

# 2014 PROGRAMMATIC ADVERTISING FORECAST

**Digital Display Spending  
Broadening Beyond Open  
Exchanges**

**OCTOBER 2014**

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## EXECUTIVE SUMMARY

US advertisers will spend \$10.06 billion on programmatic digital display advertising in 2014, a 137.1% gain from 2013. Investments will double again by 2016, to \$20.41 billion—or 63% of all US digital display ad spending, eMarketer predicts. Wider options for programmatic ad buying will help fuel this growth.

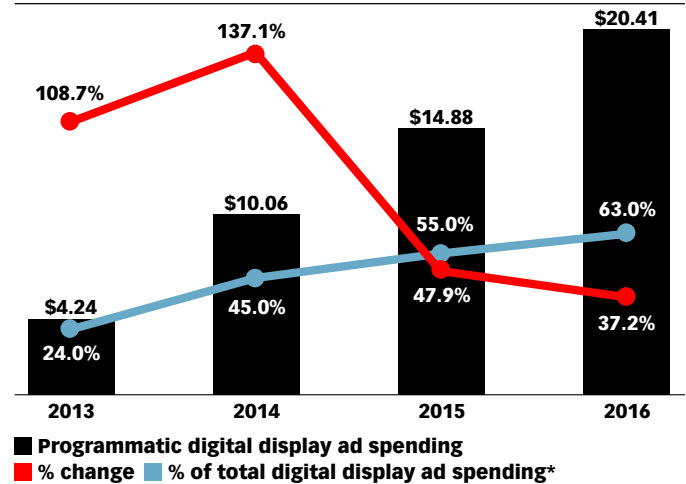
Real-time bidding (RTB) has been the primary programmatic transaction method for the majority of programmatic advertising's short lifespan. However, 2014 has proven a pivotal year for both private marketplaces and programmatic direct setups—two additional channels offering buyers greater control over the automation of their digital display advertising campaigns. Though eMarketer estimates US ad dollars transacted via these newer buying methods combined will total just \$1.91 billion in 2014, they will see exceptional adoption and spending growth from 2015 into 2016, ultimately reaching \$11.88 billion and accounting for 58.2% of total US programmatic ad spending.

Mobile will also play a significant role in growing total US programmatic ad investment, even in spite of current technological hurdles facing mobile tracking and data collection. eMarketer anticipates US programmatic mobile ad spending will reach \$14.15 billion by 2016, representing 69.3% of overall US programmatic spending.

This year's annual programmatic advertising report will share eMarketer's forecast for US programmatic ad spending through 2016 and discuss some of the key investment drivers over this timeframe. Included in the forecast is a detailed breakdown of projected ad spending for all major transaction methods—open exchanges, private marketplaces and programmatic direct—as well as mobile and video. These estimates are based on an exhaustive analysis of data sources as well as in-depth interviews with executives at ad agencies, brands, publishers, media companies and advertising technology firms—more than 50 in all.

### US Programmatic Digital Display Ad Spending, 2013-2016

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



Note: digital display ads transacted via an API, including everything from publisher-erected APIs to more standardized RTB technology; includes advertising that appears on desktop/laptop computers as well as mobile phones and tablets; \*includes banners, rich media, sponsorship, video and other

Source: eMarketer, Oct 2014

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## KEY QUESTIONS

- How much will US advertisers invest in programmatic advertising over the next few years?
- How will investment in real-time bidding (RTB) and programmatic direct-type transactions change, and what trends will drive those changes?
- How much will US buyers invest in programmatic mobile and programmatic video advertising?

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# THE STATE OF PROGRAMMATIC ADVERTISING

2014 has seen the most dramatic growth and expansion in programmatic advertising to date, thanks to the build-out of private marketplaces and programmatic direct deals, and continued maturation in programmatically purchased mobile and video advertising.

In a June 2014 survey from AOL Platforms, more than half of US advertising executives polled were already engaged in programmatic ad buying for display (84%), mobile (60%) and video (58%) channels. Moreover, 62% of US advertising and publishing decision-makers surveyed by Forrester Consulting in April 2014 were selling digital ad space programmatically. Holdouts on programmatic advertising have quickly become the exception, not the norm.

