

Attitudes towards Programmatic Advertising

REPORT

June 2016



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EXECUTIVE SUMMARY

Nearly all stakeholders including strategists, planners, buyers and operational teams across the digital ecosystem are embracing programmatic advertising and building on its potential for value creation. With only 13% of advertisers, 8% of publishers and 7% of media agencies claiming that they are not using programmatic technology, the study shows that almost everybody in the industry is now deploying some form of programmatic advertising.

Respondents named a reduction of media wastage and greater cost and trading efficiencies as the most important impacts of programmatic. The research also highlights growing recognition among the industry that as programmatic matures, it contributes to key advertising objectives such as scaling mobile campaigns and reaching consumers more effectively with branding messages.

Greater integration with wider ad measurement models and increasing sophistication beyond the click are other two other key factors driving programmatic adoption.

With benefits clearly recognised and cited in the research, and emergence of proven models, programmatic adoption is likely to continue to grow. Indeed, all stakeholders remain optimistic about the outlook of programmatic with over 90% of them citing an increase in investment over the next 12 months.

But the benefits are accompanied by challenges, and significant barriers to adoption remain. The biggest bottleneck is finding the people with the right skills and experience to navigate this brave new world successfully.

For the first time the research looked at the operational models used to execute programmatic and there is a clear evolution of programmatic strategy across markets. Advertisers start out on their programmatic journey with an independent specialist, then move to an agency or DSP and then in mature markets adopt an agency or hybrid model, i.e. a combination of more than one strategy. Similarly, publisher strategies are evolving; they start out with a hybrid model, then lean more heavily on their SSP and finally bring the expertise in-house. For agencies, the in-house agency trading desk remains dominant.





INTRODUCTION

The last two decades of digital advertising have delivered consistent innovation and growth. Now a €36.2bn market and the largest advertising medium in Europe, overtaking TV for the first time in 2015. Digital is being driven by video, improvements in ad quality, mobile, social media and the emergence of native advertising and of course programmatic advertising which continues to help marketers to better reach and engage relevant audiences in a real-time environment.

Indeed, programmatic advertising has increased in importance to a market value of more than €3.6bn with almost 40% of desktop display revenue being generated programmatically, according to IAB Europe's 2014 Programmatic Market Sizing study. The 2015 sizing study will be published in September. 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.

In order to understand the status of programmatic adoption across Europe and the way in which it is being used for strategic competitive advantage on both the buy-side and sell-side of the digital advertising industry, IAB Europe's Programmatic Trading Committee developed the Attitudes towards Programmatic Advertising survey for the first time in [2015](#).

The 2015 report showed, that programmatic was no longer being treated as an add-on operational activity. Publishers were increasingly incorporating it into mainstream business procedures and we saw the role of programmatic teams evolve. This second wave of the survey dives deeper into how programmatic is being executed and what business impacts are being achieved.

The 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 published a [Road to Programmatic White Paper](#), which aims to help advertisers, agencies and publishers formulate their programmatic strategies by detailing some key factors for consideration.

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





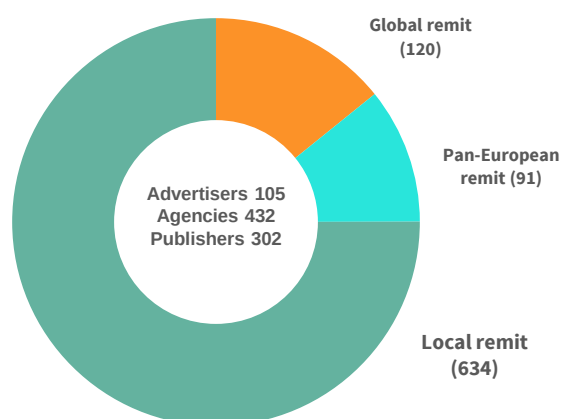
METHODOLOGY & PARTICIPANTS

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 900 respondents between March and May 2016.

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

IAB Europe analysed the strategies of stakeholders trading internationally compared to those trading 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





ATTITUDES TOWARDS PROGRAMMATIC ADVERTISING

Efficiency and cost are dominant in driving buy-side programmatic adoption

Gaining efficiencies stood out as a key motivation for the industry to invest in programmatic in 2015, this driver is still dominant in 2016 particularly for buy-side stakeholders. Advertisers and agencies seek targeting efficiencies, agencies also want to gain trading and operational efficiencies.

Strategic drivers are realised as markets mature

Advertisers enter programmatic with the objective of lowering the cost of media but those in more mature markets are realising more strategic benefits such as delivering relevant ads to relevant audiences by scaling their brand advertising campaigns (70% of advertisers in markets new to programmatic want to lower the cost of media; 50% in advanced markets; 37% of advertisers in markets new to programmatic want to scale their brand campaigns; 50% in advanced markets).

A similar story prevails amongst agencies, they start with the objective of wanting to lower media costs and then go on to realise other drivers such as increased control of media. Agencies in markets new to programmatic also particularly feel the need to invest in programmatic due to client demand suggesting clients are driving the uptake in those markets (37% in markets new to programmatic; 21% in advanced markets).

Mobile gains importance

Mobile wasn't factored highly in 2015, however now almost a third of advertisers are investing in programmatic to reach mobile audiences.

Publishers aim to please clients by developing programmatic strategy

Whilst publishers enter programmatic with the objective of maximising media value those in the more mature programmatic markets feel the client demand more than the monetisation driver (45% of publishers in markets new to programmatic cited client demand as a key driver; 74% in advanced markets; 77% of publishers in markets new to programmatic cited maximising media value as a key driver, 54% in advanced markets) and gaining competitive advantage is also more important now than it was in 2015.



FIGURE 1

Top 5 reasons for investing in programmatic

Advertisers	Agencies	Publishers
Targeting efficiencies (2016 - 78%; 2015 - 76%)	Targeting efficiencies (2016 - 78%; 2015 - 85%)	Client demand (2016 - 60%; 2015 - 48%)
Lower cost of media (2016 - 53%; 2015 - 53%)	Trading / operational efficiencies (2016 - 55%; 2015 - 50%)	Maximising media value (2016 - 55%; 2015 - 60%)
Delivery of brand advertising campaigns at scale to target audience (2016 - 49%; 2015 - 50%)	Change in data strategy to increase data quality (2016 - 52%; 2015 - N/A)	Trading / operational efficiencies (2016 - 49%; 2015 - 52%)
Reaching audiences via programmatic mobile (2016 - 30%; 2015 - 23%)	Delivery of brand advertising campaigns at scale to target audience (2016 - 45%; 2015 - 41%)	Gain competitive advantage (2016 - 44%; 2015 - 38%)
Change in data strategy to increase data quality (2016 - 30%; 2015 - N/A)	Gain competitive advantage (2016 - 45%; 2015 - 44%)	Making premium inventory available at scale (2016 - 44%; 2015 - 45%)

“

Programmatic is not an option in digital advertising today. The whole marketing discipline is turning to a proprietary programmable landscape, and programmatic is just the beginning of this. Not doing programmatic today, means you will be out of play in a few years and not able to maximise your marketing investments.

