PROGRAMMATIC ADVERTISING
2015

Executive Summary

OCTOBER 2015
eMarketer Team
Programmatic advertising shows every sign of attracting more and more dollars over the next few years. Publishers and advertisers alike continue to awaken to automated ad buying’s possibilities for improved efficiencies in both workflow and the use of ever-more-granular data.

This package of reports delves into programmatic advertising’s progress so far, as well as where it’s likely to be headed in the future. We look at the inroads that programmatic has made in mobile, video, TV and native advertising, investigating where its methods have made the most impact and where they have yet to make much of a dent. A separate eMarketer forecast provides updated estimates for US programmatic ad spending in the near future, with breakdowns and analysis of investment by transaction method and device. Also included is a breakdown of projected ad spending for all major transaction methods—open exchanges, private marketplaces and programmatic direct—for overall digital display as well as mobile display.

To create this package and the charts that accompany it, we relied first and foremost on the expertise of our in-house analysts, researchers and forecasters, who compared eMarketer’s proprietary numbers with hundreds of pieces of third-party data and analysis. We also tapped into valuable intelligence gleaned from executives and other experts at leading ad agencies, brands, publishers and ad tech firms. Over 70 interviews were conducted for these reports during the second and third quarters of 2015.

A FEW OF THE PACKAGE’S KEY INSIGHTS:

- This year, for the first time, the amount of US display spending transacted programmatically will surpass that of traditional direct sales. Nearly three of every five digital display ad dollars will flow through automation, not traditional direct sales methods.

- Across the majority of advertising channels, programmatic is the new norm. This is very much the case for sales on the leading social media platforms, where API-driven transactions dominate.

- Mobile advertising in particular is increasingly programmatic. Thanks to growing adoption across networks and platforms and the contributions of mobile-heavy players like Facebook and Google, eMarketer estimates that in 2015, 60% of mobile display ad dollars will be spent programmatically.

- A rising tide may lift all boats, but so far programmatic spending on social media advertising has overwhelmingly gone to two sellers, Facebook and (to a lesser degree) Twitter. Similarly, YouTube rules when it comes to programmatic digital video ad spending. (Don’t look for these spending patterns to change greatly in the short term, either, though competition is likely to erode them over a longer timeframe.)

- Programmatic methods for both television and native advertisements are both showing promise, although spending on them is still limited. However, their growth is swift, as both buyers and sellers wake up to their possibilities.


<table>
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<th></th>
<th>2014</th>
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<th>2016</th>
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<td>$21.55</td>
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<td>59.0%</td>
<td>67.0%</td>
<td>72.0%</td>
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</tbody>
</table>

Note: digital display ads transacted via an API, including everything from publisher-erected APIs to more standardized RTB technology; includes native ads and ads on social networks like Facebook and Twitter; includes advertising that appears on desktop/laptop computers, mobile phones, tablets and other internet-connected devices; *includes banners, rich media, sponsorship, video and other

Source: eMarketer, Oct 2015

197033 www.emarketer.com
US PROGRAMMATIC AD SPENDING:
EMARKETER’S FORECAST FOR 2015 AND BEYOND

eMarketer’s extended programmatic ad spending forecast focuses on all aspects of programmatic’s growth in the US, concentrating on the trends most likely to be influential over the next 24 months. Included are breakdowns of programmatic’s adoption, levels of investment and ad spending by most common transaction methods. Estimates for programmatic digital display, mobile and video are also included.

MOBILE PROGRAMMATIC ADVERTISING:
GRABBING THE VAST MAJORITY OF US DISPLAY AD DOLLARS BY 2017

As consumers continue to move to their digital and media-consumption activities to mobile devices, programmatic advertising is following them there—its automation and data-driven capabilities make it a perfect fit.

Spending on programmatically purchased mobile ads will overtake that of desktop this year by more than $3.23 billion—which represents more than 60% of all US programmatic ad spending.