Publishers, brands and agencies all have distinct reasons for embracing programmatic:

- **For publishers, programmatic has established itself as a viable source of ad monetization and an effective sales channel.**
- **For brands, it has proven a critical method for incorporating customer data and greater audience intelligence into digital advertising initiatives.**
- **For agencies, it has proven an efficient, cost-effective way to automate ad buying and realize greater returns in using brands' data to select, optimize and enhance paid media.**

This report will explore how much buyers are expected to invest in programmatic display advertising through 2016, highlighting along the way critical trends and influences. It includes eMarketer estimates for the following areas:

- **Total US Programmatic Digital Display Ad Spending**
- **US Programmatic Direct Digital Display Ad Spending**
- **US Digital Display Ad Spending Transacted via Real-Time Bidding (RTB)**

- **US Digital Display Ad Spending Transacted via Open Exchanges**
- **US Digital Display Ad Spending Transacted via Private Marketplaces**
- **US Programmatic Digital Display Ad Spending, by Channel**
- **US Programmatic Digital Video Ad Spending**
- **US Programmatic Mobile Ad Spending**

## PROGRAMMATIC ADVERTISING: KEY DEFINITIONS AND TERMS

Definitions of programmatic advertising and its associated terms are still in flux. To better understand this forecast, these are the definitions eMarketer uses:

### Programmatic Advertising

Programmatic advertising is an automated, technology-driven method of buying, selling or fulfilling advertising. Although most commonly associated with digital display ads—the focus of this report—it can also be used to procure search, email, streaming radio and even TV inventory.

All major methods of transacting or fulfilling digital display ads via an application programming interface (API) fall under the “automation” umbrella. This includes everything from publisher-erected APIs (common to social media sites and ad networks, for example) to more standardized RTB technology.

Whereas the term “automation” often conjures up ideas of an end-to-end process, eMarketer’s definition is intentionally broad in that it only requires one aspect of the ad buying or fulfillment process be automated, not both. For example, buying from ad networks or placing programmatic video ad buys where an upfront, human element is still present and required to complete an insertion order (IO) would still meet our automation requirement.

## Real-Time Bidding

RTB is an auction-based approach to programmatic advertising in which digital display ads are transacted in real time at the impression level. RTB can include both open exchange transactions and private marketplace deals.

- **Open Exchange: Also known as open auction or open marketplace, this is a public RTB auction in which any buyer or seller can participate. Many ad networks and exchanges operate on an open exchange model.**
- **Private Marketplace: Also known as private exchange, this is an invitation-only RTB auction where one publisher or a select group of publishers invites a select number of buyers to bid on its inventory. At times, private marketplace setups can be one-to-one; other times, buyers are still competing with one another for impression-level inventory, though one buyer might be afforded a competitive advantage over another based on the specifications of its private marketplace agreement.**

Based on our interviews with industry professionals, eMarketer recognizes there are many different definitions and interpretations of private marketplace setups today, and that some are more inclusive of all private deals, not just RTB-based ones. Our definition, however, only refers to setups in which inventory is being auctioned at the impression level via RTB. All other one-to-one-type deals in which buying does not happen in real time using an RTB engine are considered programmatic direct.

## Programmatic Direct

Programmatic direct is a non-auction based approach to buying digital display ads via an API, whether publisher-owned or facilitated using pre-existing RTB technology. Regardless of the API type being used, ads are bought and sold as blocks of inventory, not individual impressions. In these one-to-one transactions, buyers and sellers agree to a set cost-per-thousand (CPM) price and may or may not agree to a fixed amount of inventory. When there is no set inventory guarantee, deals are known as preferred deals or “first right of refusal” agreements. Agreements containing inventory guarantees are known as programmatic guaranteed or programmatic reserved.

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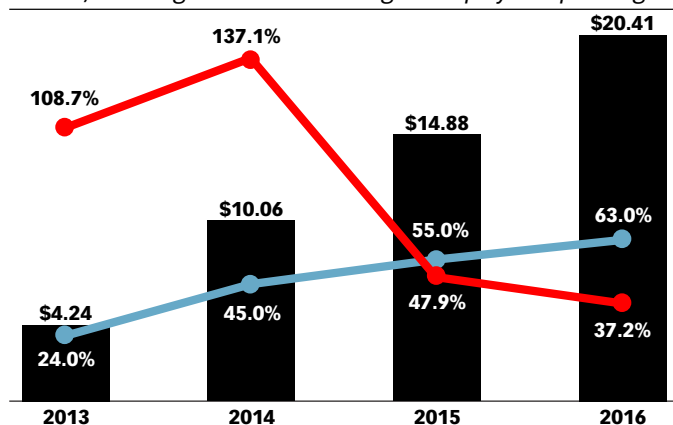
For a more in-depth look at each of the main programmatic advertising arms, please see the infographic, [“Understanding Programmatic Advertising in Three Easy Steps.”](#)

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# PROGRAMMATIC AD SPENDING OUTLOOK

This year, US advertisers will spend \$10.06 billion on programmatic digital display advertising. Investment will more than double to \$20.41 billion, or 63% of all US digital display ad spending, by 2016, eMarketer predicts.