Geir Jangås
Head of Global Programmatic, Schibsted





Due to programmatic buying our agency can buy more transparently, efficiently and can optimise campaigns more precisely for our clients.

Alexandre Merk
Head of AOD, Zenith Optimedia

Success in programmatic demands the right expertise

Skills and hiring people with the right skillset are still key barriers to investing in programmatic suggesting that stakeholders have some way to go in finding people with the right skills and implementing training programs.

Buy-side stakeholders are also concerned with many of the industry’s hot topics: data quality; fraud; brand safety and viewability. Agencies perceive fraud as a higher risk than do advertisers and so this may be why they are taking more proactive steps with data (see section 6)

FIGURE 2

Top 5 barriers to investing in programmatic

Advertisers	Agencies	Publishers
Quality of data (37%)	Fraud (45%)	Hiring people with the right skill set (46%)
Hiring people with the right skill set (31%)	Quality of data (45%)	Having a clear understanding of the impact of programmatic trading on total revenue (42%)
Having a clear understanding of the impact of programmatic trading on total revenue (31%)	Hiring people with the right skill set (42%)	Selecting and setting up the right technology (40%)
Viewability (30%)	Brand safety (40%)	Training people adequately (40%)
Brand safety (30%)	Viewability (37%)	Cost of technology (37%)



Less mature sell-side stakeholders have technology concerns

Publishers in markets new to programmatic are put off by concerns around technology; 49% are concerned by selecting and setting up the right technology and 45% by the cost of technology.

However publishers in the advanced markets seek more understanding of revenue implications; just over half (37% in markets new to programmatic) state that having a clear understanding of the impact of programmatic trading on total revenue is the second key barrier behind acquiring the right skillsets.

Local respondents tend to see more blockers than international and feel them more acutely

Respondents across all stakeholders with local remits cite more barriers than those with an international remit; for example 34% of advertisers with a local remit are concerned with viewability compared to 25% of international respondents and 48% of agencies with a local remit are concerned with fraud compared to 39% of international respondents. This may be the result of scale in operations.

Reduction of media wastage trumps unit cost reduction

In 2016 IAB Europe asked the respondents about the business impacts realised from programmatic for the first time. The buy-side cited reduced media wastage through greater campaign control and targeting as the top impact and publishers see increased trading efficiencies as the top impact.

