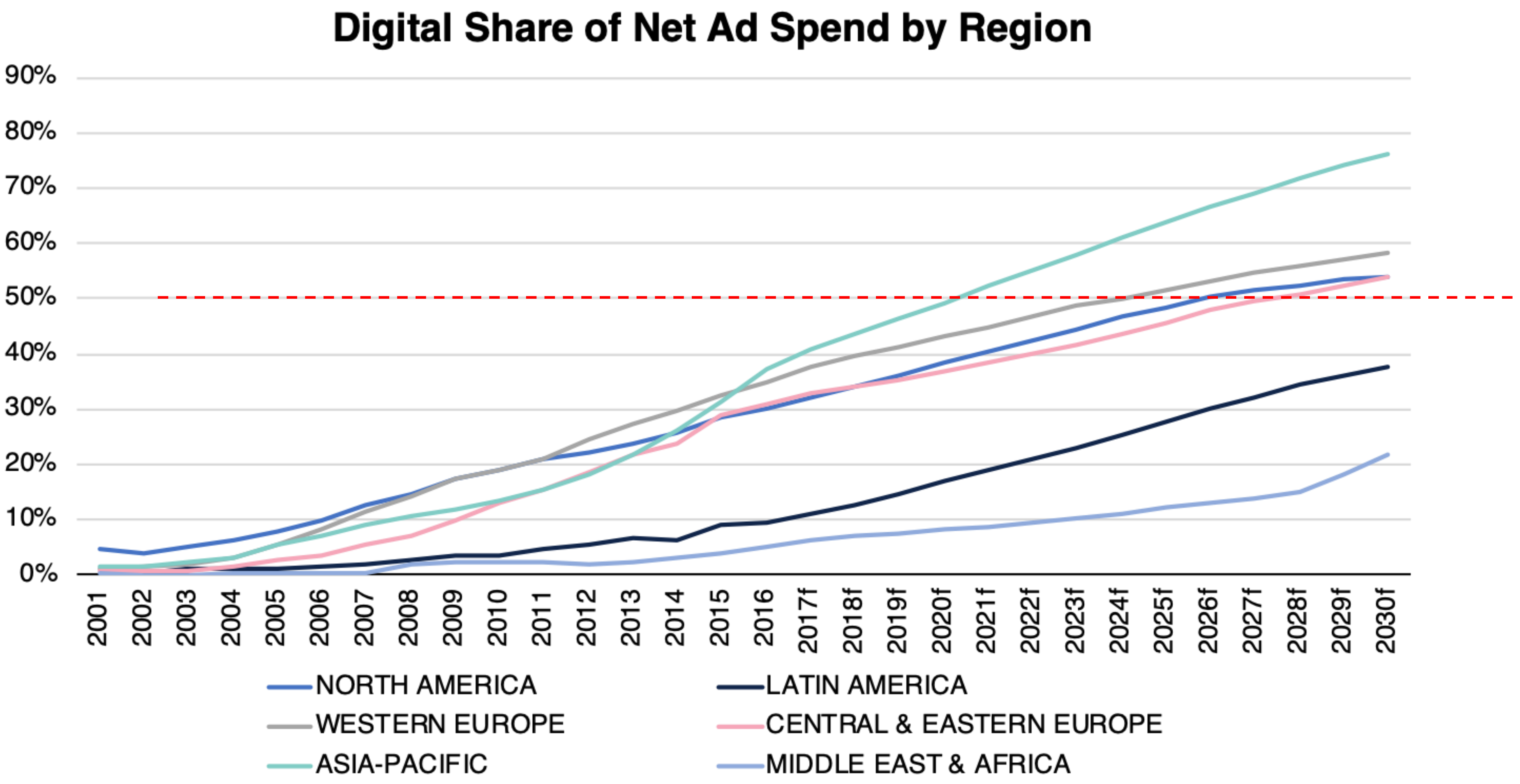
Programmatic Advertising: What's next?

Q1 Overview 2019

Daniel Knapp
Chief Economist, IAB Europe

Market update

Digital* will be be majority of ad spend in most regions by 2030, taking budget from all other media