**US Programmatic Digital Display Ad Spending, 2013-2016**  
billions, % change and % of total digital display ad spending\*



■ Programmatic digital display ad spending  
■ % change ■ % of total digital display ad spending\*

Note: digital display ads transacted via an API, including everything from publisher-erected APIs to more standardized RTB technology; includes advertising that appears on desktop/laptop computers as well as mobile phones and tablets; \*includes banners, rich media, sponsorship, video and other

Source: eMarketer, Oct 2014

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Similar to eMarketer's US digital display advertising forecast, our programmatic forecast considers all US digital display ad dollars spent programmatically on banners, rich media, video and sponsorships across both desktop and mobile devices, the latter of which includes mobile phones and tablets. Social media ad spending is also included in this number.

As noted earlier, eMarketer's definition of programmatic advertising is intentionally broad to encompass all major methods of automating either the buying or fulfilling of digital display advertising.

eMarketer is not alone using such a broad definition. Others, including IPG's strategy arm MAGNA GLOBAL, financial services firm UBS, BI Intelligence (the research division of Business Insider), and social media marketing research firm Socintel360, define programmatic in similar terms in their ad spending forecasts. Because of these similarities, estimates from these firms are relatively aligned in their growth outlook through 2016. Total ad dollars vary depending on both the researcher's expected ad spending baseline and growth rates.

## Comparative Estimates: US Programmatic Digital Display Ad Spending, 2012-2018

	2012	2013	2014	2015	2016	2017	2018
<b>Programmatic digital display ad spending (billions)</b>							
Socintel360, Aug 2014	-	\$9.90	\$12.20	\$14.80	\$17.70	\$20.90	\$24.40
UBS, Sep 2014	\$4.80	\$7.50	\$11.30	\$15.80	\$20.50	\$25.60	\$31.20
MAGNA GLOBAL, Sep 2014	-	-	\$11.20	\$14.00	\$17.10	\$20.20	\$23.50
<b>eMarketer, Oct 2014</b>	<b>\$2.03</b>	<b>\$4.24</b>	<b>\$10.06</b>	<b>\$14.88</b>	<b>\$20.41</b>	-	-
BI Intelligence, Sep 2014	-	\$6.00	\$8.30	\$12.10	\$17.90	\$23.20	\$27.70
<b>% change</b>							
<b>eMarketer, Oct 2014</b>	<b>83.2%</b>	<b>108.7%</b>	<b>137.1%</b>	<b>47.9%</b>	<b>37.2%</b>	-	-
UBS, Sep 2014	71.4%	56.3%	50.0%	40.0%	30.0%	25.0%	22.0%
BI Intelligence, Sep 2014	-	-	38.3%	45.8%	47.9%	29.6%	19.4%
Socintel360, Aug 2014	-	-	23.0%	21.0%	20.0%	18.0%	17.0%
MAGNA GLOBAL, Sep 2014	-	-	-	25.0%	22.1%	18.1%	16.3%
<b>% of digital display ad spending</b>							
UBS, Sep 2014	35.7%	46.9%	57.3%	64.1%	68.2%	71.0%	73.2%
Socintel360, Aug 2014	-	-	53.0%	54.2%	56.6%	-	-
<b>eMarketer, Oct 2014</b>	<b>14.0%</b>	<b>24.0%</b>	<b>45.0%</b>	<b>55.0%</b>	<b>63.0%</b>	-	-
BI Intelligence, Sep 2014	-	31.0%	32.0%	38.0%	46.0%	49.0%	50.0%

Source: eMarketer, Oct 2014; various, as noted, 2014

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eMarketer's more conservative estimate for 2014 reflects the fact that despite growing interest in and adoption of programmatic digital display advertising, the majority of programmatic buying today is still limited to standard banner and social media ads. Video, nonstandard or custom rich media ad units and sponsorships are still largely sold via traditional direct sales channels. But we see 2014 as a pivotal year for developing the necessary infrastructure to automate some of these less standard display ad formats, specifically via private marketplace and programmatic direct transactions.

Consequently, we forecast significant investment growth in the next 12 to 24 months as mobile programmatic spending skyrockets and buyers seek more efficient alternatives to the traditional direct sales channel. These influences—and others—will help programmatic advertising capture 63% of total US digital display ad spending by 2016.

Breaking down the broader forecast number into individual transaction channels offers additional insight into some of the main influences responsible for growth.

## REAL-TIME BIDDING

RTB, which includes any auction-based buying across both open and private exchanges, will remain the dominant programmatic transaction method through 2016. In 2014, its total share of US programmatic digital display ad spending will be 92%, or \$9.25 billion, eMarketer predicts. But rapid growth of the direct branch of programmatic ad buying will drive RTB's share down to 58% by 2016, even as total RTB spending grows to \$11.84 billion.

