



## Why and how 'programmatic' is emerging as key to real-time marketing success

The real-time digital economy is here, turning many industries upside down and leaving marketers across Europe wrestling with empowered customers and digitally fuelled competition.

Marketers face an explosion of data and platforms that are transforming owned, earned and paid media – often blurring the lines between each. As digital becomes central to customer interaction, programmatic technology has emerged as the driving force for a new vision of digital advertising that integrates paid media into real-time marketing. This report looks at the current state of programmatic in Europe and explores why and how it is viewed as pivotal to the future of real-time marketing.

June 2014

## Headlines

- More than 600 agencies, publishers and marketers from across Europe shared their latest thinking on digital marketing and programmatic advertising
- Targeting emerges as the most important factor behind advertising success
- Programmatic identified as a key driver of improved targeting
- Media buying agencies lead the way and publishers are adapting; but marketers do not yet fully understand the potential
- Barriers to forecast growth are real, with budget allocation and skills shortages notable...
- ...but there is a determination to overcome these barriers – nine in ten think programmatic will be a very important part of digital advertising in the future; one third think it will be dominant
- The industry expects advertising agencies to coordinate both the technical and creative sides of programmatic advertising – closing the current knowledge gap will therefore be vital for securing future success

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## Research Introduction: Context & Reach

Programmatic advertising is growing rapidly and is now a major part of the digital advertising economy across Europe. But while much has been written about WHAT programmatic is, and analysts repeatedly increase their predictions of how big it will be, very little has been said about WHY and HOW the programmatic market is growing.

*For the purposes of this report, we consider programmatic to be the use of technology to improve the efficiency and effectiveness of internet advertising; **helping marketers to reach their desired audience and publishers to best monetize their inventory.***

We think that understanding WHY and HOW is incredibly important for marketers, agencies and publishers. That's why [Circle Research](#), in association with [AppNexus](#), [WARC](#) and [IAB Europe](#), went to the 'front-line' of advertising across Europe, seeking the opinions of some of the most highly respected professionals from across the advertising ecosystem, to discover what the industry is really thinking about the key issues.

*Why are they moving to programmatic or, if they are not, why not? What are the key challenges, worries, expectations and opportunities across the ecosystem? How are these being addressed and what impact will this have on skills needed in the industry, the creativity of digital advertising or the nature of the relationships between buyers and sellers?*

We asked the industry these questions through April and May 2014 and received 626 full responses from Marketers, Media Buyers, Publishers and Advertising Agencies. Responses came from across Europe, with especially strong representation from the UK (165), Spain (103), Germany (96), France (96) and Italy (66).

Those who took part together control over €3billion of advertising spend at some of Europe's largest advertising organisations:



This is the first report based on the research findings. If you would like to receive further reports and commentary from AppNexus please register for News at: [www.appnexus.com/subscribe](http://www.appnexus.com/subscribe)

The research was conducted by independent, ISO20252 accredited, B2B research specialists, Circle Research ([www.circle-research.com](http://www.circle-research.com)).

For any questions on the research methodology, please contact:  
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## AppNexus Introduction – Programmatic & the Real-Time Revolution

We are at an inflection point for the marketing industry.

The digitally empowered consumer is harder to reach, more difficult to engage and actively hostile to much of the marketing they receive. To stand out, brands are living in the moment; seeking to be contextually relevant, useful and engaging.

This real-time revolution is fuelling a new level of interaction, but is proving difficult to sustain and integrate across all media. The Superbowl or Oscars moment remains largely isolated from broader campaigns, burning brightly but dying fast. No matter how strong the idea or how deep the engagement, the industry has lacked the agility to react, adapt and scale. Unsurprising when the way that advertising is bought and sold often owes more to the last century than the digital era.

Yet over the last decade a revolution has been quietly brewing. It's been called many things – RTB, RTA, AdTech, Programmatic – but the goal has always been the same: to give advertisers the agility to tailor their message for an audience of one, anywhere on the web and in less than the 200 milliseconds it takes a page to load. It has massive implications for brands, advertising & media buying agencies and the website publishers that use advertising to fund their free content.

As consumers migrate to an always-connected, mobile, multiscreen and real-time world, advertisers must follow or risk losing relevance. Traditional models do not scale and so programmatic has emerged as the major driver of real-time digital engagement, with analysts predicting that it will account for as much 60% of all digital advertising by 2017.

AppNexus is powering the shift towards programmatic. Today, we're over 500 AppNexians worldwide dedicated to making advertising a more efficient and effective tool for marketers, publishers, programmatic media companies, and data providers alike. We provide trading solutions and power marketplaces that enable the whole advertising ecosystem — and eventually, the Internet — to work better. We initiated this research to empower our partners to see the whole system so that they can to capitalize on this rising tide.

