AUDIENCESCIENCE®
Enterprise Advertising Management System

THE SHIFTING DIGITAL LANDSCAPE

An Advertiser's Guide to Targeting, Technology, and Transparency

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Executive Summary

Introduction

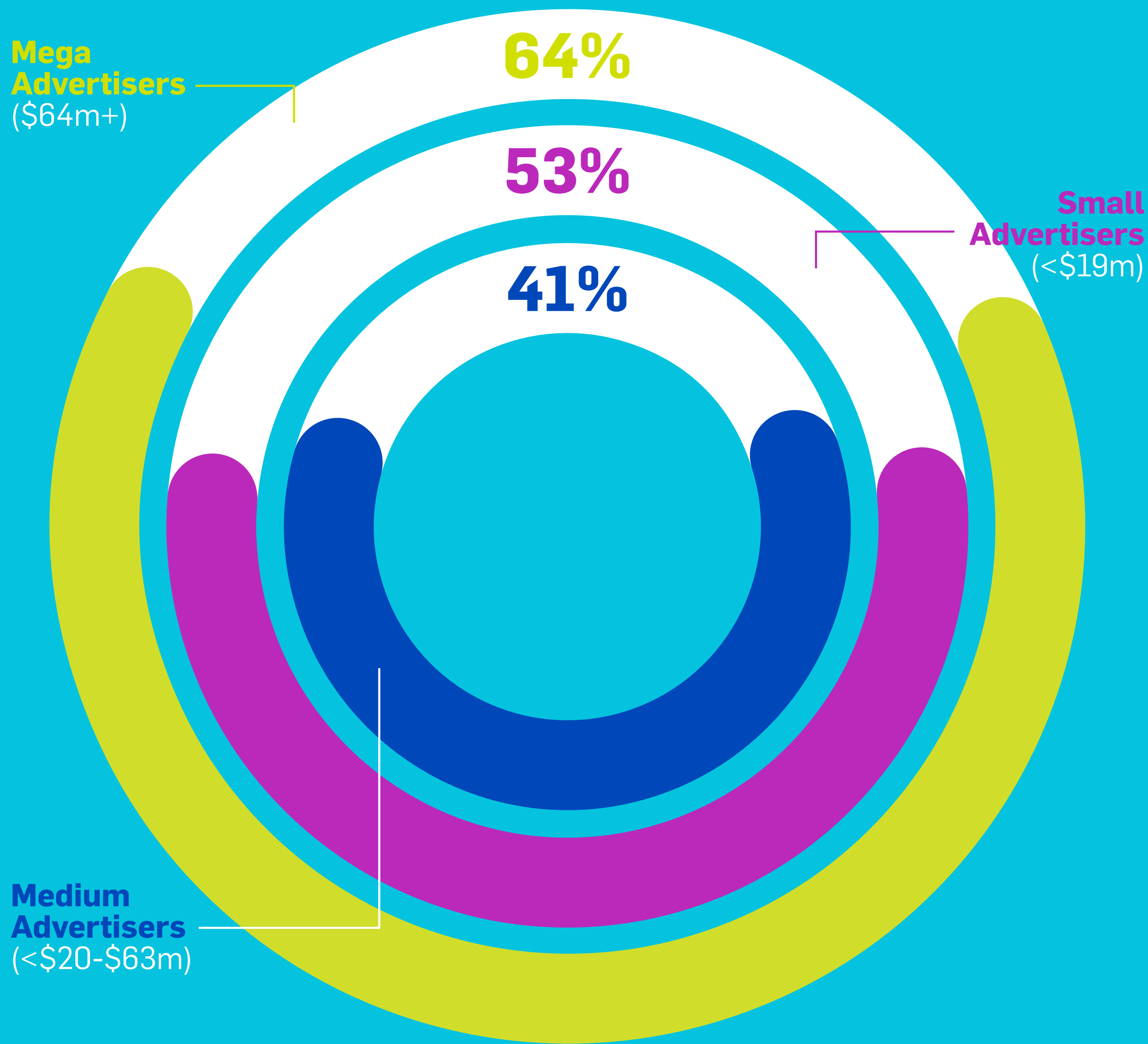
Global digital advertising is nearly a $140 billion industry[1] and advertisers continue to spend more and more on digital. AudienceScience® has found that the way in which advertisers buy media and target their digital advertising is changing, helped by advances in technology, but there are still major hurdles that inhibit an advertiser's digital success.

