ExchangeWire research

Video Formats, Private Marketplaces and Location-Enabled Buying will Dominate Mobile Advertising in 2016

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EXECUTIVE SUMMARY

Recent figures released by ZenithOptimedia predict that between 2015-2018 mobile video will grow at an average of 32% year-on-year, accounting for 87% of advertising spend in the global market. Indeed, a recent Boston Consulting Group Report highlights that mobile is the fastest-adopted technology of all time, with three billion new handset connections since 2000.

This report provides a detailed breakdown of Rubicon Project's Fourth Annual Global Mobile Advertising Survey for 2016 which - for the first time - also includes responses from 195 premium publishers and mobile app developers (media sellers) around the world. It documents senior advertising buyers' and media sellers' views on current market conditions, the latest trends that they are observing in mobile media and marketing, and their predictions for the year ahead.

Globally, advertising buyers - including brands, advertising agencies and programmatic buyers such as Demand Side Platforms (DSPs) and Agency Trading Desks (ATDs) - indicated that they would increase their spending in programmatic mobile private marketplaces by 27% in aggregate this year. In fact, in 2016, a staggering half of brands surveyed predict they will spend between 81-90% of their mobile budget in programmatic private marketplaces (PMPs).

All buyers in APAC, North America, and LATAM further predicted that their spend on mobile video advertising would increase in 2016. In EMEA, 90% of buyers indicated that their spend on video advertising would increase in 2016. In another breakthrough result, in 2016, three quarters of brand buyers told us that between 81%-100% of their mobile buys will be location-enabled in 2016

Meanwhile, surveyed for the first time in this series, a quarter of sellers stated that between 81%-100% of their inventory is currently location enabled.

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FOREWORD BY RUBICON

A recent Boston Consulting Group Report found that mobile is the fastest-adopted technology of all time, garnering three billion connections since 2000. The simultaneous rise of automated (or "programmatic") advertising has created a new $10 billion industry by simplifying the media buying process and streamlining the execution of advertising campaigns across the 3.17 billion digital consumers worldwide.

The Continued Flight to Quality

Sitting at the nexus of these two tectonic shifts, with a mission to automate the buying and selling of *all* advertising, we at Rubicon Project were not surprised to see the flight to quality reflected in this year's report, with brand direct buyers moving 80-100% of their mobile budgets into mobile private marketplaces.

After seeing mobile orders on our platform grow by 1,400% in 2015, it has become clear to us that these brand-safe environments, where buyers and sellers can easily come together and curate high quality audiences at scale, and transact on either a guaranteed or non-guaranteed basis (or some combination thereof), is fast becoming our industry's preferred means of conducting business.

2016: The Year of Mobile Native?

But what we do find surprising in this report - which comes from also surveying mobile media sellers for the first time - is that while brands and agencies alike plan to spend more on mobile native, the sellers we surveyed say they are seeing little to none of that budget come their way and that they aren't expecting to see it in 2016.

This confirms our early 2015 thesis that brands adoption of native units was being constrained to social media and messaging apps. To address this early on, we set to work helping the industry prepare for programmatic mobile native by co-authoring with the IAB the OpenRTB 2.3 spec for native ads and agreeing to power the InMobi Exchange.

Especially with the rise of ad blockers around the world, this report should read a clarion call to premium comScore publishers and mobile app developers everywhere.

These trusted publishers and popular apps have loyal audiences comprising the most attractive consumers anywhere in digital media. We know that brands trust these publishers and value their mobile audiences, because that is precisely what is driving that 1,400% growth in our mobile private marketplaces across mobile video, interstitials and other rich media formats.

Now is the time for sellers to get serious about their mobile app strategies, upgrade to one of the many app templates that support native ad formats, and work with us to court these brand dollars in earnest.

Success in the Year Ahead

Consumers today are more mobile than ever, checking their phones over 200 times per day on average. Beyond that, consumers are interacting with mobile advertising at unprecedented engagement rates that in years past we could only dream of.

Smart brands are capitalizing on this trend, clearly learning that if they offer these mobile natives engaging or entertaining content that feels organic to / adds value to their small screen experience, they can capture consumers' undivided attention.

As mobile continues to dominate the market, we look forward to working closely with these innovative brand direct buyers, their agency-based peers, programmatic buyers and mobile app developers alike to make 2016 the greatest year in mobile media and marketing yet.

Joe Prusz
SVP & Head of Mobile
Rubicon Project

METHODOLOGY AND SAMPLE

This report is based on a survey of 300 digital marketing professionals from around the world. Information about the survey was emailed to ExchangeWire's subscriber base of digital technology and marketing professionals, and promoted online via the ExchangeWire website, Twitter, and LinkedIn, during January 2016. Rubicon Project also distributed the survey to their clients and prospects - both buyers and sellers - around the world. Furthermore, ExchangeWire Research interviewed 4 senior marketing and technology professionals to get their unique insights and in-market perspectives on the findings.

ExchangeWire and Rubicon Project, the research sponsor, would like to thank those who took the time to complete the questionnaire.

Additionally, we would like to thank our interviewees:

- **Theo Theodorou,** *GM EMEA,* xAd
- **Lara Izlan,** *Digital Business and Strategy Analysis,* Auto Trader
- **Vincent Tessier,** *VP Demand Partnerships EMEA,* AdSquare
- **Ed Chater,** *GM,* Adbrain

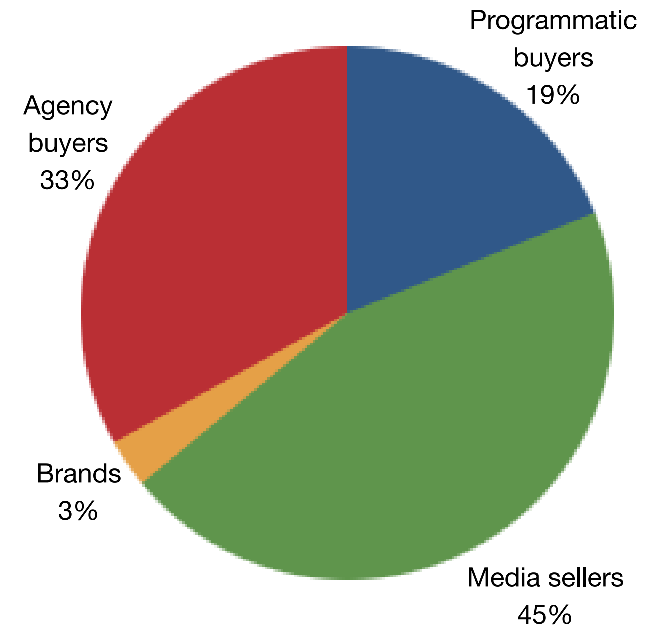
Survey respondents were asked to report which region they work in and also to categorise the company they work for. Respondents were then grouped by region.

*Figures may not add up due to rounding

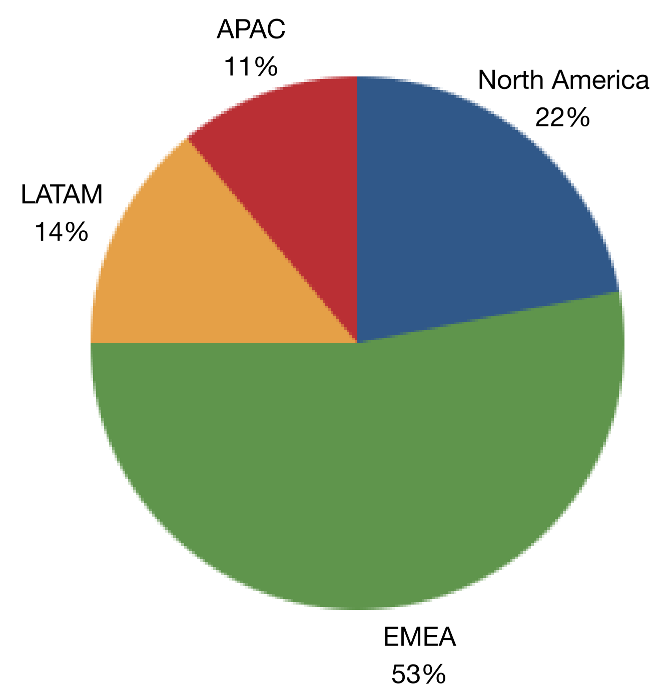
** Programmatic buyers includes DSPs, Agency trading desks (ATDs) and other programmatic buyers

If you have any questions about the research and methodology, please email ExchangeWire's Head of Research and Analysis, Rebecca Muir at rebecca@exchangewire.com

Distribution of respondents by organisation type



Regional distribution of respondents



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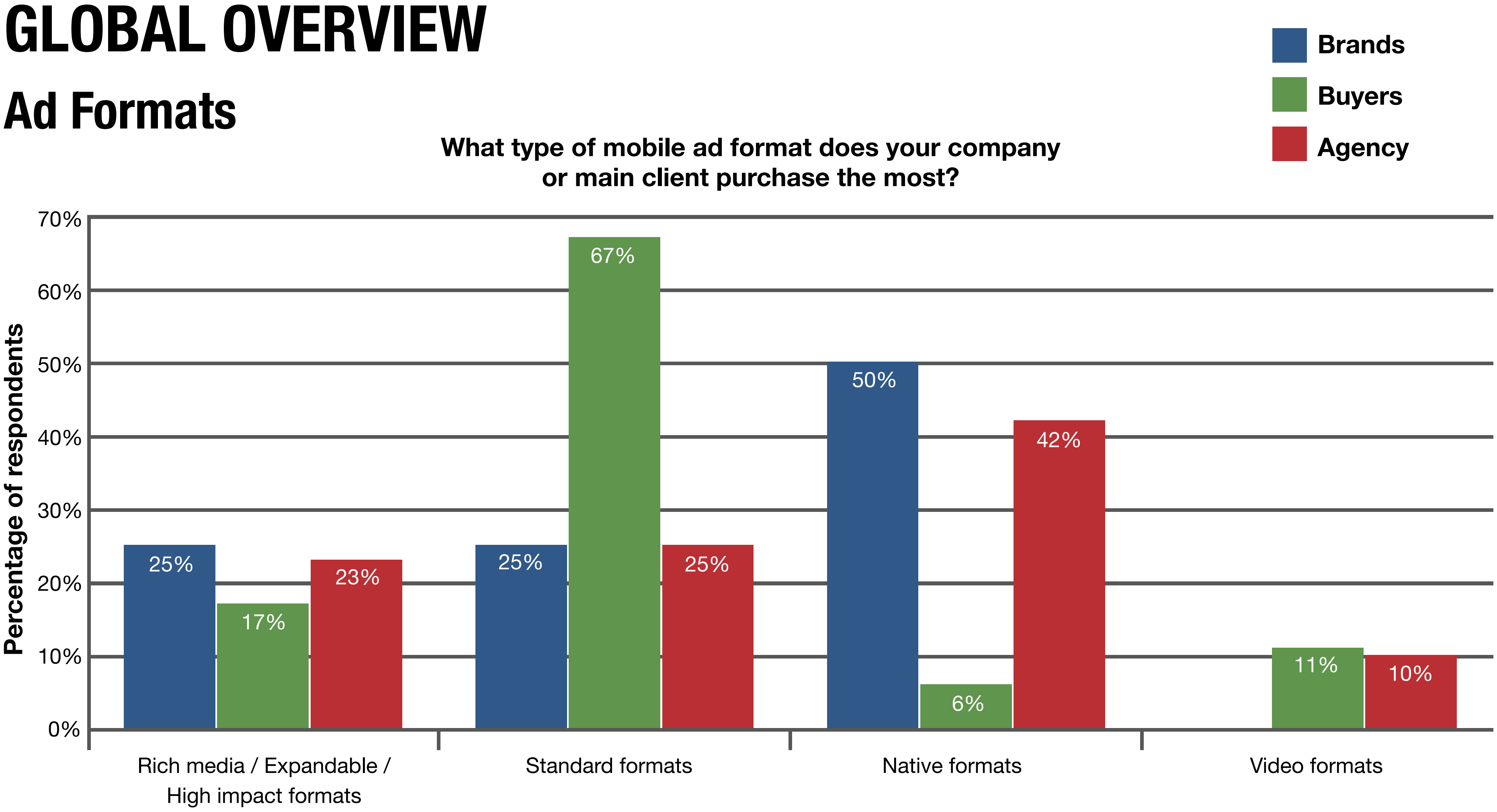
GLOBAL OVERVIEW

Ad Formats



Globally, half of brands stated that native advertising is the ad format that they purchase the most.

