



June 2014

# PROGRAMMATIC BUYING ROUNDUP

As more brand dollars move to digital, both publishers and media buyers look to programmatic technology to lock in advertising agreements in advance, in addition to traditional direct sales channels. To help you stay on top of the latest trends in programmatic buying, eMarketer has curated a roundup of some of our latest coverage on the subject, including statistics, insights and interviews.

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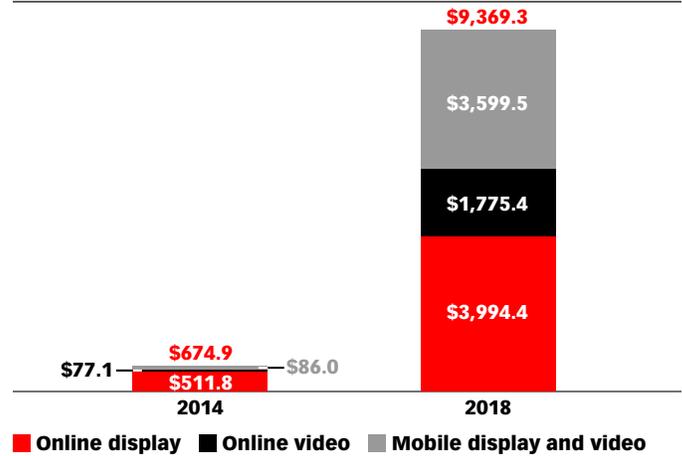
## Overview

It's hard to ignore the enthusiasm for programmatic display advertising—an automated, technology-driven method of buying and selling digital display ads—which seems to be on everyone's roadmaps. Initially, the industry focused on real-time bidding (RTB) and its impression-level, auction-based buying function. But as more brand dollars move to digital, both publishers and media buyers look to programmatic technology to lock in advertising agreements in advance, in addition to traditional direct sales channels.

Today, billions of dollars are transacted programmatically. MAGNA GLOBAL estimates US digital display ad dollars spent via both RTB and direct programmatic methods will total \$9.8 billion by year's end, growing to \$16.9 billion by 2017.

Currently, RTB auctions account for the majority of US programmatic digital display ad dollars. eMarketer estimates that RTB digital display ad spending in the US will total \$4.86 billion this year, making up 22.0% of total display ad spending. By 2018, that amount will reach \$12.02 billion and account for 29.5% of all US digital display ad spend.

**US Premium Programmatic\* Digital Display Ad Spending, by Channel, 2014 & 2018**  
millions



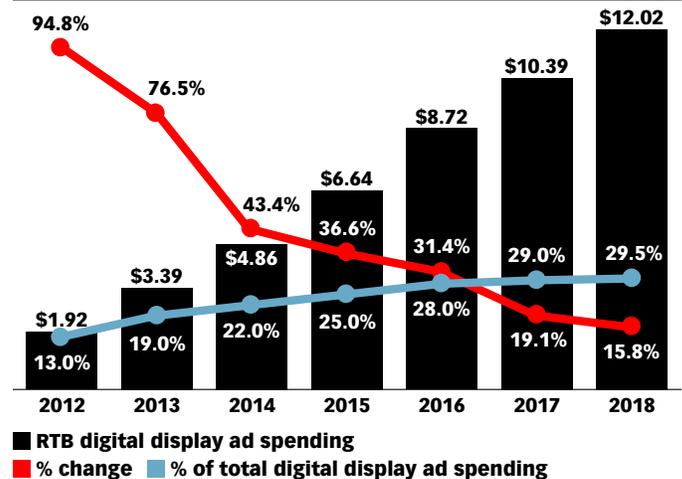
Note: numbers may not add up to total due to rounding; \*includes all digital display ad spending on upfront, programmatic direct deals secured using pre-existing, real-time bidding (RTB) technology infrastructure  
Source: International Data Corporation (IDC), "Forward Markets 2013-2018: Moving Direct Display Ad Sales onto the RTB Platform" sponsored by The Trade Desk, March 2014

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**US Real-Time Bidding (RTB) Digital Display Ad Spending, 2012-2018**

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



Note: includes all display formats served to all devices  
Source: eMarketer, March 2014

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# Mature Markets Upping Programmatic Buying, but Much Work Remains

## Just one-quarter of US client-side marketers understand and are using programmatic buying

North America accounts for the majority of the world's programmatic ad buys, and a slightly larger share of real-time-bid ads specifically, according to 2014 research from MAGNA GLOBAL. As the region—and primarily the US—have led the way in the overall digital advertising market, faster advances in programmatic buying techniques centering around mature markets is largely unsurprising.

But even as programmatic buys expand around the world, the purchasing method is changing as advertisers look to premium programmatic over just "any old buy." Data from the International Data Corporation indicates spending on premium programmatic online display advertising will rise 165.4% in the US this year—a triple-digit rate that's dwarfed by the growth expected in premium programmatic online video and mobile spending.

But even in mature markets that are turning their attention to these premium buys, much work remains to be done before such buys make up even more of the pie than ever—which eMarketer and other research firms fully expect.