***Graham Wylie - Senior Director, EMEA & APAC Marketing, AppNexus***



## Warc Introduction – Making data work for business

Warc is proud to partner with AppNexus and IAB Europe on this important research study investigating the adoption of programmatic across Europe.

We believe the study comes at exactly the right time. Warc's goal is to provide our users with the knowledge they need to grow their business. That is particularly apt when it comes to programmatic, which offers huge potential for brands to raise the effectiveness of digital marketing, but is held back by confusion and lack of understanding.

Brands are missing a trick if they see programmatic as a subset media specialism that only trading experts can understand. Brands that use online and offline data smartly to understand their customers and respond to their needs gain a competitive advantage. It is about creative use of data, and building online ad strategies that respond both to context and to a consumer's online behaviour.

Digital budgets are growing: Warc's Consensus Forecast suggests global internet ad spend will rise 14.1% in 2014, ahead of the 5.2% rise in total expenditure during that time. But the uptake of programmatic faces a number of hurdles: lack of trust between buyers and sellers of programmatic, lack of in-house skills, and a lag in knowledge on the part of marketers, and indeed many agencies.

This study is an important step in opening up the topic and overcoming these obstacles. We hope it will help the industry as a whole make their advertising smarter and more effective.

***David Tiltman – Head of Content, Warc***



## **IAB Europe Introduction – Driving investment in digital**

The digital display advertising market has shown no signs of slowing its rapid evolution of the last few years. Technology innovation has helped marketers understand how they can better reach and engage with their customers on a real-time basis and this has helped to drive more investment into digital at a time when other media are struggling to deal with fragmentation.

Whilst digital has enabled the consumer to have a new ‘voice’, better tools have enabled brands to manage the myriad of conversations by channel, time, topic and device.

This AppNexus/IAB Europe/WARC research helps us to understand why and how the planning and buying process is changing and it will be complementary to the forthcoming IAB Europe White Paper on Programmatic Trading which illustrates the opportunity Programmatic provides across the diverse European markets.

IAB Europe is committed to delivering market-making research that demonstrates the value of digital advertising for publishers, agencies and advertisers, helps to educate policy makers on this complex topic and illustrate the benefit of our business to Europe’s bottom line.

***Alison Fennah – Senior Business Advisor, IAB Europe***

# 1. It's a digital world

In 2013 European Advertisers spent over €100billion across 26 countries. The IAB Europe AdEx Benchmark results also show that as European economies strengthened, digital advertising outgrew all other formats, increasing 11% from 2012 to reach €27.3billion.

**€27.3bn**  
2013 European digital advertising spend

But as impressive as these numbers are, they still do not represent the impact of digital on the broader marketing landscape. This study found that digital is now a ubiquitous part of the marketing mix, used by 99% of all survey respondents and crucial to more than half (Figure 1).

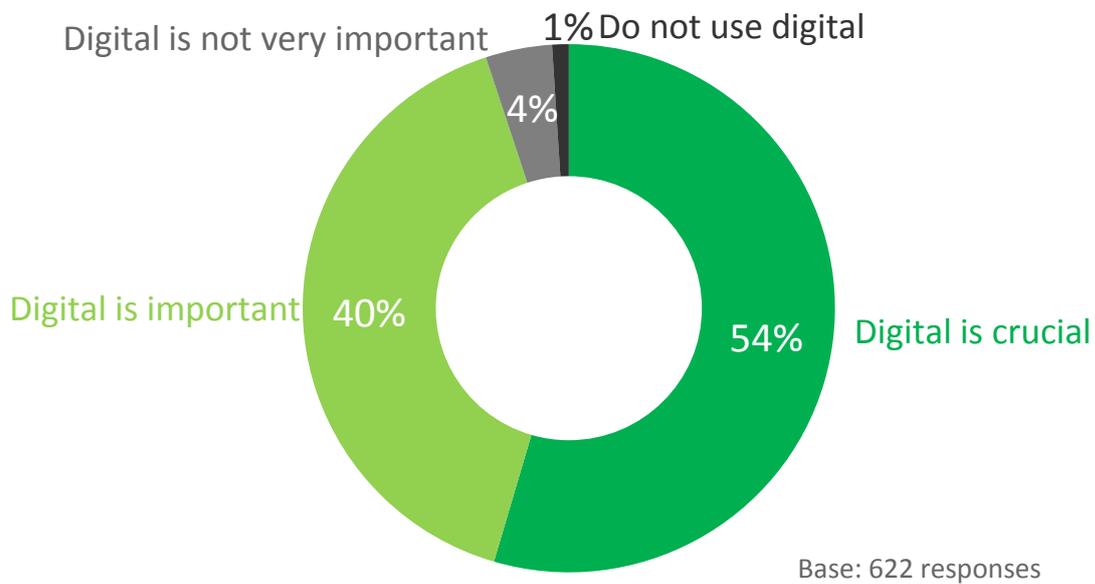


Figure 1 – Importance of digital to overall advertising strategy

The digital world brings challenges and opportunities as brands seek to engage their audience across many different channels, through a multitude of devices and at any and all times of day. Now is the age of the always-on, always-connected consumer whose attention span is shrinking ever shorter and whose access to information has redefined the path to purchase.

