



RTB TREND REPORT

EUROPE 2015 Q1



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Executive Summary

Spending

Programmatic trading continues its double-digit growth, increasing an impressive 76% from April 2014 to April 2015, thanks in large part to steep climbs (333%) in spending for brand formats. From 1Q14 to 1Q15, ad spend jumped 119% as advertisers dedicate bigger portions of their budget to programmatic channels.

In terms of device targeting, desktop continues to attract the lion's share of ad spend (75.5%) in 1Q15, which is down slightly from 1Q14 (77.23%). In 1Q15, ad spending on mobile accounted for 12.17% of the budget, which is up from 8.8% in 1Q14. Spending on tablet stayed largely the same from 1Q14 to 1Q15, decreasing from 13.97% to 12.22%.

CPMs

CPMs for programmatic inventory increased by 42% year-on-year, a sign of health for the entire industry. In-stream banners continue to earn the highest CPMs, followed by Facebook's Newsfeed format and the 970x250 high-impact banner.

Performance

- ✓ Click-through rate (CTR). Overall CTR grew by 40% from 1Q14 to 1Q15, reaching an all-time high in January 2015, when it shot up 55%. Predictably, CTR in private marketplaces outperformed open auctions by 170%. As for banner types, brand formats earn 90% higher CTR than standard banners, followed by in-stream video and rich-media formats. Over the past 12 months, CTR increased across all devices: desktop, mobile and tablet. Tablet continues to deliver the highest, followed by mobile. That said, desktop delivered the most dramatic growth in CTR over the past year.
- ✓ Cost-per-click (CPC). Thanks to higher CTRs, the past 12 months have seen CPC decline by 14%, even as overall CPM rose by 42%. In a very real sense, the cost for programmatic advertising is decreasing for the performance marketer. CPCs declined slightly in the open markets, and by 18% in private marketplaces. CPCs in private marketplaces are 31% higher than open auctions, but the difference narrows with each passing quarter. Once again, mobile delivered the lowest CPC, though fat-finger syndrome may be at play.
- ✓ Engagement. Across Europe, the engagement rate declined by 33% in 1Q15. Notable exceptions include Italy, which reached 2.98%, Sweden, Finland and the Czech Republic. Engagement time saw little change from 4Q14 to 1Q15, slipping to 12.66 from 13.93 seconds. Brand format banners delivered the strongest engagement rate.

Day of Week

Once again, weekends see the lowest number of requests for impressions and the highest CTR, most likely due to fewer consumers surfing the web. Weekday CTR ranges from 13% to 14%; weekend CTR is in the 14% to 15% range. Looking at ad spend and CTR together by day, we see that weekends and Wednesdays represent untapped opportunities for advertisers, as these days see the lowest spending, even though they deliver the highest CTR.

Above/Below the Fold

CPMs for above-the-fold inventory are 59% higher than they are for banners below it. However, above-the-fold banners deliver 2x more clicks, and a 29% lower CPC.

Viewability

Overall viewability was 55% across Europe, dipping by 0.7% from 4Q14 to 1Q15. Disregarding some outliers, Iceland saw the strongest viewability rate, which is approaching 70%, followed by Slovenia and Lithuania. Viewability rates declined the most in the UK, Germany and Estonia.

Spending

Programmatic trading continues to see increases in ad spend. From April 2014 to April 2015 spending leapt an impressive 76%. From 1Q14 to 1Q15 spending increased 119%.

Spending in December reached an all time high, which is notable change from previous years. In the past, programmatic spending decreased slightly as advertisers locked up publisher inventory via direct deals during the all-important holiday season. This past holiday season it appears as though marketers were willing to rely more on programmatic to acquire inventory.

Outside of December, spending followed anticipated patterns. For example, January 2015 saw a 28% decrease in spending, a normal event following the holiday season. Beginning in February, the programmatic market once again picked up steam each month.

Within Europe, some countries saw spectacular growth (Slovenia: 871%, Poland: 737% and Austria: 643%, the Netherlands: 259%, Italy: 239% and the UK 124%) while other markets saw a more modest, but still decent, increases (Belgium: 20% and Iceland 15%).

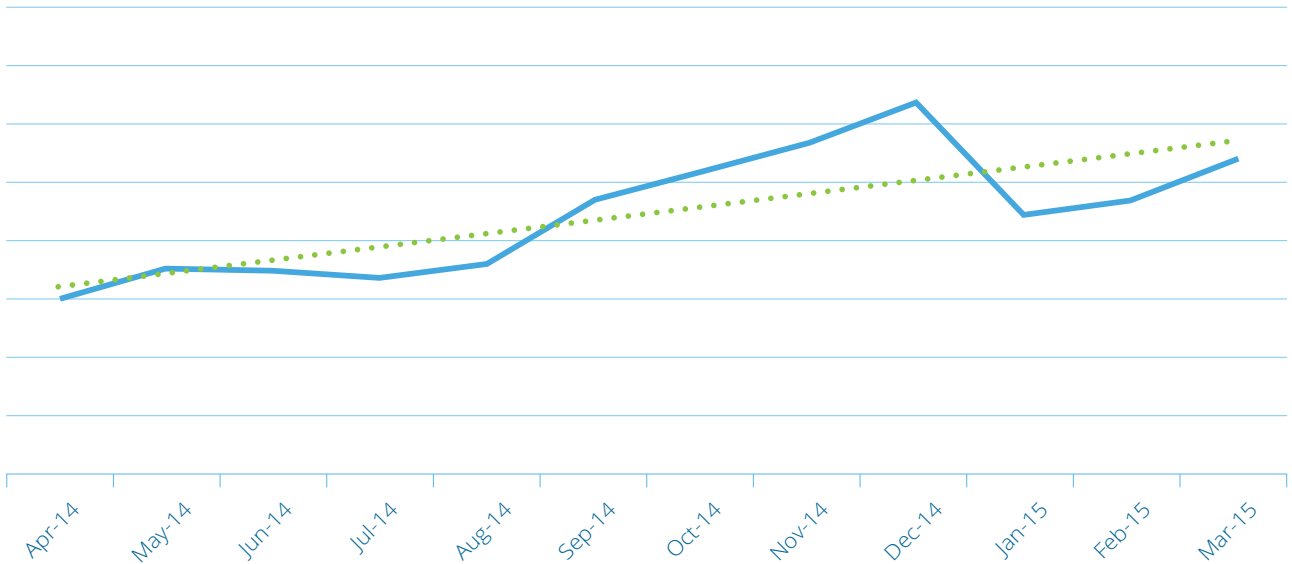
No doubt brand formats (i.e. rich media) are a significant driver of the increased spending; year-on-year spending grew by 333%, with spending mirroring overall programmatic spend patterns. In 1Q15, brand format spending accounted for 16% – 17% of the marketer's budget, roughly the same allocation seen in 4Q14.

In terms of device targeting, desktop continues to attract the lion's share of ad spend (75.5%) in 1Q15, which is down slightly from 1Q14 (77.23%). In 1Q15, ad spending on mobile accounted for 12.17% of the budget, which is up from 8.8% in 1Q14. Spending on tablet stayed largely the same from 1Q14 to 1Q15, decreasing from 13.97% to 12.22%.

Private marketplaces (PMPs) continued to earn approximately 25% of total programmatic ad spend. In 1Q14, PMPs accounted for 25.11% of total ad spend, and dropped to 24.57% in 1Q15.

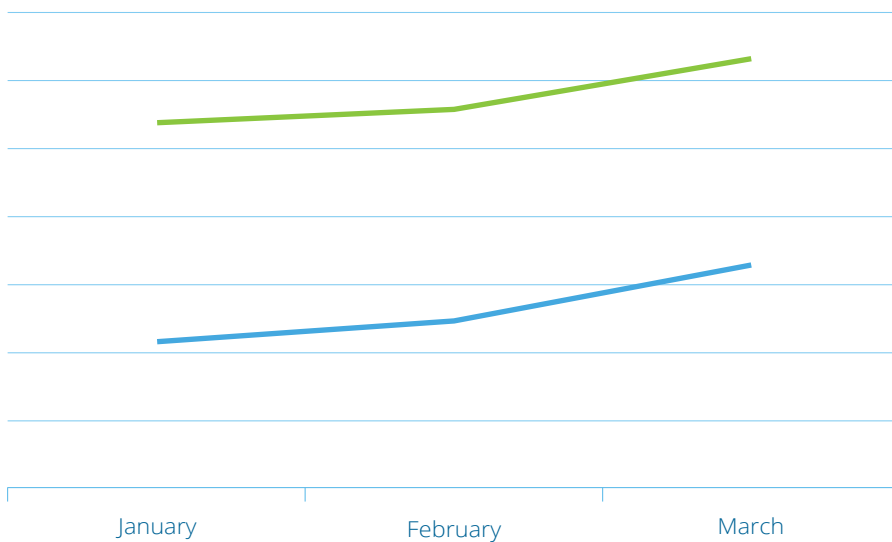
Trend Chart

75% increase compared to YoY



Q1 2014 vs. Q1 2015:

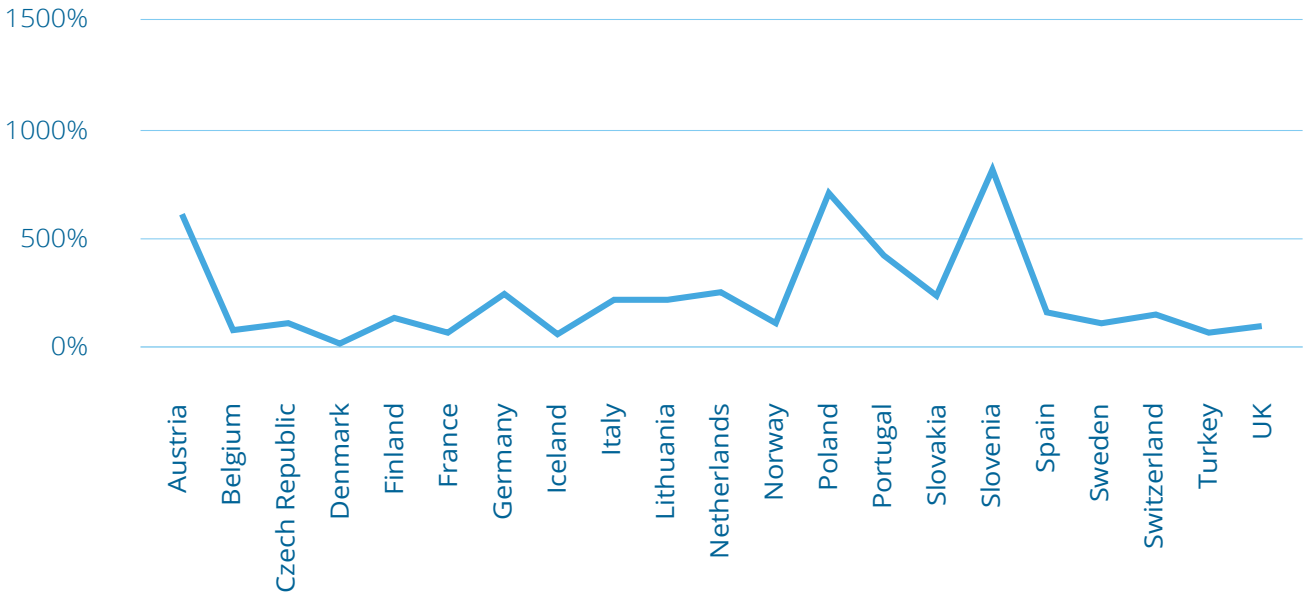
Spending Patterns Hold Steady; 119% increase