Programmatic also accounts for the majority of all the spending on mobile. One major reason for this is the massive amount of ads placed on Google, Facebook and Twitter, particularly through API-driven, programmatic direct means. As a result, US mobile programmatic direct spending will total $5.88 billion in 2015, accounting for nearly 65% of total US mobile programmatic display dollars. However, it is important to recognize that apart from the significant contributions from these three heavyweights, the vast remainder of mobile programmatic ad dollars—and activity—is occurring in the open markets, thanks to the relative immaturity of programmatic direct beyond these properties and private marketplaces.

Some of the other factors encouraging mobile programmatic’s growth are an increased emphasis on cross-device coordination, advancements in attribution measurement and greater standardization around location data.

PROGRAMMATIC VIDEO ADVERTISING:
POISED FOR RAPID GROWTH DESPITE ‘PREMIUM’ HOLDOUTS

Programmatic video will account for some 39% (nearly $3 billion) of the total amount spent on US video advertising this year, with that figure predicted to climb to 65%, or $7.4 billion, by 2017. Inventory availability has prevented wider use, as premium sellers have often preferred to sell through traditional methods.

This is likely to change as more buyers and sellers adopt a “TV and Video Everywhere” approach, in which video is considered video, regardless of the device audiences use to view it. One way in which this mantra will play out is through increased adoption of ads delivered via over-the-top platforms such as Roku and Apple TV, as well as through continued growth in programmatic video advertising on mobile devices.

Finally, look for more attention to be paid to stamping out ad fraud and improving ad quality, as well as efforts to provide better audience targeting through better reporting.

PROGRAMMATIC TV ADVERTISING:
BRINGING DATA-DRIVEN AUDIENCE BUYING TO THE ‘FIRST SCREEN’

Programmatic’s inroads into broadcast (aka linear) television and addressable TV are much more tentative. By one estimate, programmatic totaled just 0.1% of TV ad buying in the US in 2014. This share is expected to rise to 13% by 2019, however. But such numbers should not serve to dismiss the rapid growth and evolution that’s occurred in the programmatic TV ad space over the past 18 months: A Digiday poll from early 2015 found that nearly a quarter of US ad buyers had already purchased TV ads programmatically, for instance.

It’s worth noting that unlike digital advertising, where the primary prompt for programmatic adoption was workflow efficiency, programmatic TV advertising is much more concerned about using newly available data to more precisely target audiences. As Tim Castree of the video advertising platform Videology put it, “You can say the shift is from traditional TV to programmatic TV, but the underlying economic value creation is about the shift from demographically transacted inventory to audience-transacted inventory regardless of the screen type.”
PROGRAMMATIC NATIVE ADVERTISING: IN-FEED ADS WILL DOMINATE IN THE NEAR TERM

Nearly a quarter of marketers have already started using programmatic native advertising, which eMarketer defines as an automated, technology-driven method of buying or selling paid ads with the same overall look and feel as the content of a webpage, video or app. The most common format today is probably the in-feed unit, used with great success on Facebook and other social media platforms and valued for an ability to scale.

Marketers have been drawn to native advertising for its ability to provide a less disruptive advertising experience, and nowhere is that more important than on a mobile device. The introduction of OpenRTB version 2.3, a set of standards released by the Interactive Advertising Bureau in January 2015, has made the buying and selling of programmatic native easier than it has been before.

During the forecast period, eMarketer expects native programmatic to expand and play a larger role in driving mobile programmatic ad dollars.

Long-term, programmatic’s application to native will be critical for publishers or advertisers hoping to scale native ads in the most contextually sound and relevant manner. Without programmatic’s rich data-driven capabilities, such placements are sure to lack the required site or audience context to live up to native advertising’s true promise.

EMARKETER INTERVIEWS

The following experts were interviewed for one or more of our programmatic advertising reports. (A number of additional interviews were conducted off the record and are not listed below.) Edited versions of some of these interviews have been published on eMarketer’s subscription site.