Just over 42% of agency buyers stated that native advertising is the most popular ad format they purchase, a 32% year-over-year increase.

This data points to the increased popularity in custom ad units, with publishers and app developers looking to generate more revenue from more engaging native formats.

Although the percentage breakout for video within both Agencies and Brands appears to lag behind other mobile ad formats, this can be attributed to current premium supply constraints in mobile. We expect that number to rise significantly with many premium publishers now rolling out bespoke video content and outstream video solutions.

Globally, a quarter of brand (25%) and agency buyers (23%) stated that standard formats were the most popular format that clients purchased, a 21% year-on-year decline. This data suggests that brands are looking to engage users with more personalised, contextually integrated messaging.

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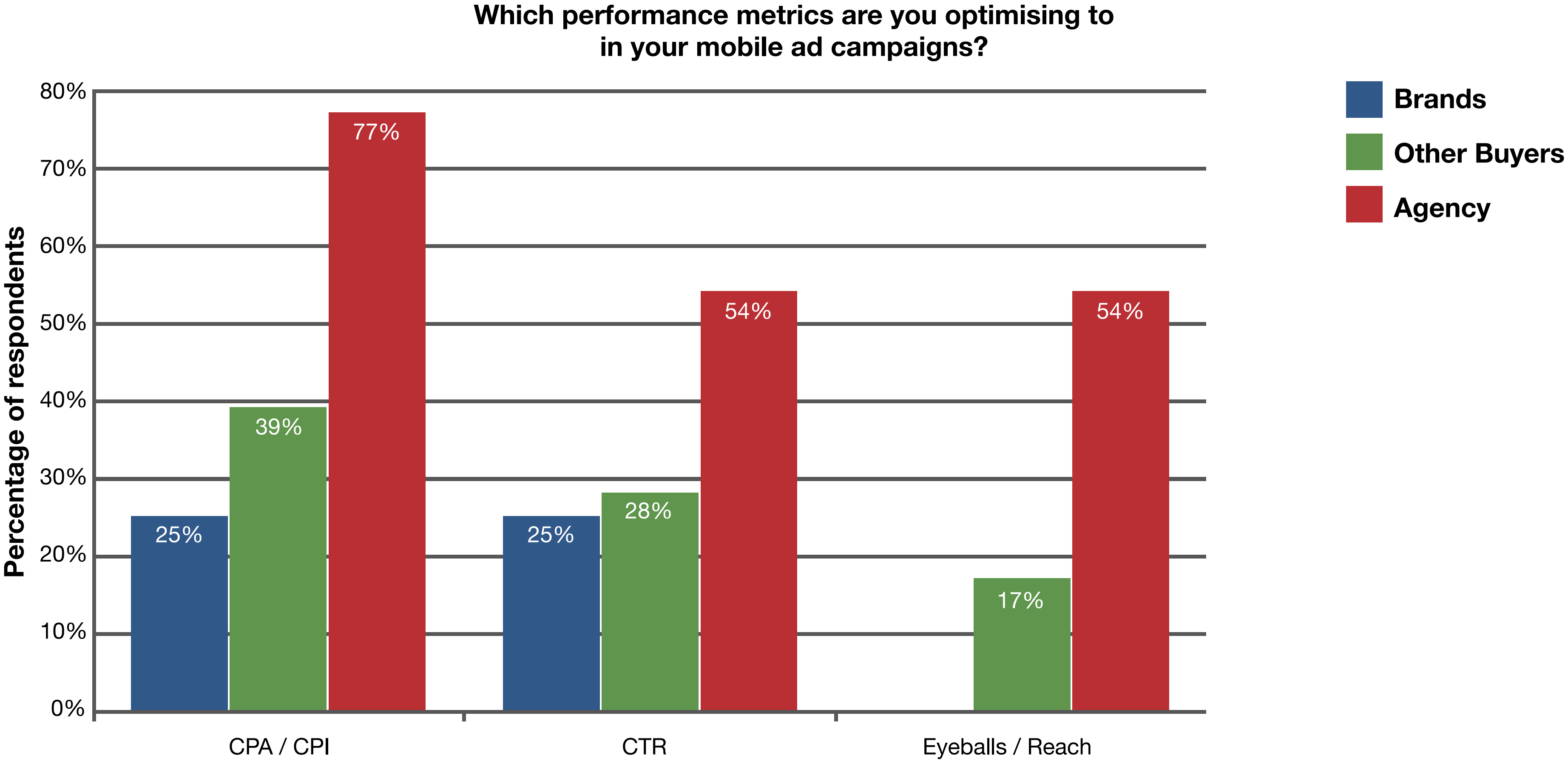
Performance Metrics



Agency buyers are shifting focus onto more action-based KPIs, particularly around Cost-Per-Action and Cost-Per-Install metrics (77% vs. 60%).

This suggests a maturation in the mobile display market as spend shifts to the mobile channel. The data suggests the mobile ad market is mirroring that of display, with an increasing focus from agency buyers on Direct Response (DR) models.

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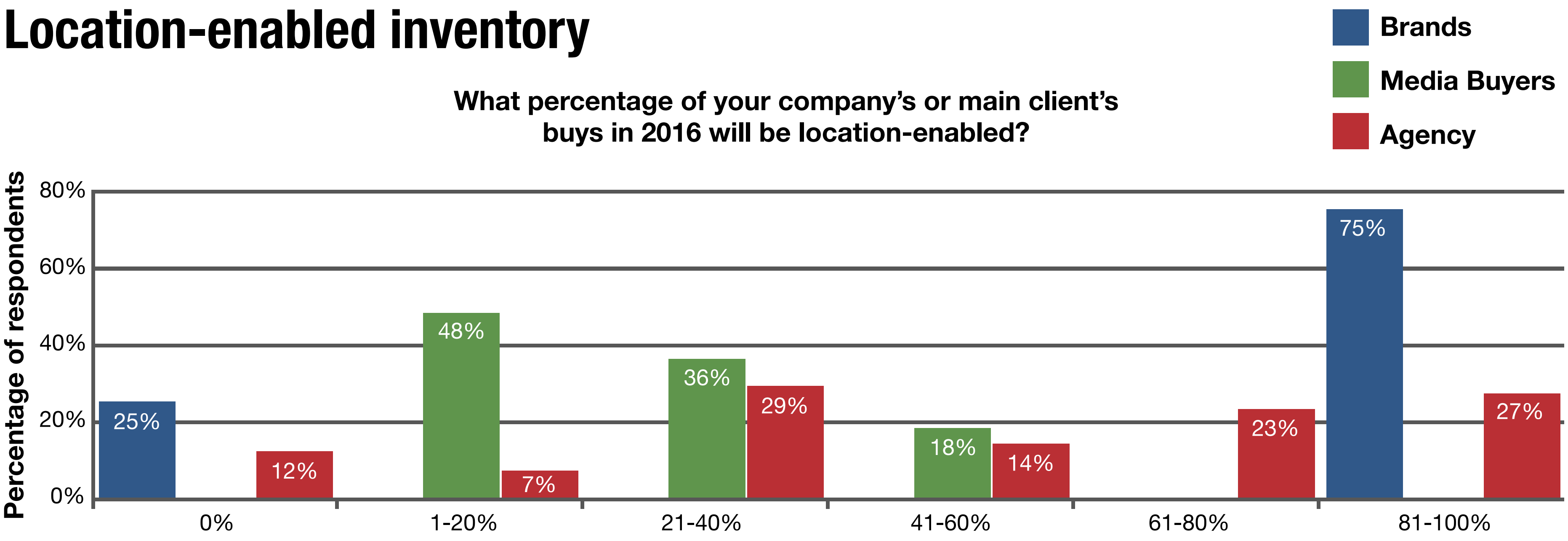
Location-enabled inventory



In 2016, three-quarters of brand buyers predicted that between 81%-100% of their mobile buys will be location-enabled. Location-enabled data is often used by brands to drive visitors into their stores. This may explain why brand buyers are purchasing a large percentage of location-enabled inventory, compared to agencies and other media buyers.

Over a quarter (27%) of agencies predicted that between 81%-100% of their mobile buys would be location-enabled in 2016.

Programmatic buyers (including DSPs and managed service solutions) use of location-based is on the increase, which indicates that more location-based data segments are being made available in the programmatic channel.

