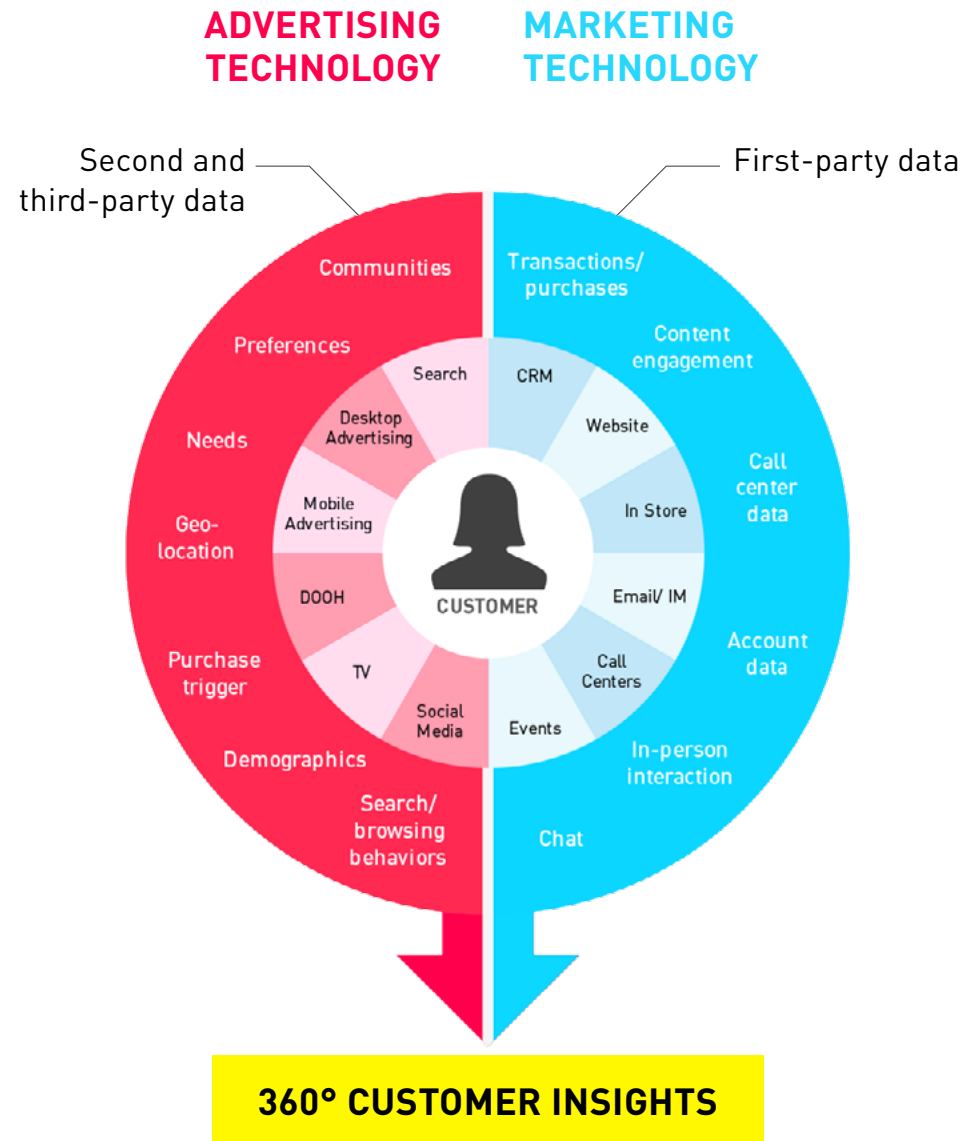| 48%	65%	59%
VIDEO	RICH MEDIA	NATIVE

WILL CROSS-PLATFORM BUYING DRIVE CONSOLIDATION?