### US Programmatic Digital Display Ad Spending, by Transaction Method, 2013-2016

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

	2013	2014	2015	2016
<b>Real-time bidding (RTB)*</b>	<b>\$4.16</b>	<b>\$9.25</b>	<b>\$11.01</b>	<b>\$11.84</b>
—% change	106.6%	122.6%	19.0%	7.5%
—% of total programmatic digital display ad spending	98.0%	92.0%	74.0%	58.0%
<b>Programmatic direct**</b>	<b>\$0.08</b>	<b>\$0.80</b>	<b>\$3.87</b>	<b>\$8.57</b>
—% change	317.5%	848.4%	380.7%	121.6%
—% of total programmatic digital display ad spending	2.0%	8.0%	26.0%	42.0%

Note: includes advertising that appears on desktop/laptop computers as well as mobile phones and tablets; \*includes programmatic ads that are transacted in real time, at the impression level; \*\*includes all programmatic ads that are transacted as blocks of inventory using a non-auction-based approach via an API  
Source: eMarketer, Oct 2014

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## Open Exchange Spending

Over the next two years, open exchanges—the most mature of any programmatic channel—will continue to account for the majority of RTB-based ad dollars. Despite growing competition from newer transaction methods such as programmatic direct and private marketplaces, open exchanges will continue to see positive gains over the next few years, though growth will largely flatten in 2015 as these marketplaces reach peak maturity. eMarketer predicts US open exchange spending will swell from \$8.14 billion in 2014 to \$8.52 billion by 2016.

### US Real-Time Bidding (RTB) Digital Display Ad Spending, by Channel, 2013-2016

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

	2013	2014	2015	2016
<b>Open exchange*</b>	<b>\$4.07</b>	<b>\$8.14</b>	<b>\$8.48</b>	<b>\$8.52</b>
—% change	-	99.9%	4.1%	0.5%
—% of total RTB digital display ad spending	98.0%	88.0%	77.0%	72.0%
<b>Private marketplace**</b>	<b>\$0.08</b>	<b>\$1.11</b>	<b>\$2.53</b>	<b>\$3.31</b>
—% change	-	1,235.5%	128.0%	30.9%
—% of total RTB digital display ad spending	2.0%	12.0%	23.0%	28.0%

Note: includes advertising that appears on desktop/laptop computers as well as mobile phones and tablets; \*includes ads transacted through a public RTB auction in which any buyer or seller can participate, also known as open auction or open marketplace; \*\*includes ads transacted through an invitation-only RTB auction where one publisher or a select group of publishers invite a select number of buyers to bid on its inventory  
Source: eMarketer, Oct 2014

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One of the main growth drivers—however minimal—for open exchanges over the next couple of years is an expectation for continued improvements to transparency surrounding key site, device and data attributes of each ad impression, as well as better ad quality and fraud detection. eMarketer predicts that in response to pressures from programmatic direct and private marketplaces, operators of open exchanges will look to improve the following:

- Adoption of and adherence to both desktop and mobile RTB protocols and standards put forth by the RTB Project, the Interactive Advertising Bureau (IAB) committee formerly known as OpenRTB, which is dedicated to crafting open protocols for the automation of media buying.
- Adoption of pre-bid verification tools and services used to vet impression-level quality on aspects such as brand safety, viewability and ad fraud.

These improvements will help open exchanges maintain their majority share of RTB-based ad spending.

“Everyone realizes that if you want to continue to grow the open exchanges, you have to get people comfortable with spending there by improving trust and quality,” said Ted Shergalis, vice president of enterprise strategy at advertising solutions provider Rocket Fuel. “If the industry doesn’t take steps like gaining better inventory controls, better bot traffic identification and scrubbing or viewability controls, growth will be hindered, even though there are clear price and scale benefits to the open exchanges.”

Political ad dollars will also play a role in maintaining the health of open exchanges, particularly in 2016. With their real-time data integration capabilities and greater reach and scale vs. more private-type deals, open exchanges are an ideal arena for political candidates hoping to reach a very specific—yet large—population of individuals within a narrow time frame. In fact, a recent STRATA survey of agencies involved in political advertising showed 85% planned to use programmatic to buy ads this year—a percentage one should expect to hold steady or grow during the next US presidential election year.

## Private Marketplace Spending

Private marketplaces, which eMarketer also refers to as closed or private exchanges, are RTB-based setups that offer buyers and sellers greater exclusivity over partnerships, pricing and inventory specifications. They first gained momentum in 2013, and this year has seen experimentation and testing give way to increased adoption and implementation for both buyers and sellers seeking a more exclusive approach to auction-based buying. By year-end 2014, private marketplaces’ share of US RTB-based ad spending will rise from 2% to 12%, we expect.

Beginning in 2015, with most of the necessary frameworks and technology in place, private marketplaces will attract significant US programmatic digital display ad dollars. Some of the increased investment will come from a reallocation of RTB-based ad spending, but a sizable portion will be from new ad dollars. Next year, eMarketer predicts, private marketplace spending will more than double to \$2.53 billion and account for 23% of all US RTB-based ad spending. In 2016, investment will climb to \$3.31 billion, with spending share rising to 28%.