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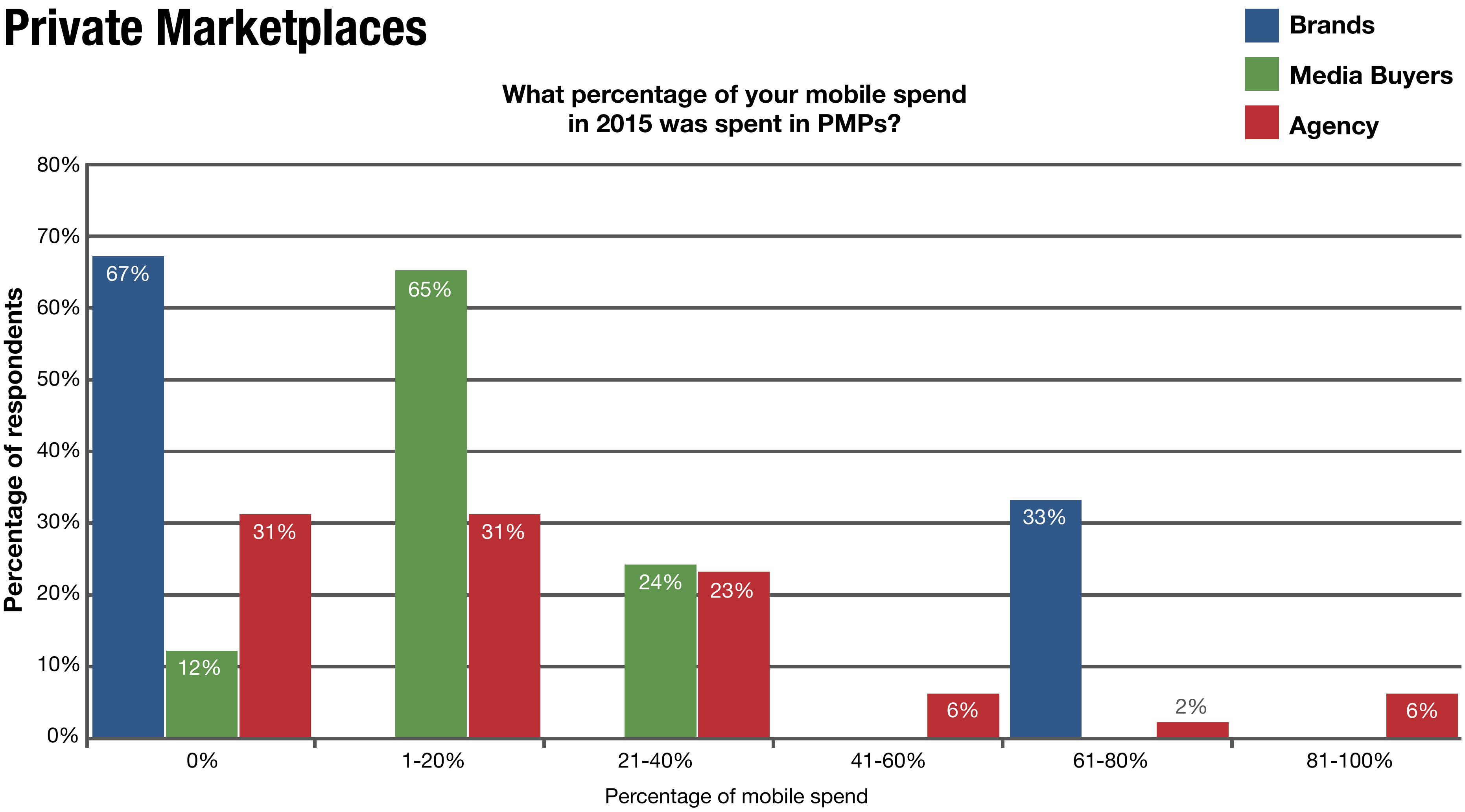
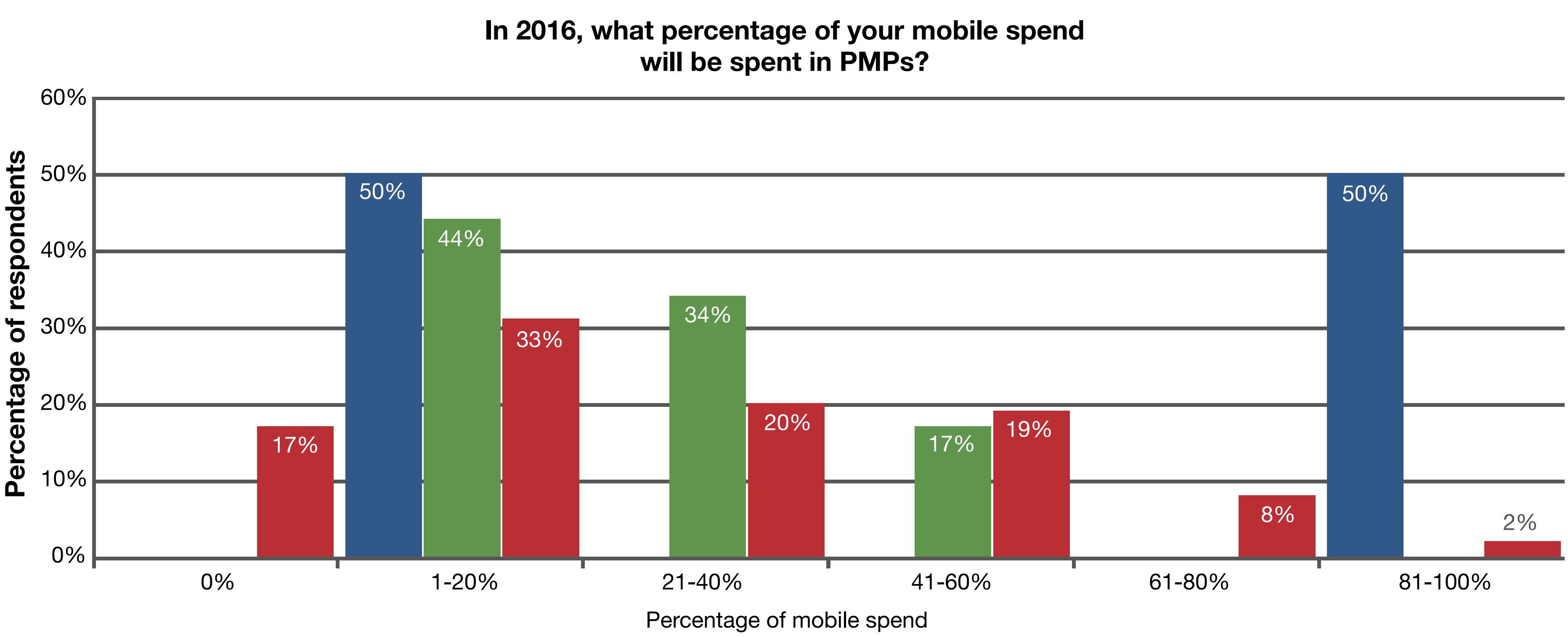
Private Marketplaces





Private Marketplaces

Globally, all mobile buyers predicted a dramatic increase in their Mobile PMP spending for 2016. Half of all brand buyers indicated that they would spend between 81%-100% of their mobile spend in PMPs.

Brand buyers are split into two groups when it comes to using PMPs: a) early adopters spending 80% of their budget or more in PMPs; and b) those spending up to 20% of their mobile spend in PMPs. This could suggest that big brand buyers are leveraging their buying heft to negotiate PMP deals with premium publishers; while other more DR-focused brands continue to see value in the open exchange model.

Agencies are transacting more of their ad spend through PMPs, but the percentage of this spend lags behind brands. Legacy relationships between agencies and publishers might explain this disparity in PMP spend.

The future of mobile

We asked our agency respondents to describe in one word what they were most excited about in mobile in 2016.

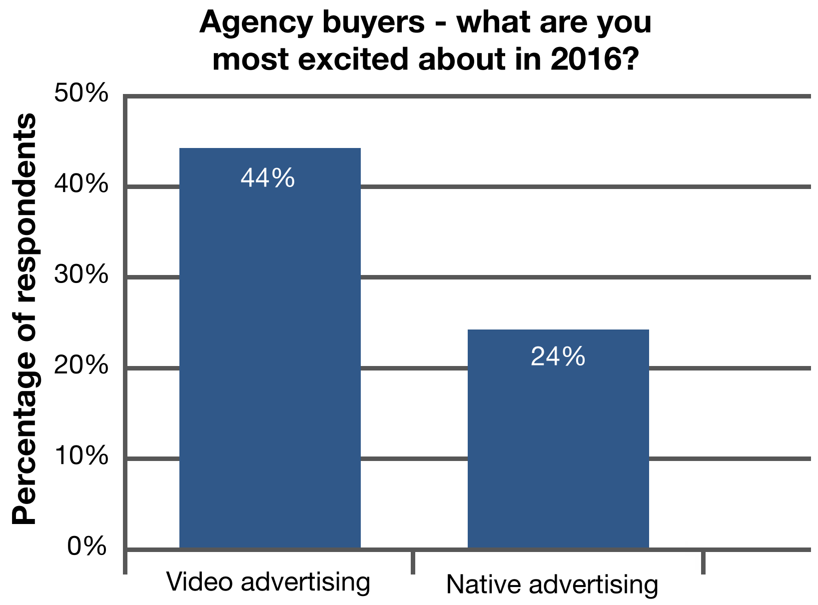
More than four-in-ten (44%) of all buyers highlighted video advertising as the ad format they were most excited about in 2016.

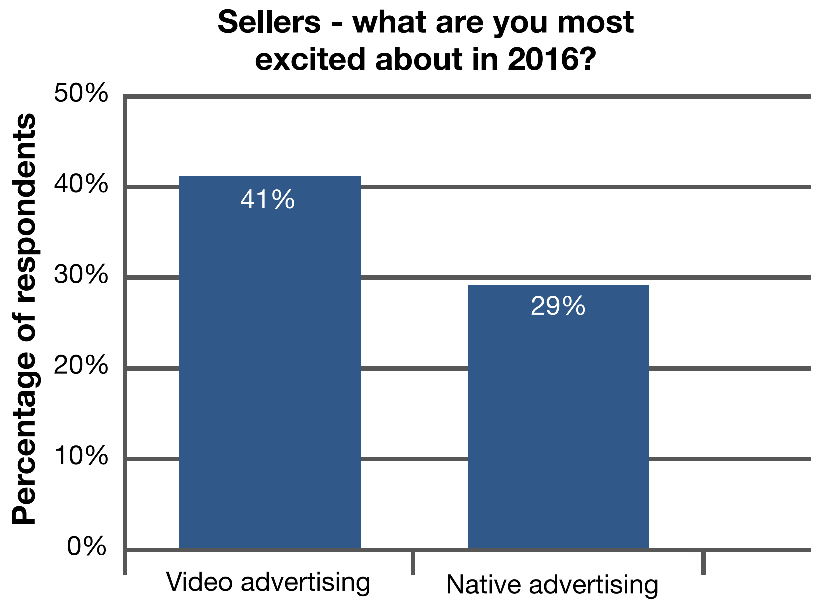
Just under a quarter (24%) of agency buyers highlighted that they were most excited about mobile native advertising.

Just under forty percent (38%) of brand respondents stated that they were most excited about mobile video advertising in 2016.

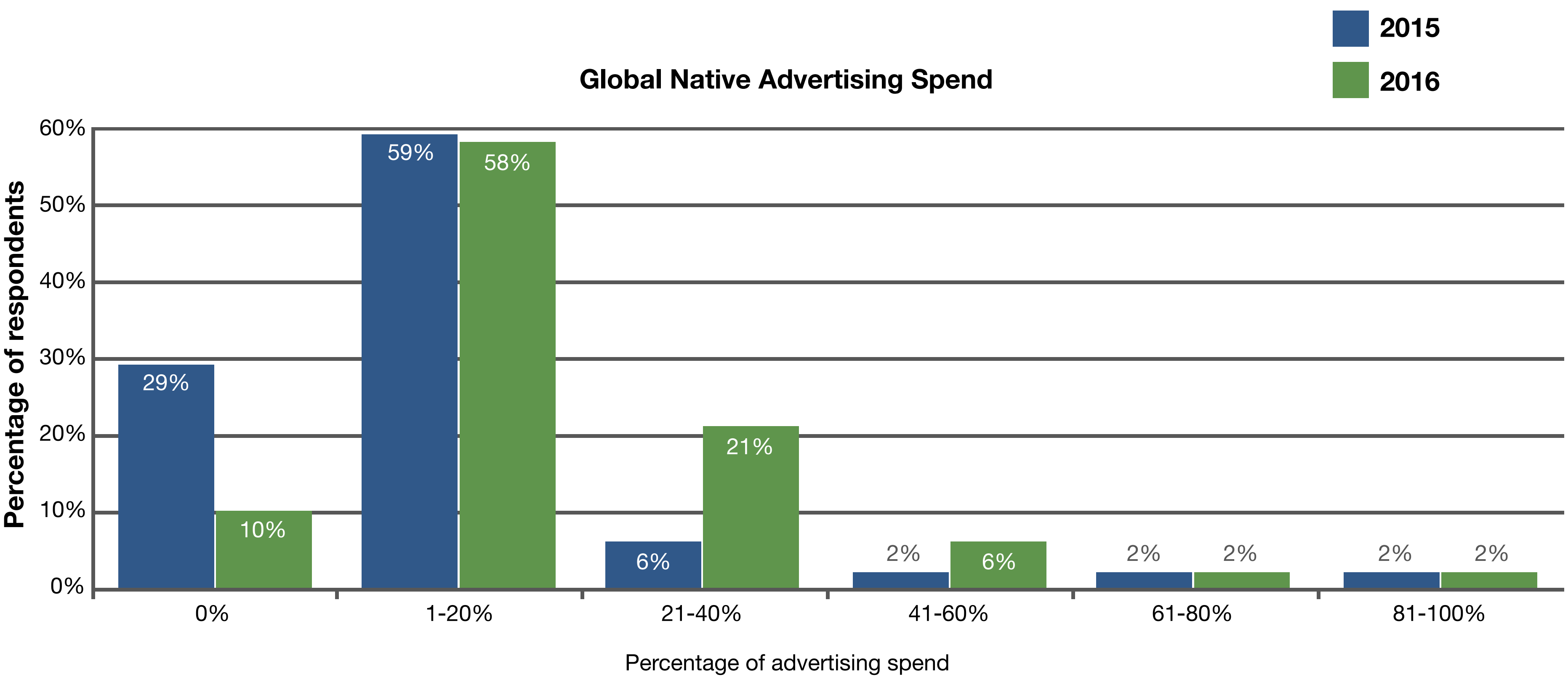
Similarly, more than forty percent (41%) of sellers high-lighted mobile video as the ad format they were most excited about in 2016.

Just under a third of sellers (29%) indicating that they were most excited about mobile native.