FIGURE 3

Key business impacts of programmatic investment cited **by advertisers**

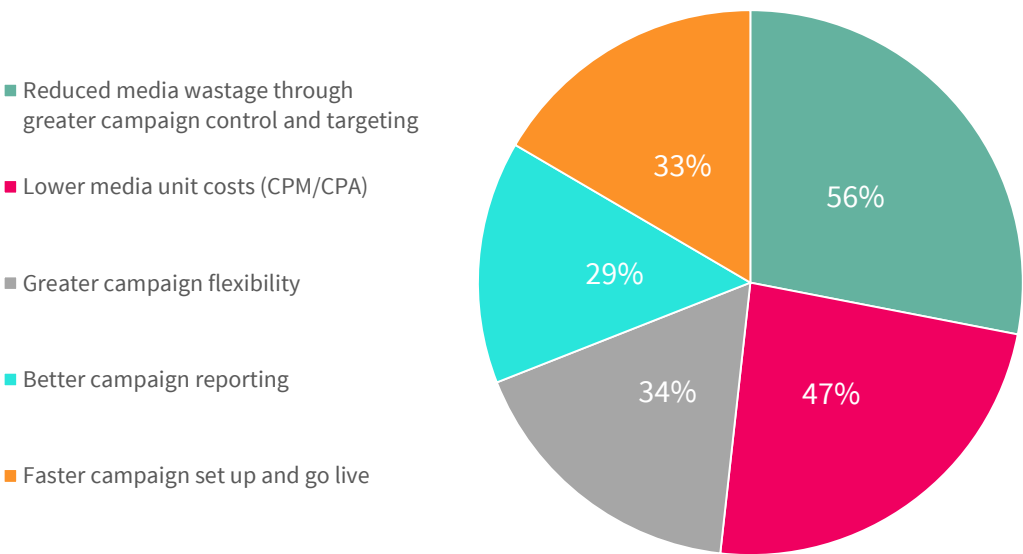


FIGURE 4

Key business impacts of programmatic investment cited **by agencies**

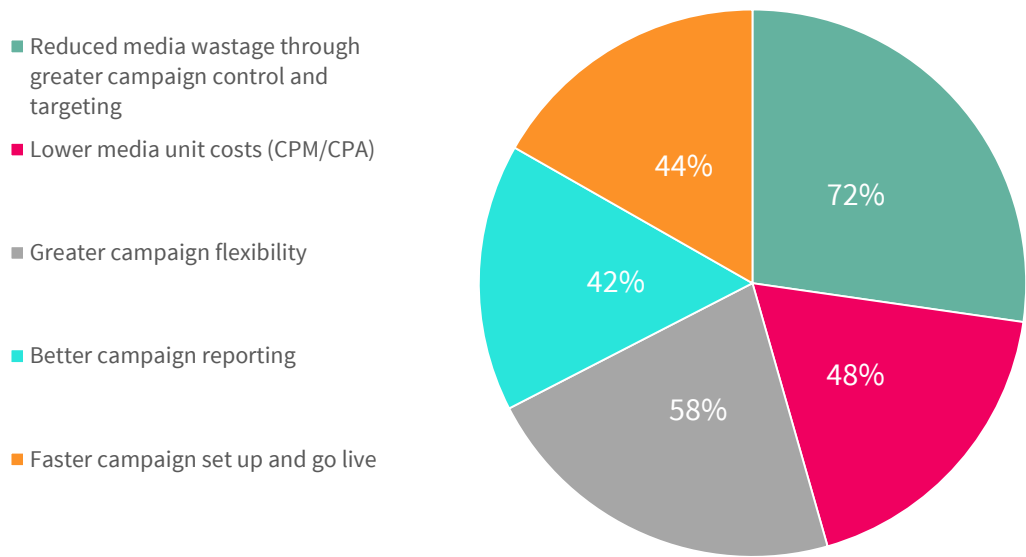
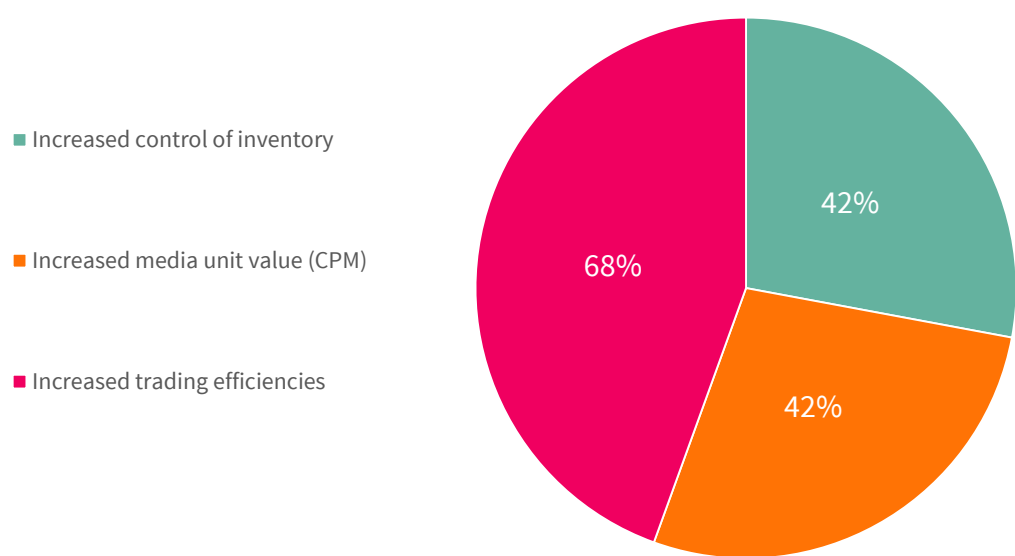


FIGURE 5

Key business impacts of programmatic investment cited **by publishers**





CURRENT ADOPTION & STRATEGIES

Programmatic is mainstream

All stakeholders surveyed are investing in digital and now most are also deploying some form of programmatic advertising - 87% of advertisers, 92% of publishers and 93% of media agencies.

FIGURE 6

Percentage of advertising investment (advertisers) / billing (agencies) / revenue (publishers) that is digital

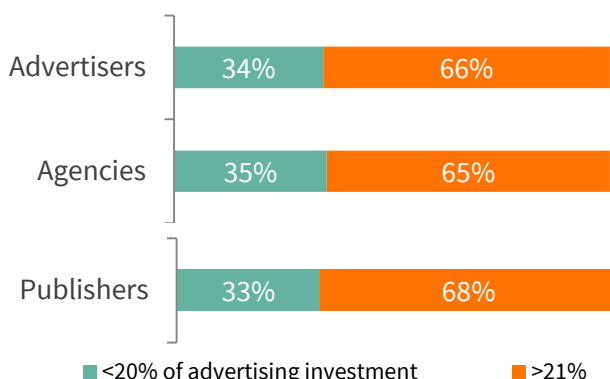
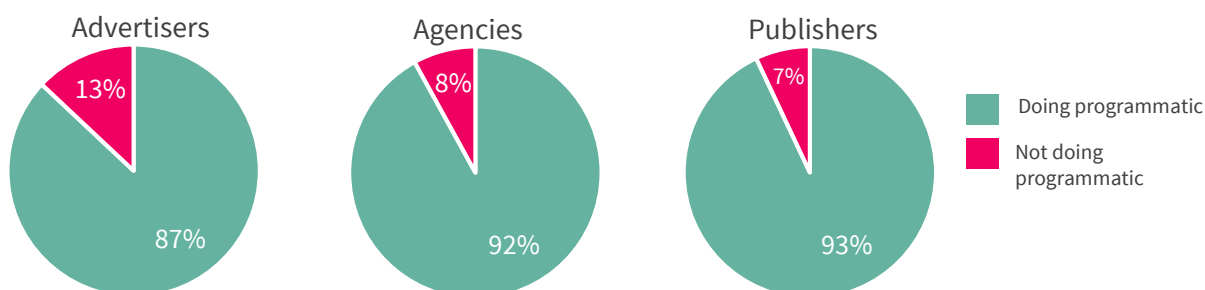


FIGURE 7

Stakeholders doing and not doing programmatic



Whilst almost everyone is investing in programmatic now the majority of buying and selling is still manual. Over two thirds of agencies and almost three quarters of publishers state that more than 20% of this digital advertising is traded via manual processes.