Digital is the new frontline of the consumer experience. If you can't identify and reach your consumer online at just the point where they are receptive to your message, then someone else can and will.

## 2. Money can't buy you love

The good news for those clutching the purse strings is that you don't need the deepest pockets to win. There was a time when media was in short supply and the big brands could effectively own the consumer if the budget was large enough. Today, media is almost infinite, money no longer guarantees success and it's not enough to just be seen – brands have to be relevant in their context to have any chance of cutting through the clutter and engaging their audience.

**Targeting**  
=  
**success**

In our research, advertising and marketing professionals were emphatic that budget is no longer a key differentiator in campaign success. Of course, almost every campaign could be made better if there was a bit more money for creative or to push the reach just a bit further; but this no longer determines success. In today's world brands can reach and engage individuals like never before and it is this ability to understand and respond to buying signals that drives advertising effectiveness. Thus, while only 5% attribute success to a big budget, 24% describe targeting as the most important factor, with creativity in second place at 18% (Figure 2).

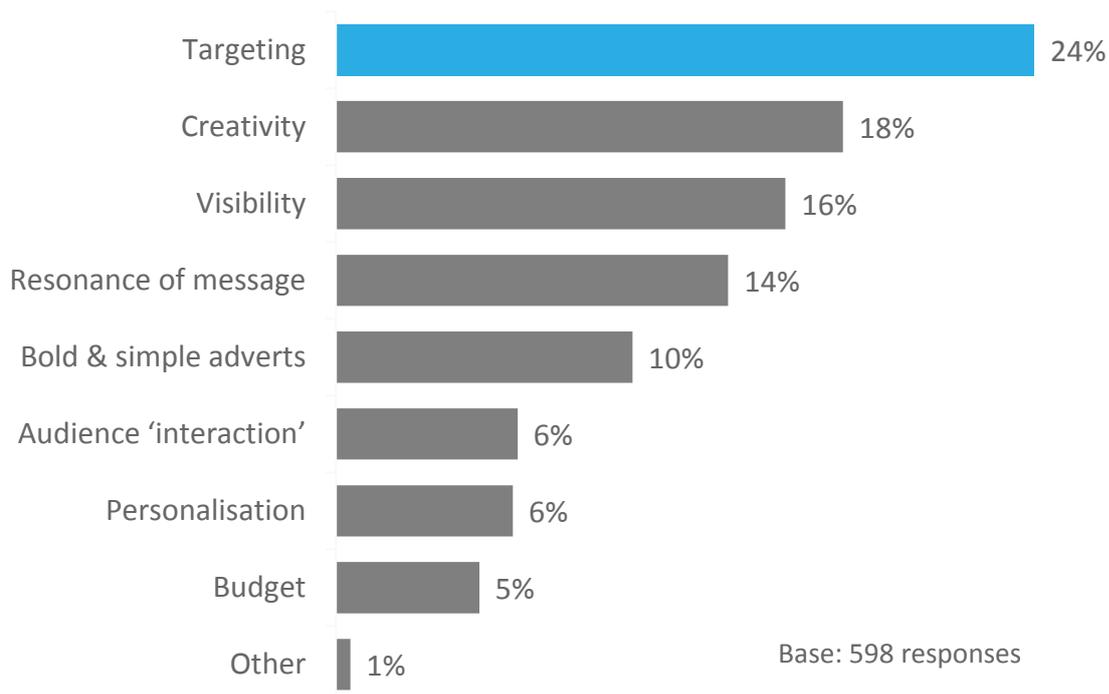


Figure 2 – Most important factor behind a successful advertising campaign

### 3. Convergence in a real-time world

Since the first banner advert appeared in 1994, digital has held the promise of much better targeting than had ever been achieved in conventional media, where the use of the socio-demographic profile of the audience was an essential proxy for campaign targeting. However, Display advertising has struggled to deliver on this promise, largely because buying habits were carried over from traditional media. Even today, the traditional I/O is the dominant media buying tool and over half of all respondents still rely on geo-demographic targeting. As a result, Search and Social have grown faster than Display advertising and have been 'front of mind' for most of the last decade when marketers plan their digital strategies.

#### **Display growing faster than Search**

But there are signs of a change. The 2013 AdEx Benchmark results indicate that over the past year Display advertising grew faster than Search at 14.9%, to account for more than €9.2 billion in spend.