Research from the Association of National Advertisers and Forrester Consulting found that while nearly one-quarter of US client-side marketers understood programmatic buying and had run campaigns on this basis, most respondents were relatively uneducated about the technique.

While 10% were confident in their understanding though hadn't yet used programmatic buys, more than half of respondents indicated they had a less than a full understanding of the topic—and a further 12% didn't even know about programmatic at all, according to the March 2014 survey.

### US Premium Programmatic\* Digital Display Ad Spending, by Channel, 2013-2017

millions and % change

	2013	2014	2015	2016	2017
<b>Online display</b>	<b>\$192.8</b>	<b>\$511.8</b>	<b>\$1,061.2</b>	<b>\$1,853.9</b>	<b>\$2,884.2</b>
—% change	512.8%	165.4%	107.4%	74.7%	55.6%
<b>Online video</b>	<b>\$10.4</b>	<b>\$77.1</b>	<b>\$231.3</b>	<b>\$533.4</b>	<b>\$1,026.5</b>
—% change	-	638.3%	199.9%	130.6%	92.5%
<b>Mobile display and video</b>	<b>\$8.5</b>	<b>\$86.0</b>	<b>\$307.2</b>	<b>\$838.5</b>	<b>\$1,848.7</b>
—% change	-	908.8%	257.3%	172.9%	120.5%
<b>Subtotal</b>	<b>\$211.8</b>	<b>\$674.9</b>	<b>\$1,599.8</b>	<b>\$3,225.7</b>	<b>\$5,759.4</b>
—% change	573.0%	218.7%	137.0%	101.6%	78.5%
<b>Total premium display ad sales**</b>	<b>\$10,361.3</b>	<b>\$12,709.5</b>	<b>\$15,202.4</b>	<b>\$18,118.9</b>	<b>\$21,309.9</b>
—% change	18.7%	22.7%	19.6%	19.2%	17.6%

Note: numbers may not add up to total due to rounding; \*includes all digital display ad spending on upfront, programmatic direct deals secured using pre-existing, real-time bidding (RTB) technology infrastructure; \*\*includes premium display ads bought both via traditional upfront and programmatic methods

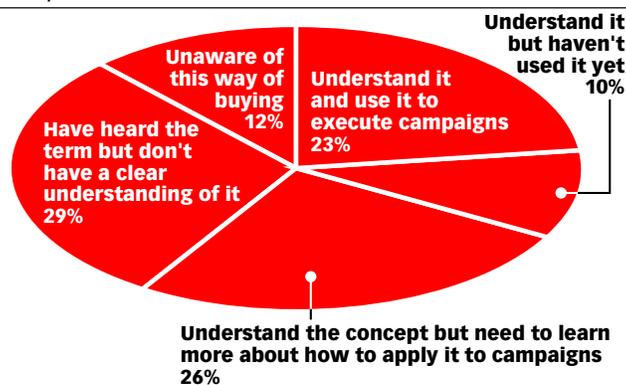
Source: International Data Corporation (IDC), "Forward Markets 2013-2018: Moving Direct Display Ad Sales onto the RTB Platform" sponsored by The Trade Desk, March 2014

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### Understanding and Use of Programmatic Buying Among US Client-Side Marketers, March 2014

% of respondents



Source: Association of National Advertisers (ANA) and Forrester Consulting as cited in Advertising Age, March 31, 2014

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# Entertainment Grabs Biggest Share of Mobile RTB Ad Spend Worldwide

## Mobile RTB spending jumped 459% between Q1 2013 and Q1 2014

eMarketer expects increases in US real-time bidding (RTB) digital display ad spending—which includes all display formats served to all devices—to remain impressive over the next several years, with annual double-digit gains driving the total to \$12.02 billion in 2018, up from \$4.86 billion this year.

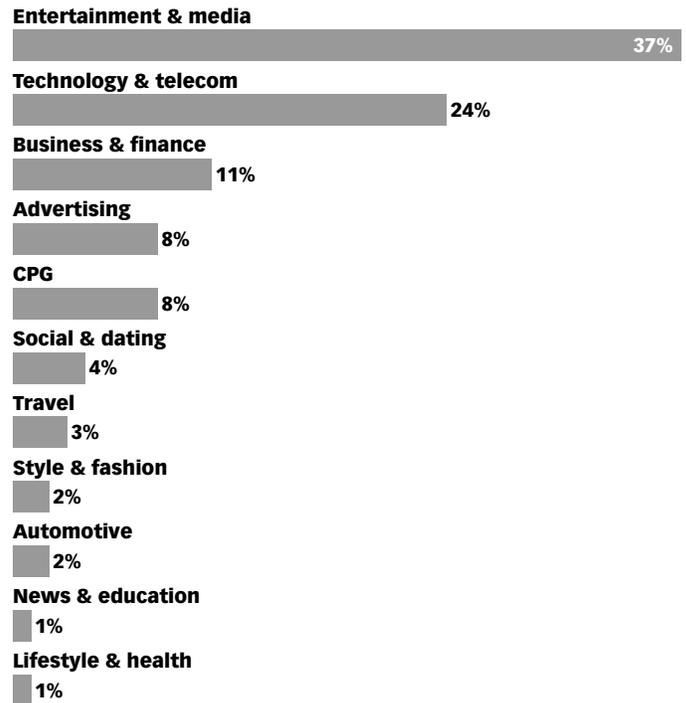
Mobile is playing a huge role in this growth. According to figures released in April 2014 by Smaato, global mobile RTB spending on the firm's mobile-dedicated RTB-enabled ad exchange SMX platform exploded between Q1 2013 and Q1 2014—jumping 459% year over year. The source predicted that 2014 would see even more impressive growth.