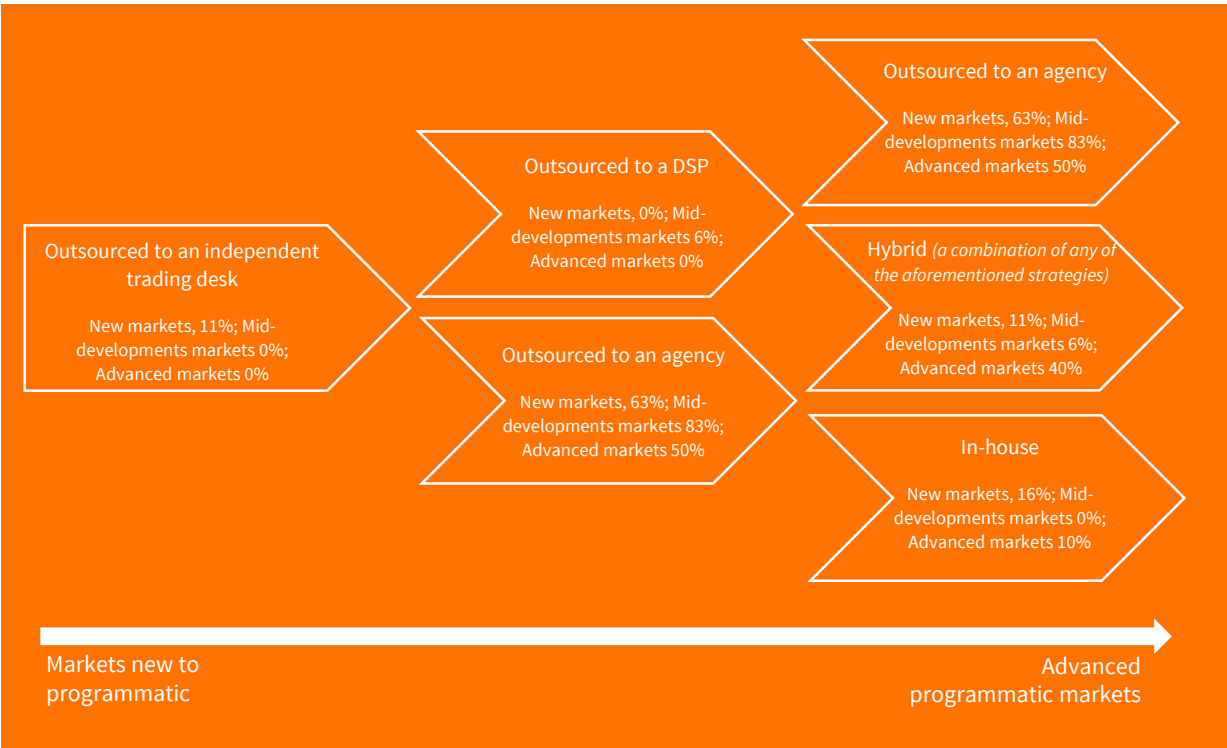


Clear evolution of advertiser programmatic strategy as markets mature

Buyers start with an independent specialist perhaps looking for an independent managed service with flexibility and control, then move to an agency or DSP to provide a managed service with media buying expertise and finally in mature markets end up with an agency or hybrid model, but in the main still rely on agencies. More information on these operational models can be found in section 2.2 of the [IAB Europe Road to Programmatic White Paper](#).

FIGURE 8

Evolution of advertiser operational models

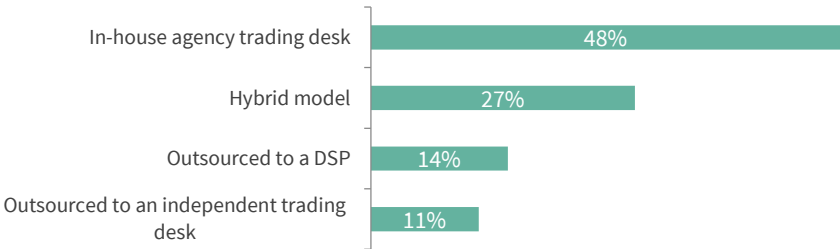


Agency trading desk model remains dominant

Despite the challenges to the agency trading desk model, for example advertiser in-house buying, it remains the predominant way in which agencies build the skills to execute programmatic buying effectively, almost a third do have a hybrid model suggesting the trading desks will become part of a wider programmatic strategy.

FIGURE 9

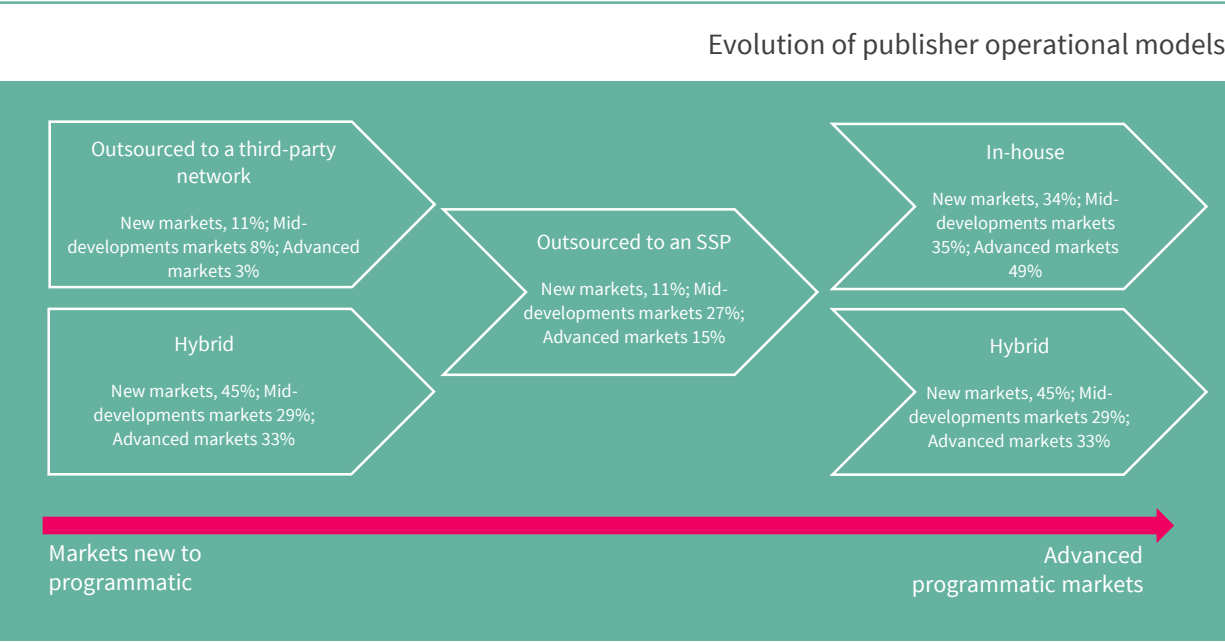
Agency operational models



Clear evolution of publisher programmatic strategy as markets mature

Looking at publishers, there is again an evolution across market phasing, they start with a hybrid model or a third party network suggesting they are working out the best way to develop their programmatic strategy. They then move to lean more heavily on their SSP but finally bring the expertise in house or develop a hybrid model. 40% of publishers have an in-house operational model but almost as many have a hybrid model, suggesting, as with agencies, that not one strategy or model will prevail in the future.

FIGURE 10



For some, the drivers for bringing programmatic in-house are clear

Whilst few advertisers have an in-house operational model, the drivers for those that do are clear: control, transparency, integration and cost. These key drivers have not changed much in the last 12 months but the result do show that transparency has increased in importance and control of first party data has decreased in importance.

Agencies are increasingly driven by a need for audience insight to deliver more value for their clients and control and are less concerned with costs, just 24% have developed an in-house model to reduce technology costs.

Publishers with an in-house programmatic model are still driven by the ability to better monetise their inventory and efficiency in the sales process. Less publishers are driven by the opportunity to scale premium ad formats in 2016 as they were in 2015 suggesting publisher in-house models have matured (28% in 2016; 42% in 2015).



In the (near) future we will add more data to our campaigns and use our own audiences to steer campaigns. Therefore, investing in our own in-house solution is a logical step for us.