The acceleration of Display spending is indicative of major changes in the European media landscape over recent years:

- Advertising is no longer dependent on media as a proxy for audience; but can be bought and sold at an impression level basis, i.e. targeting a single user
- Social media is no longer free, with new advertising formats emerging and proving essential to sustain reach
- Mobile advertising is growing, bringing new opportunities to market
- Measurement and analytics are improving
- Organisations are accelerating to real-time consumer engagement

Real-time blurs the lines between Owned, Earned and Paid media with integrated planning now breaking down internal silos.

#### **Pioneers target social behaviour & attitudes**

The more advanced respondents in the research are using social behaviour (25%) or declared attitudes and opinions (21%) to shape their digital strategy as they start to harness and use data in real-time across their many digital touch points.

## 4. Real-time requires a data-driven mindset

Real-time targeting is all well and good; but try achieving it within a conventional media plan and it doesn't take long for the cracks to appear. Where the twitter war-room might work for the SuperBowl or the Oscars, it's not scalable for every day.

**Programmatic =  
competitive  
advantage**

The much-hyped but nonetheless real wave of 'Big Data' is changing the way that marketers think about engagement possibilities and the context of the customer conversation. What started as website analytics and evolved into social media listening is now the opportunity to 'listen' to billions of digital touch points across the global web as they happen. Thus the scale and complexity of targeting the right customer at the right time and in the right context exceeds the conventional media plan. In fact, it exceeds any manual process.

In our research, over half of all professionals (54%) state that they see improved targeting as a key benefit of programmatic, and two-thirds (70%) of organisations that have adopted programmatic did so in order to gain a competitive advantage.

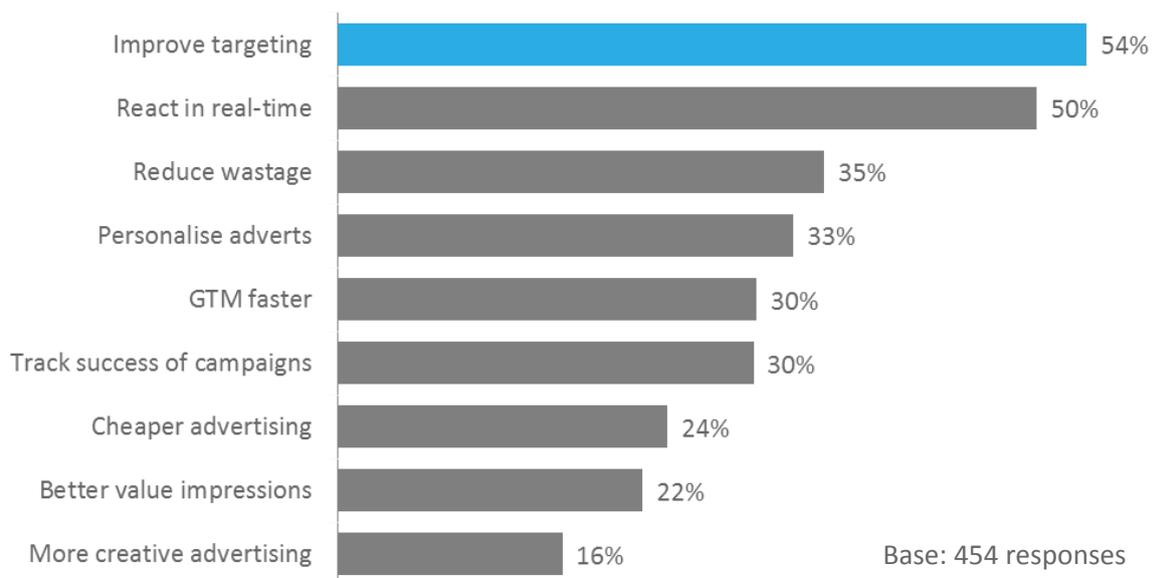


Figure 3 – Key benefits of programmatic advertising

In addition to improved targeting and reacting in real-time, organisations occupying different spaces across the ecosystem recognise specific benefits:

- Buy-side media agencies see improving the way impressions are valued as a major attraction (34%)
- Marketers rejoice in increased personalisation (38%), reduced wastage (38%) and better tracking of campaign success (38%)
- Publishers value an improved ability to go to market faster (38%)

## 5. Programmatic answers the real-time question – that’s WHY it’s growing.

Because programmatic transforms the way that brands can use paid media – integrates it and aligns it to the wider marketing engagement and makes it as accountable as search and social – it’s growing fast! In fact, nine in ten respondents (89%) are convinced that programmatic is the future of digital advertising – one third (30%) think it will be truly dominant – even when they may have reservations about their own organisation’s ability to leverage this (Figure 4).

**Programmatic data enhances real-time business performance**

The wealth of data collected via programmatic is also being used to enhance business performance in real-time, from evaluating the success of campaigns (71%), to helping to determine strategy for future campaigns (80%) and informing overall strategic decisions (56%). Programmatic isn’t just a way of displaying ads – it’s a way of harnessing big data and putting it to work for business growth.