■ 14 Q1 ■ 15 Q1

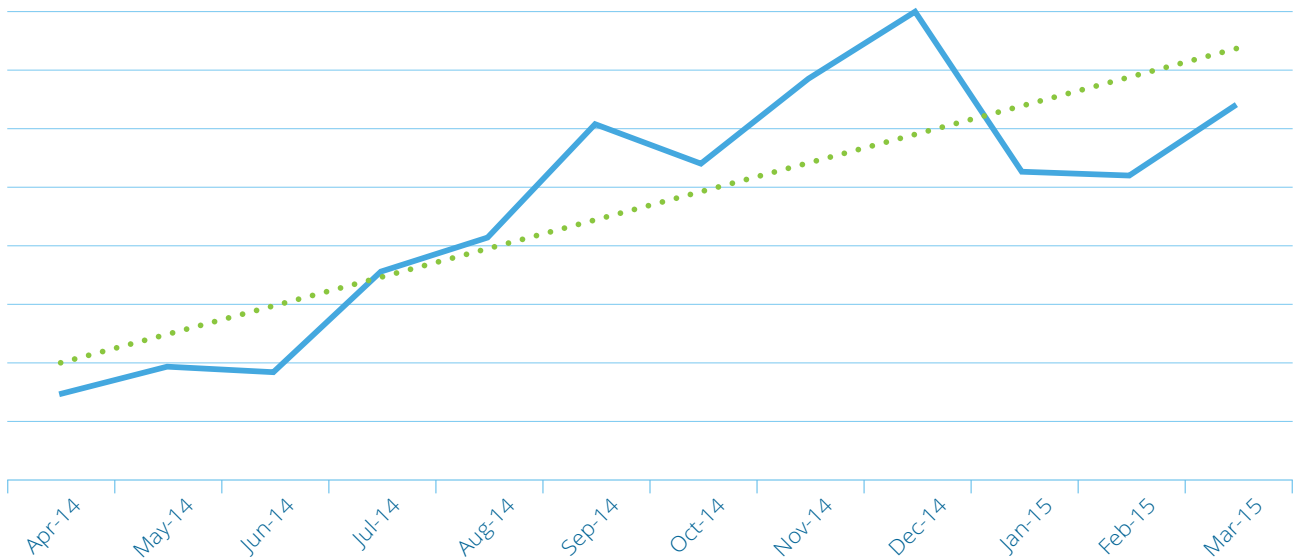
Growth country by country:

Italy, Germany, Slovenia, Poland and Austria grow spectacularly



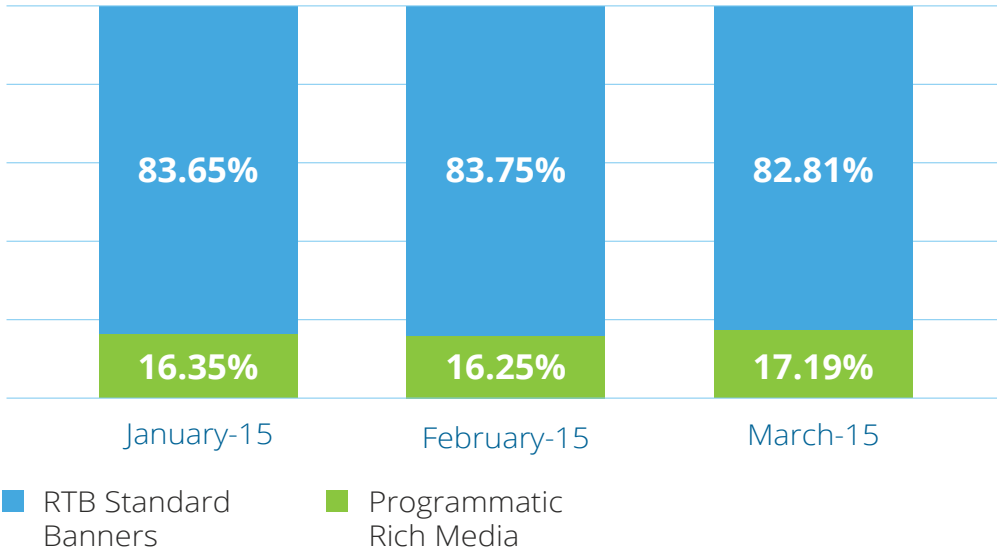
Programmatic Branding

Brand formats grew 333% YoY



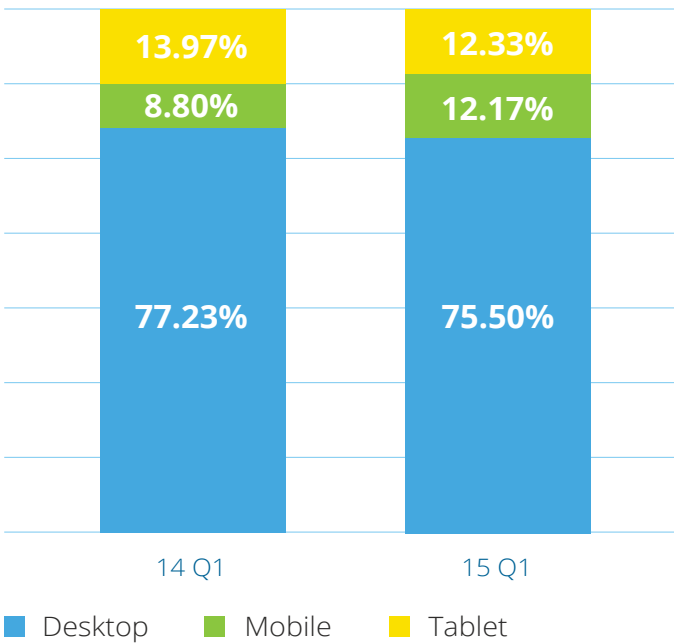
Brand formats vs. Standard formats:

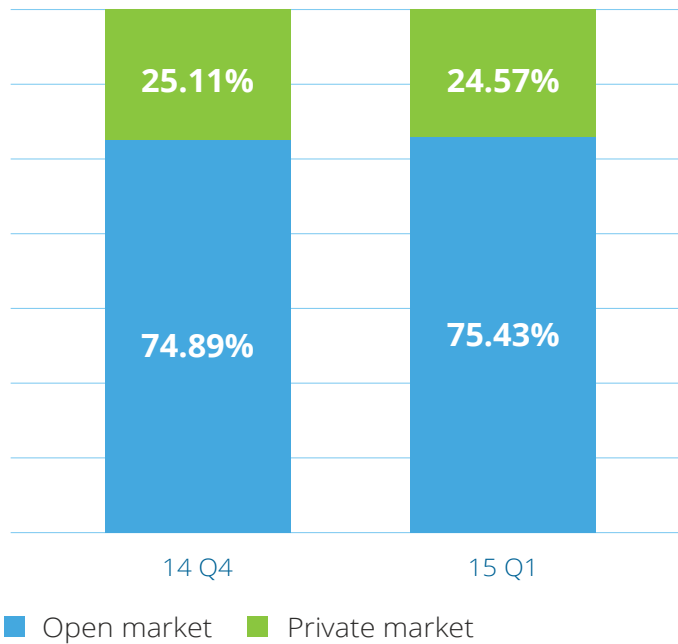
Budget allocation holds steady



Split by Device Type:

Mobile earns larger slice of budget



Media Spend – Open Market vs. Private Market**Take-Aways**

- ✓ The sustained, double-digit increases in overall programmatic spending can be seen as signs that marketers now view the channel on a par with direct-deal sales in terms of creative and scale. Publishers would be wise to ensure their direct sales teams are well versed in programmatic, and can support and execute programmatic direct deals.
- ✓ Marketers may no longer feel the need to lock up inventory in direct deals during the holiday season to the same extent as in the past, as evidenced in the sizable spike in programmatic spending in December 2014. Publishers may wish to examine their sales strategy during the 2015 holiday season.
- ✓ Although spending in private marketplaces remained largely unchanged from 1Q14 to 1Q15, we anticipate that changing in the next 24 months. Many of the kinks that have stifled growth have been resolved, and more advertisers now view PMPs as a way to gain efficiencies for their high-end campaigns.

CPM

CPMs for programmatic inventory increased by 42% year-on-year, a sign of health for the entire industry. For instance, CPMs for January 2015 were 33% higher than in January 2014.

For publishers, the higher yields paid for programmatic inventory provide publishers with a strong incentive to participate in the real-time markets. For advertisers, the higher prices amount to an endorsement of programmatic advertising. New inventory sources and increased competition are the main drivers behind the higher CPMs.

Following overall post-holiday spending patterns, CPMs dipped a slight 8% in January 2015, but began a steady ascent, growing by 36% in February and 50% in March. Still, CPMs in January 2015 were 33% higher than January 2014.

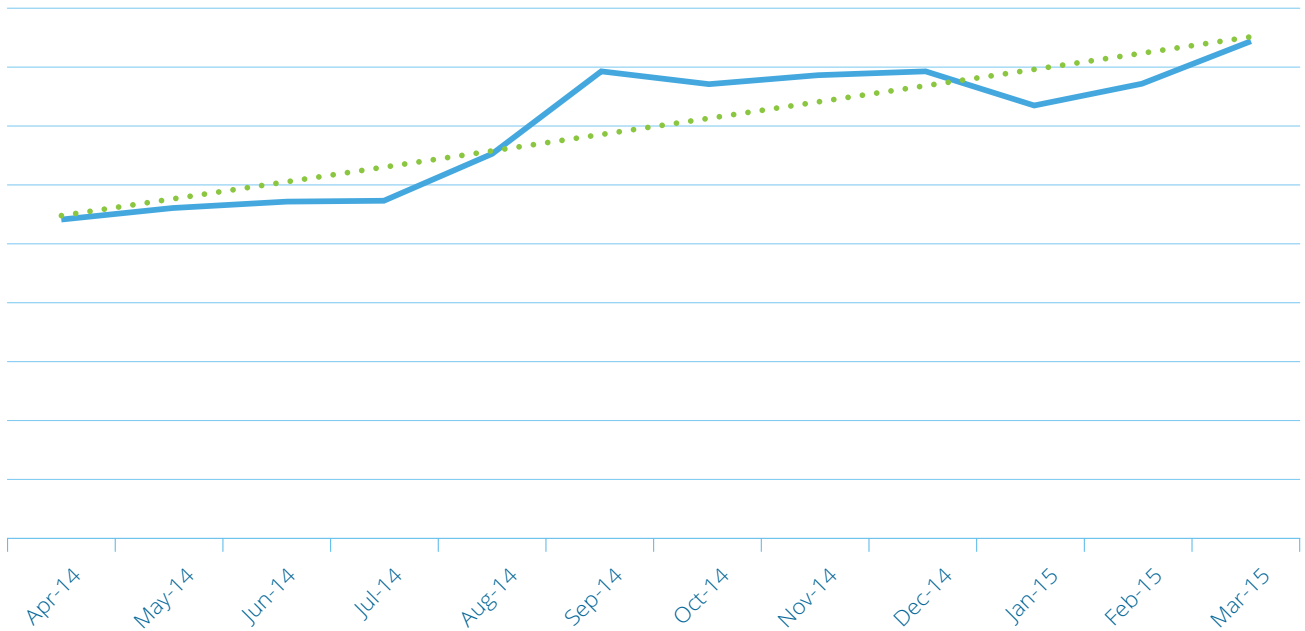
In-stream banners continue to earn the highest CPMs, followed by Facebook's Newsfeed format and the 970x250 high-impact banner. CPMs paid for in-stream banners are 720% higher than the 300x250 article banner, long the workhorse of digital advertising.