MOBILE BUYERS AROUND THE WORLD – AGENCY
Native Advertising

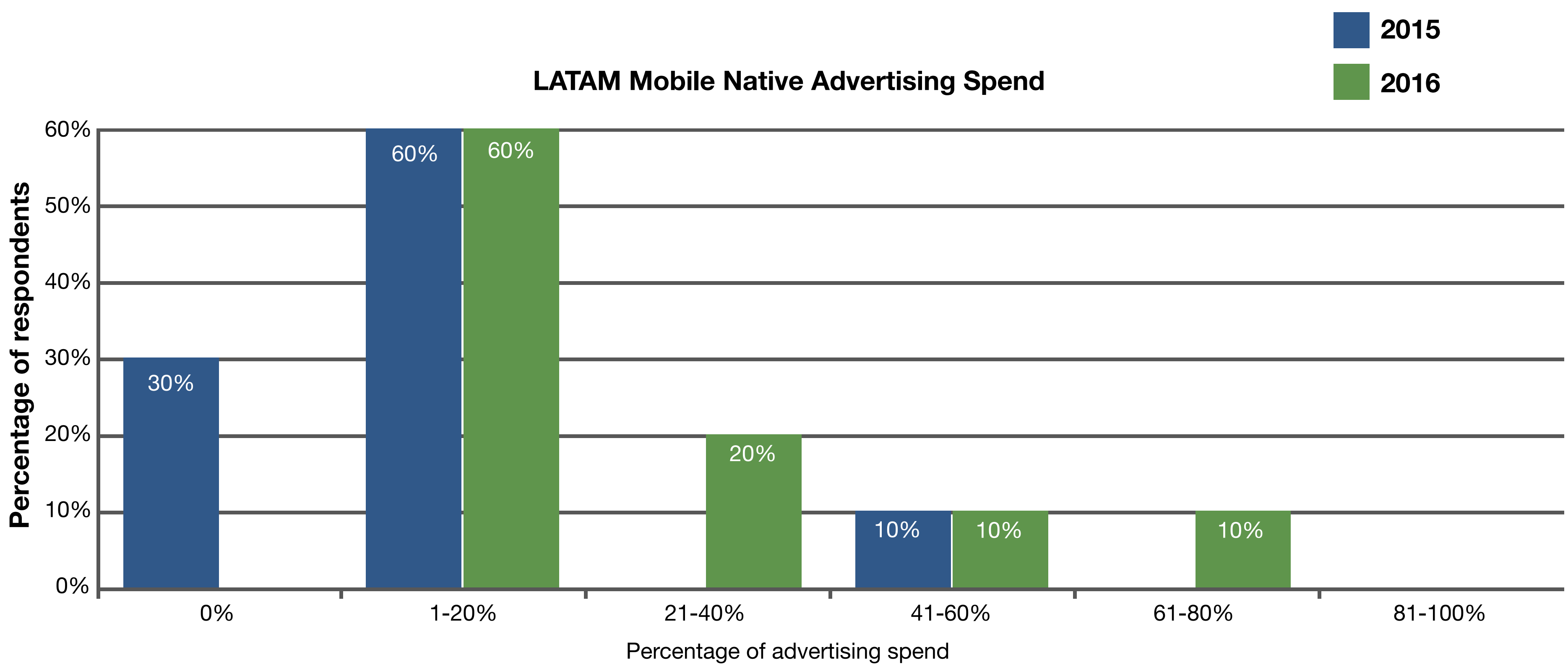


Globally, 89% of agency-based mobile buyers indicated that they would spend their mobile budget on native advertising in 2016, an 18% year-over-year increase.

The percentage of these buyers expecting to spend 21%-40% of their budget on native increased 15% year-over-year.

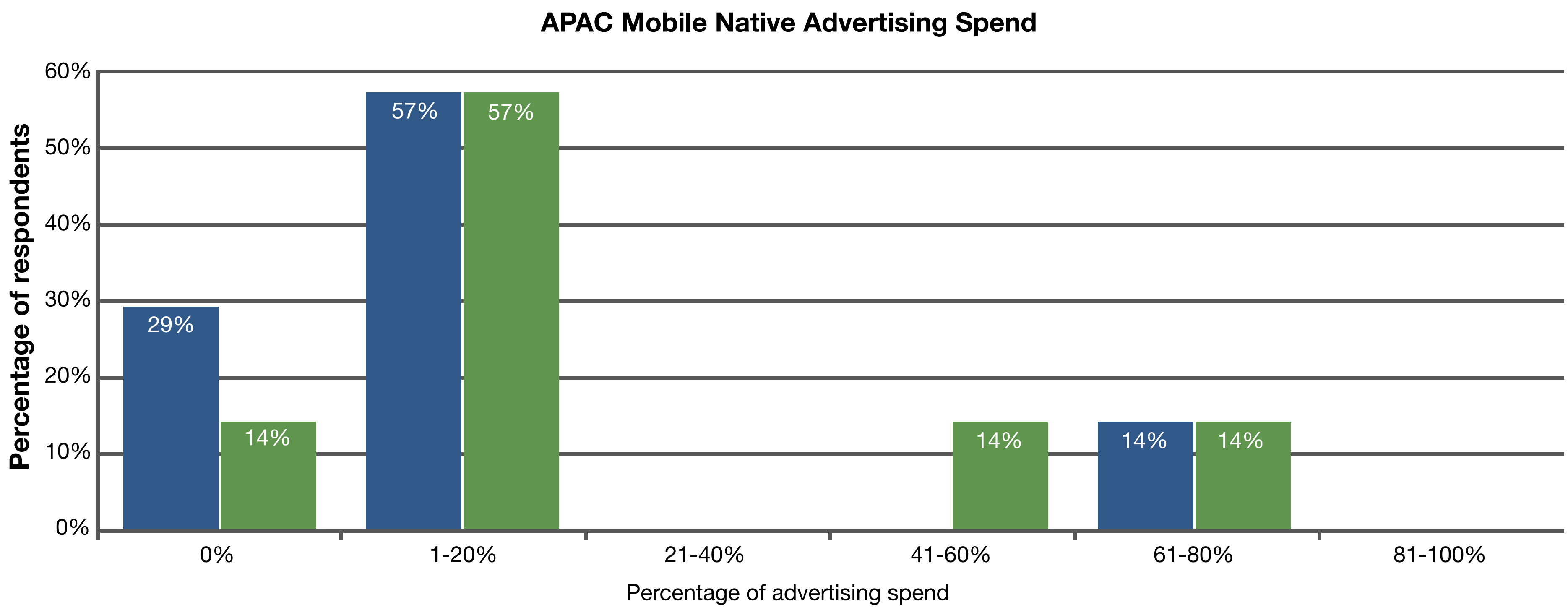
In LATAM, 60% of agency buyers indicated that they would spend more on native advertising in 2016, compared to 2015.

One explanation for LATAM's higher overall spend on native advertising is the prevalence of ad blockers in the region, with more than 6-in-10 (64%) consumers in Brazil downloading adblockers, according to recent research from Teads[5]. According to that research, native advertising is perceived as less intrusive than other forms of advertising in LATAM, with just 13% of consumers in Argentina finding this type of advertising intrusive.



In APAC, 28% of agency buyers predict that they will spend more than 41% of their mobile advertising budget on native advertising.

Only about half (57%) of agency buyers predict that they will spend just 1%-20% of their mobile advertising budget on native.



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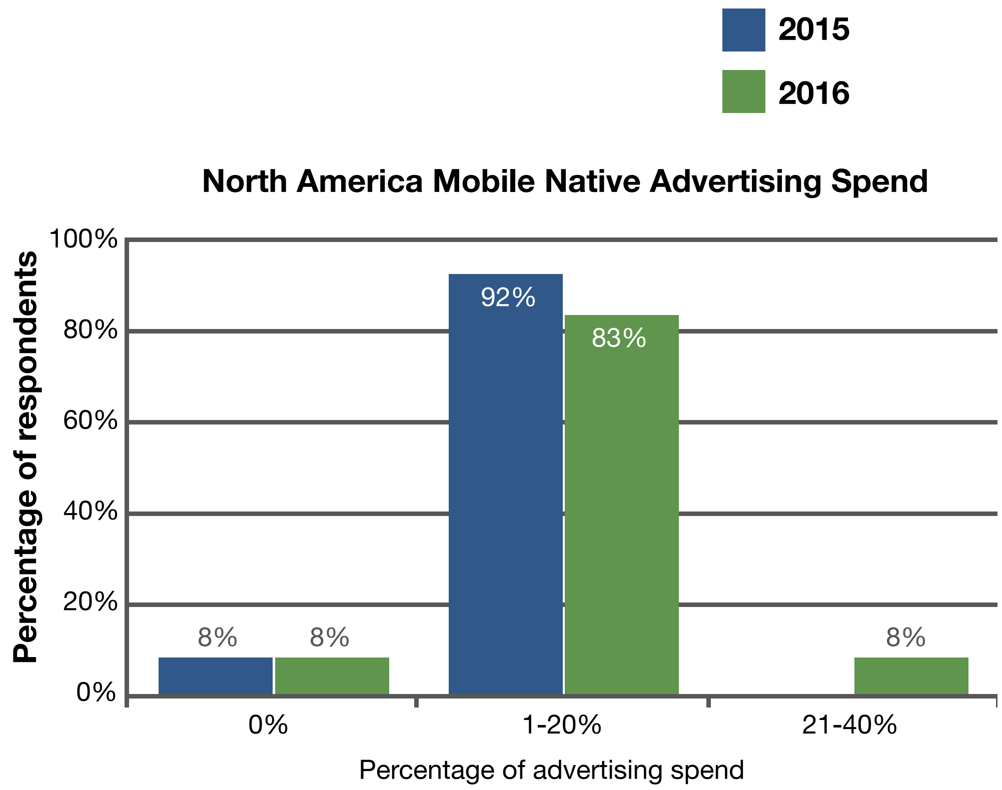
Globally, North America had the second highest % of agency buyers (92%) purchasing native advertising. The data shows an increased appetite among these agency buyers for native formats, with 8% now allocating 21%-40% of their media spend to native.

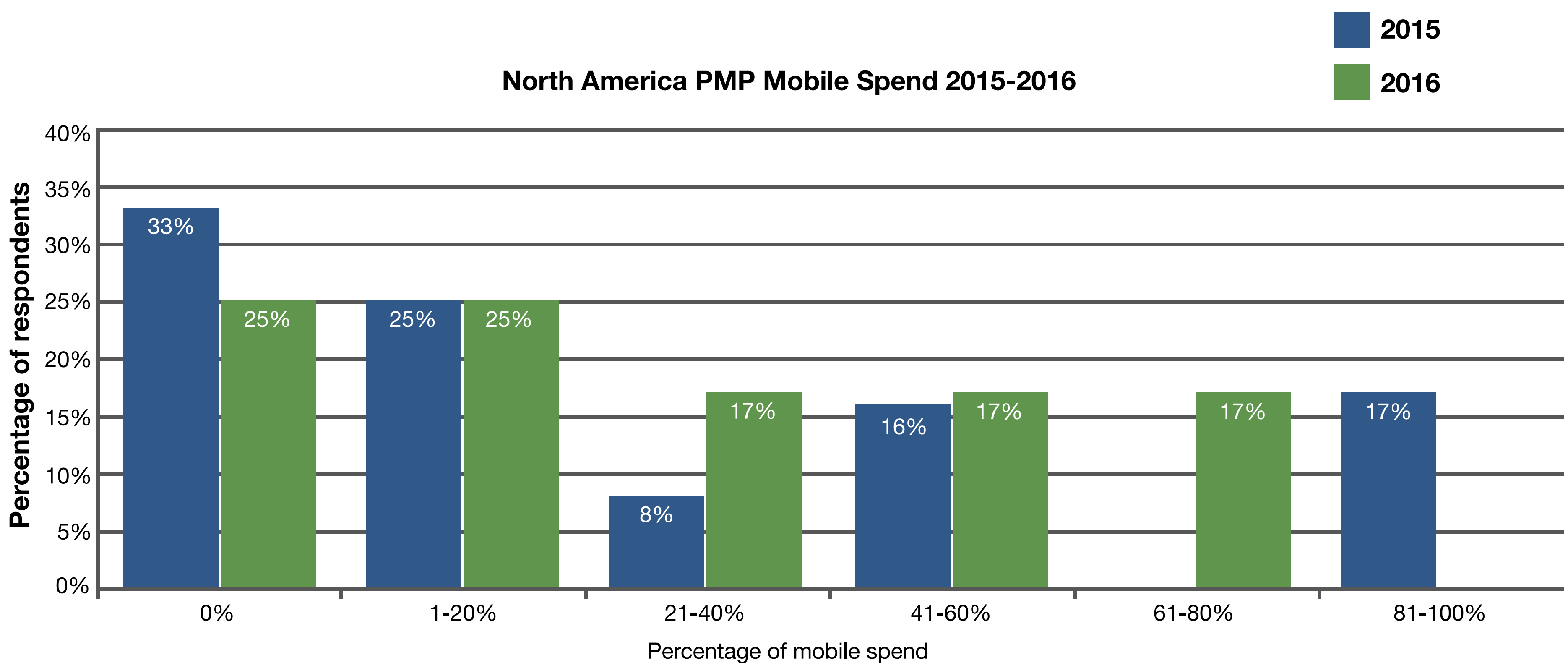


Private Marketplaces

Across all markets, agency buyers predicted that their spend on PMPs would increase in 2016. This finding highlights buyer's' interest in shifting budget allocation towards more premium mobile inventory.