Without a doubt, the biggest opportunity presented by the next generation of programmatic advertising is in powering a more complete view of the customer, their preferences and the journey all the way from initial awareness to advocacy.
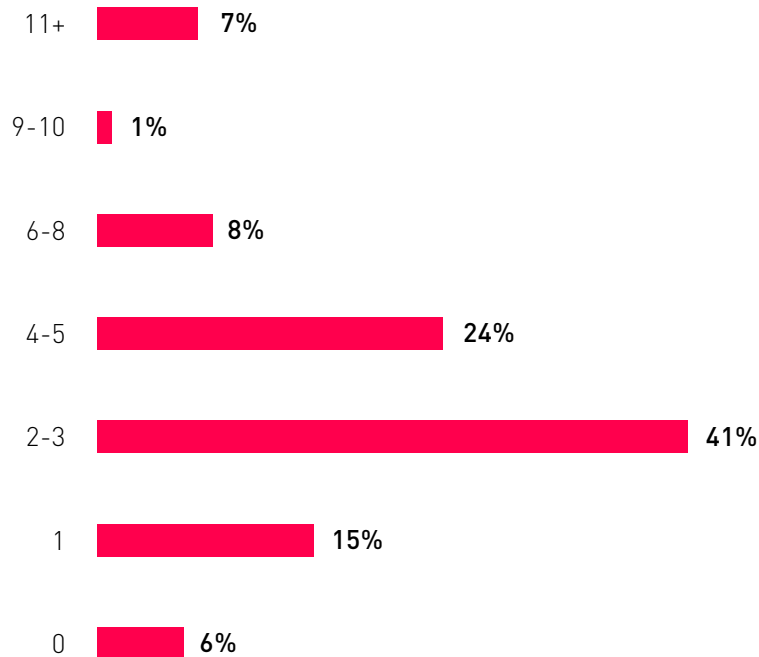
For the first time—with the convergence of advertising and marketing technology—brands and agencies have the potential to begin to get a 360-degree view of customer behaviors and preferences.

According to the IAB, the number one concern that will command most of a marketer's attention in 2016 is cross-device audience recognition. Demand for cross-device targeting is high, but a March 2015 poll from cross-channel marketing technology firm Signal showed that just 6 percent of marketers worldwide reported having an adequate single view of customers.

Moreover, many programmatic platforms have evolved to allow for the ingestion of first-party data in addition to third-party segmentation and targeting. Some ad tech platforms are also able to provide proprietary data of their own—like information about past campaigns or device IDs, enabling advertisers to marry offline and online data, making it possible to better anticipate behaviors, engagement points, and conversion triggers with the ultimate goal of driving more—and more efficient—ROI.