Not surprisingly, CPMs earned in private marketplaces are 242% higher than those paid in open markets, and represent tremendous opportunities for publishers seeking to increase their RTB yield. CPMs in the open market increased 40% from 1Q14 to 1Q15.

CPMs for standard banners saw no change from 4Q14 to 1Q15, but the CPM for brand formats increased by 33% during the same time frame. The flat growth rate for standard banners is expected due to the post-holiday decrease in spending.

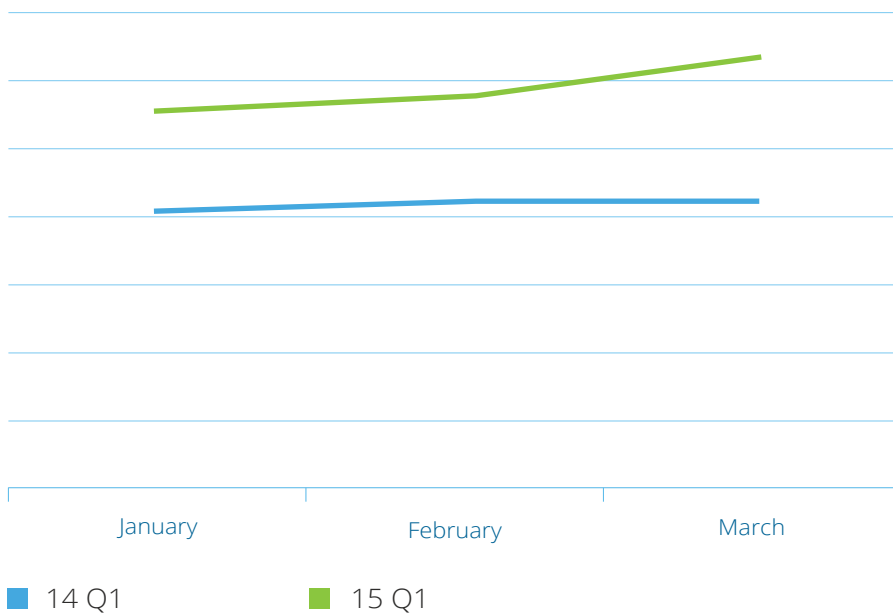
Tablets continue to earn the highest CPMs, followed by mobile and desktop. Curiously, desktop CPMs increased by 50% from 1Q14 to 1Q15, while tablet and mobile declined by 12% and 13% respectively.

Trend Chart CPM

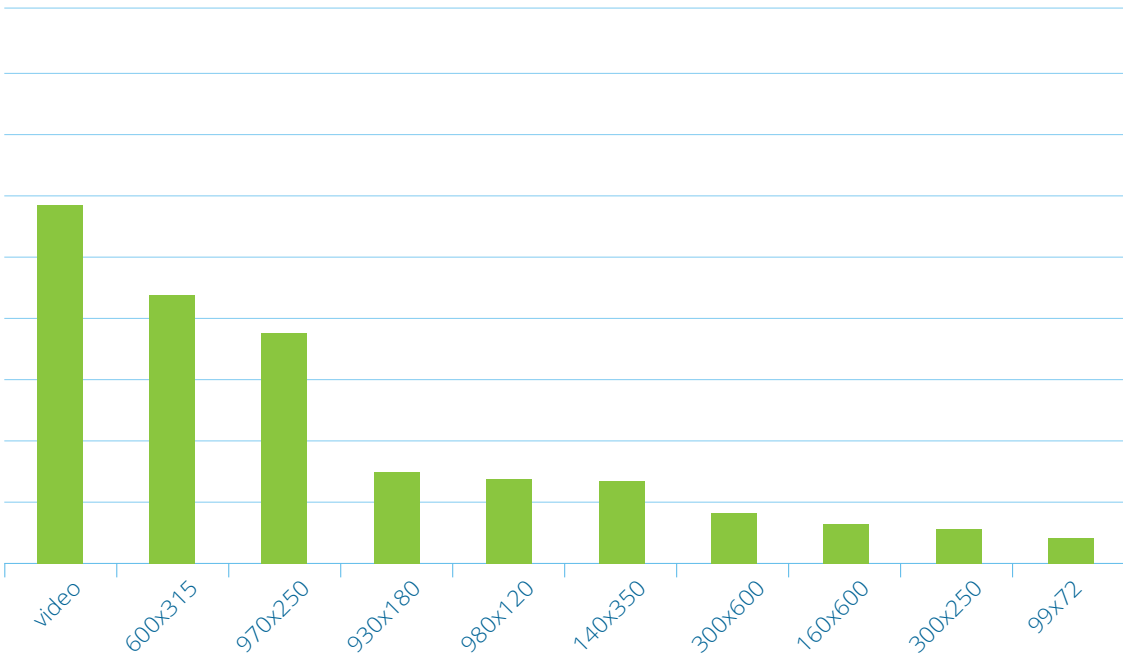


Q1 2014 vs Q1 2015:

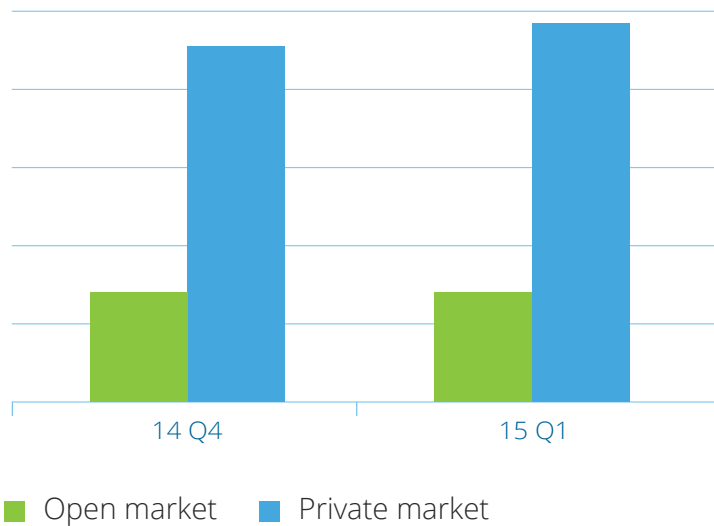
YoY Growth: 42%; Accelerated Growth in March (50%)



Top 10 Formats

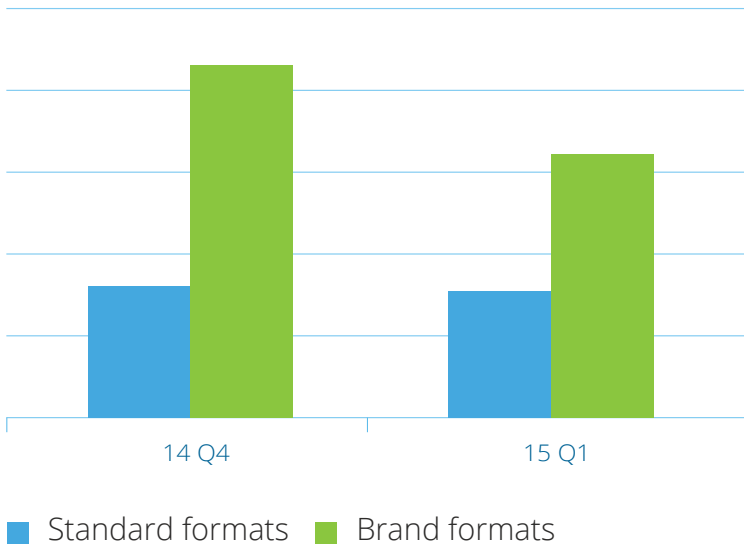


Open Market vs. Private Market



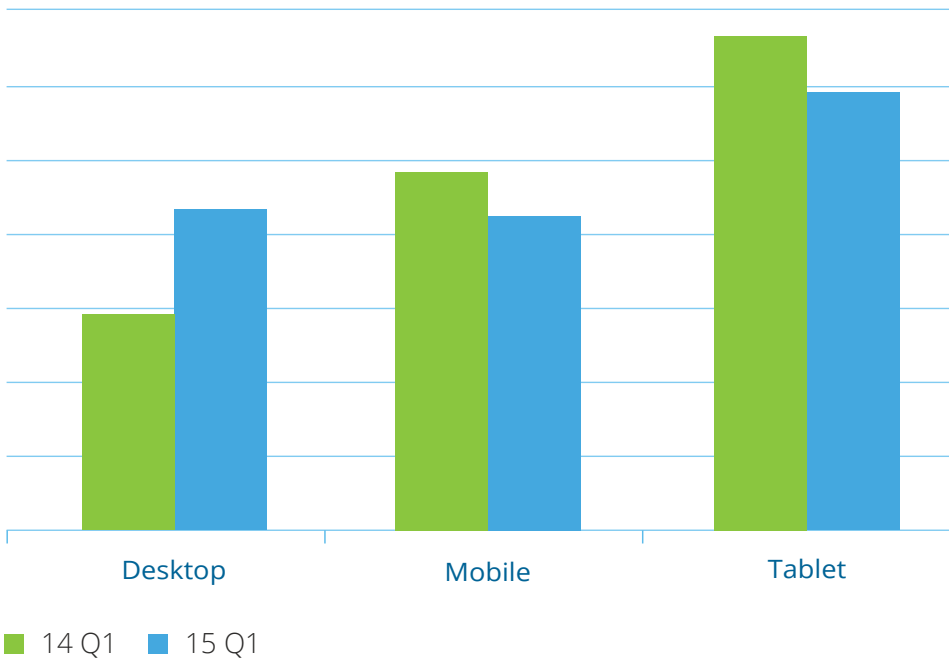
Naturally, CPMs in private markets are much higher than in open markets because the inventory available in them are far more premium. Also the open market CPMs were slightly higher compared to the previous quarter because there were fewer impressions traded. It could be influenced by publishers selling out some of their traffic in holiday season beforehand. In contrast, CPM in Open Market did not change.

Brand formats vs. Standard formats



Comparing 14 Q4 with 15 Q1 CPM of standard banners did not change, but brand formats CPM increased by 33%. This can be explained with expected decrease in spend after holiday season’s peak.