The entertainment and media industry is benefitting from the rise in mobile RTB ad spending. According to the data, the sector claimed 37% of total mobile RTB ad spending on the SMX platform worldwide in Q1 2014.

Among content categories, entertainment also ruled, growing its share of mobile RTB ad volume as a percentage of total mobile impressions served by Smaato worldwide by more than 46% between Q4 2013 and Q1 2014, from 26% to 38%. As a result of this increase, all other categories studied—social media, games, music, and communications and technology—lost share in traffic volume.

### Mobile RTB Ad Spending Worldwide, by Industry, Q1 2014

% of total mobile RTB ad spending via Smaato



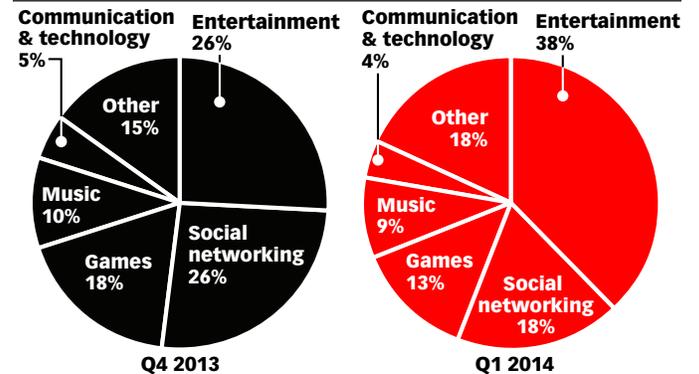
Note: represents activity on Smaato's SMX platform, broader industry metrics may vary  
Source: Smaato, "Global Mobile RTB Insights: Q1 2014," April 24, 2014

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### Mobile RTB Ad Volume Share Worldwide, by Content Category, Q4 2013 & Q1 2014

% of total mobile impressions served by Smaato



Note: represents activity on Smaato's SMX platform, broader industry metrics may vary  
Source: Smaato, "Global Mobile RTB Insights: Q1 2014," April 24, 2014

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# AOL Rebounds as Programmatic, Video Push Double-Digit Growth

## Premium ad formats help reverse downward trend

After years of stymied growth, programmatic and video advertising have helped AOL reposition itself in the US digital display advertising market, according to new figures from eMarketer.

This year, eMarketer predicts AOL will see its first double-digit US ad growth since the recession started, driven by accelerating display ad growth rates. AOL's net US digital display ad revenues will increase 15.5% this year and will maintain double-digit growth in both 2015 and 2016.

Despite its success, AOL is still growing slower than rivals Facebook, Google and Twitter. Facebook saw a 50.5% increase in US display ad revenues last year, according to eMarketer, thanks to its strong mobile ad business. Google's net US digital display ad revenues grew 33.3% last year, compared with 9.5% for AOL.

AOL's recent growth is heavily attributed to programmatic display advertising, as well as its Adap.tv property, which has had success selling premium video ads.

Spending on real-time bidding (RTB), which accounts for about half of US programmatic ad buys, grew 76.5% in 2013, according to eMarketer, and will increase 43.4% this year to total \$4.86 billion. That figure will continue to increase rapidly, growing 36.6% in 2015 and another 31.4% in 2016.

Digital video ad spending also grew quickly last year, up 44.5% to \$4.18 billion. This year, eMarketer expects video ad spending to increase 41.0% to \$5.89 billion. By 2018, RTB spending and video ad spending are both expected to settle north of \$12 billion.

**Net US Digital Display Ad Revenue Growth, by Company, 2012-2016**  
% change

	2012	2013	2014	2015	2016
Twitter	199.3%	90.2%	78.8%	50.0%	40.0%
Facebook	25.8%	50.5%	47.3%	27.4%	18.3%
Amazon	64.2%	38.7%	38.8%	26.9%	24.0%
Google	35.2%	33.3%	33.1%	25.1%	21.5%
LinkedIn	54.7%	37.2%	32.2%	29.0%	25.0%
AOL	6.5%	9.5%	15.5%	13.5%	12.7%
IAC	53.1%	13.5%	6.9%	6.3%	5.3%
Microsoft	16.7%	-24.9%	5.0%	5.0%	4.0%
Yahoo!	-0.7%	-6.4%	2.2%	2.0%	3.0%
<b>Total digital display*</b>	<b>19.9%</b>	<b>20.8%</b>	<b>23.8%</b>	<b>20.2%</b>	<b>17.3%</b>