Private Marketplace Investment Rises as Brands Buy in on Mobile Programmatic

Mark Connon
Executive Vice President, Platform Business
Millennial Media
Interview conducted on May 29, 2015

Marketers’ Roundtable: Advertisers Discuss the Programmatic TV Space

Bill Day
CEO
Tremor Video
Interview conducted on July 7, 2015

Erika Lamoreaux
Associate Director, Digital Media
The Clorox Company
Interview conducted on June 25, 2015

James Rooke
General Manager, Marketplaces
FreeWheel
Interview conducted on July 10, 2015

Marketer’s Roundtable: Advertisers Discuss the Shifting Landscape of Mobile Programmatic

Mario Diez
CEO
PointRoll
Interview conducted on May 19, 2015

Jeremy Hlavacek
Vice President, Programmatic
The Weather Company
Interview conducted on May 22, 2015

Walter Knapp
CEO
sovrn Holdings
Interview conducted on May 7, 2015

[Note: Diez is now CEO of Cofactor.]
Arel Lidow  
Vice President, Product Management for Publishers  
AppNexus  
Interview conducted on June 26, 2015

James Malins  
Vice President, Cross-Channel Solutions  
Amobee  
Interview conducted on June 22, 2015

Is Programmatic Poised to Transform Terrestrial Radio?  
Jeff Haley  
President and CEO  
Marketron  
Interview conducted on May 14, 2015

Data Drives Programmatic Advertising In-House and Draws Publishers Together  
John Nardone  
CEO  
Flashtalking  
Interview conducted on May 14, 2015

In-Ad, In-Feed Units Prove the Dominant Native Programmatic Ad Type  
Lon Otremba  
CEO  
Bidtellect  
Interview conducted on July 7, 2015

Programmatic Begins to Penetrate Upfront Television Buys  
Joshua Summers  
CEO  
clypd  
Interview conducted on June 30, 2015

Programmatic Key to Achieving Scale and Parity in Disparate Native Ad Marketplace  
Adam Weinroth  
CMO  
OneSpot  
Interview conducted on May 19, 2015

Dan Ackerman  
Senior Vice President, ProgrammaticTV  
AOL  
Interview conducted on July 7, 2015

Andrew Altersohn  
CEO  
Ad/fin  
Interview conducted on June 22, 2015

James Avery  
Founder and CEO  
Adzerk  
Interview conducted on May 5, 2015

Tim Bagwell  
Vice President, Xaxis Ad Labs  
Xaxis  
Interview conducted on May 19, 2015

Sigal Bareket  
Co-Founder and General Manager, US  
Taptica  
Interview conducted on May 8, 2015

Christine Bensen  
Senior Vice President, Media Strategy  
iCrossing  
Interview conducted on June 12, 2015

James Bournor  
Head of Display  
Jellyfish  
Interview conducted on June 1, 2015

Steve Broadhead  
Senior Vice President, Sales  
Viewster  
Interview conducted on July 1, 2015

Jim Caruso  
Senior Vice President, Product and Client Strategy  
Varick Media Management  
Interview conducted on May 19, 2015

Tim Castree  
Managing Director, North America  
Videology  
Interview conducted on July 8, 2015

Nitin Chitkara  
Senior Director, Mobile Product Marketing  
Rocket Fuel  
Interview conducted on June 11, 2015
Mike Driscoll
Founder and CEO
Metamarkets
Interview conducted on May 13, 2015

Jeff Dow
Senior Vice President, Analytics and Strategy
Starcom Mediavest Group
Interview conducted on July 14, 2015

Lindsay Fordham
Director, Product Marketing
Rocket Fuel
Interview conducted on July 20, 2015

Aden Forshaw
Co-Founder and Chief Technology Officer
Coull
Interview conducted on June 23, 2015

Campbell Foster
Director of Marketing, Adobe Primetime
Adobe
Interview conducted on July 29, 2015