Split by Device Type



Take-Aways

- ✓ The accelerated growth in CPMs during 1Q15 may be attributed to more premium inventory, rich media campaigns, and new inventory integrations that are now available in the market.
- ✓ Rich media ad formats continue to push CPMs higher. Publishers who wish to increase their yield may want to consider offering less lower quality inventory, and replace it with fewer high-impact rich media options.
- ✓ In-stream banners are clearly the most competitive, as evidenced by the premiums advertisers are willing to pay for the format. Publishers can tap into this revenue stream by creating more video content, which will create more pre-roll and mid-roll ad units.
- ✓ Private marketplaces offer publishers an opportunity to tap into the brand manager's budget, and offer premium inventory in secure trading environments.

Click-Through Rate (CTR)

Overall click-through rates (CTR) grew by 40% from 1Q14 to 1Q15, reaching an all-time high in January 2015, when it shot up 55%. CTRs went on to decrease by 5% in February and 9% in March. This trend differs from 1Q14, when February saw a slight increase in CTR.

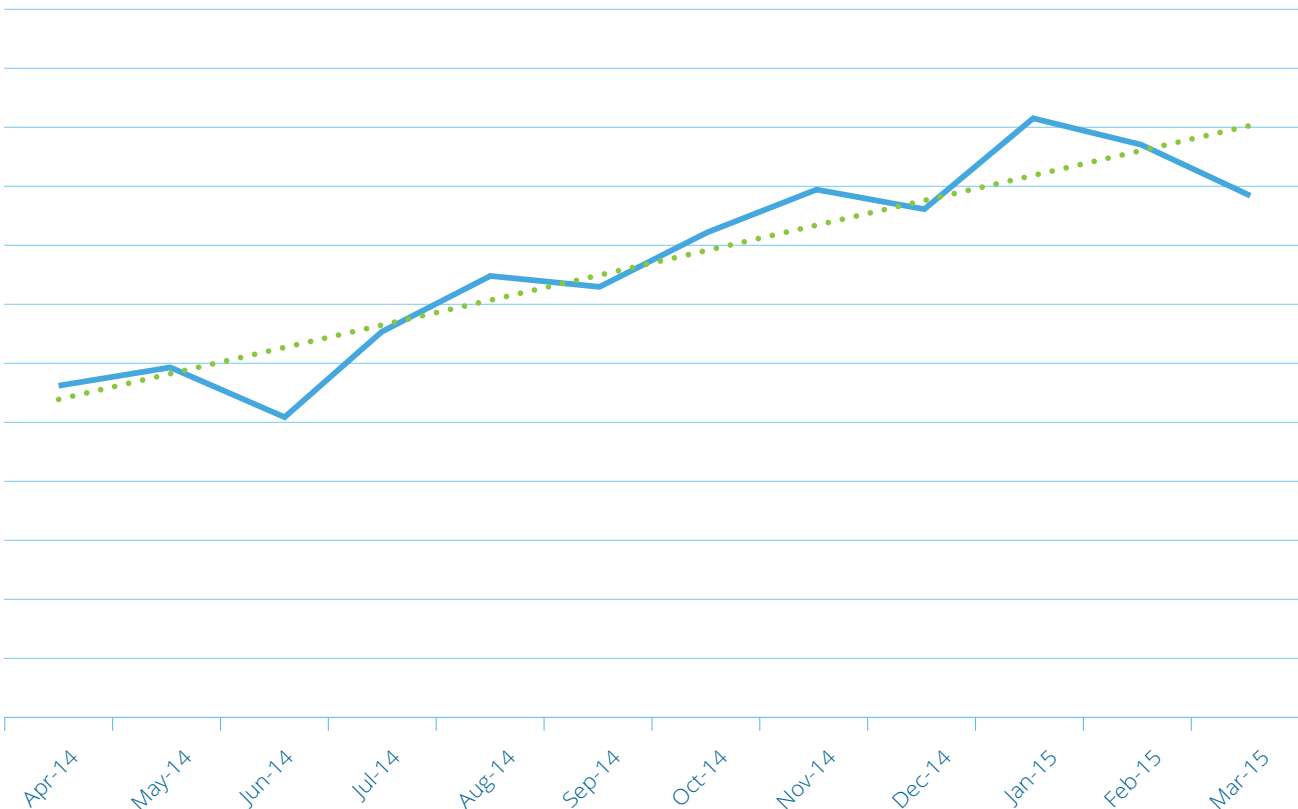
Private marketplaces outperform open auctions in terms of CTR. CTR for PMPs is 170% higher than it is in open markets.

In terms of banner size, in-stream is the clear winner, outperforming second largest banner (600x315) by 10%. In-stream video outperforms the high-impact 970x250 by 150%.

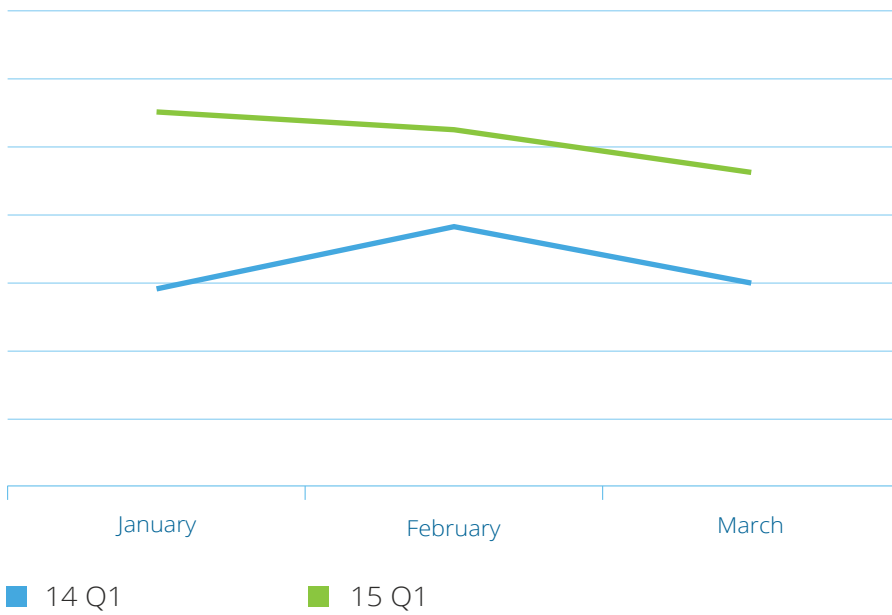
As for banner types, overall brand formats earns 90% higher CTR than standard banners. Delving deeper, the synchronized banner leads in CTR, followed by in-stream, than other rich-media banners (i.e. simple HTML).

Over the past 12 months, CTRs increased across all devices: desktop, mobile and tablet. Tablet continues to deliver the highest, followed by mobile. That said, desktop earned the most dramatic growth in CTR over the past year.

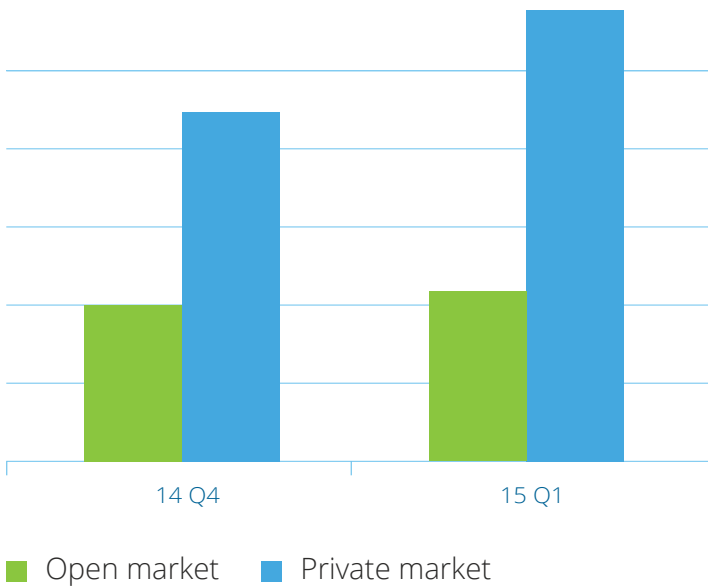
Trend Chart



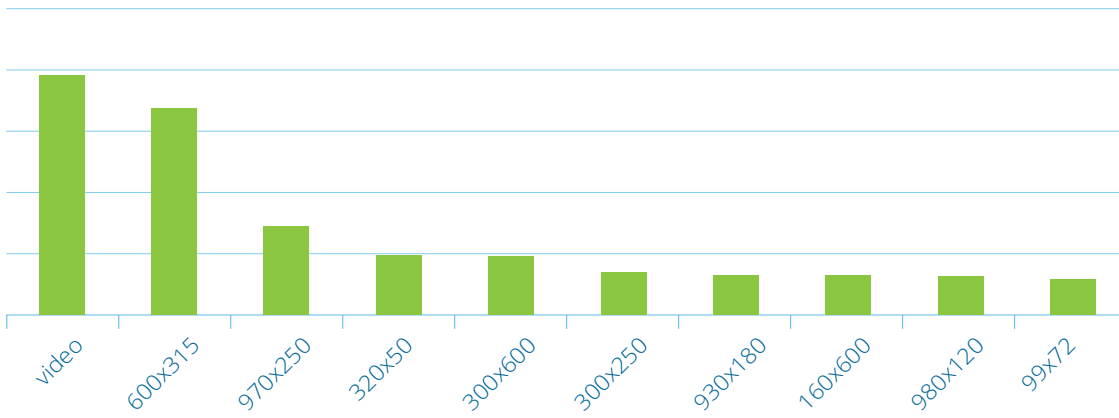
Q1 2014 vs. Q1 2015



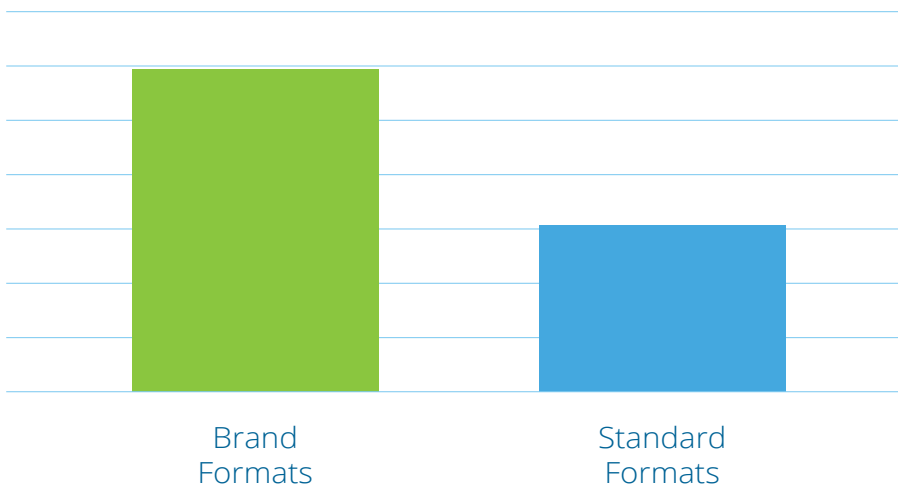
Open Market vs. Private Market: PMPs drive performance