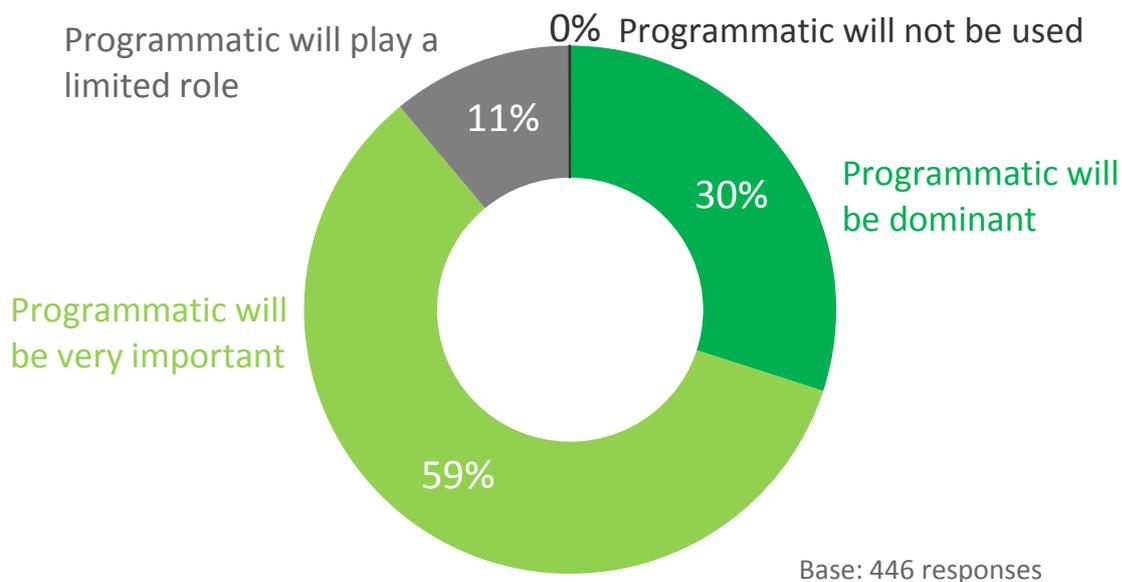


Figure 4 – Role of programmatic in the future of digital advertising

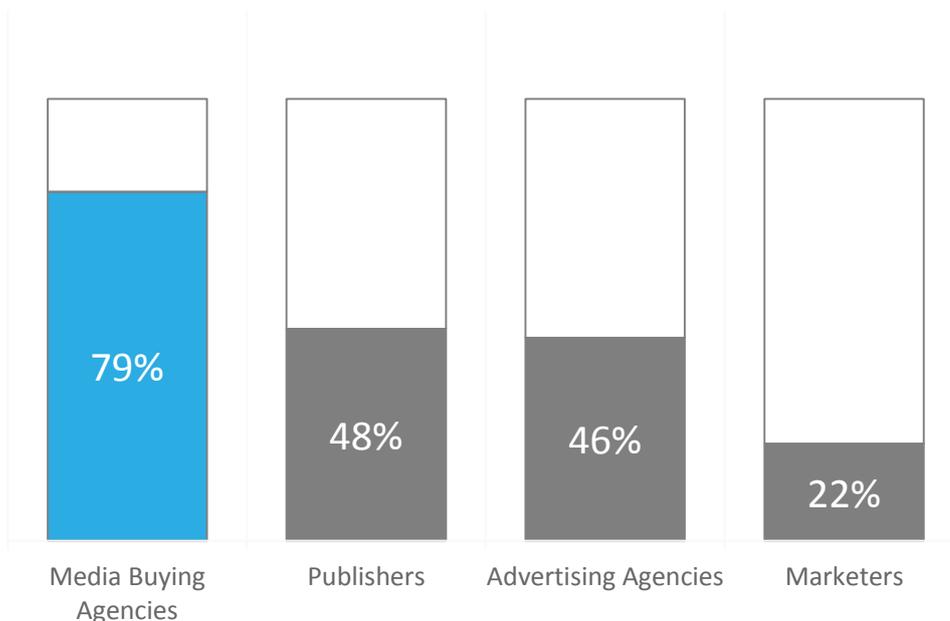
## 6. Getting to grips with programmatic

Despite programmatic's obvious momentum, the research shows that current adoption is far from evenly spread.

**More marketers have never heard of programmatic than use it**

Not unexpectedly, media buying teams are leading the way. Programmatic emerged first as a better way of buying and selling fragmented and remnant publisher inventory – the stuff that wasn't being sold by the direct sales team and was of uncertain value. Real-time Bidding's (RTB) auction format was an effective way to value that inventory and ensure that it generated revenue. Because it valued the specific impression, the process had to happen in real-time and value was derived from what was known about the user not the domain on which the ad was displayed.

So, today, 79% of media buying agencies are using programmatic, compared to 46 % of general advertising agencies and 22% of marketers (Figure 5).