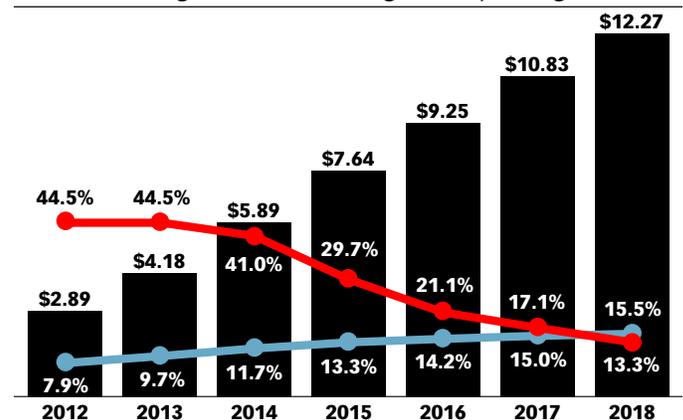
Note: includes advertising that appears on desktop and laptop computers as well as mobile phones and tablets; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites; includes banner ads, rich media, sponsorships and video; \*data through 2012 is derived from IAB/PwC data

Source: company reports, 2012 & 2013; eMarketer, March 2014

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**US Digital Video Ad Spending, 2012-2018**  
billions, % change and % of total digital ad spending



■ Digital video ad spending  
■ % change ■ % of total digital ad spending

Note: includes advertising that appears on desktop and laptop computers as well as mobile phones and tablets; includes in-banner, in-stream (such as pre-roll and overlays) and in-text (ads delivered when users mouse-over relevant words)

Source: eMarketer, March 2014

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# Programmatic Ad Buying in the Auto Industry Gathers Speed

## Growth in programmatic buying depends on cooperation across tiers

The automotive industry, which has embraced programmatic buying of display ads, will increase and extend its investment in programmatic in 2014, according to a new eMarketer report, "Driving Programmatic Buying: Automotive Industry Will Invest Big in 2014."

The next stage of programmatic growth will mostly depend on breaking down some of the traditional walls between original equipment manufacturers (OEMs), regional auto dealer groups and local dealerships. As with search advertising, which has been a notable area of cooperation among the three tiers of auto marketing, so too will programmatic depend on coordinated efforts among all three groups.

Given the size of potential customer pools and the gaps between Tier 1 (national), Tier 2 (regional) and Tier 3 (local dealerships) advertising operations, industry players are looking to realize efficiencies by streamlining cross-tier cooperation.

The widest gap in cooperation, historically, has been between brands and dealerships. And the reasons are structural more than technological. But auto dealers are joining forces—if invisibly—through digital-vendor platforms, which have created tremendous new demand for programmatic campaigns.

While an individual dealer might be too small to support a marketing strategy team that could navigate keywords, signals and KPIs, these middlemen vendors have existing relationships with both the national brands and individual dealers, making a cooperative relationship possible.

Still, dealers remain fiercely independent from other tiers, partly because of the legal mandate that establishes the separation of new-vehicle retailers from new-vehicle manufacturers. While dealers will stay independent of Tier 1 control for the foreseeable future, there are signs that they will begin to cooperate with OEMs for programmatic buys.

### Top 5 US Industries, Ranked by Share of Real-Time Bidding (RTB) Impressions Purchased, Q2 2013

1. Retail	27%
2. Automotive	14%
3. Financial	12%
4. Telecom	12%
5. Travel	10%

Source: Casale Media, "Index Quarterly Report: Issue 3, Q1-Q2 2013," Oct 21, 2013

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# How Will 2013's Digital Display Trends Converge in 2014?

## Programmatic buying, native advertising and viewability combine to create a richer experience

Coming off the heels of 2013, programmatic buying, native advertising and viewability all remain topical to digital display advertisers, particularly brands. Just last year, these distinct trends might have seemed like isolated enhancements. When viewed in totality, however, they reflect an advertising landscape that is evolving to provide brands a richer storytelling experience among a more engaged audience—wherever that audience might be.

A new eMarketer report, “The State of Digital Display 2014: An Industry Ready to Embrace Brand Advertisers,” explores how four main digital display advertising trends will both manifest and intersect in 2014:

- The focus will continue to shift from standard display ad units to more dynamic, engaging ad units. Banners won't cut it anymore, and brands will look to native advertising and richer content ads, such as the IAB Rising Stars, to draw in consumers.
- Programmatic direct will emerge as a primary vehicle to pair those richer ad units with consumer data. Brands will get smarter about using programmatic direct not just to automate the procurement of premium ads, but to bring that inventory to life among a more captive audience.
- Marketers will look beyond behavioral web data to better understand their customers and reach those customers across devices. Location-based and TV data have existed before, but this year, marketers will make a concerted effort to leverage this information for greater insight into consumer behaviors and apply that data to improve ad experiences across devices.
- The viewable impression standard will finally become just that—a standard. With the Media Rating Council expected to lift the advisory on viewable impressions in March, many expect the viewable CPM—a metric finally more in line with broadcast measures—to emerge as a new display pricing model.