Key variables contributing to the rapid growth in private marketplace spending and investment over the next few years include:

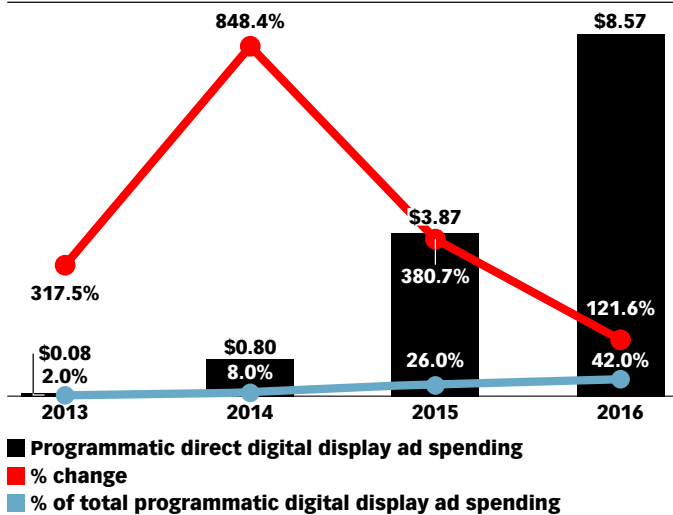
- **Increased adoption and participation from publishers looking to maintain control over the programmatic ad buying experience but still recognizing the value of allowing buyers to leverage real-time data and impression-level decision-making. Publishers such as Forbes, ESPN, The Weather Company and Hearst have set the standard for successfully reconciling buyer demands for data and automation with their own sales and revenue mandates. As publishers continue to see the value in offering buyers RTB-based access to their inventory, albeit under tighter controls, both old and new sellers will look to private marketplaces as an additional revenue source.**
- **Growing demand from agencies and other large-scale buyers looking to leverage pre-existing sales relationships as a competitive advantage in programmatic. Many agencies, brands and trade desks will opt to leverage these publisher relationships to enter into private exchange agreements in an effort to gain an advantage over the general advertiser population. An advantage might be access to higher-quality inventory, set bid price floors, improved transparency, special access to publisher data or preferential bidding order. Expect to see more of these deals being put into place starting in 2015 for all inventory types, including video, which has historically been a publisher-direct buy.**
- **The effort of ad-tech players such as ad exchanges, demand-side platforms (DSPs) and supply-side platforms (SSPs) to incorporate private marketplace-type capabilities in the face of impending demand.**

# PROGRAMMATIC DIRECT

Publishers and advertisers have relied on APIs to facilitate digital ad buying for years, but only in the last two years has programmatic direct attracted attention. Although this non-RTB-based method of transacting digital display ads accounted for just \$0.08 billion or 2% of US programmatic digital display ad spending in 2013—largely driven by social ad dollars—by 2016, its share will balloon to 42%, worth \$8.57 billion.

## US Programmatic Direct Digital Display Ad Spending, 2013-2016

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



Note: includes all programmatic ads that are transacted as blocks of inventory using a non-auction-based approach via an API; includes advertising that appears on desktop/laptop computers as well as mobile phones and tablets  
 Source: eMarketer, Oct 2014

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Many of the assumptions for private marketplace growth related to technology maturation and adoption also apply to programmatic direct. Like private marketplaces, interest in programmatic direct-type setups largely outweighed investment in both 2013 and 2014, during which non-RTB ad networks and social APIs served as the dominant programmatic direct implementations. But 2015 into 2016 is expected to be a watershed period for ad spending as both buyers and sellers become more accustomed to automating direct buys and begin to benefit from the groundwork and infrastructure laid during programmatic direct's early years.

Google's video-focused Partner Select, AOL's ONE platform and Mediaocean's Prisma Avails buying solution are examples of big platforms making active pushes to incorporate programmatic direct, premium inventory and partnerships into their systems in 2014. In addition, the major DSPs and SSPs, and many specialty ad exchanges like BrightRoll's video ad platform, have quickly expanded their RTB-based platforms to provide programmatic guarantees or reserves.

Additional variables that will result in rapid growth and investment in programmatic direct ad spending over the next few years include:

- **An anticipated influx of traditional direct digital display ad dollars as both buyers and sellers look to replace paper insertion orders with digital ones. Though many programmatic direct ad dollars initially came from buyers and sellers seeking an alternative to RTB-based channels, eMarketer, based in part on interviews with industry professionals, assumes a significant portion of ad dollars forecast for 2015 and 2016 will come from traditional direct channels. "Looking at programmatic direct, specifically the reservations and futures, a lot of those ad dollars will come from traditional ad buying margins," said Esco Strong, director of programmatic advertising at Microsoft. "Agencies and traditional buyers are at a point where they're looking to simplify the buying process and want to consolidate toolsets and streamline processes in doing so."**