Base: 617 responses

Figure 5 – Current use of programmatic by organisation type

With the greatest exposure, Media Buyers have built the deepest understanding of how programmatic works and where it is best deployed (77%). Only half of advertising agencies (52%) and publishers (53%) feel they have a quite good understanding of programmatic, with marketers further behind at 38%.

This disconnect between media buyers and the marketers they serve is potentially the most significant constraint on the move towards integrated real-time marketing. Whilst it's possible to argue that marketers don't need to understand or implement programmatic strategies when their agencies are there to do it for them, the fact that one in four marketers (25%) in the survey had never previously heard of programmatic means they cannot properly plan the role of advertising within their broader strategy. They do not know how digital advertising can

now extend the impact of TV through synchronised campaign bursts; or how real-time social initiatives can be shared with a much wider audience.

**Disconnect  
between media  
buying agencies  
and marketers**

In short, too few marketers understand the potential scale and speed of today’s advertising and will not properly allocate budget for the media agency to really change the game.

To overcome these hurdles, organisations will need to move quickly to put programmatic strategies in place – something that fewer than half (42%) have so far managed to do (Figure 6).

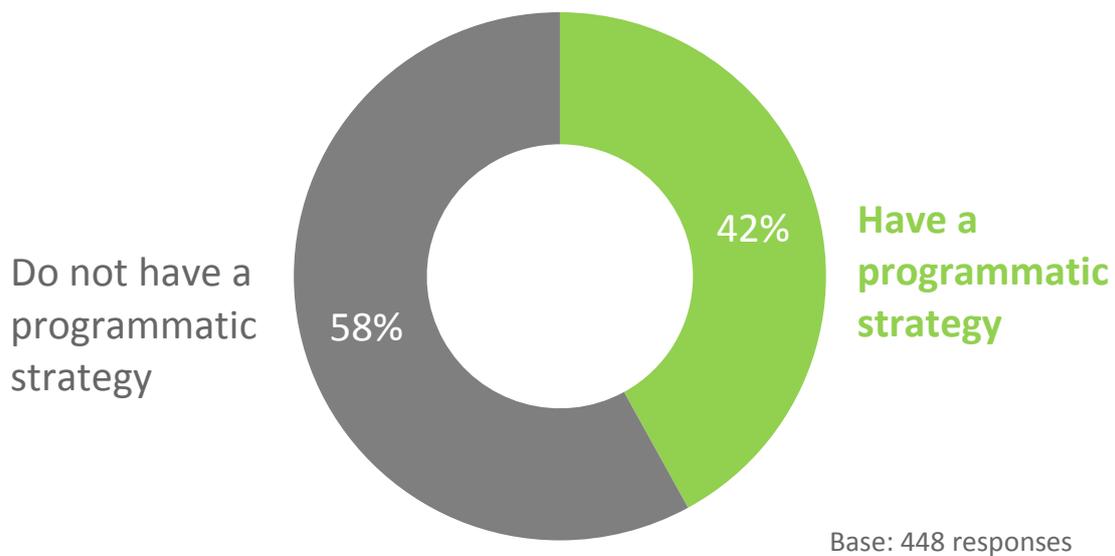


Figure 6 – Existence of programmatic strategies

## 7. Navigating the obstacles

Of those not using programmatic, one of the biggest barriers is a skills shortage within their company (29%), together with a lack of budget available (26%) and worries over transparency (13%).

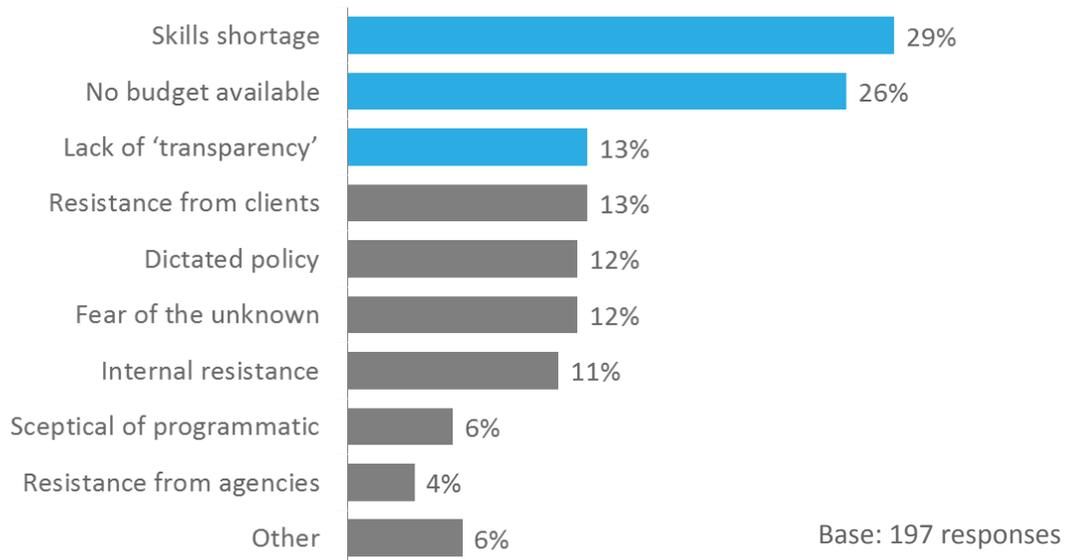


Figure 7 – Barriers preventing programmatic adoption

The ecosystem will need to overcome these barriers in order to harness the true potential of programmatic, so let's look at each of the three top barriers in more detail...