### US Digital Ad Spending Growth, by Format, 2012-2017 % change

	2012	2013	2014	2015	2016	2017
<b>Display</b>	<b>19.9%</b>	<b>19.9%</b>	<b>19.5%</b>	<b>16.1%</b>	<b>13.8%</b>	<b>11.4%</b>
—Video	44.5%	43.5%	39.5%	22.2%	17.5%	13.4%
—Sponsorships	37.0%	24.0%	20.5%	14.1%	13.0%	8.2%
—Rich media	8.6%	15.0%	34.4%	40.6%	29.3%	24.2%
—Banners and other*	13.3%	12.3%	7.5%	6.5%	6.0%	5.2%
<b>Search</b>	<b>14.8%</b>	<b>14.1%</b>	<b>9.6%</b>	<b>7.9%</b>	<b>7.0%</b>	<b>4.4%</b>
<b>Lead generation</b>	<b>10.5%</b>	<b>13.2%</b>	<b>1.7%</b>	<b>2.6%</b>	<b>1.3%</b>	<b>2.0%</b>
<b>Email</b>	<b>3.0%</b>	<b>6.1%</b>	<b>2.7%</b>	<b>3.0%</b>	<b>2.9%</b>	<b>2.6%</b>
<b>Classifieds and directories</b>	<b>-0.8%</b>	<b>5.8%</b>	<b>4.1%</b>	<b>3.2%</b>	<b>2.0%</b>	<b>1.2%</b>
<b>Mobile messaging</b>	<b>-11.0%</b>	<b>3.1%</b>	<b>2.1%</b>	<b>1.2%</b>	<b>0.6%</b>	<b>0.5%</b>
<b>Total</b>	<b>15.0%</b>	<b>15.7%</b>	<b>12.9%</b>	<b>11.0%</b>	<b>9.6%</b>	<b>7.5%</b>

Note: includes advertising that appears on desktop and laptop computers as well as mobile phones and tablets on all formats mentioned; data through 2012 is derived from IAB/PwC data; \*includes ads such as Facebook's Sponsored Stories and Twitter's Promoted Tweets  
Source: eMarketer, Dec 2013

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eMarketer estimates that this year, US spending on digital display ads will grow faster than any other format as companies in the digital display advertising ecosystem seek to further prove display a compelling storytelling medium for brands. Investments will hit \$21.18 billion to claim 44.0% of all digital advertising—the second-largest share. Display will surpass search in 2015 to claim the largest portion of the digital ad spending pie.

# Programmatic Ads in Canada Pick Up the Pace

## Attractive CPMs, programmatic direct buys will drive growth

Programmatic advertising in Canada is still in the early stages of development, building the volume and scale required to deliver inherent benefits. However, Canada is among a group of second-tier nations that are rapidly growing automated ad delivery systems, according to a new eMarketer report, "Programmatic Advertising in Canada: Programmatic Direct Far Outpaces Real-Time Bidding."

Though estimates among sources vary, programmatic ad spend made up approximately 15% of digital display spending in Canada last year. However, stronger growth in programmatic for Canada is inevitably coming—an evolutionary step that's essential for more effective digital display marketing. This will be driven mainly by attractive CPMs for advertisers and programmatic direct buys, which outpace real-time bidding (RTB) volumes by about 3-to-1 (compared with an even split in the US market).

The International Data Corporation estimated that Canada's RTB digital display advertising spending was \$55.4 million in 2013, less than 2% of that in the US. But the country's RTB market nearly doubled in 2013, with growth forecast at about 50% levels through 2017.

The much higher proportion of programmatic direct buys in Canada compared with other markets is the result of the direct selling preferences of major media companies. But it's also a product of a system with fewer major marketers—20 or 30 brands—that are responsible for a large share of overall programmatic buying activity in the country.

"We're definitely seeing in Canada that the needle is moved by major marketers," said Andrew Casale, senior vice president of strategy at Casale Media. "It's not moved by local. It's not moved by pure direct response. The companies spending money are big marketers with huge budgets."

The big story in Q4 2013 was the continued preference for premium programmatic, Casale said. The Canadian market has resisted jumping into the broad open market represented by RTB, instead preferring direct deals to better control price levels.