- Increased publisher adoption and willingness to make more premium, high-quality inventory available to buyers eagerly awaiting programmatic direct access to such inventory. Though publishers today largely guard such types of high value ad inventory, we expect many will begin to offer a greater number of ads programmatically starting in 2015, with the majority of that inventory going to programmatic direct-type setups vs. RTB-based channels, thanks to the latter's ability to still afford publishers the benefits of securing upfront guarantees. Buyers, particularly large-scale brand advertisers that have previously avoided RTB for its lack of guarantees, will gravitate toward programmatic direct as a lower-risk entry point into programmatic. The promise of automation initially will drive interest, but the ability to pair automated guarantees with data-driven intelligence will become an even larger draw—one likely to drive up both the value of inventory and ultimately, the amount buyers are willing to invest.

Because eMarketer views programmatic direct as the main entryway into programmatic for once-reticent publishers and large-scale advertisers, we see investment in this particular transaction method trumping spending in private marketplaces through 2016. Over time, it is likely spending will begin to transition between the two more fluidly as buyers and sellers gain comfort using each respective channel for its intended objective.

## PROGRAMMATIC MOBILE AD SPENDING

By 2015, eMarketer estimates, mobile will overtake desktop display in share of total programmatic digital display ad dollars, accounting for 56.2%, worth \$8.36 billion. The gap will continue to widen in 2016 and beyond.

### US Programmatic Digital Display Ad Spending, by Device, 2013-2016

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

	2013	2014	2015	2016
<b>Desktop/laptop</b>	<b>\$2.92</b>	<b>\$5.62</b>	<b>\$6.52</b>	<b>\$6.26</b>
—% change	-	92.9%	15.9%	-3.9%
—% of total programmatic digital display ad spending	68.7%	55.9%	43.8%	30.7%
<b>Mobile*</b>	<b>\$1.33</b>	<b>\$4.44</b>	<b>\$8.36</b>	<b>\$14.15</b>
—% change	-	234.3%	88.4%	69.2%
—% of total programmatic digital display ad spending	31.3%	44.1%	56.2%	69.3%

Note: digital display ads transacted via an API, including everything from publisher-erected APIs to more standardized RTB technology; \*ad spending on tablets is included

Source: eMarketer, Oct 2014

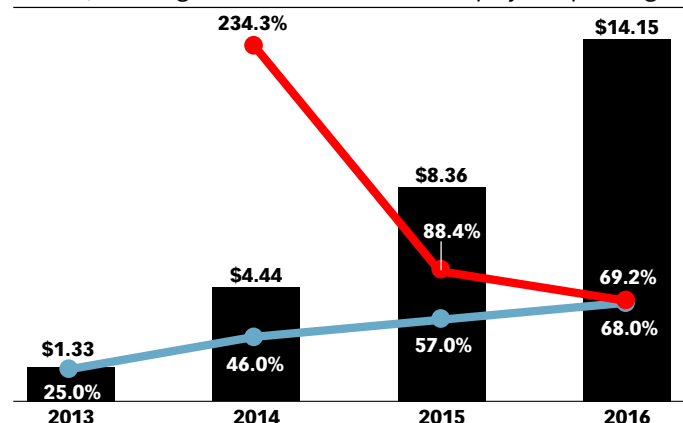
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Growth in programmatic mobile ad spending will also heavily affect the broader mobile display advertising category. By 2016, programmatic mobile ad spending will account for 68% of total US mobile display ad spending.

### US Mobile Programmatic Display Ad Spending, 2013-2016

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



■ Mobile programmatic display ad spending  
 ■ % change ■ % of total mobile display ad spending

Note: mobile display ads transacted via an API, including everything from publisher-erected APIs to more standardized RTB technology; ad spending on tablets is included

Source: eMarketer, Oct 2014

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Several key variables will contribute to the significant rise in US programmatic mobile display ad spending.

- **Dollars allocated to mobile advertising will reflect a continued shift of media consumption habits away from desktop devices toward smartphones and tablets. eMarketer’s assumption that mobile will overtake the desktop in the next couple of years isn’t just true for US programmatic or display ad spending: In 2016, we estimate mobile will capture 59.9% of all US digital ad spending, and jump to 70.9% by 2018.**
- **Companies such as Google, Facebook and Twitter that are currently generating the bulk of US mobile display ad revenue and which are increasingly reliant on programmatic advertising will continue to see the majority of their ad revenues shift from desktop to mobile display ads. We believe these companies already account for a significant portion of total US mobile programmatic ad spending, and we expect that to continue through 2016. For example, eMarketer estimates Facebook alone will see 77% of its total US ad revenue, or \$5.64 billion, generated from mobile by 2016. Though not all mobile ad dollars will be transacted programmatically, eMarketer believes a good portion will, as evidenced by Facebook’s recent programmatically-focused announcements, including its July 2014 acquisition of video SSP LiveRail and the September 2014 relaunch of ad-serving platform Atlas, which includes retargeting and other programmatic capabilities.**

In light of existing challenges and concerns over mobile tracking and data collection for accurate programmatic buying, companies such as Google, Facebook and Twitter that possess rich user login information often have an advantage over other networks and exchanges largely reliant on inferred identification tactics and other data collection methods that may or may not clearly reconcile user identification across multiple devices or channels. Because of this, we believe they are best positioned for rapid mobile programmatic growth for all digital display ad formats, including video.