Anne Frisbie
Senior Vice President, InMobi Exchange and Global Alliances
InMobi
Interview conducted on July 1, 2015

Alex Fu
Director, Research
Pubmatic
Interview conducted on May 13, 2015

Chris Gale
Executive Vice President
Phunware
Interview conducted on June 1, 2015

Chad Gallagher
Director, Mobile
AOL
Interview conducted on June 10, 2015

Jeff Green
CEO
The Trade Desk
Interview conducted on July 29, 2015

Matt Greitzer
Co-Founder and COO
Accordant Media
Interview conducted on May 28, 2015

Jay Habegger
Co-Founder and CEO
OwnerIQ
Interview conducted on May 22, 2015

Chris Hansen
President
Netmining
Interview conducted on May 13, 2015

Eric Hoffert
Senior Vice President, Video Technology
AppNexus
Interview conducted on July 9, 2015

Jon Hook
Vice President, Advertising
Phunware
Interview conducted on June 1, 2015
[Note: Hook is now Phunware’s VP, Performance Marketing]

Walt Horstman
President
AudienceXpress
Interview conducted on August 5, 2015

Anthony Iacovone
Founder and CEO
AdTheorent
Interview conducted on June 12, 2015

Carl Kalapesi
Vice President, Industry Initiatives
Interactive Advertising Bureau (IAB)
Interview conducted on June 5, 2015

Aaron Kechley
Senior Vice President, Products
DataXu
Interview conducted on June 29, 2015

Jack Krawczyk
Vice President, Ad Product Management
Pandora
Interview conducted on July 10, 2015
David Kurtz  
Senior Vice President, Product Strategy  
Opera Mediaworks  
Interview conducted on May 15, 2015

Michael Lamb  
President, Commercial  
MediaMath  
Interview conducted on July 7, 2015

Kathy Leake  
CEO and Co-Founder  
Qualia  
Interview conducted on May 20, 2015

Stephanie Losee  
Executive Director, Brand Content  
Politico  
Interview conducted on June 2, 2015

Brian McHugh  
Senior Director, Product Solutions  
Collective  
Interview conducted on July 31, 2015

Kelly McMahon  
Vice President, Demand Operations  
SpotXchange  
Interview conducted on June 19, 2015

Peter Minnium  
Head of Digital Brand Initiatives  
Interactive Advertising Bureau (IAB)  
Interview conducted on June 3, 2015

[Note: Minnium is now president, US, for Ipsos Connect at Ipsos.]

Dave Morgan  
Founder and CEO  
Simulmedia  
Interview conducted on September 2, 2015

Art Muldoon  
Co-Founder and CEO  
Accordant Media  
Interview conducted on May 28, 2015

James Murphy  
Vice President, Programmatic  
RhythmOne  
Interview conducted on May 18, 2015

Basem Nayfeh  
Chief Technology Officer  
AudienceScience  
Interview conducted on July 31, 2015

Diaz Nesamoney  
Founder, President and CEO  
Jivox  
Interview conducted on May 13, 2015

Rany Ng  
Product Management Director, Display Advertising  
Google  
Interview conducted on July 20, 2015

Rob Norman  
Global Chief Digital Officer  
GroupM  
Interview conducted on July 13, 2015

Jeremy Ostermiller  
Founder and CEO  
Altitude Digital  
Interview conducted on July 8, 2015

Craig Palli  
Chief Strategy Officer  
Fiksu  
Interview conducted on July 1, 2015

Ajitpal Pannu  
Chief Business Officer  
Smaato  
Interview conducted on July 10, 2015

Hector Pantazopoulos  
Co-Founder and Chief Revenue Officer  
SourceKnowledge  
Interview conducted on June 22, 2015

Mike Peralta  
CEO  
AudienceScience  
Interview conducted on July 31, 2015

Vijay Rao  
Executive Vice President, Enterprise Strategy  
AOL Platforms  
Interview conducted on June 25, 2015
Coverage of a Digital World

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