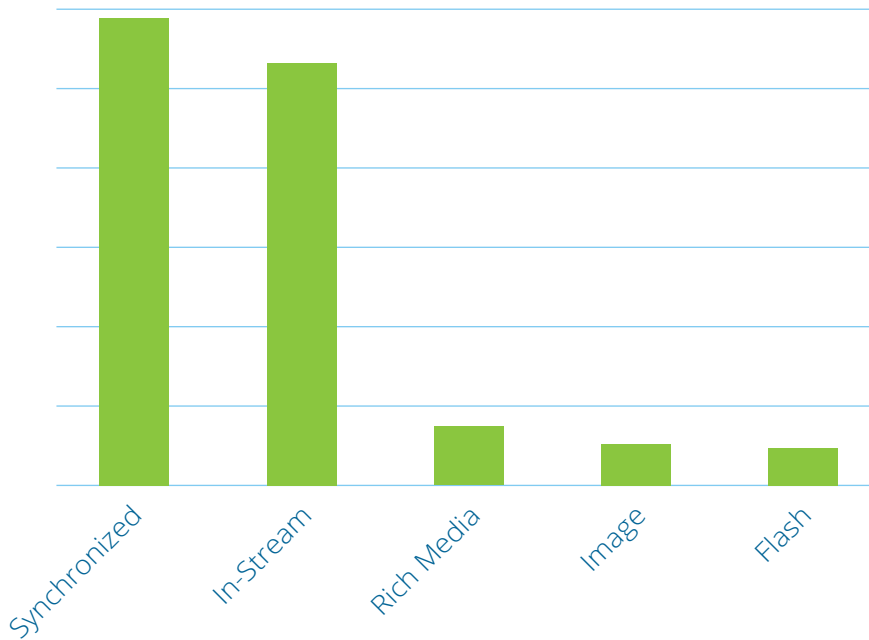
Top 10 Sizes



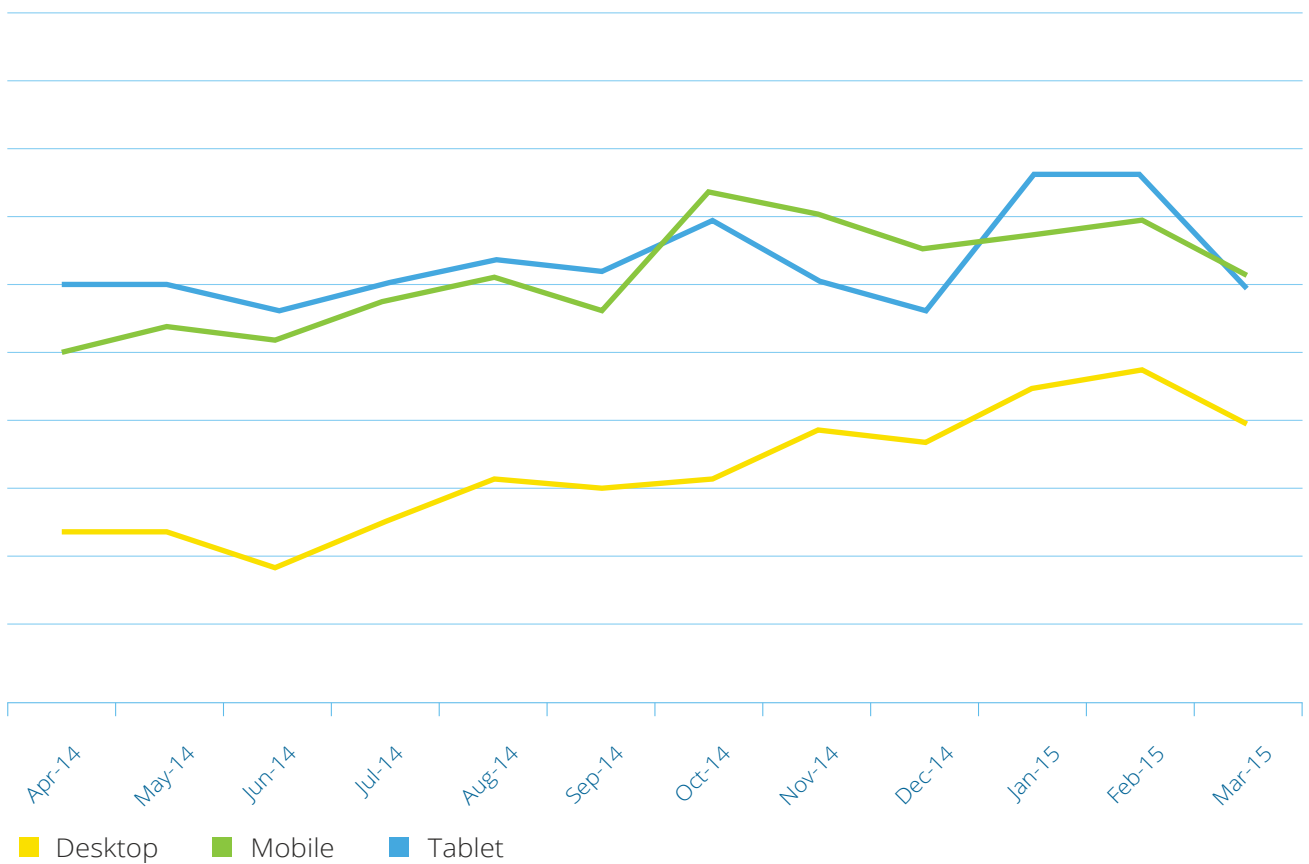
Brand Formats vs. Standard Banners Q1 vs Q1



CTR by Banner Type



Split by Device Type



Take-Aways

- ✓ The growing sophistication of programmatic advertising (e.g. new rich-media formats, high impact formats, brand campaigns executed in PMPs) is driving overall CTR. For advertisers seeking to optimize their campaigns based on CTR, programmatic is an appealing option.
- ✓ When selecting banner size, performance-based marketers should look seriously at in-stream video. Though CPMs for in-stream is 1.6x higher than the high-impact 970x250, in-stream ads earn 5x higher CTR. The flip side, however, is scale. Another option is to run Facebook Newsfeed ads, which are 1.3x higher than in-stream ads, but deliver a 2.2x higher CTR (note that Facebook Newsfeed ads are only available for retargeting campaigns, and not general awareness campaigns).
- ✓ The significantly higher CTR for rich-media banners make them the clear choice for marketers seeking to optimize their campaigns on both engagement and clicks.
- ✓ Tablets and mobile continue to deliver the highest CTR, most likely because consumers spend more time on those devices. Additionally, increased screen sizes for mobiles make those devices more convenient for engaging with ads and brands.

CPC

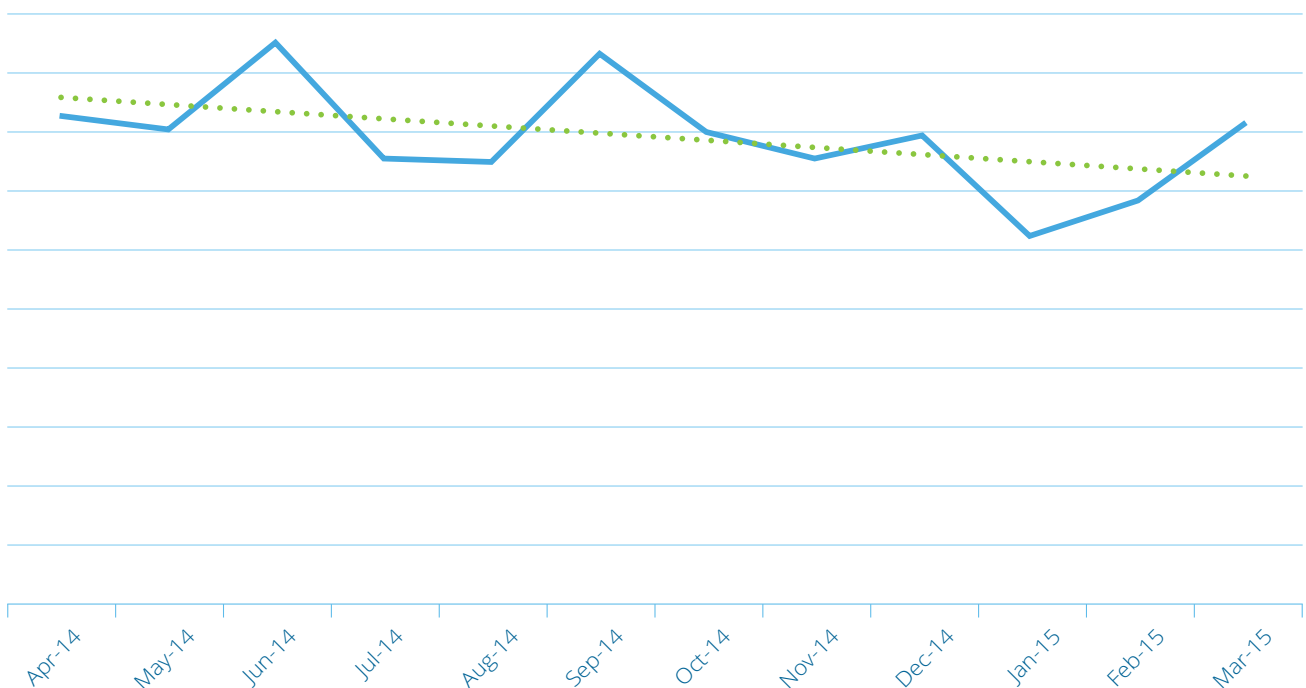
Cost-per-click (CPC), a metric of utmost importance to marketers, continues to deliver good news. Thanks to higher CTR, the past 12 months have seen CPCs declined by 14%, even as CPMs rose by 42%. In a very real sense, the cost for programmatic advertising is decreasing for the performance marketer. Clearly, the declining CPC is testimony to the advertiser’s increasing sophistication in targeting and optimizing campaigns.

CPC patterns changed from 1Q14 to 1Q15. In January 2014, CPC was 38% higher than in January 2015, perhaps because CTRs in 2014 weren’t as high. The difference narrowed in February and March.