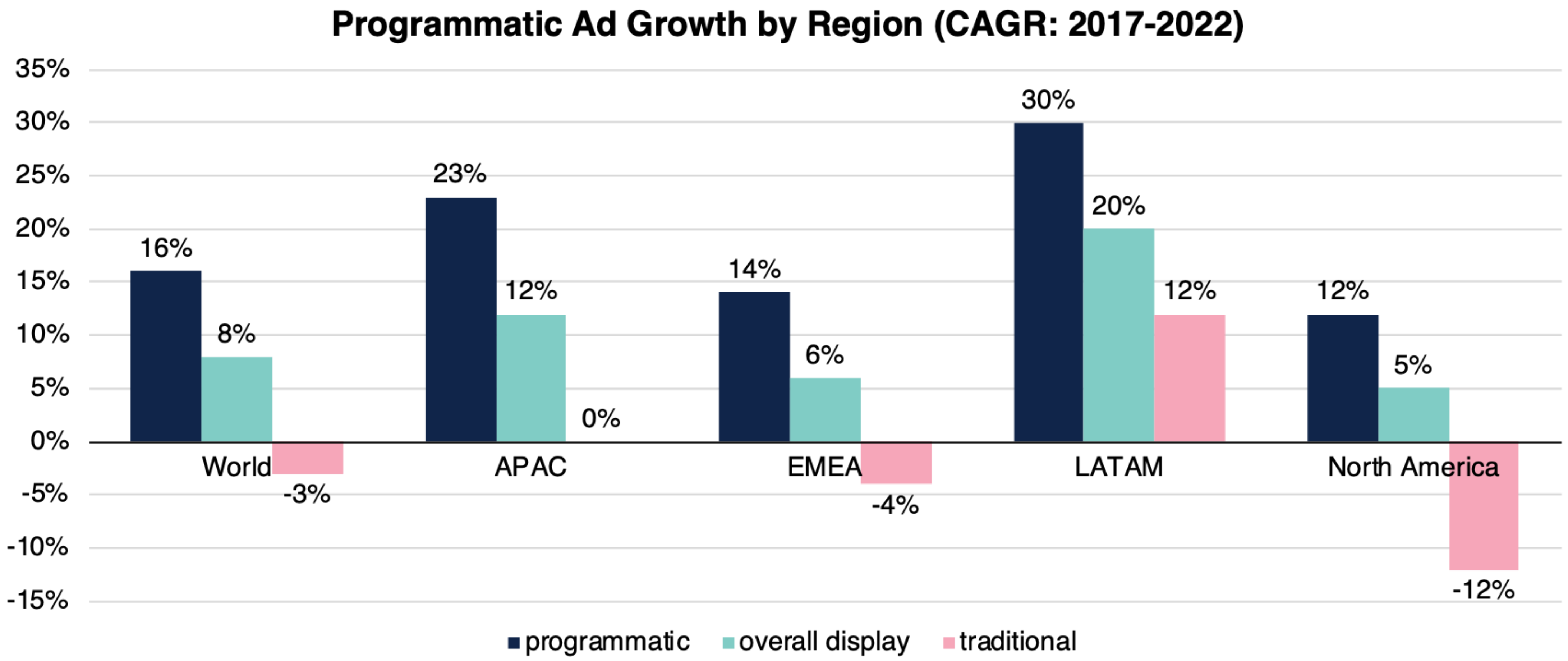


- Digital will be 50%+ of ad spend in 4 out of 6 global regions by 2028.
- Asia-Pacific will generate 76% of all its ad spend via digital channels by 2030, mainly driven by China, where the explosion of digital devices combines with tight advertising restrictions on TV to powerful effect.
- Middle East & Africa and Latin America are lagging behind.