In order to better understand this shifting landscape, AudienceScience worked with both BSB Media and The Vision Network to launch the second annual International Media Image Survey (I-MIS), a unique study conducted during May and June 2014. Run in conjunction with the International Advertising Association, Warc and M&M Global, the study provides insight into advertisers of various sizes, ranging from Small Advertisers (<$19m) to Mega Advertisers ($64m+). Interviews were conductedby InSites Consulting with senior decision makers at over 80 advertisers globally, and were administered via an online questionnaire.

1 **eMarketer, April 2014** (http://www.emarketer.com/Article/Digital-Ad-Spending-Worldwide-Hit-3613753-Billion-2014/1010736)

Key Takeaways

Global advertisers are changing the way they buy and target digital media. More than half of Mega Advertisers ($64m+) **plan to spend more** on programmatic buying and real-time bidding (RTB).



The way advertisers buy media is changing.

Advertisers continue to shift more money towards programmatic buying and RTB, with 88% of advertisers planning on buying as much or more media via programmatic buying and RTB. This shift accompanies advertisers shifting budget away from traditional, content-based ad buys and towards data-driven audience targeting. In fact, 82% of advertisers plan on allocating a larger percentage of their budget to audience-targeted buys.

Advertisers are taking greater advertising ownership.

For greater digital success and increased efficiencies, advertisers are starting to realize that they need a better understanding of digital ad technology. 43% of advertisers plan to bring more responsibility in-house for digital planning and 47% of advertisers feel that having in-depth technology knowledge in-house is a factor that will help make them most successful in digital advertising.

Opacity and complexity remain major problems for digital advertising.

Major advertiser trade groups like the World Federation of Advertisers (WFA) have made advertising transparency a major theme in 2014. This should be no surprise: advertisers see opacity in digital advertising as a significant issue, and one that's only getting worse. 69% of advertisers said that media trading transparency across the industry has either stayed the same or declined compared to a few years ago. Most advertisers feel that this lack of transparency and the overall complexity of the ecosystem are the biggest problems with digital advertising today.

FIGURE 1

88% of advertisers planning on buying as much or more media via programmatic buying and RTB

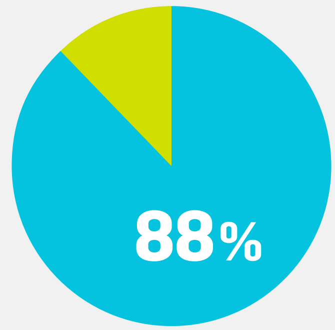


FIGURE 2

43% of advertisers plan to bring more responsibility in-house

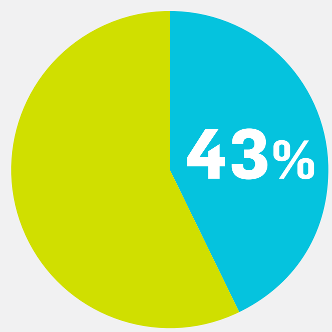
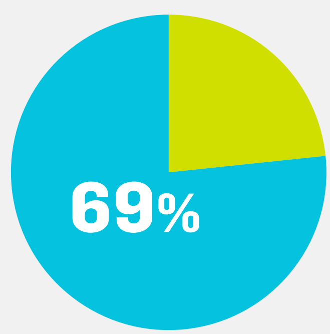


FIGURE 3

69% of advertisers said media trading transparency across the industry has stayed the same or declined



Shifting to Audience Targeting

Advertisers are changing the way they plan and buy digital advertising.

The vast majority of advertisers will readily attest to digital's importance; an increasing number (over 50%) plan to invest more into the digital ecosystem in 2015. With more money going into digital channels (often at the expense of print), many advertisers have begun to shift the way they plan and buy media to take better advantage of unique digital capabilities.

Advertisers are using audience data for targeting.

Advertisers have always targeted audiences, but until recently, targeting relied upon context as a proxy for audience composition—no longer. Today, advertisers are shifting to individually targeted ad campaigns based upon granular audience data. In fact, 60% of advertisers feel that the application of audience data has the greatest potential for positive marketing impact through better targeting of paid digital media (i.e., targeted display). Mega Advertisers (those who spend $64m+ annually on digital advertising) are the most optimistic about the value of audience targeting, with 84% agreeing that the application of audience data has the greatest potential for a positive marketing impact.