- **The tools, tactics and technologies necessary to effectively buy and sell mobile ads in traditionally desktop-driven programmatic platforms such as open exchanges and DSPs will improve in the next 24 months. Today, there are two main issues affecting mobile programmatic ad investment. The first is a lack of standardization in user identification methods—an obstacle also specific to the broader mobile category. The second is the lack of adequate or accurate user and device-level data in many initially desktop-driven programmatic platforms. In the absence of such information, buyers are unable to use data-driven buying decisions to effectively bid on mobile inventory, often resulting in low CPMs or a decision to pass on such impressions.**

eMarketer is optimistic that resolutions to these issues will arrive in the next few years, ushering in greater mobile investment. Organizations such as the IAB and the Network Advertising Initiative (NAI) will be instrumental in helping to define the primary method of mobile data collection, standardizing this task in the process. We also anticipate that continued improvements to data mandates for programmatic buying and selling coming from coalitions like IAB’s RTB Project will also help make programmatic advertising a more accurate, standardized process across channels.

Alex Merwin, senior vice president of programmatic for video ad exchange SpotXchange, noted that the industry is already addressing some of these issues specific to the mobile video arena, namely the fact that most major DSPs and SSPs today offer different types of mobile targeting and impression information, making it difficult for buyers using a variety of programmatic solutions. Such standardization, he said, should arrive within just two or three quarters.

The removal of these roadblocks will pave the way for even greater programmatic mobile advertising investment, specifically for those looking to build out cross-channel and cross-device programs, in which mobile will play a significant role.

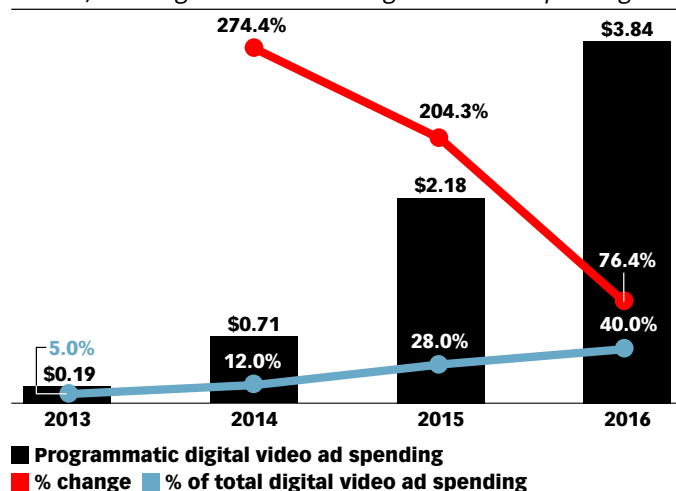
“Eventually, those issues will have to be resolved if we want to realize the promise of programmatic, which is unified, simplistic buying across all formats,” said Microsoft’s Strong.

Even with many of these roadblocks still in place, buyers largely plan to move forward with programmatic mobile ad investment. AOL Platform’s June 2014 survey of US advertising executives found 53% planned to increase programmatic mobile ad spending in the following six months—a number roughly on par with the number of respondents expecting to increase programmatic video (54%) and display (58%) ad spending.

## PROGRAMMATIC VIDEO AD SPENDING

Similar to mobile, programmatic video advertising is in the early stages of adoption and implementation. eMarketer expects programmatic will contribute less than a billion dollars (\$0.71 billion) to total US digital video ad spending by year-end 2014. However, we predict that number will rise to \$3.84 billion by 2016, accounting for two in five digital video ad dollars and 18.8% of all programmatic display ad dollars.

**US Programmatic Digital Video Ad Spending, 2013-2016**  
billions, % change and % of total digital video ad spending



Note: digital video ads transacted via an API, including everything from publisher-erected APIs to more standardized RTB technology; includes advertising that appears on desktop/laptop computers as well as mobile phones and tablets; includes in-banner, in-stream and in-text  
Source: eMarketer, Oct 2014

180370 [www.eMarketer.com](http://www.eMarketer.com)

Compared to the overall programmatic category and mobile, programmatic video is growing faster than any other area. However, its share of total US programmatic digital display dollars will remain smaller, thanks to the overall more limited supply of video ad inventory—in spite of high buyer demand. This issue of high demand but low supply is the reason why programmatic video’s spend share remains low.