- Latin America is dominated by strong TV players and broadband infrastructure is rolling out with delay.
- Middle East & Africa is still hampered by poor internet connectivity. Boost will come from cheap 4G/5G at the end of the forecast period. Digital equals mobile in this region.

Sources: IAB Europe, calculations based on GroupM, iResearch, company reports

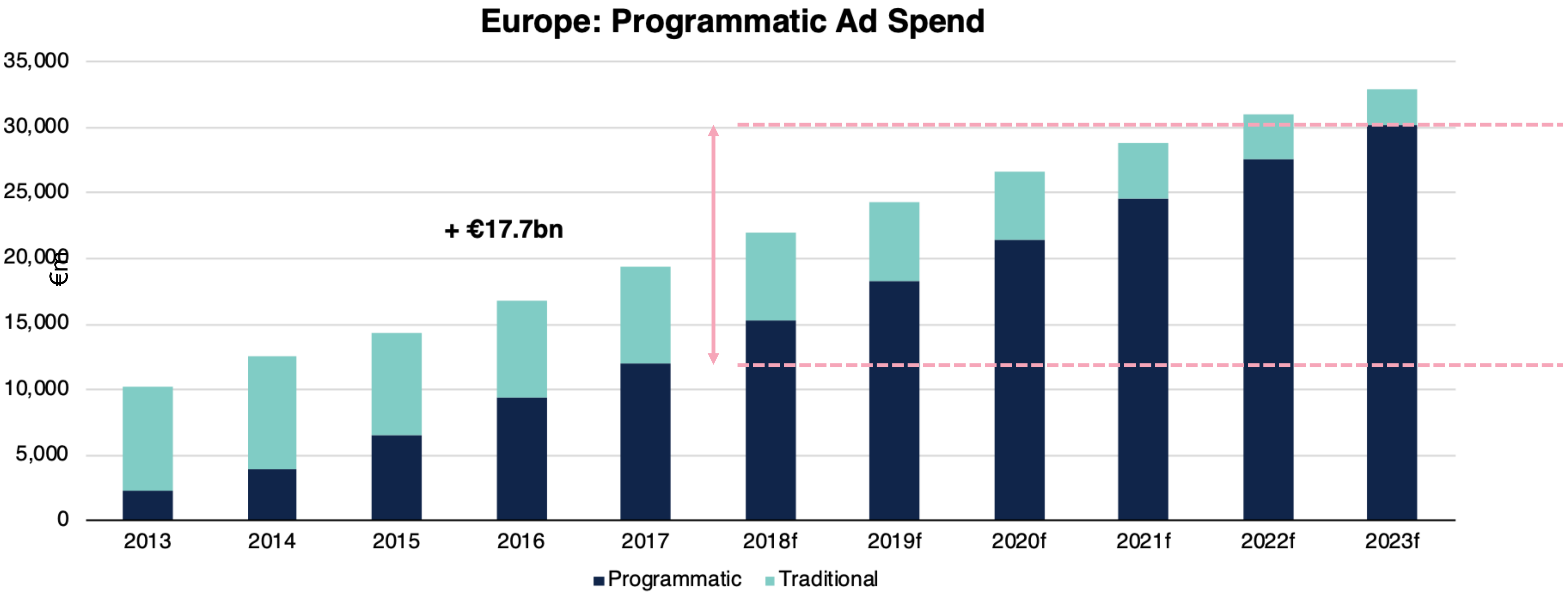
**Does not include digital out-of-home, or addressable/programmatic TV.*