In 2015, in North America, one-third of agency respondents spent more than 41% of their mobile spend in PMPs. This was the highest figure globally for that year (APAC 14%, LATAM 10%, EMEA 5%).

In 2016, 17 percent of North American agency buyers plan to spend between 61%-80% of their mobile media dollars within PMPs. This shift likely reflects the maturation and increasing sophistication in the U.S. and Canadian markets, where pioneering agencies like Amnet and Digitas are moving dollars formerly spent in PMP over to Automated Guaranteed (AG) - sometimes called "Programmatic Direct" - platforms that automate similarly private deals but do so on guaranteed inventory at pre-negotiated pricing.



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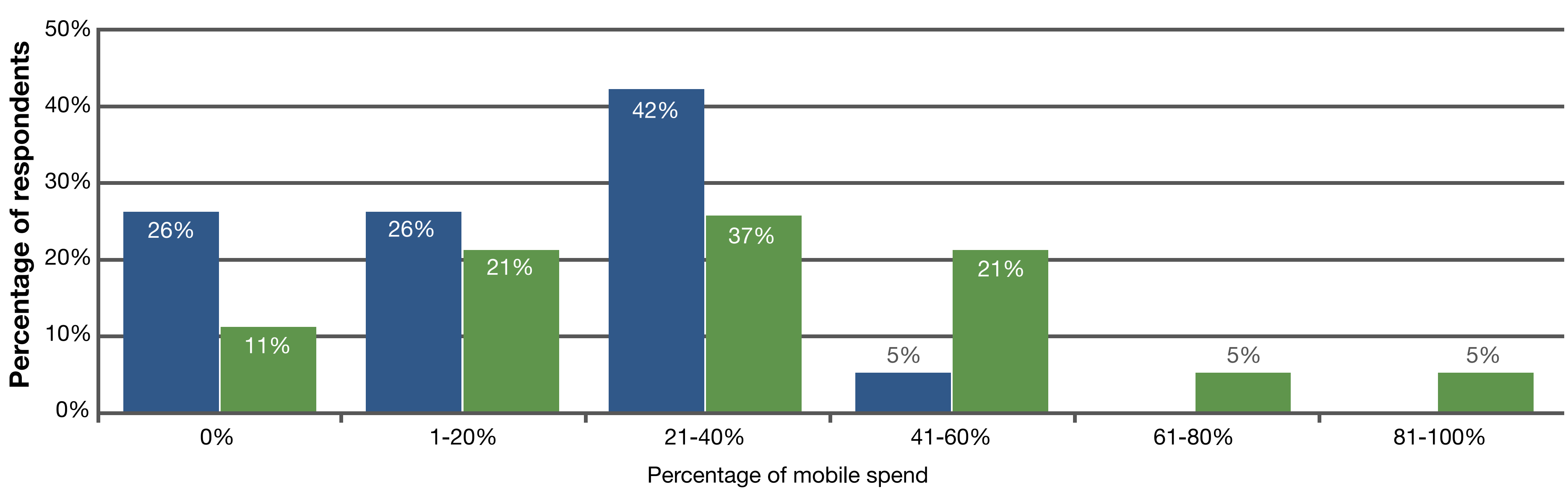
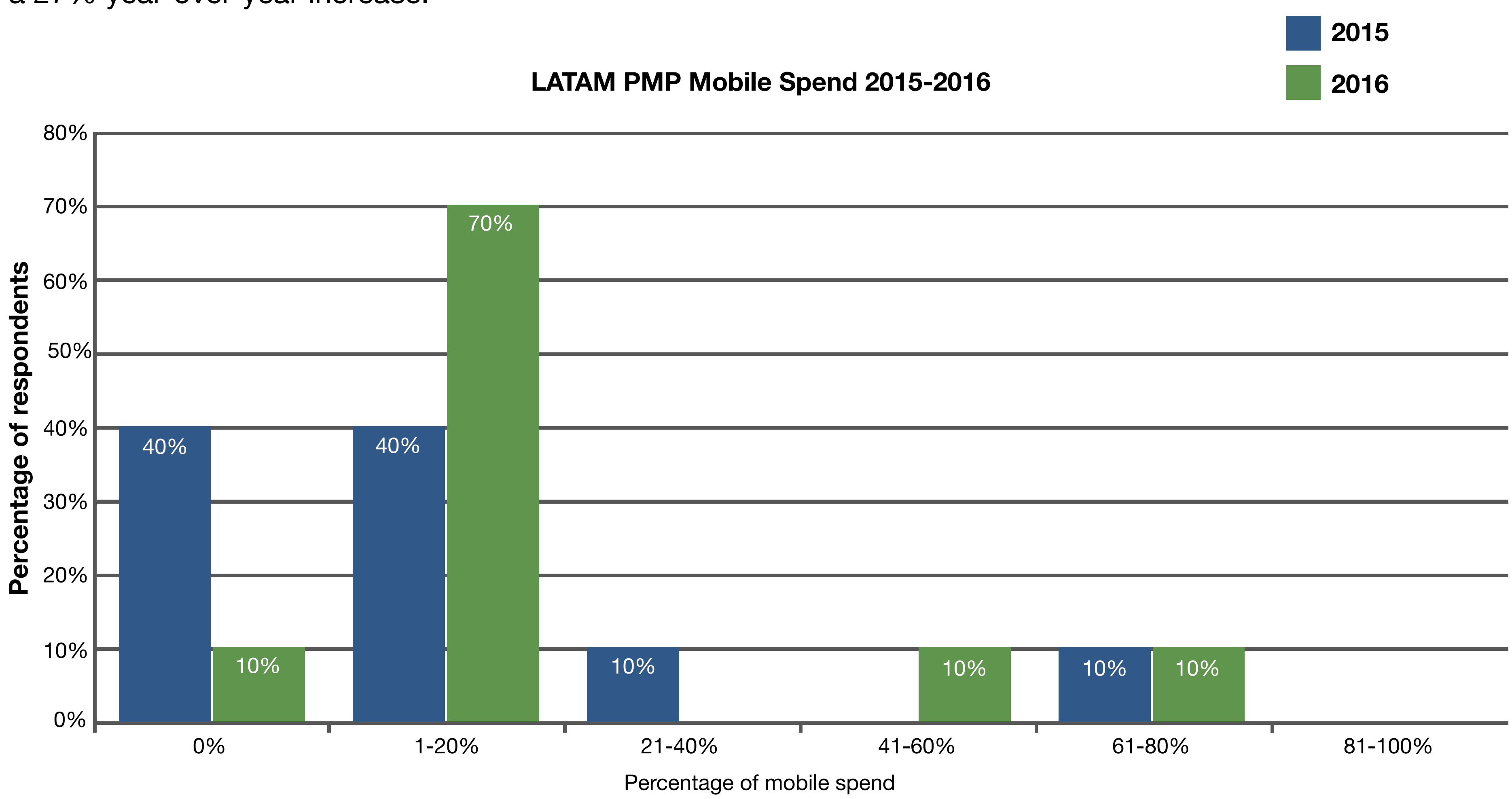


In 2016, 89% of mobile buyers in EMEA predict that they will spend their mobile budget in PMPs, a 15% year-over-year increase.

In 2016, 32% of agency respondents predicted that they would spend 41%+ of their budget in mobile PMPs, a 27% year-over-year increase.



In 2016, 90% of agency buyers in LATAM indicated that they would be using mobile PMPs, a 30% year-over-year increase.

Further, 20% of agency buyers in the region expect to spend more than 41% of their mobile media dollars in PMPs vs. just 10% that expected to do so in 2015.

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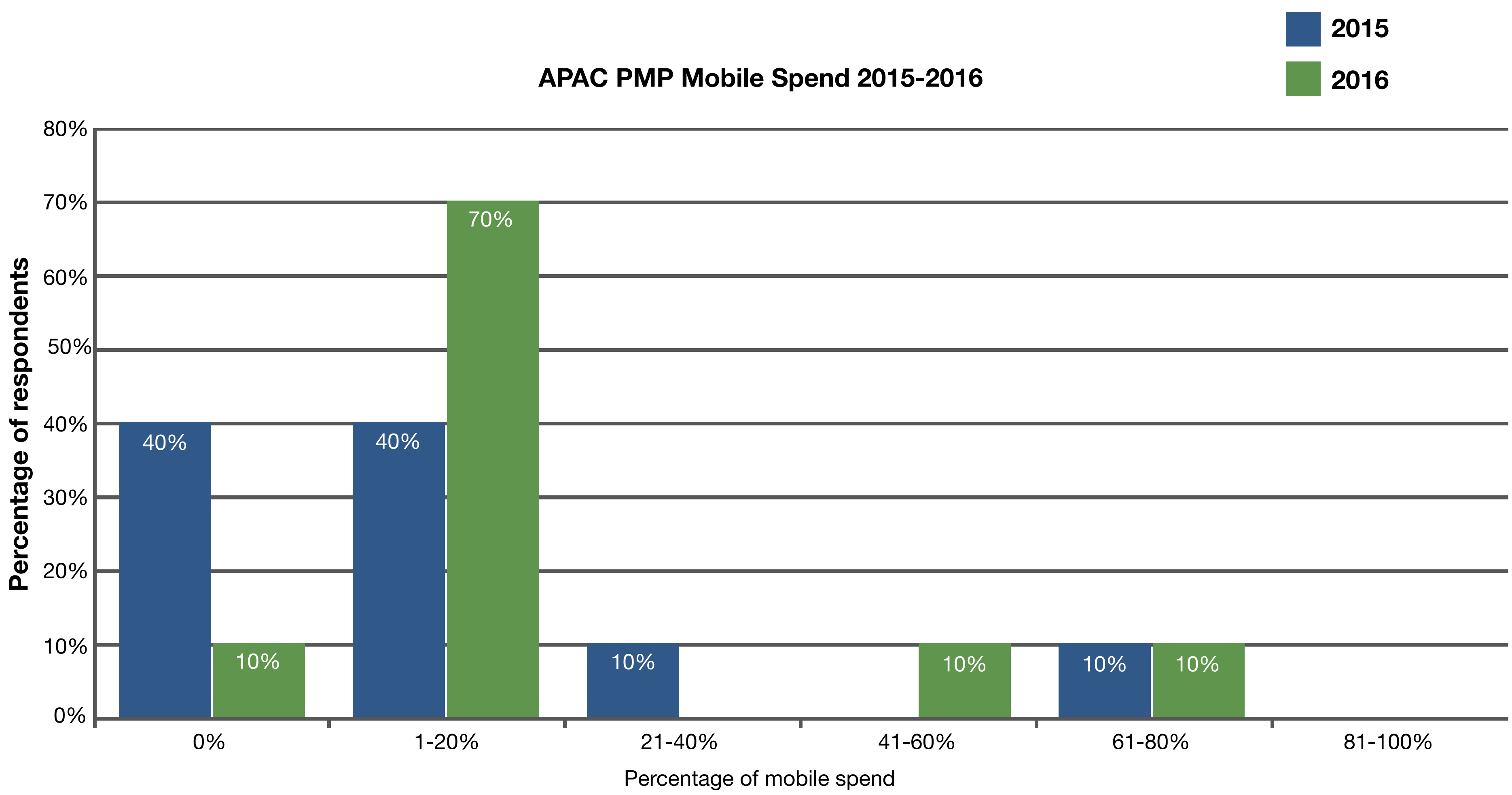

In APAC, predicted agency spend on PMPs in 2016 is more bifurcated; with a bullish 29% of buyers indicating that they expect to spend more than 41% of their mobile budget in mobile PMPs vs. a conservative corresponding 29% of respondents still saying they will not spend on PMPs at all.