Maurice Barten
Manager Online Marketing, Albert Heijn

FIGURE 11

Top drivers of an in-house model

Advertisers	Agencies	Publishers
Greater transparency on where campaigns run (2016 - 50%; 2015 - 42%) Integrate programmatic with other in-house teams (2016 - 40%; 2015 - 63%) Reduce technology costs (2016 - 30%; 2015 - 38%) Keep first party data under control (2016 - 30%; 2015 - 79%)	Better ability to access audience insight (2016 - 75%; 2015 - 56%) Increase operational control (2016 - 65%; 2015 - N/A) Better understanding of the consumer pathway (2016 - 57%; 2015 - 51%) Deliver brand advertising campaigns at scale more efficiently (2016 - 50%; 2015 - 44%)	Better monetisation of inventory (2016 - 79%; 2015 - 71%) Benefit from a more efficient sales and ad operations process (2016 - 56%; 2015 - 69%) Better integration of audience data into trading processes (2016 - 47%; 2015 - 63%) Opportunity to implement more efficient multi-platform advertising strategy (2016 - 40%; 2015 - 46%)



Bringing programmatic in-house means full control over what happens with our most valuable good: the data of our customers. Setting up an in-house solution first and foremost requires education on programmatic, in order to get the various functions that need to be involved on board. Once the set-up is complete, it is a great way to foster cross-functional collaboration while providing our customers with personalised advertising.

Henrik Schulte
Media Strategy Manager EMEA, Schneider Electric





By bringing Programmatic Advertising in-house we gained more transparency in costs, control over our campaigns and insights into programmatic advertising in general. This empowers us to make programmatic advertising more human-friendly

Edwin Driehuijs
Display Marketing Manager, KLM

Challenges of in-house mirror the overall barriers to programmatic

IAB Europe asked about the challenges of an in-house model for the first time in 2016. The results show that the challenges stakeholders cite to developing an in-house model are similar to the barriers cited to investing in programmatic at all; skills and data

FIGURE 12

Top challenges of an in-house model

Advertisers	Agencies	Publishers
Hiring people with the right skill set (40%)	Hiring people with the right skill set (58%)	Training people adequately (49%)
Data quality (40%)	Training people adequately (51%)	Hiring people with the right skill set (43%)
Campaign measurement (30%)	Data quality (50%)	Data quality (33%)
Campaign optimisation (30%)	Campaign optimisation (40%)	Campaign optimisation (32%)

Stakeholders experience improved performance, efficiencies and control through in-house operations

IAB Europe asked about the business impacts of an in-house model for the first time in 2016. Two thirds of advertisers with an in-house strategy have gained improved campaign performance through building team knowledge and managed to make better use of their unique data. Just as many agencies have managed to reduce media wastage through greater control and targeting and also make better use of their unique data.

Over half of the publishers with an in-house strategy have increased trading and operational efficiencies and inventory control.



Agencies are driving the move to in-house

IAB Europe wanted to understand whether those stakeholders who do not currently have an in-house model are considering one and what were their reasons for doing so or not doing so.

Almost three quarters of agencies who do not currently have an in-house model are considering one, as they migrate away from I/O media buying. The number of publishers considering in-house has more than doubled from 2015 – 69% of publishers are now considering an in-house model compared to 33% in 2015.

Advertisers continue to rely on their agencies; three quarters of advertisers who do not currently have an in-house model are not considering one, this has increased from 54% in 2015. Interestingly though, those that are considering in-house are most likely doing so to reduce agency costs. However in-house is more likely to be considered by advertisers in advanced markets; 67% of advertisers in advanced markets are considering an in-house model but only 12% of those in markets new to programmatic share this view.



We are migrating programmatic expertise into client teams as programmatic evolves from point solutions on a plan to the method to execute a consumer centric communication plan. We still focus on the same questions, of whom do we want to reach, what do we want to achieve, how do we measure success, which message and format will resonate and which media placements have the highest impact – but now we answer those questions in much more granular buying decisions, based on much more data and leveraging much more sophisticated tools.

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

Publishers are financially prepared for a programmatic in-house strategy but less prepared than in 2015

Publishers are the stakeholder group most likely to have the budget required to develop an in-house strategy, however they are less likely now than in 2015 to have the required budget, this may be due to the realisation of the fact that it is not easy nor is it a quick fix but a long-term investment.



55% of publishers have the required budget (77% in 2015) for an in-house strategy; 47% of advertisers (46% in 2015); 47% of agencies (81% in 2015). 54% of publishers have the required budget for staff; 26% of advertisers; 44% of agencies

The drivers cited for considering an in-house model are similar to those of stakeholders that have already developed an in-house model - control, transparency, insight and monetisation



Programmatic across Europe is maturing as a route to purchase for the marketing industry and is no longer where people go just to find low-cost inventory. The industry is waking up to the powerful targeting, distribution and attribution tools that programmatic technology can offer. With the integration of ever more sophisticated data management platforms, premium inventory across mobile and video becoming ever more prevalent, the real time ability to adapt and surface creative storytelling to specific audiences at scale and now marketing mix modelling and multi-touch attribution technology being able to map consumer purchase decisions across all on or offline marketing channels, our conversations are increasing brand lead, and driving full digital activity. With AOL being open to all demand channels, we see the same developments across both our demand and supply tools.

Simon Halstead
Head of Demand Development, International, AOL





MEASUREMENT & DATA STRATEGY

In the 2016 survey IAB Europe asked about metrics used to evaluate programmatic display campaigns, the type of audience data used and where it is sourced from.

Programmatic is a key element of media planning

The majority of all stakeholders are using the same success metrics for programmatically traded display campaigns as those traded non-programmatically suggesting it is now an integral element of media planning.

FIGURE 13

Percentage of stakeholders using the same success metrics for programmatic as non-programmatic



Please note 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.

Brand awareness almost as popular as the click for programmatic advertising effectiveness measurement

Whilst more than half of all stakeholders are using the click as an effectiveness metric, approximately 4 in 10 to half of them are also using brand awareness. The markets new to programmatic rely on the click but more advanced markets move towards brand metrics highlighting the level of maturity.