Programmatic is growth driver in all regions globally



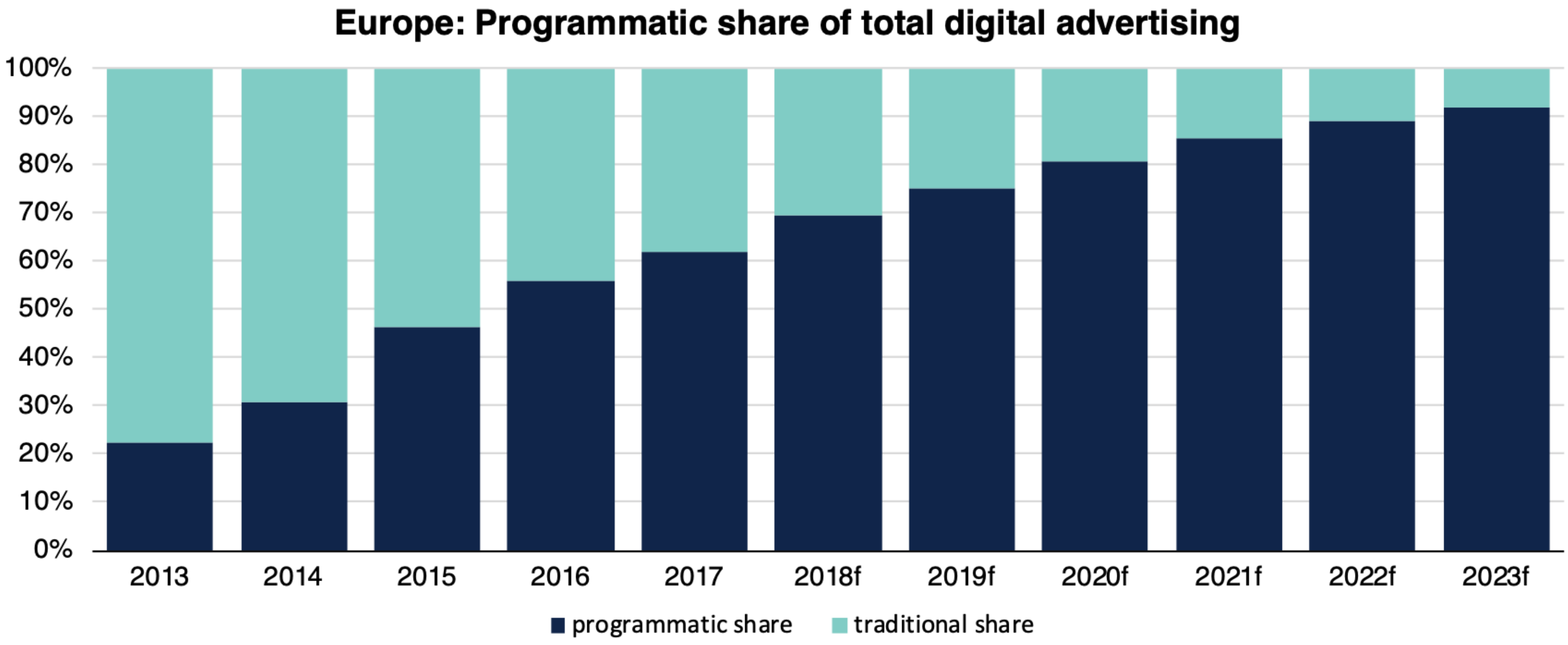
Source: Magna Global

Assuming slowdown of overall digital growth to ~7% yoy, programmatic in Europe to grow 2.5x between 2017-23