Meanwhile, as APAC includes some very sophisticated programmatic media buying markets - such as Australia - we see a similar pattern here with buyers who formerly spent 81%-100% of their mobile media budgets dropping off the chart (ostensibly migrating those dollars to AG.)

One explanation for the overall predicted increase in PMP spend in APAC, is that the region is mobile-first, and mobile buyers are searching for premium inventory as a means to gain consumer attention.

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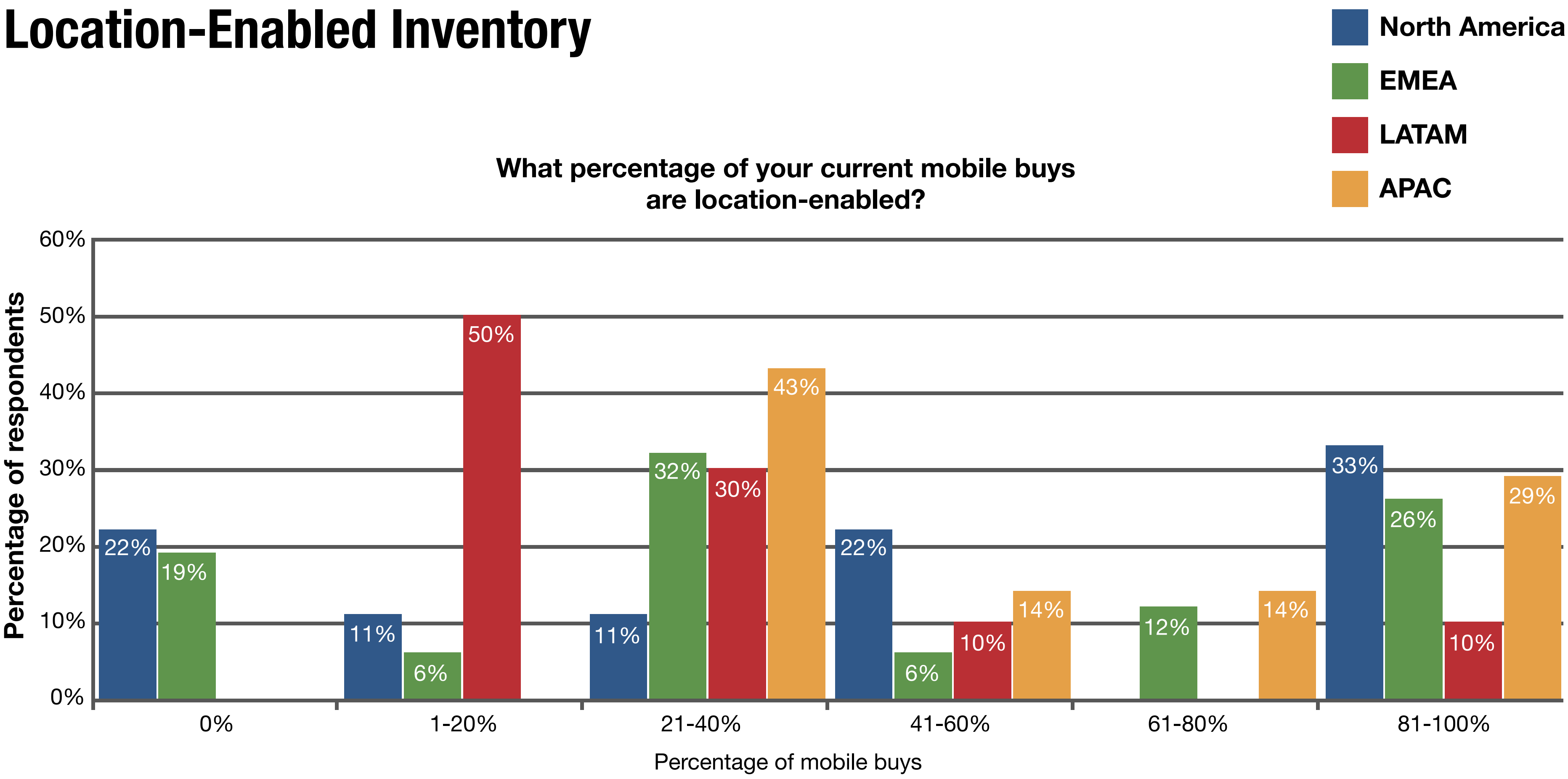
Location-Enabled Inventory



In North America, one-third of agency buyers currently have between 91%-100% of their mobile buys location-enabled.

This finding indicates a broad chasm between agency buyers that have embraced the benefits of location-based inventory (33%) vs. those that are currently purchasing no location-enabled inventory (22%).

In mobile-first APAC, just under a third (29%) of buyers indicated that between 81%-90% of their mobile buys were location-enabled. More than half of buyers (57%) in APAC stated that 50% or more of their inventory was location-enabled, the highest figure in all of the markets surveyed.

Although LATAM is a growing mobile market, 391.98 million mobile users were still connecting to 2G internet in 2015[6]. For this section of the mobile market, the internet connection they receive is for the most part too slow to send accurate location-enabled data for use. This may explain why despite LATAM's increasingly high mobile penetration levels, the majority of mobile buyers (80%) have less than 30% of their mobile buys location-enabled.

In EMEA, 44% of mobile buyers stated that more than half of their current mobile buys are location-enabled. This finding highlights that a large proportion of mobile buyers in EMEA are targeting consumers in a more personalised way, based on their location.

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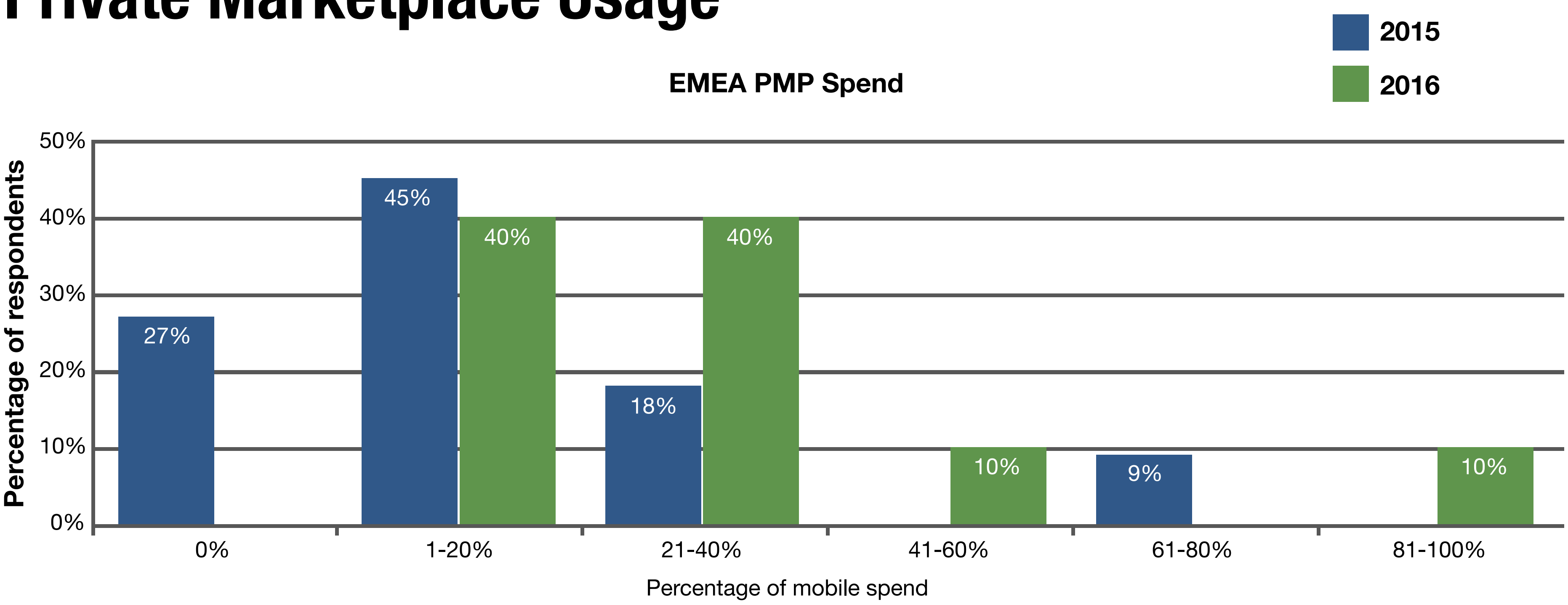
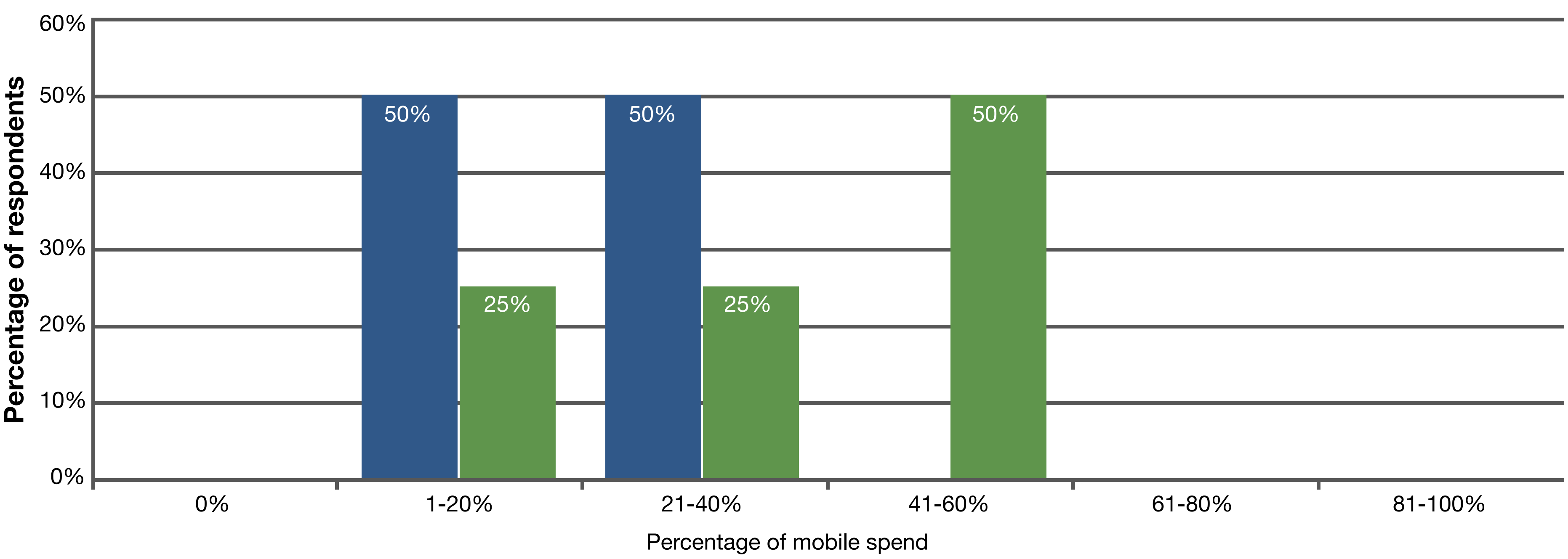
BRANDS AND OTHER MEDIA BUYERS
Private Marketplace Usage