## i. Skills shortages

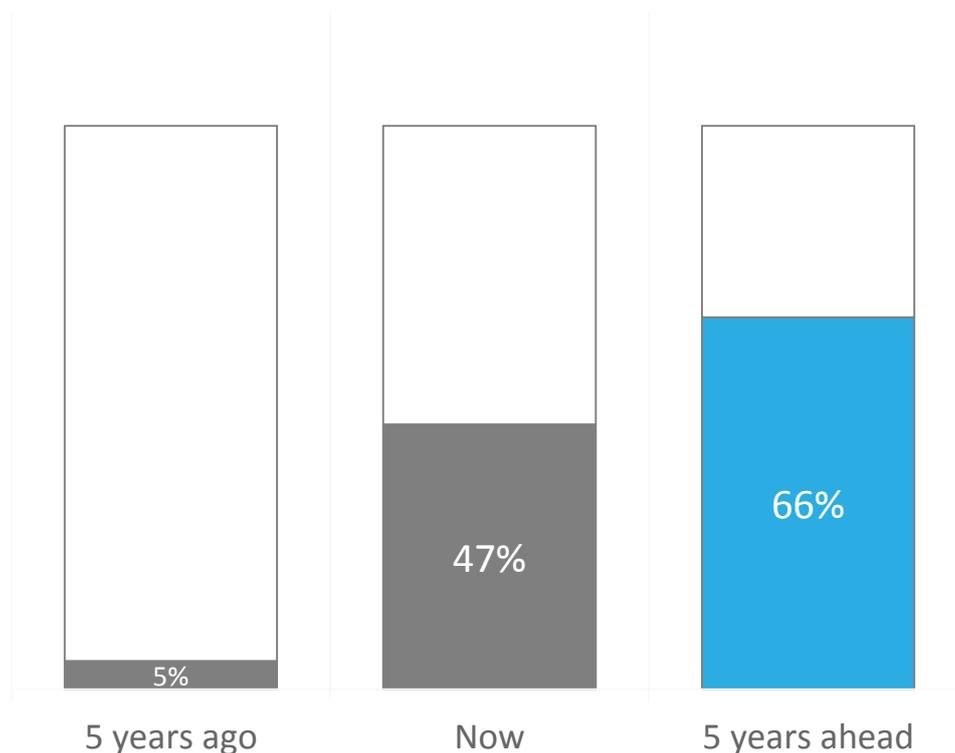
By its very nature, programmatic requires a level of technical expertise that is outside of the traditional agency or marketing skillset. However, as marketing has become a more analytical profession over the last decade; the advertising industry is seeing an influx of

**Skills shortages plague France, Benelux & Southern Europe**

talent from social media and search as well as 'big data' analysts that would at one time have traded equities. However, one third (29%) of those who are not using programmatic are deterred from doing so by a skills shortage within their company with the situation particularly acute in France and Benelux (34%) and Southern Europe (36%).

Perhaps it should also therefore come as no surprise that half (51%) of those who do use programmatic rely on outsourcing to help meet their needs.

So where will future programmatic capabilities come from? Professionals suggest that it should be advertising agencies that rise to the challenge. Half (50%) believe that advertising agencies will coordinate both the creative and the technical aspects of programmatic in the future, thus making good knowledge of programmatic a vital pre-requisite for a successful advertising agency (66%).



Base: 401 responses

Figure 8 – Importance of advertising agencies having strong programmatic knowledge

## ii. Budget battles

**One quarter of non-adopters held back by lack of budget**

One quarter (26%) of organisations yet to take the programmatic plunge are held back by lack of budget.

Given that digital advertising budgets are growing across Europe this is an interesting anomaly. However, it reflects the current 'silo' approach of traditional media planning. The good news is that this shouldn't last for long. As programmatic

continues to grow and becomes the enabling technology for all kinds of media transactions, it will cease to exist as a line item where specific budget allocation is required and will become instead the de facto method by which the whole plan is executed. As a result, budget will no longer be allocated to programmatic initiatives but rather the whole plan will be delivered programmatically.