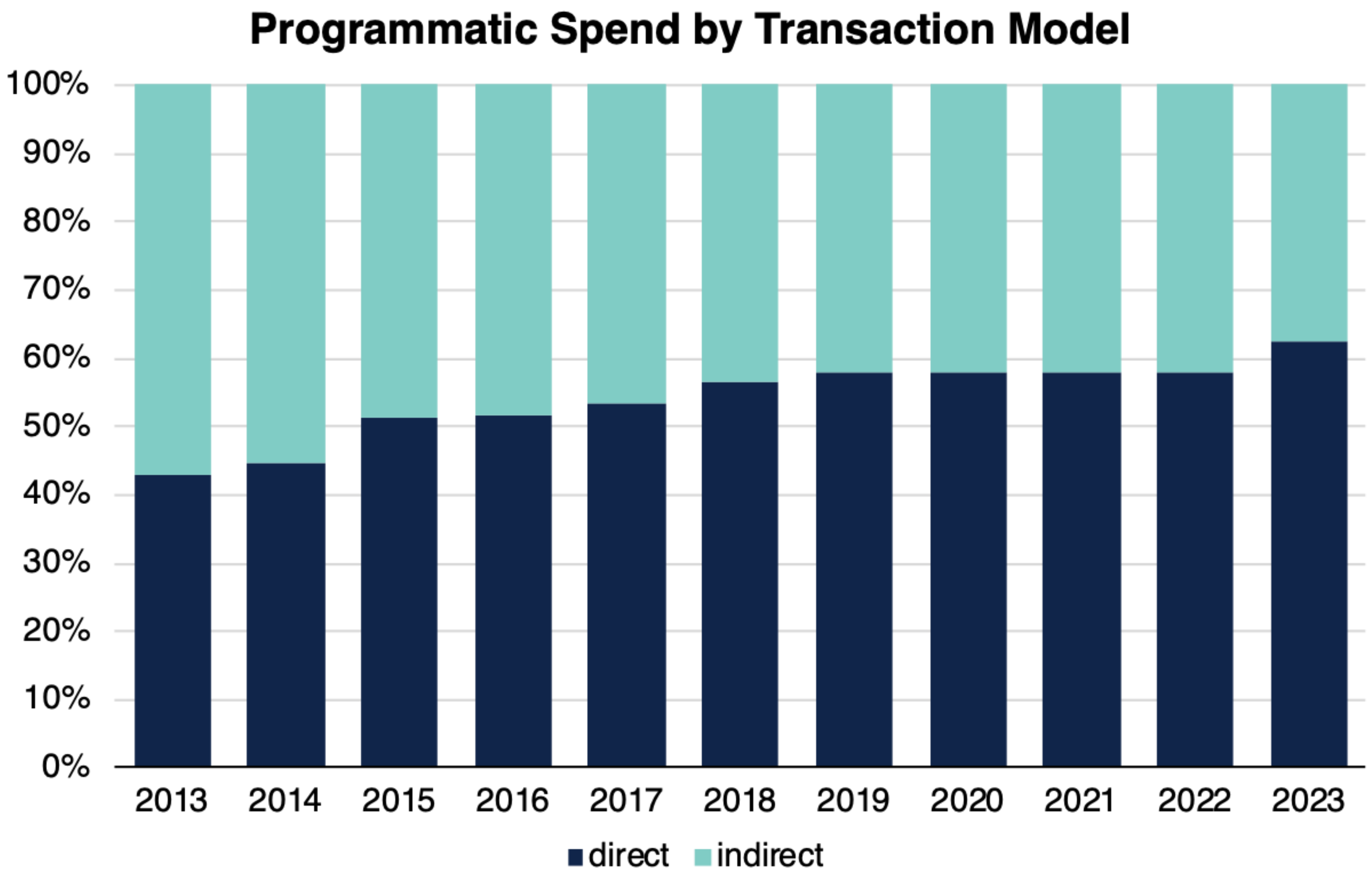
Sources: IAB Europe, own calculations

Programmatic is the new ‘digital’: an increasingly unnecessary pre-fix



Source: IAB Europe, own calculations

Move towards programmatic direct

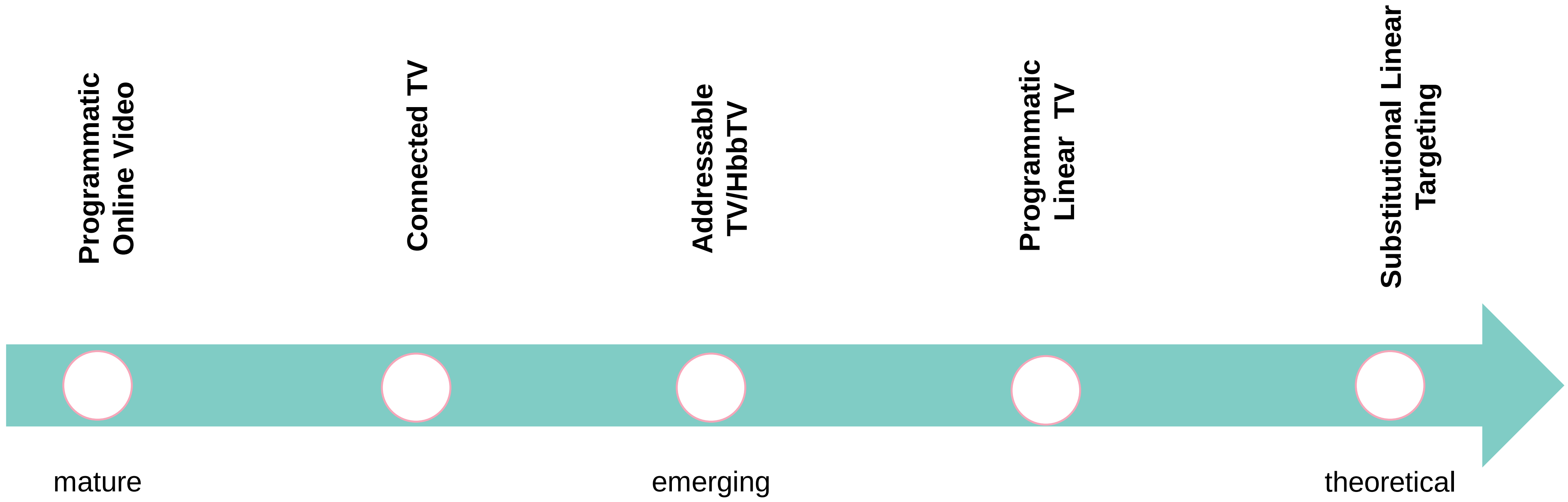


- **2013-18:** Social boosts direct
- **2018:** GDPR drives direct
- **2018-20:** Header bidding stalls move to PMP
- **2019-23:** Social share to plateau
- **2022-23:** further move to direct as more TV-like inventory becomes available

Source: IAB Europe, own calculations

Video is elevating programmatic

How should we define ‘video’?