Key variables considered when forecasting total US programmatic digital video ad spending include:

- An expectation that rising comfort and adoption levels of programmatic direct and even private marketplaces will result in a greater portion of video ad inventory—and ad dollars—shifting to programmatic. As noted in eMarketer’s September 2014 report, [“Programmatic Video Advertising: Automated Platforms Begin to Transform Digital’s Premium Marketplace,”](#) today, the vast majority of programmatic video ads exist in the open marketplace and consist of nonpremium inventory. Concerns with inventory quality and transparency, coupled with the inability to reserve or guarantee blocks of inventory—something TV advertisers and big brands looking to extend their reach to digital video have become accustomed to—has kept many buyers from participating in the programmatic space.

As programmatic direct and private marketplaces mature in 2015 and 2016, eMarketer expects a greater portion of high-quality premium inventory will make its way into the programmatic space via these two channels, with a significant amount going to programmatic direct.

Already, there is positive movement from publishers. In an August 2014 Adap.tv survey, more than half of US publishers (51%) reported selling some amount of premium video ad inventory programmatically this year, up from just 36% in 2013.

- Though participation in programmatic video advertising will grow, thanks to programmatic direct, a good portion of publishers will continue to hold onto their most coveted video ad inventory, sold today through their direct sales forces. Whether bundled together with TV ads or offered as a standalone package, there is little digital video inventory that goes unsold. Because of this, many see little incentive to offer that inventory programmatically, a mentality eMarketer believes will persist among a good portion of publishers well into 2016.

SpotXchange’s Merwin shared a similar outlook, particularly when considering broadcasters, who possess the video ad inventory highest in demand. “In the next two or three years, the broadcasters are going to continue to sell their video ad inventory via their direct salesforces,” he said. “They have exceptionally successful media businesses right now, and there’s little need for disruption when you’re looking at it from the supply side. There’s no incentive for them to shift into programmatic.” What would be an incentive, Merwin said, would be movement on the programmatic TV front. “That will create pressure for the sell side to evolve their method of transacting.”

As such, eMarketer anticipates the majority of programmatic video ad spending will continue to flow to nonpremium, RTB-bought inventory through 2016.

- Programmatic TV could be a wildcard that might significantly alter our programmatic video advertising forecast if it gains momentum in the next 12 to 24 months. In eMarketer’s September 2014 report, [“Programmatic TV Advertising: Small Investment Today, Big Opportunity Tomorrow,”](#) we noted that although there is significant interest in bringing automation to TV ad buying, most sources suggest programmatic buying currently accounts for less than 1% of total USTV ad spending. Firms saw little alignment on how quickly investment would grow, but some, such as research and consulting firm Strategy Analytics, suggested programmatic TV could account for as much as 20% of USTV ad spending by 2018, resulting in a multi-billion dollar industry in the next few years.

Though programmatic TV spending is entirely separate from programmatic digital video spending, growth in the former would heavily influence adoption of the latter, as TV buyers would inherently look to bridge data-driven TV ad buying capabilities with their digital ad buys.

- **Already, some have reported seeing agencies and other companies realigning departments and divisions, such as their trading desks and TV investment arms, in anticipation of these longer-term opportunities. But in spite of buy-side eagerness, most agree the necessary technology and infrastructure required to execute those buys is still in development. As such, eMarketer does not foresee this newly budding area of programmatic advertising having a significant effect on programmatic video for at least 24 months, though 2015's upfronts should provide more direction on this subject.**

Though today it might appear there are more factors holding programmatic video advertising back than propelling it forward, ultimately most agree programmatic is a natural fit for video ad buying, considering both take a very audience-centric approach to advertising.

"The vast majority of digital video spend is often guaranteed to an audience buy," said Josh Jacobs, global CEO of Accuen, Omnicom's programmatic media platform. "So even if we don't consider it programmatic today, it's organically going to move in that direction because that's how we already buy it. A small portion of digital video might be bought programmatically today, but 80% of it is naturally programmatic in that it's not just about context, it's about reaching a specific audience."

## EMARKETER INTERVIEWS



**Joshua Jacobs**  
Global CEO  
Accuen

*Interview conducted on September 18, 2014*



**Alex Merwin**  
SVP, Programmatic  
SpotXChange

*Interview conducted on September 18, 2014*



**Rob Norman**  
Global Chief Digital Officer  
GroupM

*Interview conducted on August 20, 2014*



**Esco Strong**  
Director, Programmatic Advertising  
Microsoft

*Interview conducted on September 26, 2014*

**Anthony Iacovone**  
CEO  
AdTheorent

*Interview conducted on September 12, 2014*

**Ted Shergalis**  
Vice President, Enterprise Strategy  
Rocket Fuel

*Interview conducted on September 23, 2014*

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