Advertisers are shifting away from contextual buying.

As advertisers take advantage of audience data for targeting, contextual buys with specific publishers are becoming a less important part of the media mix. While many advertisers still allocate a percentage of their digital advertising budget towards contextual buys with specific publishers, the vast majority are moving this money towards audience-targeted buys. 82% of all advertisers plan on allocating a larger percentage of their budget to audience-targeted buys versus contextual buys with specific publishers. Similarly, with the majority of advertisers planning on buying more media via real-time bidding (RTB), the shift to audience-targeted buying is inevitable.

Advertisers are planning and buying media across digital screens by targeting customers across devices.

As the world continues to become more connected, many consumers have more than one digital device, with many having three, four or even five. Advertisers are realizing this shift to multi-screen, and they value the importance of identifying a user across devices to control frequency and messaging. While most advertisers still plan based upon channel and screen-specific budgets, this is changing: 76% of All Advertisers will plan and buy media across digital screens by targeting customers across devices.

FIGURE 1

For your organization, where does the application of audience data have the greatest potential for positive marketing impact?

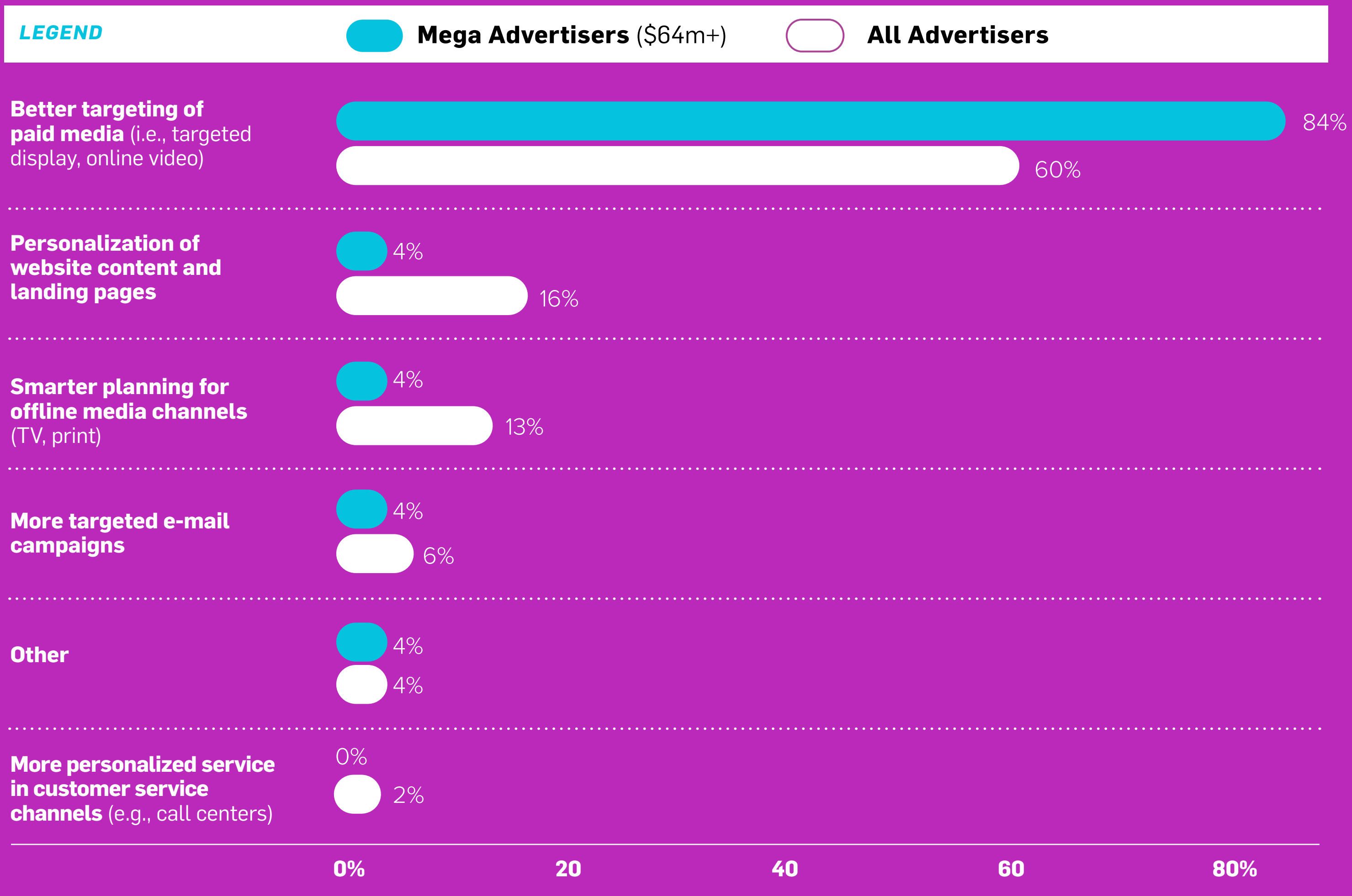
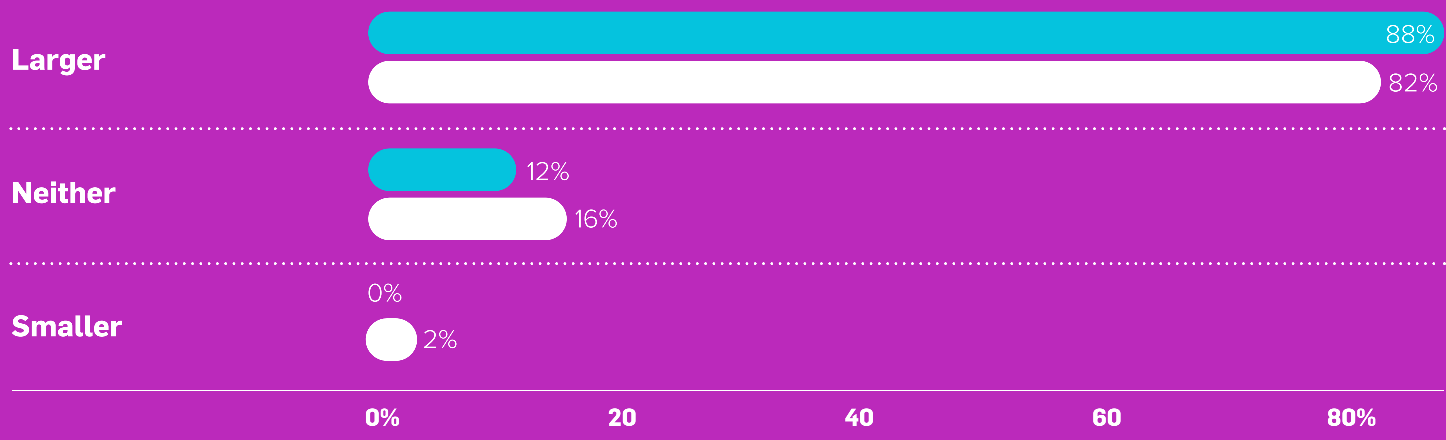