FIGURE 14

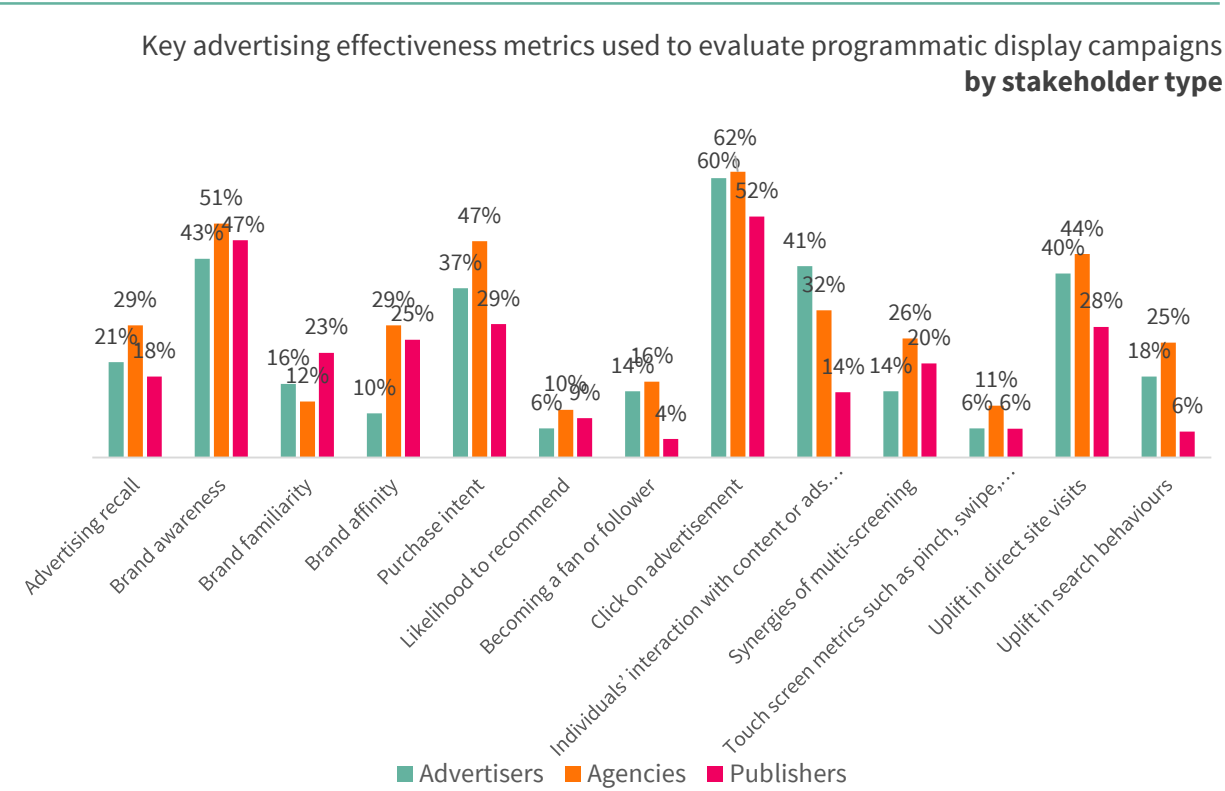
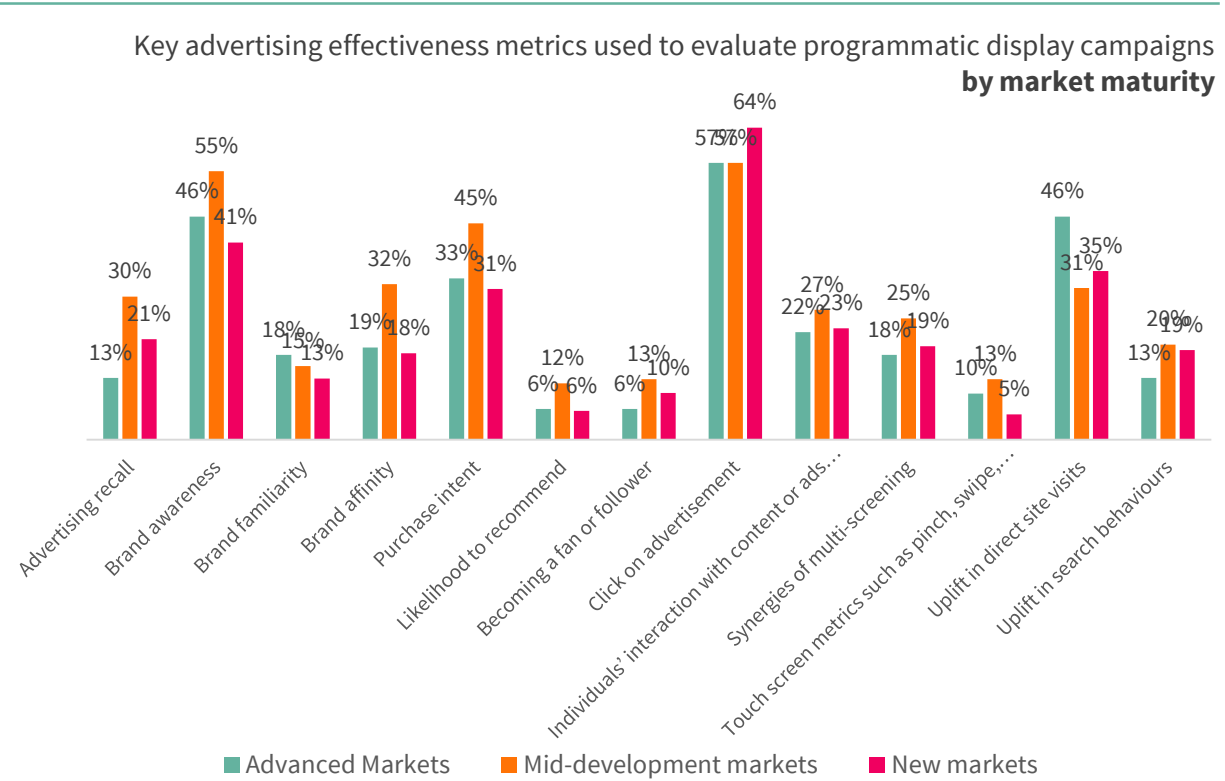


FIGURE 15



Click through rate and CPMs dominate but level of viewability also a key data point used. The use of newer data points such as viewability increases in the advanced markets.