RhythmOne

ADVERTISING TECHNOLOGY   **MARKETING TECHNOLOGY**

Second and third-party data   First-party data

360° CUSTOMER INSIGHTS

11+   **7%**

9-10   **1%**

6-8   **8%**

4-5   **24%**

2-3   **41%**

1   **15%**

0   **6%**

So with multiple new ad formats to balance, how did respondents feel about the ad platforms they need to juggle in order to get everything they need from a campaign? After all, 20 percent of our programmatic power users use 10 or more different platforms for some campaigns. "The reality is that no single platform has access to all the tools, inventory, and types of tactics [or] filters that are required to make an effective and comprehensive buy in today's digital and overall media environment," said Anomaly's Caruso.
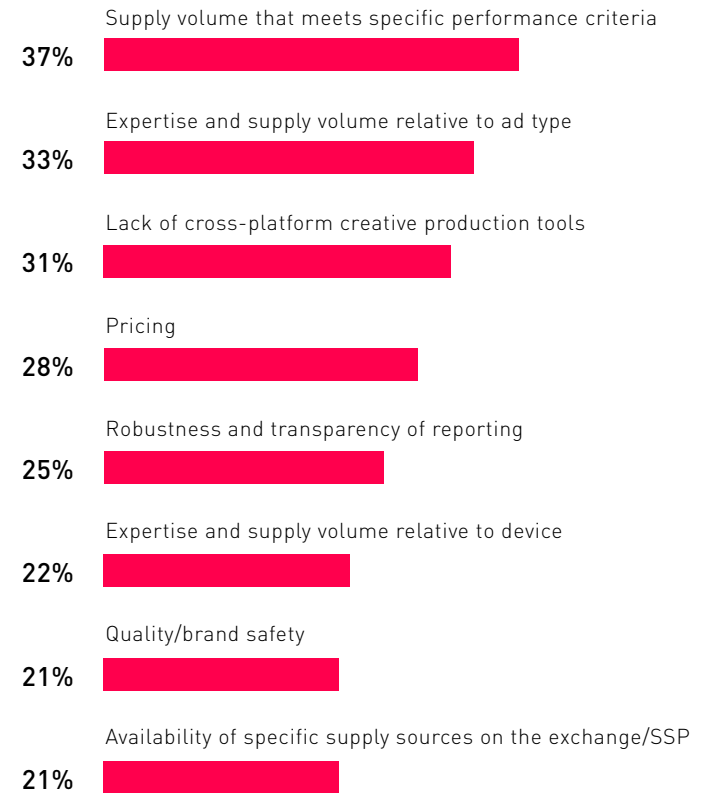
Yet still, consolidation topped the list of priorities, with 62 percent of respondents suggesting that they would prefer to use as few platforms as possible to get the inventory they need. This response necessitates a simple question: Why haven't they found a way to consolidate already?

For 37 percent of respondents, the problem rests with finding enough quality, high-performing inventory to meet their needs when restricted to just a few platforms. The proportion of power users who cite this as a barrier is even higher (40 percent).

It seems that new formats present a particular challenge to consolidation: 33 percent of our respondents report difficulty in finding the inventory as well as the depth of expertise needed to execute on new formats within larger consolidated platforms. These respondents have typically resorted to specialized platforms and expert partners to get the inventory and skill that they need.

And while, as always, pricing is also a factor, it was not the only barrier to entry. 31 percent of respondents felt that multiple platforms were required in order to secure inventory at a competitive rate. This was driven largely by access to specific supply sources on an exchange or SSP. However, not a single programmatic power user cited pricing as a barrier to consolidation.

WHAT'S CURRENTLY PREVENTING YOU FROM CONSOLIDATING YOUR AD SPEND TO FEWER PLATFORMS? (SELECT ALL THAT APPLY)

Supply volume that meets specific performance criteria
37%

Expertise and supply volume relative to ad type
33%

Lack of cross-platform creative production tools
31%

Pricing
28%

Robustness and transparency of reporting
25%

Expertise and supply volume relative to device
22%

Quality/brand safety
21%

Availability of specific supply sources on the exchange/SSP
21%

CONCLUSION

Programmatic has definitively arrived—it's no longer a matter of if, but when widespread adoption will occur across devices and formats.

The programmatic platforms that rise to the top will clearly need the following:

SCALE Depth of supply—in this case, volume across devices and formats. Given the precision targeting available through programmatic platforms, advertisers are looking for both quality and quantity of ad availability to achieve a range of goals. If platforms could accommodate this, it is likely that the gap between goals and success metrics will narrow if not close altogether.

CREATIVE INNOVATION Platforms need to continue to push the boundaries with creative. There is a call for going beyond display, but it can't stop there. A 'winning' programmatic platform is going to be one that adds value to advertiser campaigns by giving them more options programmatically—a one-stop shop to serve all campaign goals and the creative to back it up.

INTEGRATION For those looking to consolidate, once scale has been achieved, end-to-end integration is critical—directly connecting brands with publishers and cutting out the middlemen. Where advertisers are currently juggling more than one partner, platform consolidation presents an opportunity to streamline this process, ensuring efficiency and cost savings with every transaction. Given advertisers' focus on pricing, this could make a significant impact.