EMEA PMP Spend

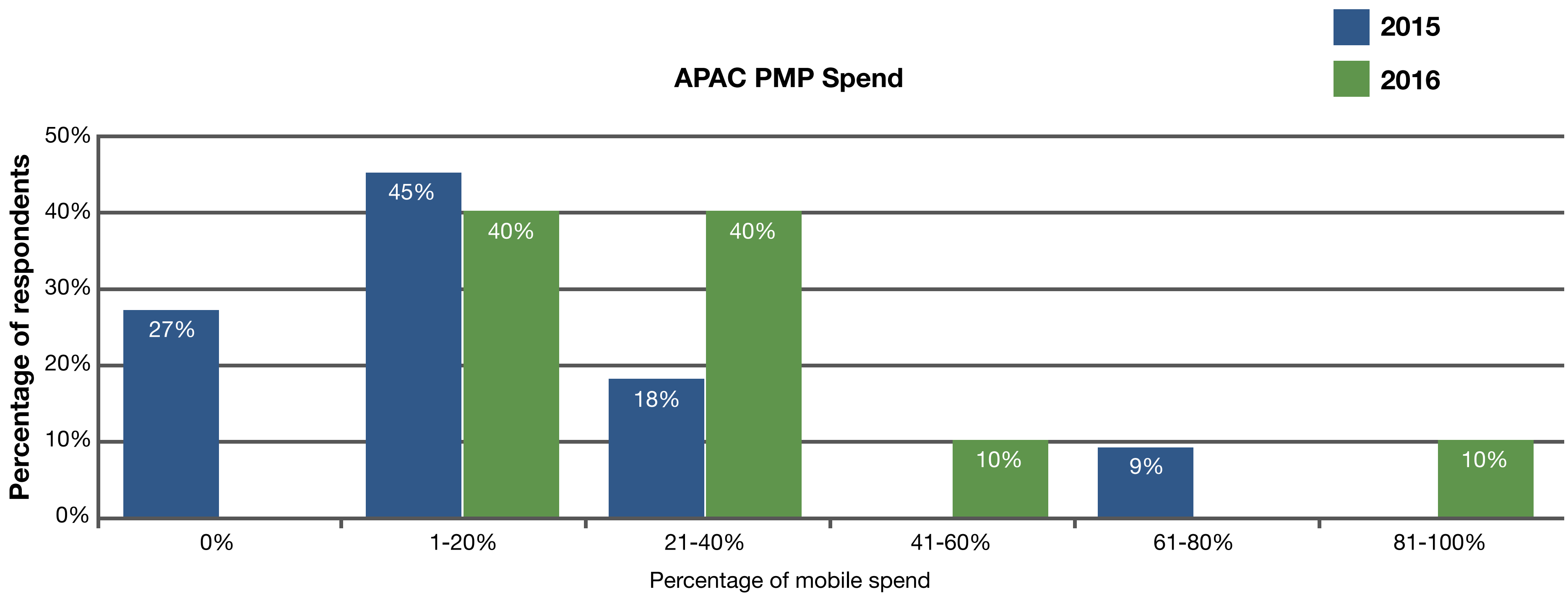


In 2016, all brand buyers in EMEA predict that they will spend some of their mobile budget in PMPs, a 28% year-on-year increase.

LATAM PMP Spend



In 2016, in LATAM, half of brand buyers predict between 41%-60% of their mobile buys will be purchased in PMPs.



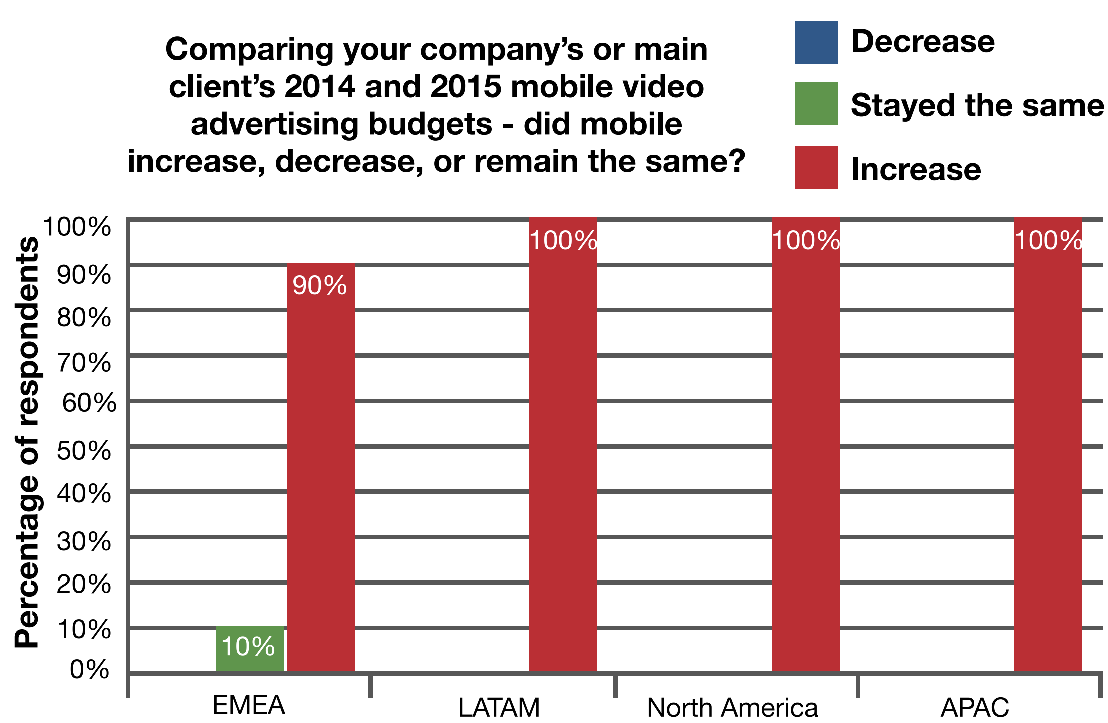
In 2016, all brand buyers in LATAM predict that they will spend some of their mobile budget in PMPs, a 25% year-on-year increase.

Across all markets, buyers predict that spend in mobile PMPs will increase in 2016. For mobile buyers, PMPs offer premium inventory that is not available on the open market. Mobile PMPs also allow buyers to develop direct relationships with publishers, allowing buyers to be more prescriptive in their definition of viewability, suitable ad placement, and what constitutes a payable win.

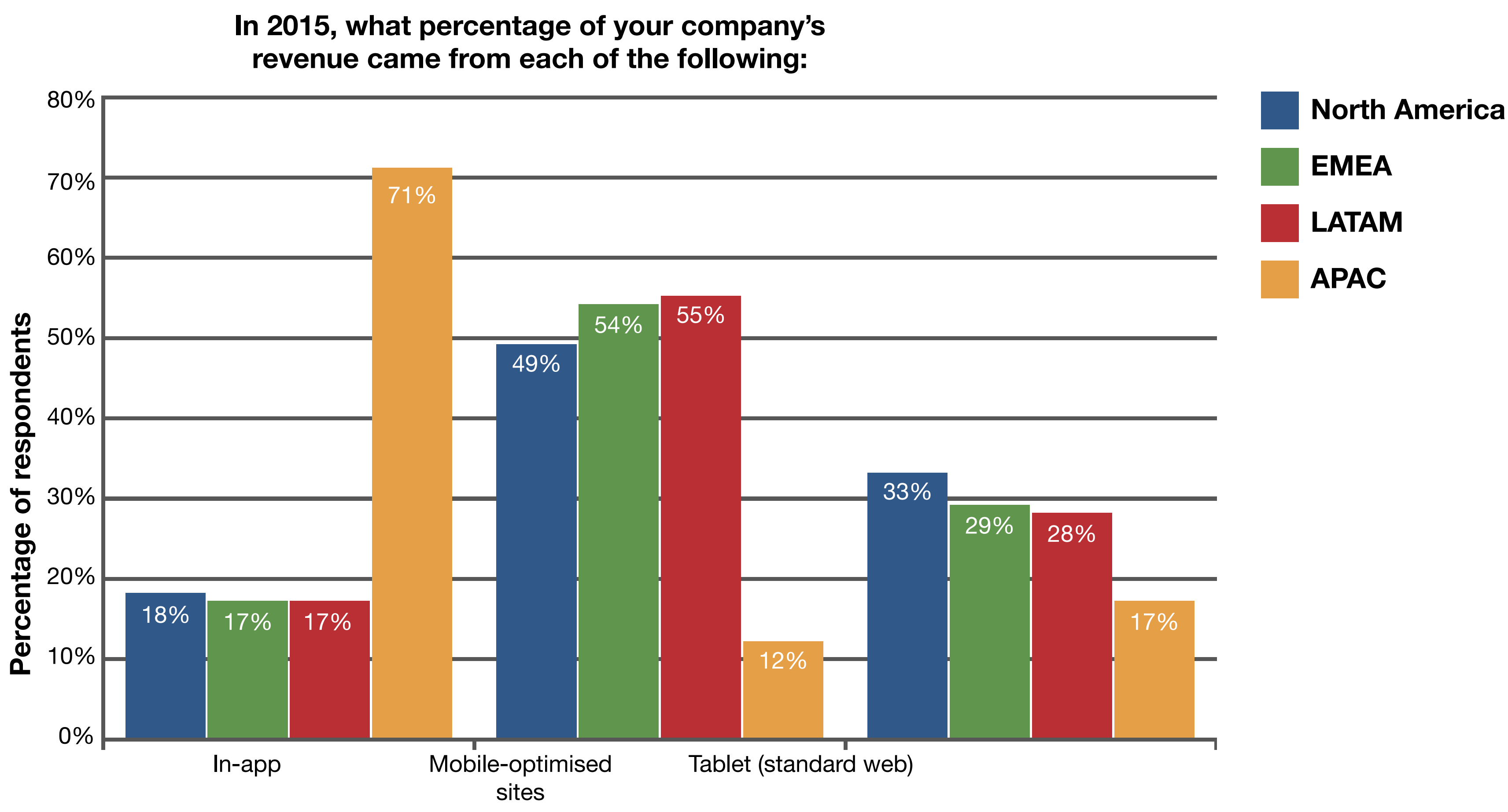
Mobile Video

All agency buyers in LATAM, North America, and APAC stated that their mobile video budgets increased in 2015.

In EMEA, 90% of agency buyers stated that their mobile video budget increased in 2015, with 10% stating that it stayed the same.