FIGURE 2

As you approach digital advertising over the next 12 months, do you plan on allocating a larger or smaller percentage of your budget to audience-targeted buys versus contextual buys with specific publishers?



Shifting Control

Advertisers are taking greater ownership of their digital advertising.

In the past, advertisers believed that their success in digital advertising was all about having the best media agency. Now, only 27% of advertisers feel that having the most talented media agency will even be a factor contributing to their digital advertising success. They are starting to understand that they have the ability to bring more digital advertising capabilities in-house.

Advertisers realize that they need deeper knowledge and a better understanding of digital advertising technology.

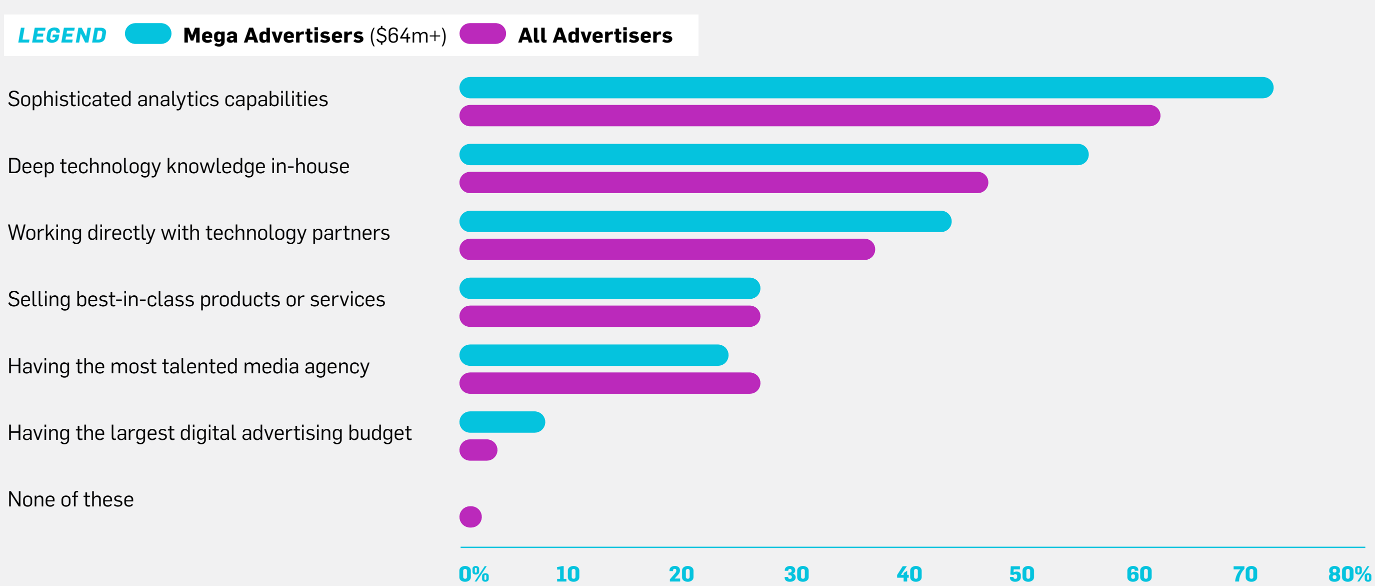
In order to bring digital advertising capabilities in-house, advertisers need to have employees with an understanding of digital advertising and its technology. Advertisers believe that a lack of in-house people with a good understanding of digital is the third biggest problem with digital advertising. Similarly, advertisers have become aware that they need to fix this problem in order to be successful. 47% of All Advertisers and 56% of Mega Advertisers feel that having a deep understanding of technology in-house is a factor that will make them the most successful in digital advertising over the next 24 months.

Advertisers see the potential that sophisticated analytics can bring to digital advertising.

Advertisers are beginning to understand that there is a vast amount of data that can be gathered through digital advertising. Using a combination of their own first-party audience data, third-party data and analytics, advertisers can gather a wealth of information about customers and trends and ultimately, what is and what is not successful. 62% of All Advertisers and 72% of Mega Advertisers see sophisticated analytics capabilities as the factor that will make them the most successful in digital advertising over the next 24 months. These analytics can help advertisers create customized messaging, target the right people and have more effective digital advertising campaigns.

FIGURE 1

Which factor will make advertisers the most successful in digital advertising over the next 24 months?



Major hurdles inhibit an advertiser's digital success.

While advertisers are spending more on digital advertising than ever before, they are still far from making the most out of their digital connections to consumers. Most notably:

Lack of transparency remains a huge issue.

While 48% of agencies believe that media trading transparency across the industry has improved compared to a few years ago, 69% of advertisers feel that it has stayed the same or declined. Agency trading desks—who typically make money via "arbitrage" of digital advertising—are a major driver behind the lack of transparency, and advertisers are catching on. 68% of All Advertisers and 84% of Mega Advertisers feel that a lack of transparency into all costs associated with digital advertising is the biggest problem with digital advertising today.

There are too many vendors and middlemen in the ecosystem.