### Real-Time Bidding (RTB) Digital Display Ad Spending in North America, 2012-2017 millions and % change

	2012	2013	2014	2015	2016	2017
<b>US</b>	<b>\$1,997.3</b>	<b>\$3,136.5</b>	<b>\$4,669.0</b>	<b>\$6,874.8</b>	<b>\$10,056.3</b>	<b>\$14,404.9</b>
—% change	87.2%	57.0%	48.9%	47.2%	46.3%	43.2%
<b>Canada</b>	<b>\$28.2</b>	<b>\$55.4</b>	<b>\$81.7</b>	<b>\$119.3</b>	<b>\$178.0</b>	<b>\$258.2</b>
—% change	84.3%	96.3%	47.5%	46.0%	49.2%	45.0%

Note: includes indirect display ads (banners, rich media and video) and direct online and mobile display ads  
Source: International Data Corporation (IDC), "Real-Time Bidding in the United States and Worldwide, 2010-2017" sponsored by PubMatic, Oct 16, 2013

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Low CPM levels are generating interest from the demand side of the ecosystem, but there's mutual and growing interest from the supply side. Publishers have resisted auction models due to the downward pressure on CPMs and have typically protected premium inventory for direct sale on programmatic-direct models. The thinking goes, however, that CPMs for both premium and nonpremium inventory will adjust to market prices and spread the benefit between publishers and advertisers.

# Programmatic to See Big-Time Growth in Latin America, Fueled by Brazil

## Spending on programmatic digital display ads to jump nearly 600% in both Brazil and rest of Latin America

Latin America currently claims a small share of the total programmatic market worldwide. Data released in April 2014 by MAGNA GLOBAL estimated that the region would grab just 5% of the programmatic space this year.

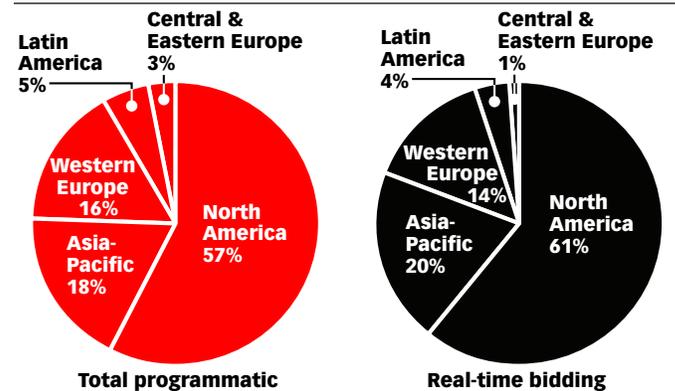
However, programmatic is poised for massive growth in Latin America, with gains in Brazil adding fuel to the fire as spending in the country shows increases in investments comparable with the rest of the region—and higher totals—between this year and 2018.

Research published in March 2014 by the International Data Corporation (IDC), sponsored by The Trade Desk, forecast that premium programmatic digital display ad spending in Brazil would hit \$600,000 in 2014, with investments in the rest of Latin America coming in at the same amount.

But IDC estimated that both totals would soar between this year and next: 579.7% in Brazil and 598.9% in the rest of Latin America, to hit \$4.2 million and \$3.9 million, respectively. Both Brazil and the rest of the region were expected see triple-digit growth in programmatic digital display ad spending through 2017, and even in 2018, total investments should nearly double.

### Total Programmatic and Real-Time Bidding Market Share Worldwide, by Region, 2014

% of total



Note: numbers may not add up to 100% due to rounding  
Source: MAGNA GLOBAL, "The International State of Programmatic" as cited by Campaign Asia, April 21, 2014

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### Premium Programmatic\* Digital Display Ad Spending in Brazil and Latin America, 2014-2018

millions and % change

	2014	2015	2016	2017	2018
<b>Brazil</b>	<b>\$0.6</b>	<b>\$4.2</b>	<b>\$12.4</b>	<b>\$28.8</b>	<b>\$55.8</b>
—% change	-	579.7%	198.3%	131.8%	93.5%
<b>Rest of Latin America</b>	<b>\$0.6</b>	<b>\$3.9</b>	<b>\$11.6</b>	<b>\$27.3</b>	<b>\$54.1</b>
—% change	-	598.9%	197.9%	135.8%	98.2%

Note: includes digital display ads, digital video ads and mobile display ads, including video; \*includes all digital display ad spending on upfront, programmatic direct deals secured using pre-existing, real-time bidding (RTB) technology infrastructure

Source: International Data Corporation (IDC), "Forward Markets 2013-2018: Moving Direct Display Ad Sales onto the RTB Platform" sponsored by The Trade Desk, March 2014

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# Can Digital Display Ad Buying Be Completely Automated? iSocket Thinks So



**Ben Trendera**

Chief Revenue Officer

**iSocket**

As the chief revenue officer for programmatic enablement solution provider iSocket, Ben Trendera has a front-row seat to the latest trends surrounding programmatic direct—a branch of programmatic advertising that’s gaining significant traction among both publishers and media buyers hoping to bring automation to their upfront, guaranteed digital buys. Trendera spoke with eMarketer’s Lauren Fisher about how iSocket works and where he sees the broader programmatic space headed.

**eMarketer:** What does iSocket do?

**Ben Trendera:** Probably the best way to describe what we do is to start in the context of how inventory makes its way into a programmatic environment.

One way publishers automate their inventory is by working with a supply-side platform [SSP], or an ad exchange or an ad network. The publisher will request an ad tag from these platforms and will then allocate some inventory to that tag.