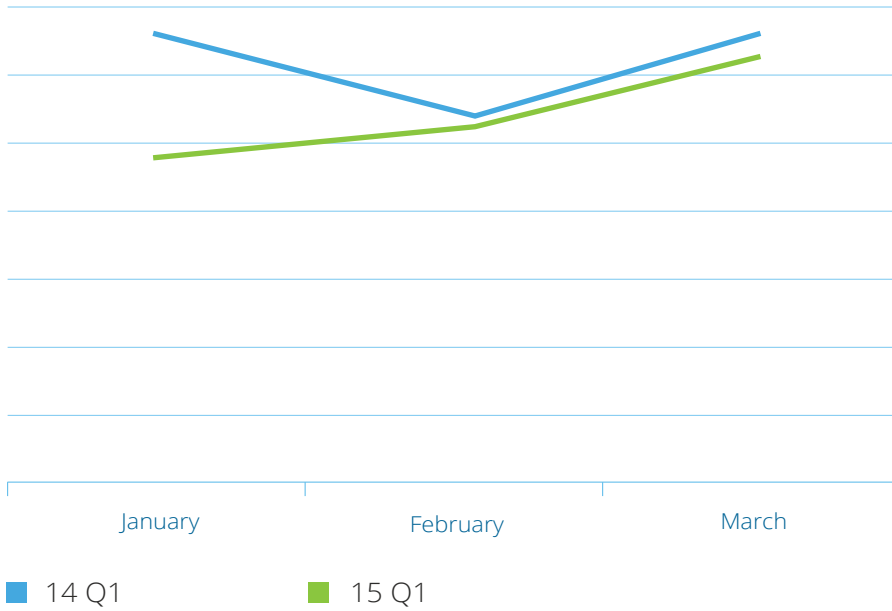
CPCs declined slightly in the open markets, and by 18% in private marketplaces. CPCs in PMPs are 31% higher than open auctions due to the premium and exclusive nature of inventory traded privately. That said, the CPC difference in private and open markets narrows with each passing quarter.

Once again, mobile delivered the lowest CPC, though we continue to urge caution in this assessment. While mobile screens are getting larger, thereby reducing the risk of accidental clicks, we still can’t rule out the fat-finger syndrome in mobile.

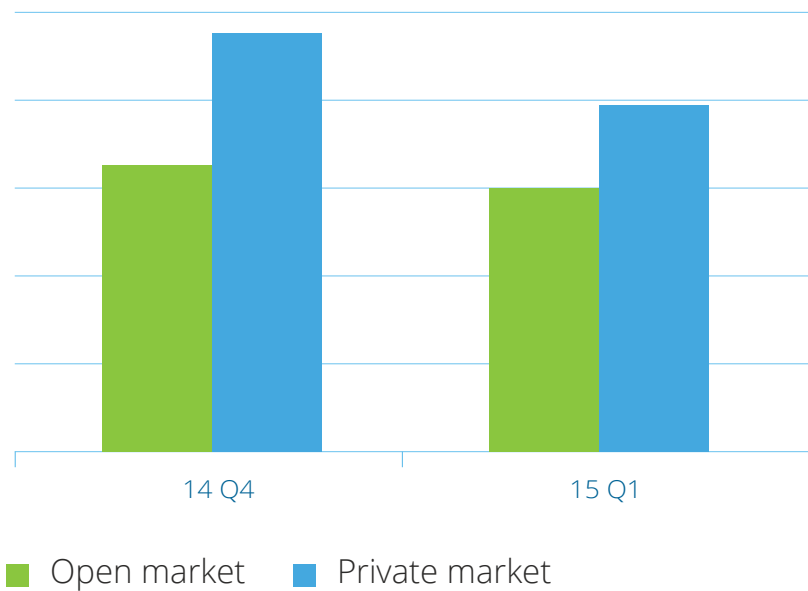
Trend Chart



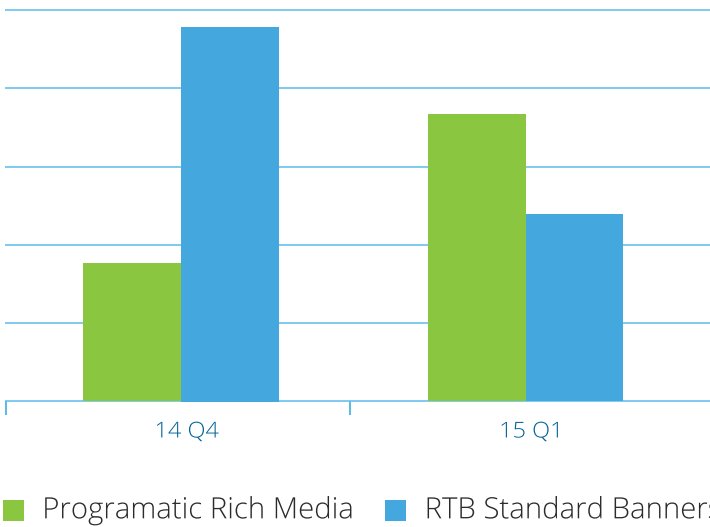
Q1 2014 vs. Q1 2015



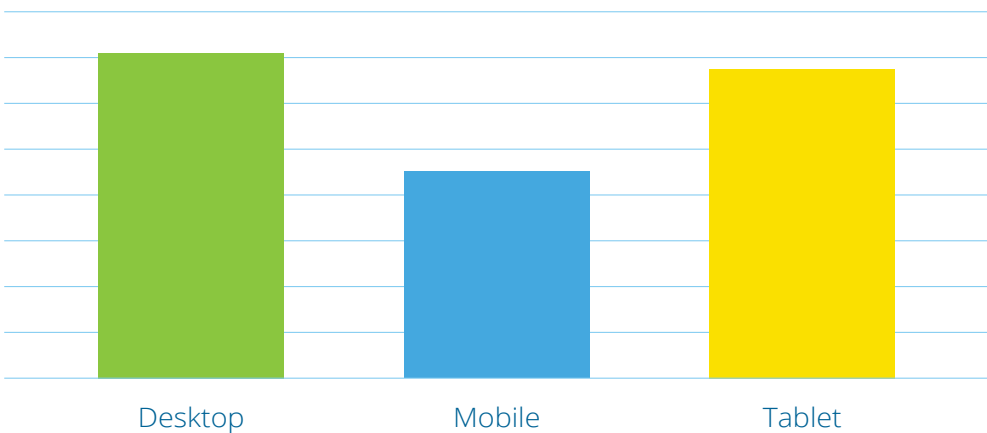
Open Market vs. Private Marketplace



Brand formats vs. Standard formats



Split by Device Type



Take Aways

- ✓ Advertisers are wise to focus on CPC as a goal. Judged in this light, campaigns are delivering strong performance and increasing in efficiency.
- ✓ CPC in private marketplaces appear to be a sweet spot for performance-based campaigns. Marketers seeking efficient CPCs should consider private deals with publishers.
- ✓ The impressively low CPC for mobile may be the result of accidental clicks. Marketers would be wise to consider the number of mobile users who actually arrive on their landing pages.

Engagements

Across Europe, the engagement rate declined by 33% in 1Q15, with the U.K. seeing a sizable drop driven by fewer campaigns launched. Notable exceptions include Italy, which reached 2.98%, Sweden, Finland and the Czech Republic.

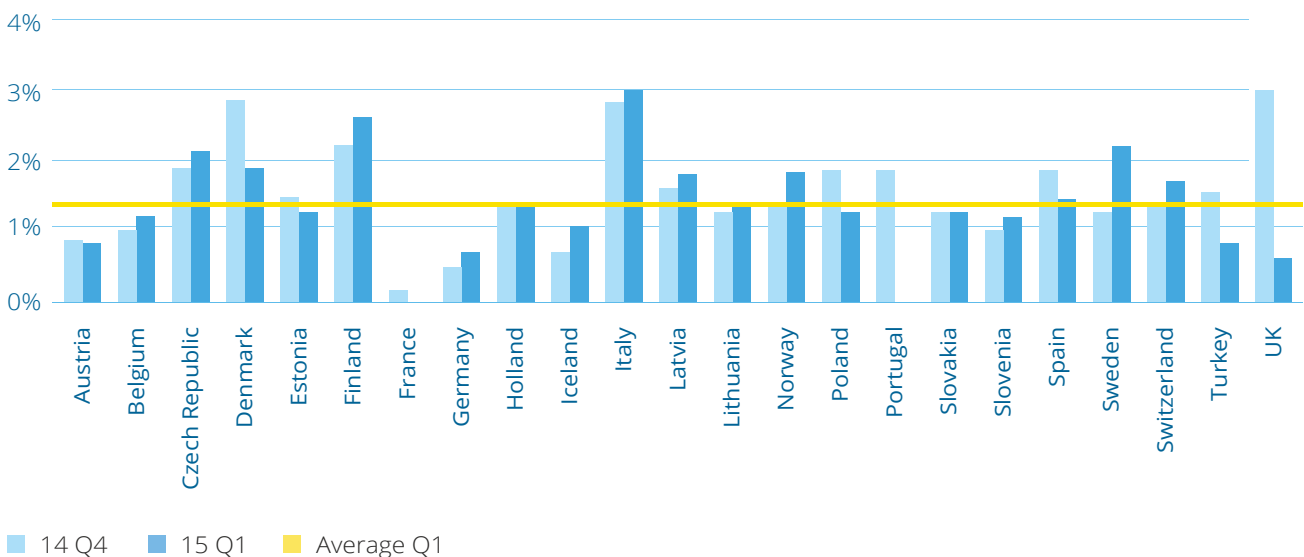
Engagement time saw little change from 4Q14 to 1Q15, slipping to 12.66 from 13.93 seconds. It should be noted that 12.66 seconds is still an impressive rate, and a clear indication that advertisers are successfully creating highly engaging messages.

In terms of verticals, Arts & Entertainment delivered the highest engagement rate at 3.6%, and Personal Finance held the consumer's attention the longest. Technology & Computing served the biggest volume of messages, but delivered a slightly lower engagement time and ratio than average.

Brand format banners delivered the strongest engagement rate.

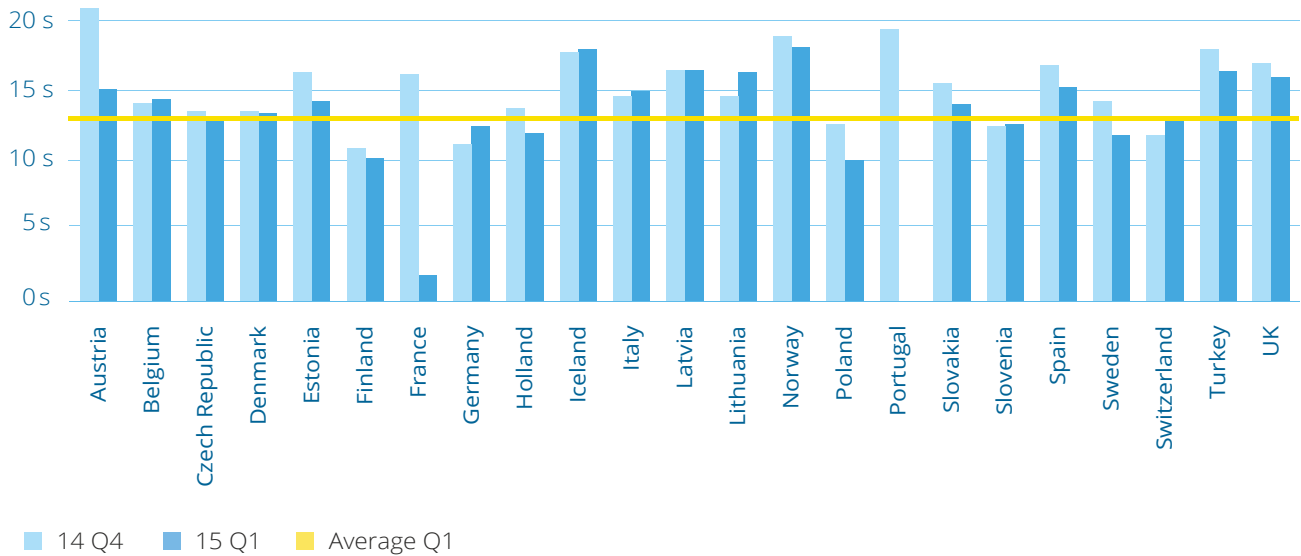
Engagement Rate per Country:

33% decline across Europe

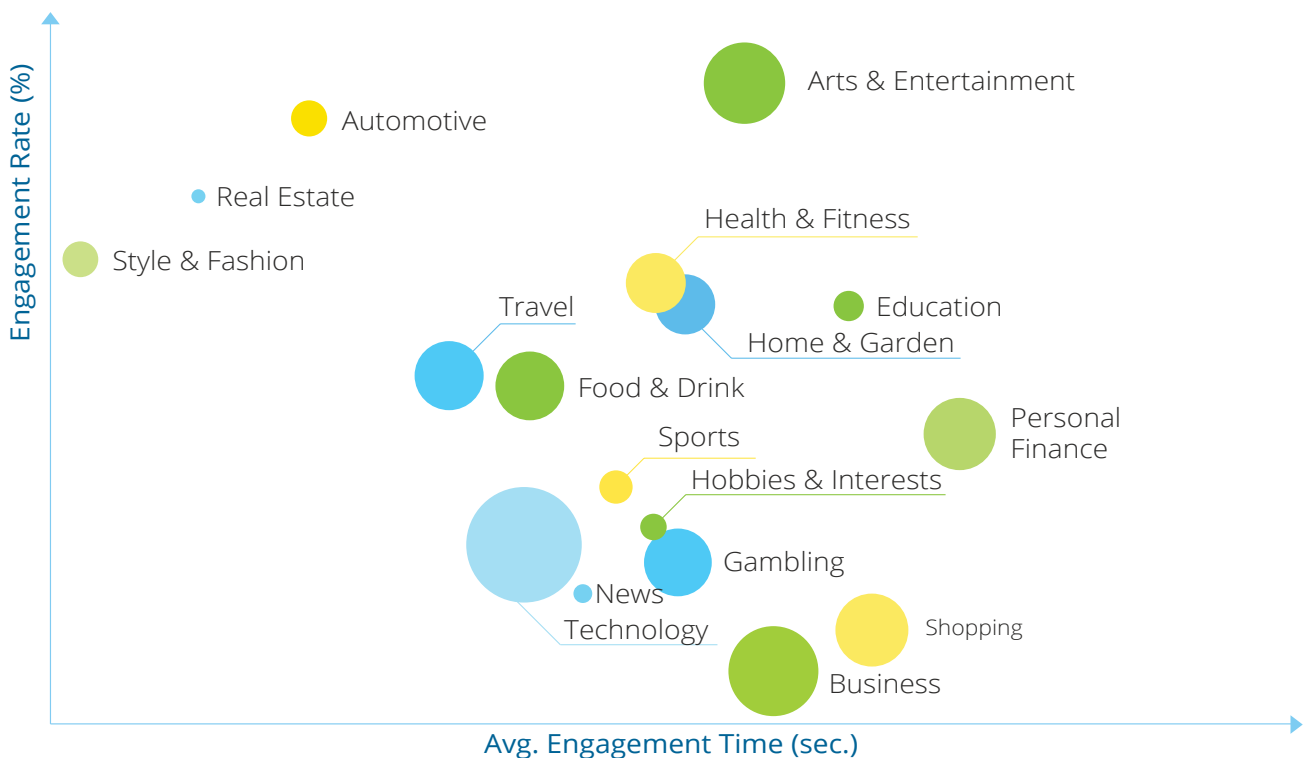


Engagement Time per Country:

12.66 seconds across Europe

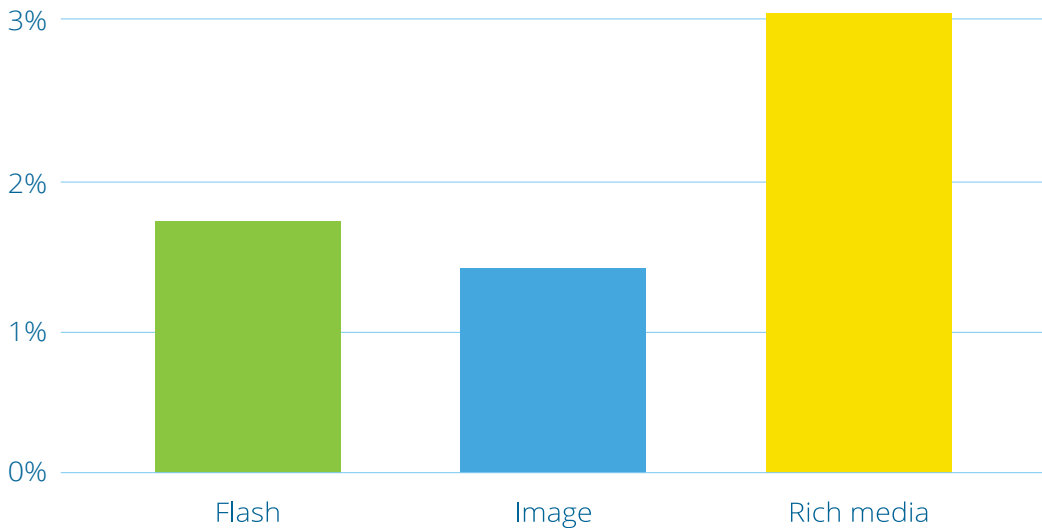


Engagement Rate (Bubble Chart)



The chart above displays engagement rate and time by industry sector. The X-axis represents the engagement rate in seconds; the Y-axis represents the engagement rate. Each bubble represents a specific industry, while the size of the bubble sizes correspond to total number of impressions served. The bigger the bubble, the greater the volume.

Engagement Rate per Banner Type



Conversions by Banner Type

Take-Aways

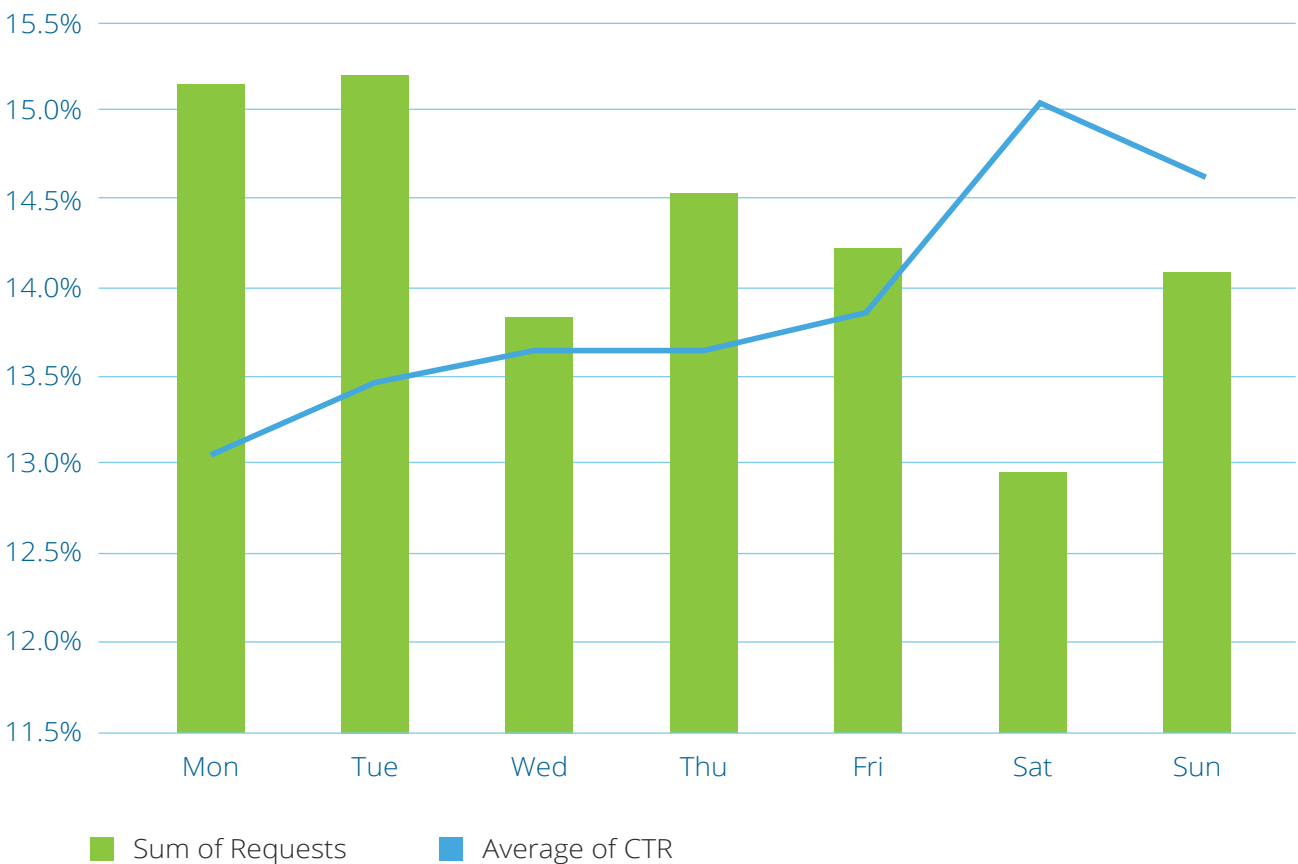
- ✓ Declining engagement rates in the first quarter shouldn't be a concern to the industry, coming as it does on the heels of the holiday season binge. Engagement time is still a healthy 12.66 seconds, and is proof that advertisers are doing a good job capturing the consumer's attention.
- ✓ Rich-media banners deliver the strongest engagement rate, and are a smart choice for brand marketers who wish to raise awareness of their brands.
- ✓ Conversion rates are on the rise, driven by rich-media banners, proving that highly creative ads can take consumers from awareness to consideration and purchase quite effectively.