MOBILE SELLERS
Mobile Revenue by Type



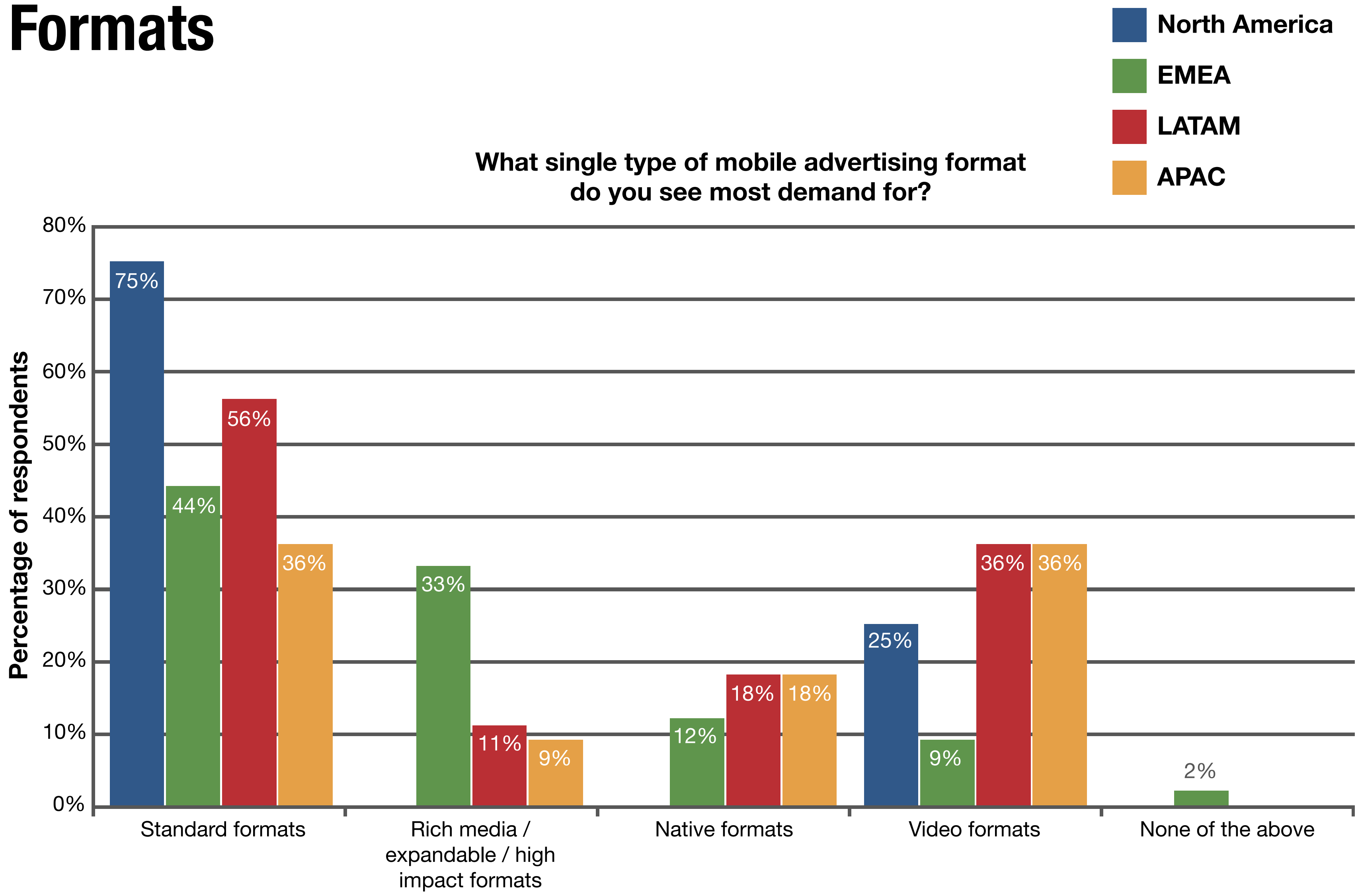
Sellers in LATAM (55%), EMEA (54%), and North America (49%) gain the largest proportion of their revenue from mobile-optimised sites.

In contrast, sellers in APAC gain their largest revenue stream from in-app (71%) which can be explained by APACs mobile-first market.

Despite a truly explosive growth year in 2015, mobile in-app inventory still has the greatest upside, as it generated the lowest percentage of revenue in North America (18%), EMEA (17%), and LATAM (17%).

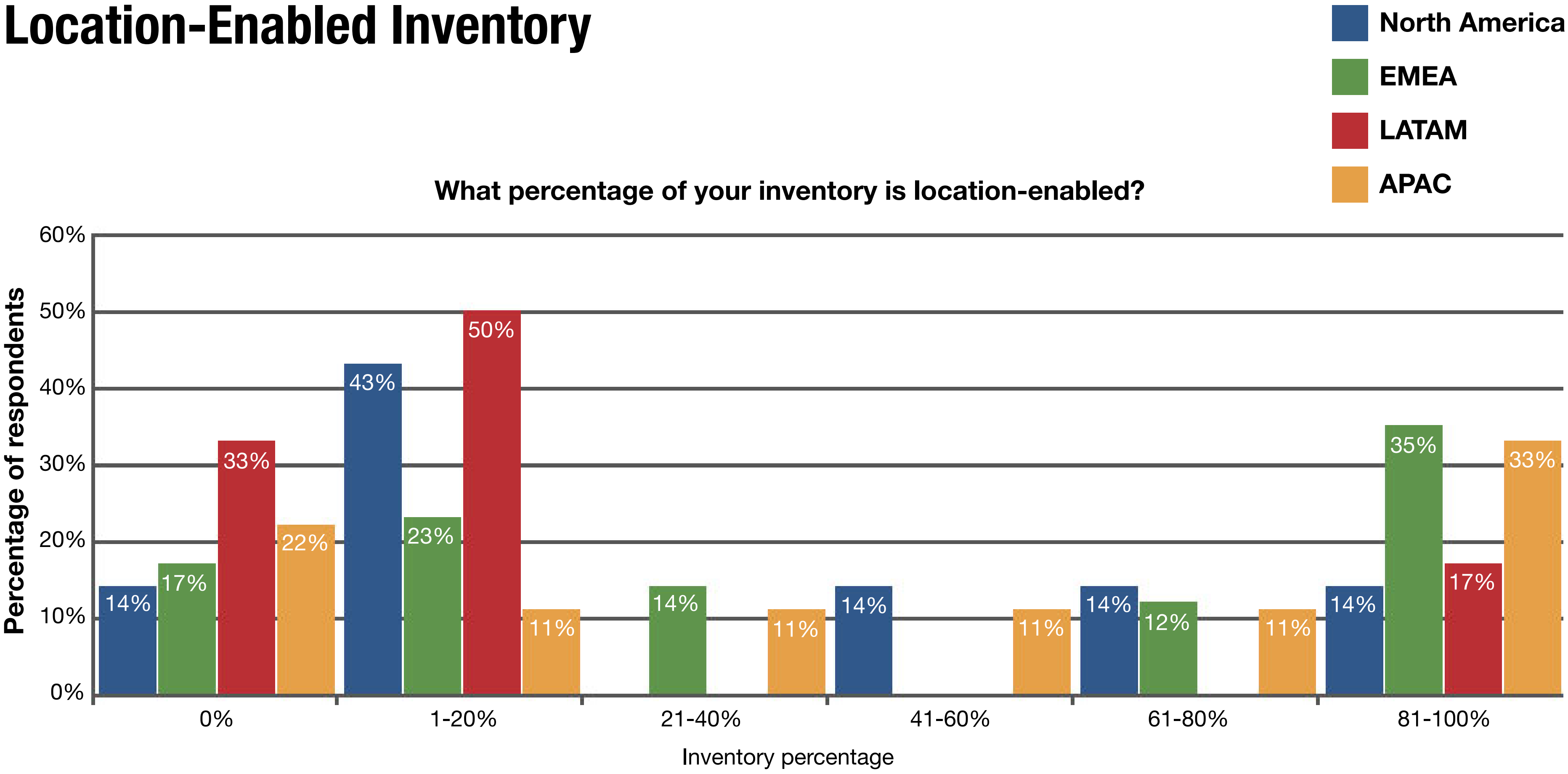
Globally, Tablet (standard web) was the second largest revenue stream for sellers in North America, gaining one-third of their revenue from this, followed by sellers in EMEA (29%), LATAM (28%), and APAC (17%).

Formats



While sellers expect to see standard formats continue to take the lion's share of their mobile inventory, the shift to video is substantial, with 36% of APAC and LATAM sellers saying video is the single most in-demand format, and 25% of their North American peers agreeing. EMEA comes in lower, at 9%, but this is offset in a sense by the 33% of sellers in EMEA that predict MRAID-enabled rich media formats to be most popular.

Location-Enabled Inventory



Sellers in EMEA reported the highest percentage of location-enabled inventory, with over a third (35%) stating that more than 80% of their inventory was location-enabled. One-third of sellers in APAC stated that more than 80% of their inventory is currently location-enabled.

One-third of sellers in LATAM reported that none of their inventory was location-enabled, with 50% of respondents stating that less than 20% of their inventory was location-enabled. This may be due to the less advanced mobile infrastructure across many countries in LATAM, making it harder to track consumers on the go. Within Brazil, internet penetration is predicted to reach 58% In 2016 [8].

Just over one-in-ten (14%) of sellers in North America reported that none of their inventory was location-enabled, with 42% of respondents stating that 50% or more of their inventory was location-enabled.

SUMMARY AND CONCLUSIONS

In the next 12 months, mobile buyers across agencies, brands and the programmatic platforms will continue to shift their mobile spending to PMPs to purchase premium mobile inventory. Most tellingly, globally, half of brand buyers expect to spend between 81%-100% of their 2016 mobile budget in private marketplaces.

Mobile video advertising will continue to grow at breakneck speed in 2016, with all buyers in APAC, LATAM, and North America indicating that their budgets for mobile will increase over the next 12 months, and 90% of buyers in EMEA agreeing.

For brand and agency buyers, advertising spend is moving away from standard ad formats in favour of the aforementioned video, as well as native and rich-media formats. Corroborating studies from third parties confirm that these high-impact formats are both more engaging to consumers and viewed as less intrusive than standard formats.

Globally, agency (44%) brand buyers (38%), and sellers (42%) all stated that they were most excited about video advertising in 2016. Just over a quarter (29%) of sellers, and 24% of buyers, stated that they were most excited about native advertising in 2016.

Across all the regions surveyed, all buyers stated that their spend on location-enabled mobile inventory would increase in 2016. Three-quarters of brand buyers expect between 81%-100% of their mobile buys will be location-enabled in 2016.

ExchangeWire Research will continue to track these trends throughout the year and report back on how they are holding up.

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ABOUT RUBICON PROJECT

Founded in 2007, Rubicon Project's mission is to keep the Internet free and open and fuel its growth by making it easy and safe to buy and sell advertising. Rubicon Project pioneered advertising automation technology to enable the world's leading brands, content creators and application developers to trade and protect trillions of advertising requests each month and to improve the advertising experiences of consumers. Rubicon Project is a publicly traded company (NYSE: RUBI) headquartered in Los Angeles, California.

Rubicon Project has been documenting the rapidly changing mobile advertising market for the past three years by surveying some of the most senior brand, agency, agency trading desk (ATD) and demand side platform (DSP) representatives from around the world, including key markets such as the US, UK, Europe, Asia, and Latin America.

In late 2015 / early 2016, ExchangeWire Research and Rubicon Project invited representatives from across the globe to share their views on current market conditions, and forecast how the mobile advertising industry is likely to evolve over the next 12 months.

ABOUT EXCHANGEWIRE AND EXCHANGEWIRE RESEARCH

ExchangeWire tracks global data-driven and programmatic advertising, media buying trends, and then ad tech and mar tech sectors. Delving deep into the business of automated media trading and the technology that underpins it across multi-channels (online display, video, mobile and social), the site aims to keep readers up to data on all the latest news and developments.

ExchangeWire provides opinion and analysis on the following sector companies: specialist media buyers, ad traders, ad networks, media agencies, publishers, data exchanges, ad exchanges and specialist ad tech providers in the video, mobile and online display markets.

Reflecting the growing prominence of programmatic advertising, in 2014 ExchangeWire launched a new company division - ExchangeWire Research - to help marketers better understand how it fits into the wider marketing mix.

Conceived by Ciaran O'Kane, CEO of ExchangeWire and Rachel Smith, COO of ExchangeWire, ExchangeWire Research is headed up by online marketing and data expert Rebecca Muir. The unit uses its proprietary technology and unique industry data sets to offer global data and insight on the marketing technology, advertising technology and programmatic advertising sectors.

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