It is also possible that at this point in time, the cost of change to programmatic ways of working is causing some of this hesitation. However, as early adopters are able to prove their competitive advantage, and as innovation around SaaS business models continues to lower the cost of adoption, the budget will become less of an issue.

Already, this research suggests that the benefits of programmatic are clearly established with nine in ten (89%) industry professionals thinking programmatic will be a very important part of digital advertising in five years' time; one third (30%) thinking it will be dominant. Budgets will be found... and quickly.

### iii. Trust issues

Digital advertising is a complex ecosystem and programmatic has, for many, added a new layer of complexity to relationships and concerns around channel conflict. While the original RTB model gave publishers a better way to monetise inventory, it was also criticised for potentially driving down overall prices. What this research shows is that programmatic is developing differently across Europe to address the very different regional ecosystems.

**German media buyers want more freedom...**

In Germany for example media buyers are looking for more freedom in the way they work (59%); whereas in the UK and France they are looking for greater specification from the client (58% and 40% respectively). Furthermore, in Germany – a country that has traditionally placed great emphasis on personal contacts – the buyer/seller relationship seems more collaborative than in other regions with greater confidence from all parties in the established process.

**...UK, France and Benelux want greater specification**

In the UK, greater use of both internal and 3<sup>rd</sup> party data in programmatic activity (50% higher than Germany) makes the relationship between buyer and seller more data-driven; with robust feedback loops.

Regardless though of the exact nature of the relationships in each country, at a European level, nearly all professionals (92%) feel that the relationship between buyers and sellers of digital property is not completely transparent. In fact, over half (57%) say that the relationship is combative (Figure 9). While healthy competition is beneficial, ultimately organisations will need to work together much more closely to achieve the best results. As programmatic evolves from transactional RTB toward better enabling Deals and Direct transactions, it will be interesting to see how this develops in the years to come.

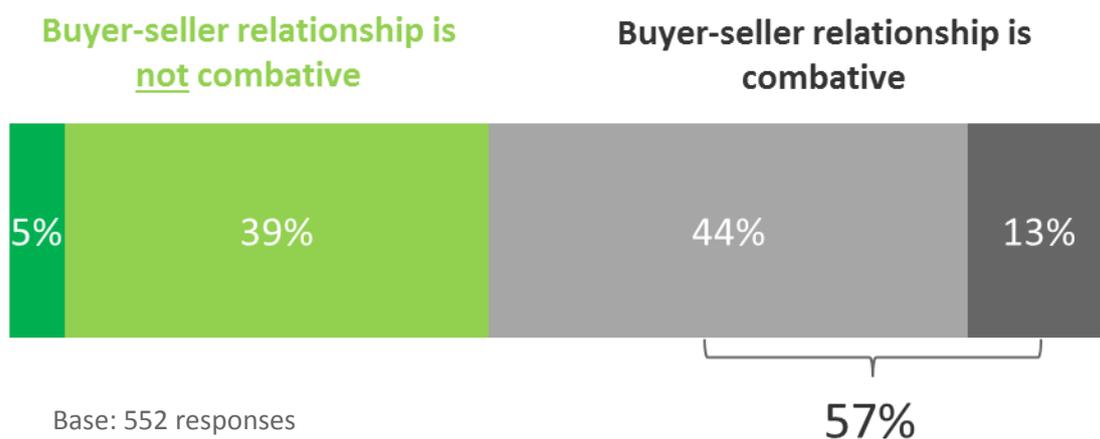


Figure 9 – Combative nature of buyer-seller relationship

## 8. Conclusions

Programmatic technology has come a long way over the past 8 years, on its journey to being understood and embraced by all corners of the advertising ecosystem. This study has given us a clearer view on WHY programmatic is expected to grow so fast and HOW publishers, marketers and agencies are already using it effectively across Europe.

The programmatic approach is making it possible for digital advertising to be as dynamic as social and as accountable as search. As boundaries between Owned, Earned and Paid media blur and digital moves front and centre in the battle for consumer attention, programmatic becomes the key to effective real-time engagement at scale.

But there is still much room for improvement. While media agencies lead the charge, with a clear understanding of the benefits to their clients of better targeting and the ability to make real-time adjustments, publishers have been held back by their lack of knowledge, and marketers by skills shortages, budget battles and trust barriers. Although the early adoption and innovation has been amongst media buyers, programmatic is much more than a media buying tool – only when marketers recognise the benefits it can bring will the advertising industry be ready to capitalise on its full potential.

As consumers shift to mobile multi-screen engagement and advertisers follow; the scale and complexity of the digital landscape will only increase. While programmatic has brought clear benefits to the early adopters, it is fast becoming not just advantageous but essential for brands to compete in a real-time world.

So it is more vital than ever for all parts of the ecosystem to grasp the opportunity with both hands, and put a programmatic strategy in place; based on an understanding of WHY programmatic is so important and HOW to make it work for them.

We hope that this research is a useful part of that process.