FIGURE 16

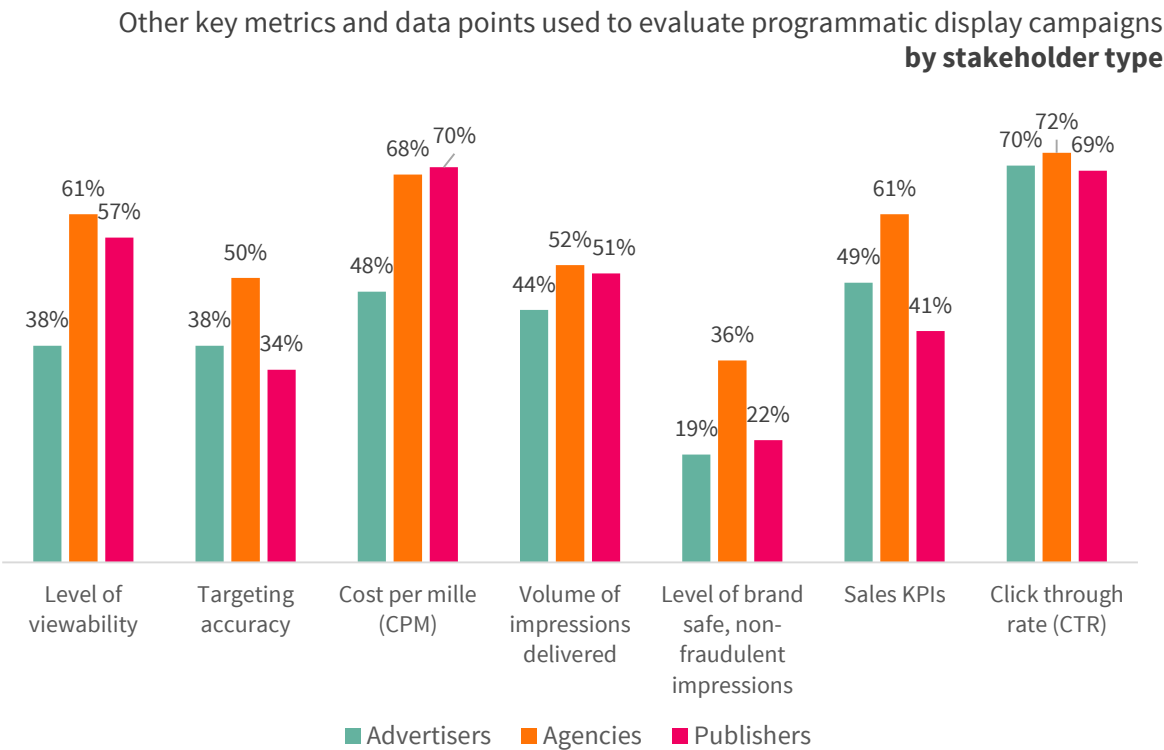
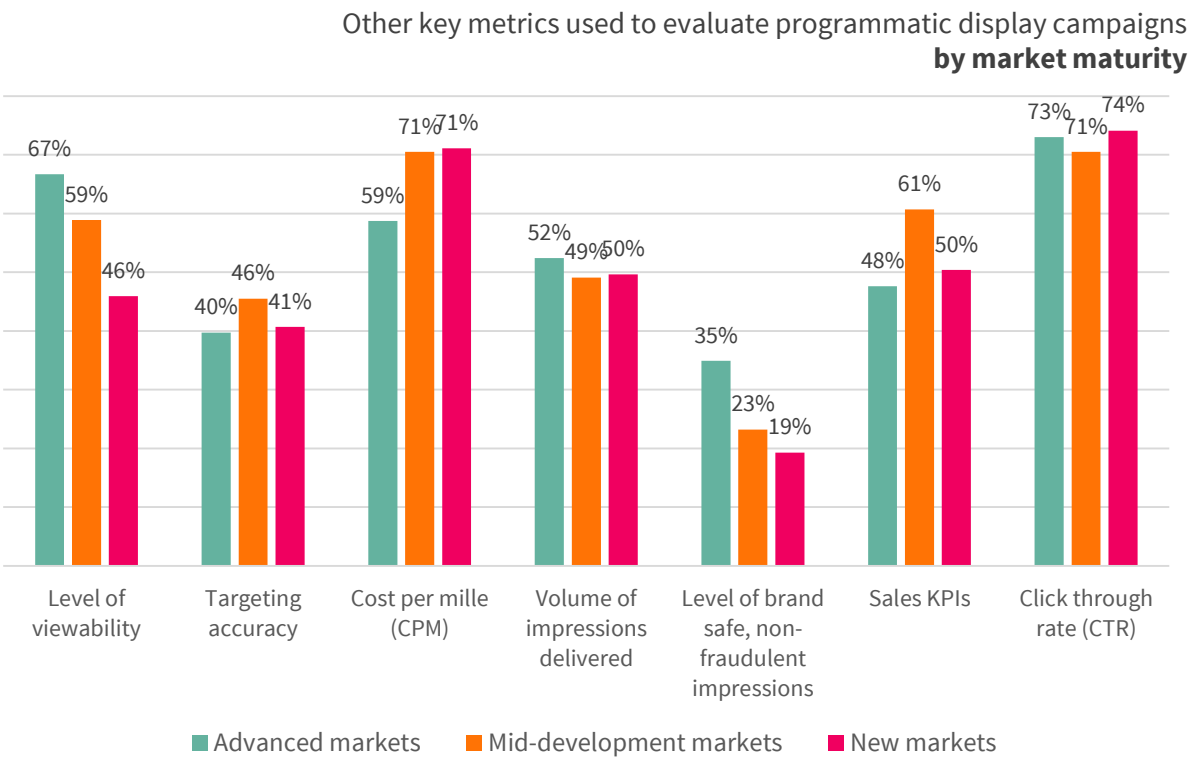