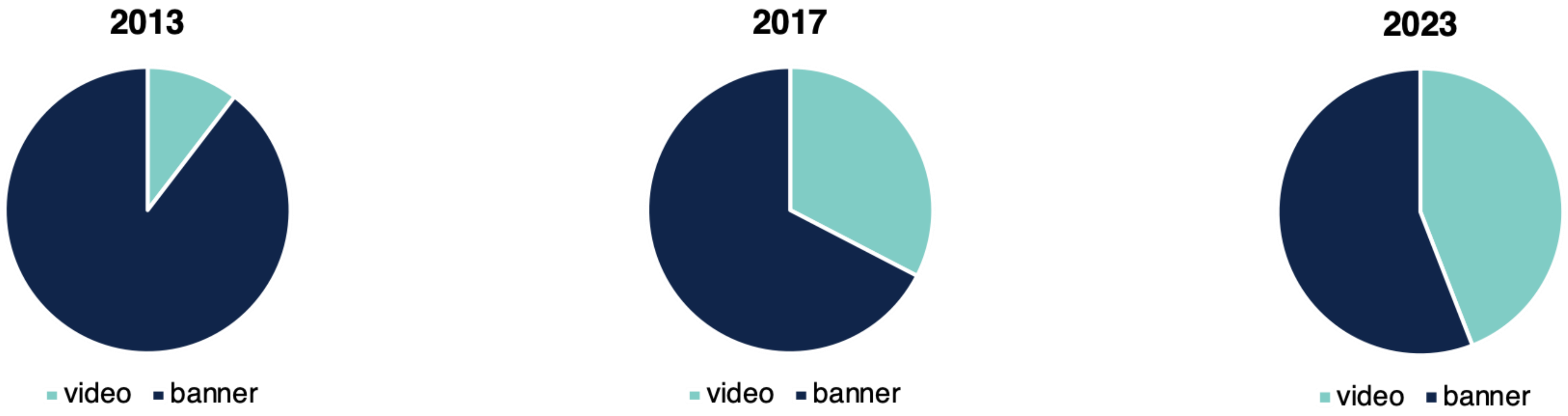


€4bn today

€20bn potential market

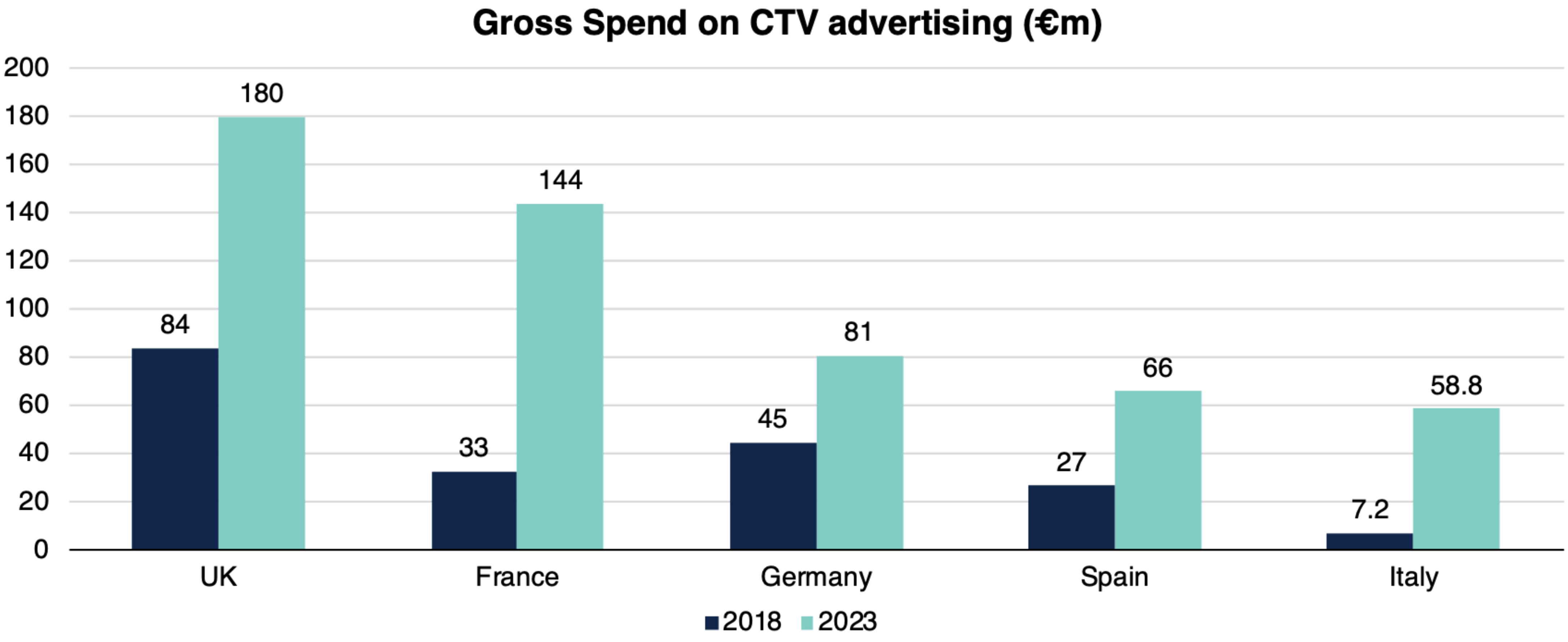
Video is gaining share of programmatic

Europe: Video vs. Banner share of programmatic spend



Source: IAB Europe historicals, own forecasts

CTV advertising is connector between internet video and living room



Source: own calculations, SpotX/MTM, company data

The audio market is developing

Strong sector activity: pipes are being laid

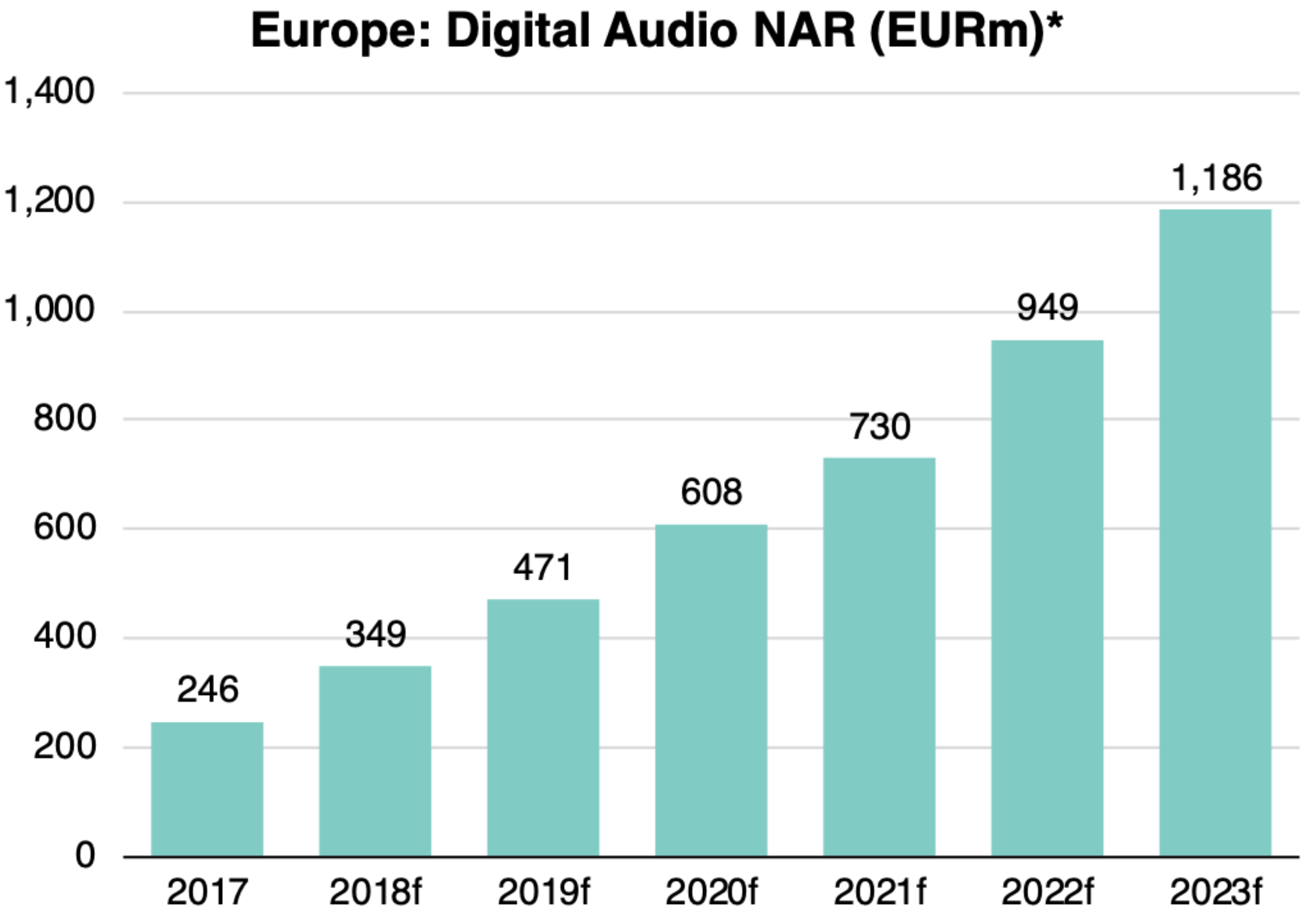
iab europe

sell-side | **buy-side**

sell-side						buy-side	
iHeart MEDIA		Spotify	SOUNDCLOUD	dax DIGITAL AUDIO EXCHANGE FROM global	RMS		amillionads
acquired	*acquired*	*built*	*partners with*	*partners with*	*built*	*channels demand*	*funding from*
		Ad Studio	AppNexus	heart more music variety	**Audio DMP**	SOUNDCLOUD	
		partners with		BAUER	*partners with*	Spotify	GMG Ventures
Jelli	adswizz	AppNexus		SOUNDCLOUD	adswizz	Google Play Music	
		rubicon PROJECT				TUNE IN	
		theTradeDesk					

Note: Not exhaustive. Aim is to demonstrate variety of activity for ecosystem building.