The challenge with this approach is that a publisher can’t prioritize those ad tags in front of their guaranteed campaigns. The publisher’s ad server will always first look at the traditional media plan buys and serve those first. Only when the ad server runs out of the guaranteed ads will it call that third-party ad tag. So, when you hear the concept of “first look” in programmatic, that’s when it occurs—after all the guaranteed sales.

So to solve this problem, iSocket is a layer between the publisher systems and buyer systems. On the publisher side, iSocket is integrated with the major publisher ad servers, DoubleClick for Publishers [DFP] of course being the most widely used.

So when we sign up a publisher, they go into DFP and flip two switches, and our technology is on. From there, iSocket maps all of their premium inventory into our system, allowing the buyer and seller to automate the reservation of that inventory. The key difference, however, is that we don’t reserve any inventory until there’s an agreement between the buyer and the seller. At that point, the inventory is provisioned in the ad server, indistinguishable from a direct sale.

**“Today, about 70% of all [display] ad spend is still done using paper contracts between premium publishers and buyers. The most advanced thing they use technology-wise is Excel, the fax machine, the phone or email.”**

Our platform is really three things. It’s the master catalog of all the available publisher inventory. It’s also the order engine, which is how the deals are done, whether it’s an RFP or negotiation workflow. And the third layer is the operations engine, which is responsible for all of the tasks that usually require human touches, such as manual data entry, trafficking, pacing, discrepancy management and so forth.

**eMarketer:** Broadly, what trends have you seen surrounding programmatic direct or programmatic guaranteed?

**Trendera:** There are a bunch of interesting trends that we’re seeing. One trend is just automation overall—the desire for automation on both the publisher and the agency side. Today, about 70% of all [display] ad spend is still done using paper contracts between premium publishers and buyers. The most advanced thing they use technology-wise

## Can Digital Display Ad Buying Be Completely Automated? iSocket Thinks So (continued)

is Excel, the fax machine, the phone or email. With the holding companies, that spend is more like 80%. So, there's still a huge portion of buying that's untouched by the world of programmatic and all the different Lumascape players.

But there's a huge desire to automate this very lengthy process. Of course, on the publisher side, you hear the occasional story of Federated or Demand Media that basically fired their sales teams and said they were going to be all programmatic, which essentially means just exchanges. But we're seeing another angle to that trend, which is that most big publishers want to automate all the processes around sales and have salespeople play more of an educational or evangelical role.

On the agency side, it's the same thing. As much as there is a desire for cheaper inventory in [real-time bidding] RTB, there's an even greater desire to enjoy the advantages of RTB, but in a guaranteed environment. That's driving significant change within the holding companies. We have five or six large agencies right now that are trying to figure out how to automate the entirety of their ad spend.

Another trend we're seeing is the use of programmatic to reduce the cost of supporting an individual deal. For example, a publisher using a traditional sales team might have a \$25,000 minimum deal price. But by making inventory available programmatically, they can drop that minimum as low as \$500 to begin to open up inventory to buyers that might just want to test some traffic. It's allowing a new class of buyer to come in and make buys that the sales team wouldn't have called on before. We're starting to see more activity like that.

**eMarketer:** Given how much ad spend is still flowing through traditional direct sales channels—that 70% you referenced—do you see the percentage declining in the next couple of years with the growth of programmatic buying?

**Trenda:** Most people I talk to agree that automation is inevitable. It just makes sense. What they disagree on, however, is what it looks like in the future, and how we get there.

**“There's always going to be the need for guaranteed media. If you look at any other industry that sells a perishable product, there is a future market on top of that spot market.”**

In every industry panel you see now, the question is always, “When is the brand money going to make its way into programmatic?” Now, in some cases, it's doing it. On the RTB side, though, growth has largely come from cannibalizing network spend, which is really the same ad dollars, just spent differently. So in RTB, you really haven't seen a shift of brand money in any significant way.

There's always going to be the need for guaranteed media. If you look at any other industry that sells a perishable product, there is a future market on top of that spot market. Corn is a good example. Del Monte Foods doesn't just buy corn on the spot market one bushel at a time. They buy futures contracts because it gives them predictability.

Producers, too, want to know what future interest is going to be—it gives them predictability. So the biggest brands are still going to want those guarantees. But to be able to secure them in an automated fashion, that's going to be the future.

Ultimately, I think we'll see spend split 50-50—half to guaranteed, half to nonguaranteed, but 100% automated. In the future, the entire concept of the media plan will be different. Planning will certainly be there, but it will be more like business planning as opposed to the current media planning process, which is heavily labor-intensive upfront, with few changes throughout the lifecycle of the campaign.

The future will be much more transactional. You'll see faster transactions, smaller blocks and order sizes and the ability to put all kinds of decision-making technology on top of this automation layer to automate a lot of the buying logic. That's what needs to happen.