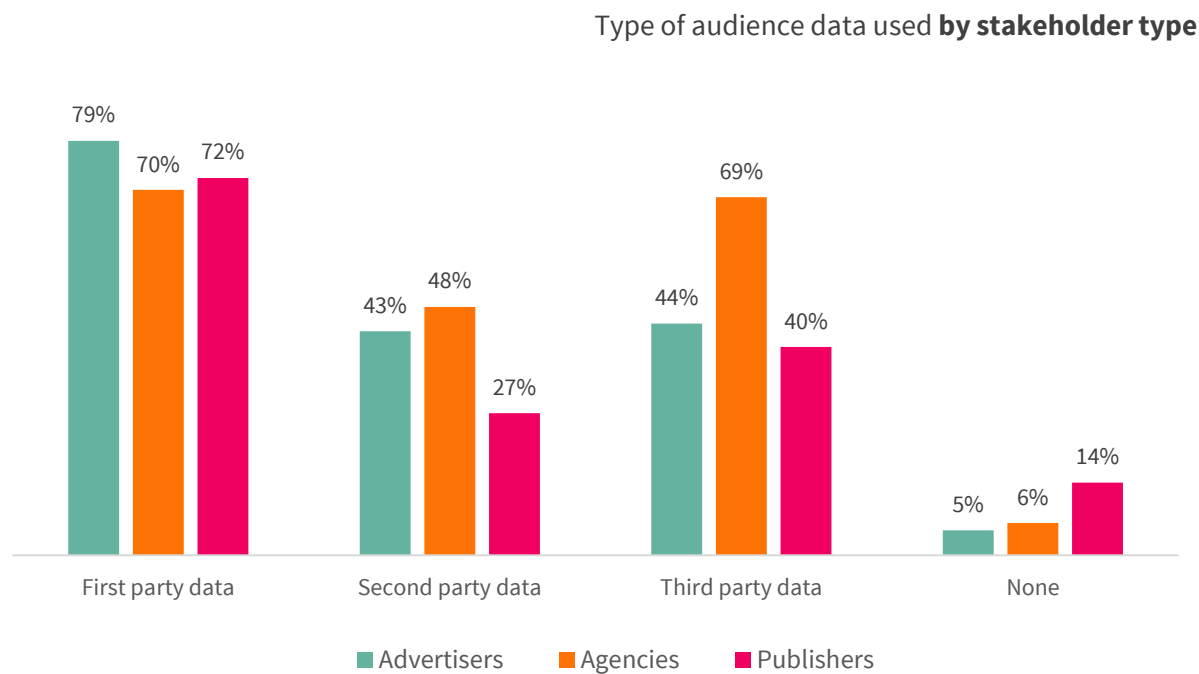
FIGURE 17



First party data dominates

The majority of all stakeholders are currently leveraging first party data for their programmatic campaigns. Agencies show signs of more mature data strategy via data integration and on boarding of third party data.

FIGURE 18



Agency data strategies set to mature

The majority of agencies (69%) state that they will use both second party and third party data in the future which links back to their concerns around the quality of data and the need to be more proactive in this area. Advertisers and publishers look more set to stick with their first party data.

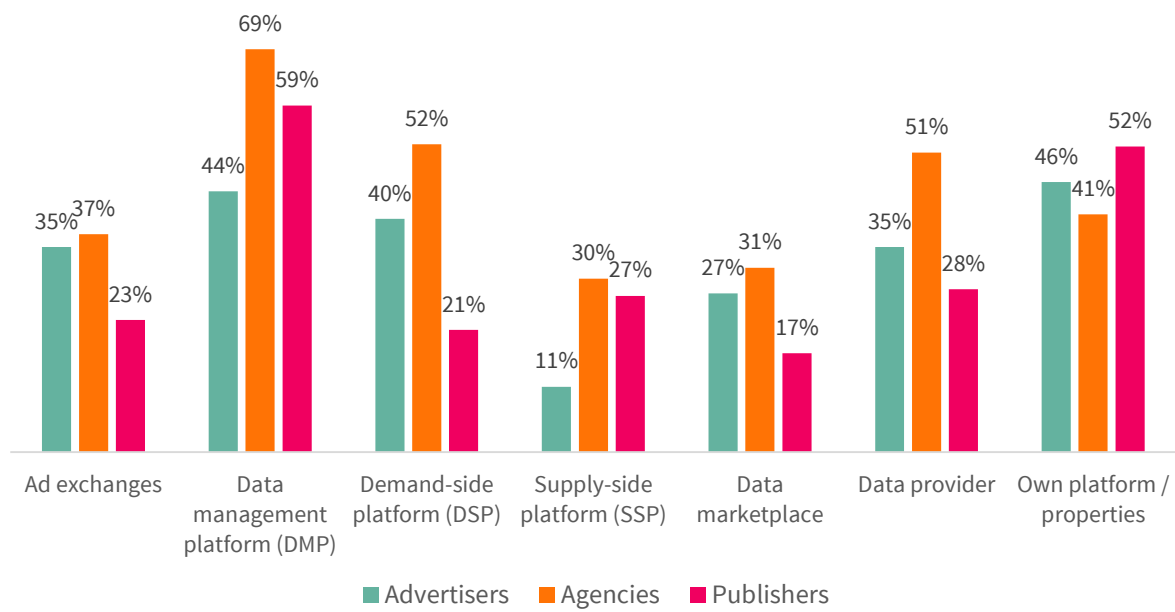
DMPs lead source for agency data

Agencies are most likely to use a range of sources for their data, namely DMPs, DSPs and data providers. Publishers and advertisers rely on their own properties and platforms for data.



FIGURE 19

Data sources used **by stakeholder type**





THE FUTURE OF PROGRAMMATIC INVESTMENT

Investment in programmatic set to continue to increase

Similar to last year programmatic trading revenues and investments are set to increase, regardless of market or stakeholder type. There is little difference in optimism regarding the expected increase of programmatic trading investments and revenues; over 90% of all stakeholders cite an increase in the next 12 months. Advertisers are particularly optimistic about the amount they foresee it increasing by; 44% expect an increase of more than 31% (19% of agencies and 37% of publishers).

FIGURE 13

Percentage of stakeholders that cite an increase in programmatic over the next 12 months



AND FINALLY

This report has summarised the key findings from the Attitudes towards Programmatic Advertising survey including: the key drivers and barriers for programmatic investment; investment levels and strategy development; drivers and challenges of an in-house model; measurement and data strategies and the evolution of programmatic advertising over the next 12 months.

IAB Europe members can gain access to the full data report – please contact Marie-Claire Puffett (puffett@iab europe.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](#) 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](#), which lend themselves well to programmatic methods and anticipate more cross-media campaigns
- With predictions anticipating nearly 1 billion smartphones in Europe by 2020⁽¹⁾ make sure that mobile is a key consideration when developing a strategy
- 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

(1) Source: IHS Technology



WITH THANKS

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



AppNexus

Graham Wylie, Chairman, IAB Europe Programmatic Trading Committee and Senior Director of Market Development & Channels, AppNexus



ADEX

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

Aol.

Tim Jones, Chairman, IAB Europe Research Committee and International Research Lead, AOL



Pawel Kolenda, Vice-Chair, IAB Europe Research Committee and Research Director, IAB Poland

IAB Europe would also like to thank our member companies, national IABs, EACA, OPA Europe, SRI France and WARC who helped to communicate the survey amongst their networks.

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 of Market Development & Channels, AppNexus
Vice-Chairman: Dino Bongartz, CEO, The ADEX



ABOUT IAB Europe

IAB Europe is the **voice of digital business** and the leading European-level industry association for the interactive advertising ecosystem. Its mission is to promote the development of this innovative sector by shaping the regulatory environment, investing in research and education, and developing and facilitating the uptake of business standards.

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