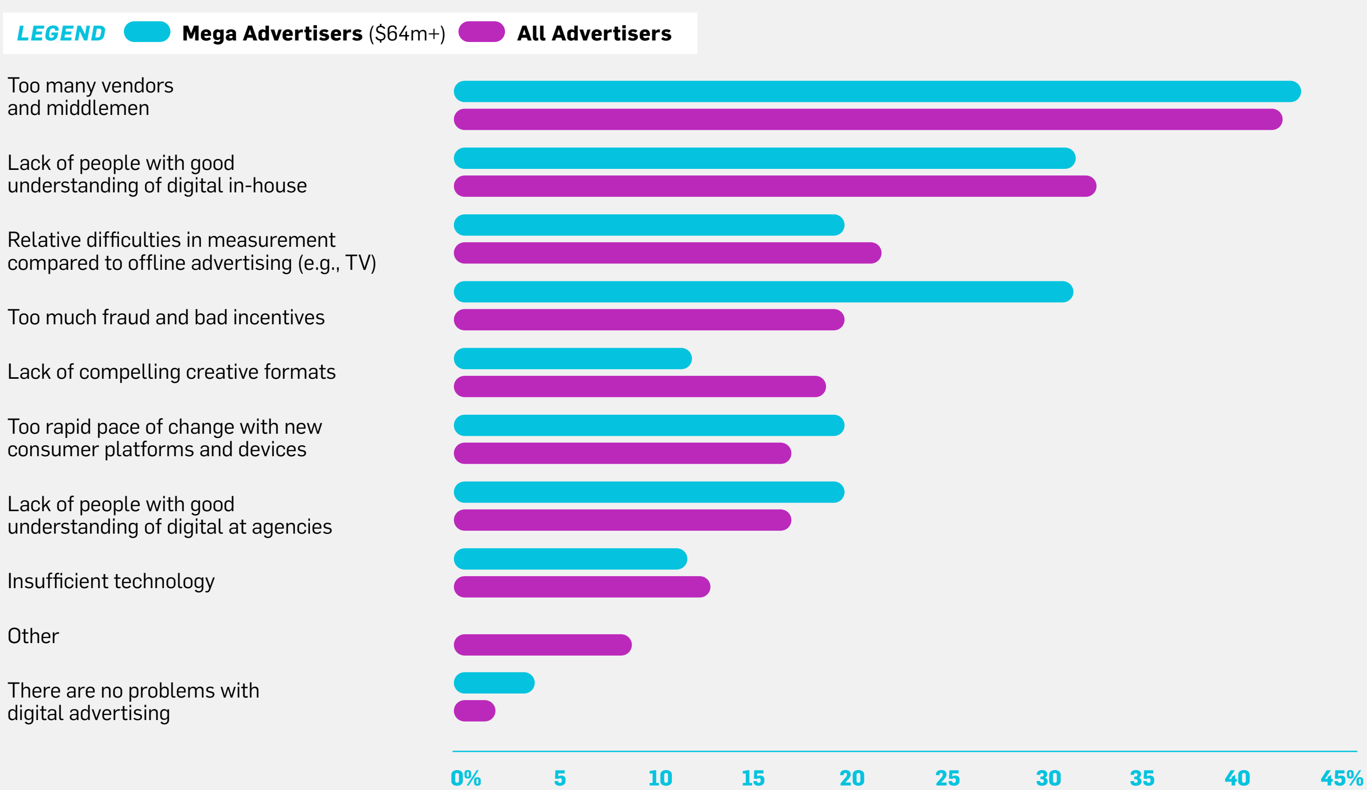
With advertisers aware of the lack of transparency in the ecosystem, they are now starting to comprehend just how many vendors and middlemen are taking margins and charging fees, ultimately taking away from their effective media budget and from the ability to gain valuable insights. Indeed, 43% of advertisers believe that too many vendors and middlemen is one of the biggest problems in the industry.

Despite these hurdles, advertisers do not believe technology is the problem.

Despite the lack of transparency, too many vendors and middlemen and other issues such as fraud and bot traffic, very few advertisers feel that the technology is the root of the problem. Only 13% of advertisers saw insufficient technology as a problem with digital advertising. Advertisers now believe in the success of digital advertising and simply need to find the right partners and technologies that fit their company's needs.

FIGURE 1

In your view, what are the biggest problems with digital advertising today?



Conclusion

There is a fundamental shift underway.

Advertisers are demanding more transparency and shifting more budget towards programmatic, and therefore are targeting consumers based on behaviors and demographics rather than context. The complexities involved with media execution, lack of transparency, multiple intermediaries and inefficiencies in fees and margins are just a few issues that challenge an advertiser's success in digital.

Despite the challenges, in order to increase their chances of success, advertisers are actively exploring procuring in-house programmatic expertise over the next 24 months. This will lead to greater scrutiny of current partners and provide opportunities for those ad tech companies that serve the interest of the advertiser to provide a streamlined, performance-driven, cost-efficient model that addresses their interests and, ultimately, those of the consumer.

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