# For Publishers, Programmatic Advertising Is Imminent



**Jonathan Slavin**

Chief Revenue Officer

CPXi

Jonathan Slavin is the chief revenue officer at CPXi, a global digital media holding company that focuses heavily on programmatic technology and solutions. Slavin recently spoke with eMarketer's Lauren Fisher about some of the trends he's seeing among both publishers and media buyers turning to programmatic direct—the reserved and often guaranteed branch of the broader programmatic advertising tree.

**eMarketer:** What are some of the broader trends you've seen in the programmatic space in the past six months?

**Jonathan Slavin:** I think the biggest change is that even though the lion's share of media buyers is still IO-based [insertion-order-based], you're seeing significantly more money transacting through programmatic pipes. So, probably the No. 1 change is the tsunami of money that is about to hit the programmatic space in a programmatic direct capacity.

It's going to force everyone to rethink how they buy and sell media. When you dive into it, there are a lot of different ways buyers and sellers want to connect to one another. I don't think spot buying or direct buying will go away, but programmatic is the No. 1 influence affecting our business today and it can't be ignored.

**eMarketer:** How are you defining programmatic direct?

**Slavin:** Programmatic direct is a mechanism by which you're automating the publisher's direct sales efforts. It has nothing to do with remnant inventory. It's about a guaranteed, programmatic relationship that facilitates a one-to-one transaction between buyers and sellers at a fixed cost.

**eMarketer:** CPXi works with a lot of publishers to facilitate programmatic on their behalf. What are some of the benefits to publishers in offering their inventory programmatically?

**Slavin:** Publishers see that more and more of the buying structure is going toward automation, and it's becoming algorithmically based. And with more buying being done in an automated fashion, publishers realize that to hold back inventory from the process of automation would be counterintuitive.

**“Programmatic direct has nothing to do with remnant inventory. It's about a guaranteed, programmatic relationship that facilitates a one-to-one transaction between buyers and sellers at a fixed cost.”**

I think smart publishers out there acknowledge the fact that our landscape has changed and the way people want to buy media has changed. For publishers, this is the way the world is going, and to not offer up more premium inventory in a programmatic fashion is a losing battle.

**eMarketer:** Right now, are publishers putting the same inventory they sell via traditional direct channels up programmatically, or are there certain types of ad units or experiences that are being held out of that automated arena today?

**Slavin:** There's still some hold out. You don't see too many homepage roadblocks or section-front roadblocks or site takeovers done programmatically. Very involved, high-market value opportunities aren't in programmatic either. I think the technology will catch up to enable these opportunities, though, because a lot of these high-end publishers don't have their schedules booked 30 to 31 days each month.

**eMarketer:** Do you think there is a good portion of publishers who feel they don't need to offer programmatic in order to effectively sell their ad inventory?

**Slavin:** Yes, I do think publishers like that exist, and in many cases, there's validity to that argument. They care about their users. They care about privacy. They care about the execution of an ad and brand alignment and editorial. But ultimately, I think it's just a sign that the [programmatic] tools need to get better, and the publishers need to get more acclimated to those tools.

**eMarketer:** Are you already seeing instances of media buyers that only want to buy programmatically?

**Slavin:** Yes, I'm seeing a big wave right now toward programmatic. I'm seeing large holding groups that are channeling more and more of their spend through their agency trading desks. I also see direct clients bringing a lot of spend in-house and relying almost exclusively on programmatic buying. A lot of it comes down to automating workflow, and programmatic RTB and programmatic direct will be at the forefront of that.

**eMarketer:** Workflow automation aside, there's also a compelling reason to have that impression-level access to inventory to take advantage of things like audience intelligence, dynamic content and tailored messages. Are you seeing buyers leveraging things like audience intelligence and dynamic content for their programmatic buys?

**“You don't see too many homepage roadblocks or section-front roadblocks or site takeovers done programmatically.”**

**Slavin:** Yes, but of course I'm biased given that we acquired a company called AdReady, which has these sort of programmatic creative capabilities.

Marketers spend a lot of money in the programmatic realm to understand from a data perspective whether or not they encountered the right individual using first-party data or third-party data. They spend all this money to find the right impression, and then they spend even more to be able to capture that impression. So it's the right place, the right time and the right user, but as an industry, we seem to be stuck in the 1940s or '50s in terms of messaging that user.

We've done so much work to get in front of that correct individual, but we've fallen flat when it comes time to engage that individual. The creative still needs to catch up to the other areas of automation, and we're not there yet. But it really is a missing piece, and it needs to be considered as granularly as the data and the analytics. Otherwise, marketers will not meet their KPIs [key performance indicators], and publishers will not get the CPMs they want.

But even if we figure out the dynamic creative, we still need to do work in bringing it all together. In a lot of cases, I've been targeted and dynamically retargeted time and time again, but I've already bought the product or I have no interest. It's a creative iteration, but then they're not effectively combining it with the audience data and analytics necessary to really message the consumer the right way.

Watched 3 videos on the theory of feng shui yesterday

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Read 12 articles on the health benefits of kale and aojiru in the last 6 days

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