Digital audio ads to become a €1bn market

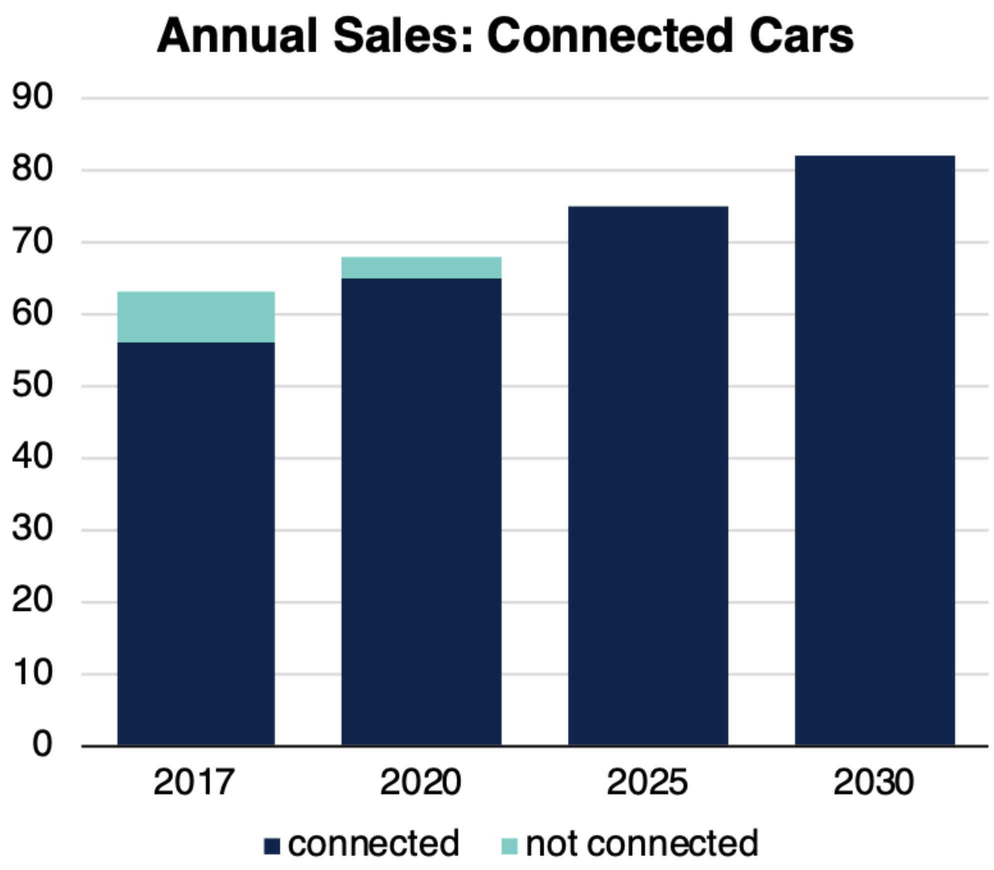


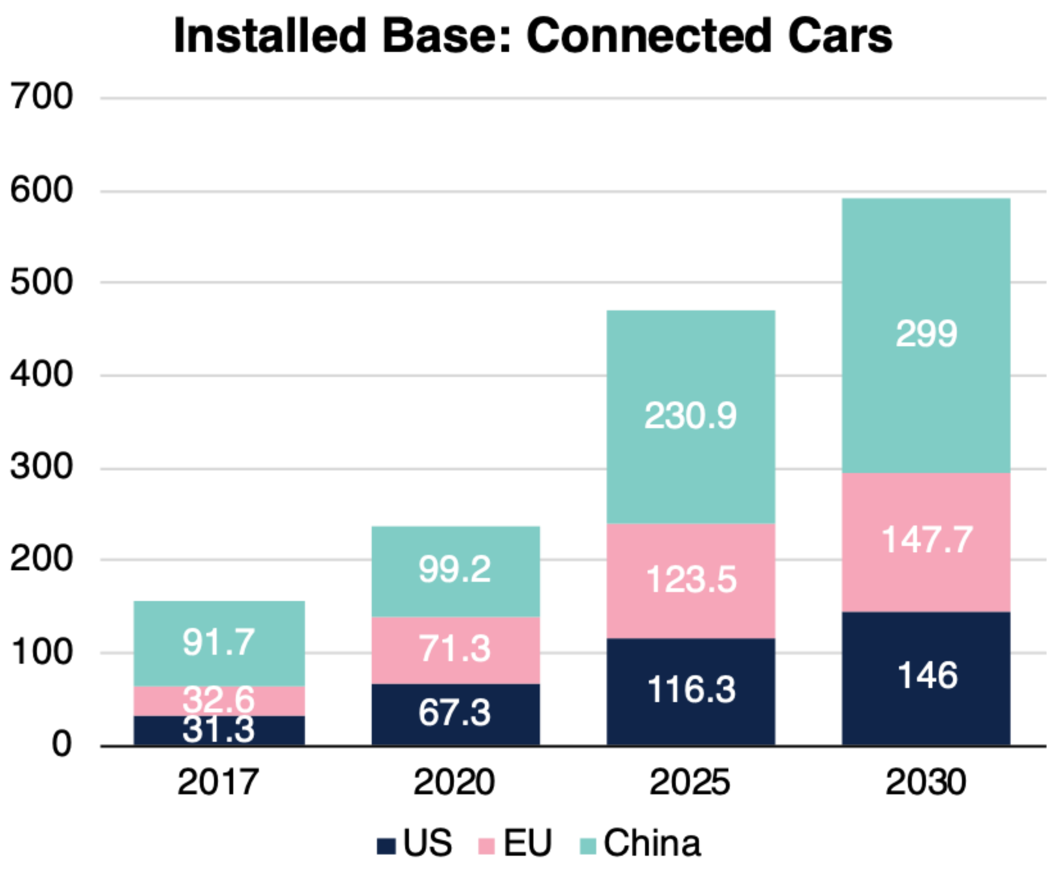
- Growth driven by podcasts, music streaming services, digital/online radio from ‘legacy’ radio firms.
- Smart speakers have no direct impact on growth yet but drive awareness of voice.
- Radio Apps in smart speakers will become significant growth driver.
- Log-in based streaming services have advantage due to tracking & attribution.
- Radio marketers forming alliances & investing in data pools.
- Programmatic share still very small. Comparison: Spotify made ~$15m from programmatic audio in the US in 2018.

Source: Company reports, RadioCentre, own model

**audio ad formats only – excludes banner & video ads sold against audio content*

Drive time is radio time: connected car will be critical driver of programmatic audio





Source: PwC strategy& Digital Auto Report

For major players, the programmatic audio revolution will be part of the display & video world

Amazon Echo

Amazon Echo Spot

Amazon Echo Show

Watching radio

Google Home

Google Home Hub

Spotify annual results

"[…] our premium video offerings outpaced overall growth, growing 74% and reaching 29% of Ad-Supported revenue."

Thank you.