Day of week

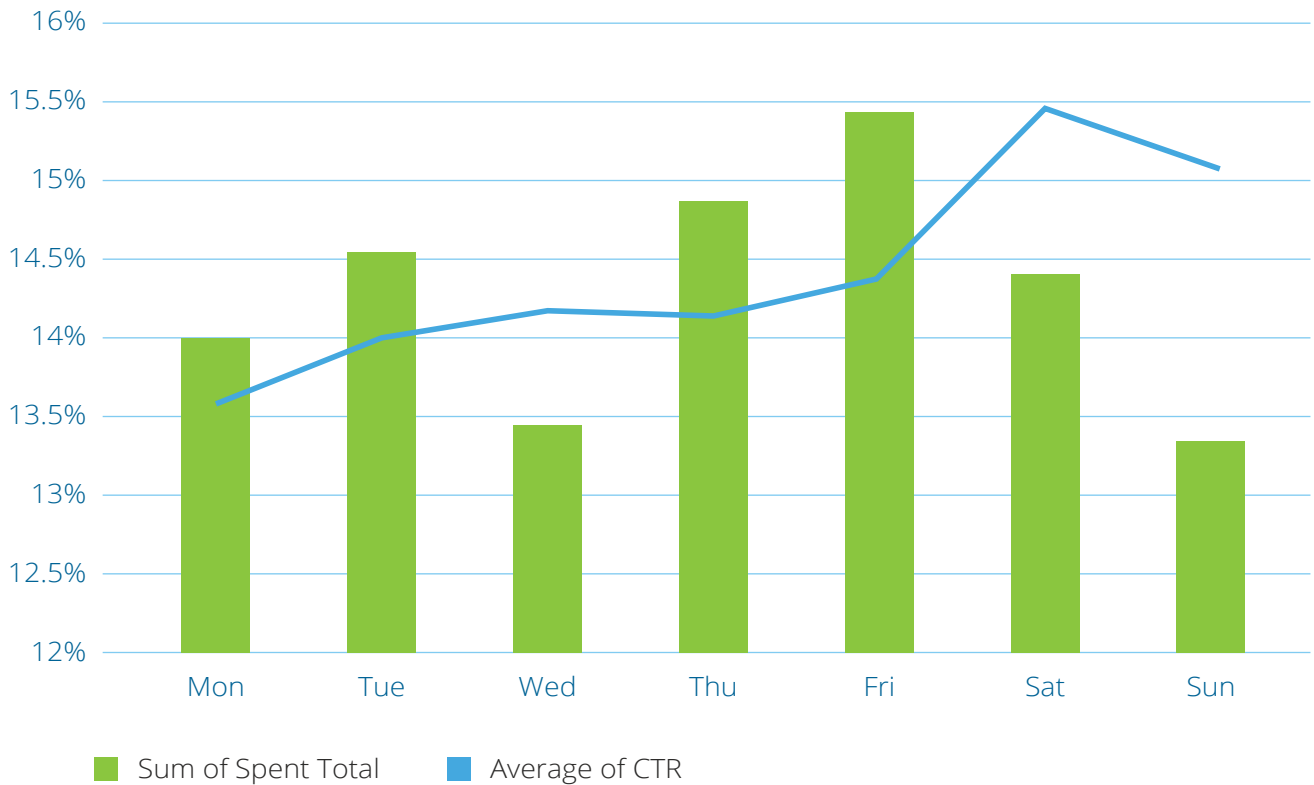
Once again, weekends see the lowest number of requests for impressions and the highest CTR. We can interpret this to mean that there are few consumers browsing the Internet on the weekend, but those who do have more time and attention to engage with ads. Mondays and Tuesdays see the greatest number of requests for impressions while delivering the lowest CTR. Weekday CTR ranges from 13% to 14%; weekend CTR falls in the 14% to 15% range.

Examining ad spend in conjunction with CTR by day, it appears that weekends and Wednesdays represent untapped opportunities for advertisers. These days see the lowest spending, even though they deliver the highest CTR.

Requests (possible impressions) per Day vs. CTR%



Spend per day vs. CTR%



Take-Aways

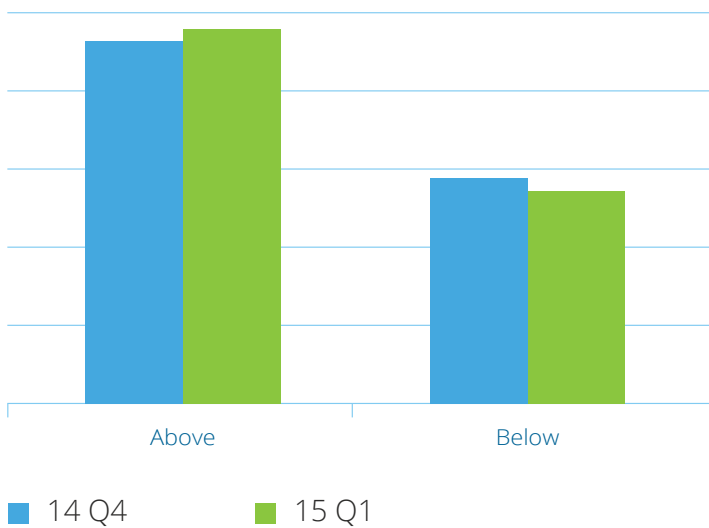
- ✓ Weekends and Wednesdays are prime days for marketers to reach and engage consumers, especially for high-consideration products and services.

Above/Below the fold

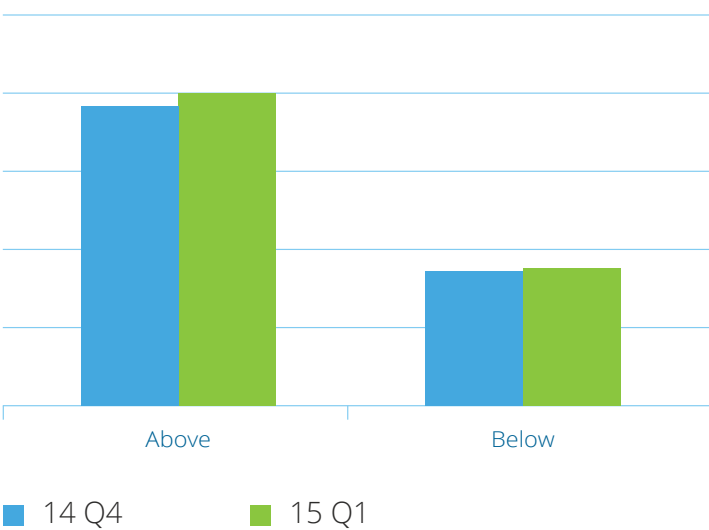
Above-the-fold inventory continue to earn higher CPMs; in 1Q15 the differential was 59%. The cost for below-the-fold banners dipped slightly during the same timeframe.

In terms of performance, banners above the fold have a CTR that's 2x greater than banners below the fold. This click rate dramatically affects CPC rates. Despite the higher cost, the CPC for above-the-fold inventory is 29% lower than the CPC of below-the-fold inventory.

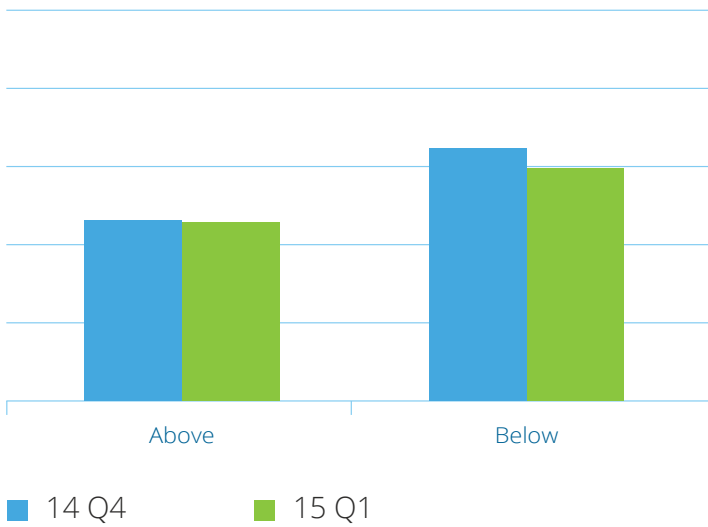
CPM



CTR



CPC



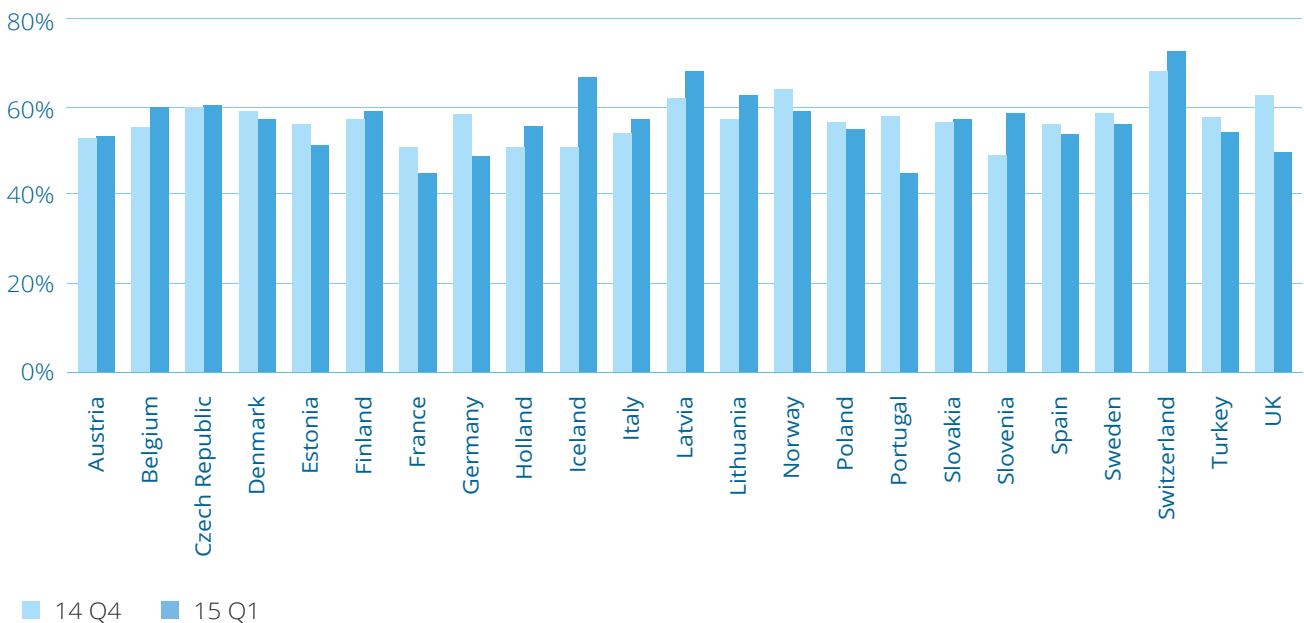
Take-Aways

- ✓ Although ad units that appear below the fold seem cost effective, those that are above the fold deliver stronger conversion, and a significantly lower CPC, making them the better option for performance-based campaigns.

Viewability

Across Europe, viewability rates dipped by 0.7% from 4Q14 to 1Q15, maintaining an overall viewability rate of 55%. Disregarding these outliers, Iceland has the strongest viewability rate, which is approaching 70%, followed by Slovenia and Lithuania. Viewability rates declined the most in the UK, Germany and Estonia.

By Country



A Look Forward

Looking to the next quarter and the balance of 2015, we expect to see the following trends:

Mobile & Tablet

- ✓ Mobile and tablet will continue to attract spending away from desktop in order to reach consumers where they spend most of their time. Additionally, marketers will invest more in the new brand formats that are emerging for mobile and tablets devices.
- ✓ Mobile and tablets will continue to deliver the highest CTR and lowest CPC.

In-Stream Video

- ✓ With its strong CPMs, engagement rate, CTR and CPC, in-stream video is an attractive option for both publishers and marketers. To create more in-stream inventory, publishers will need to create additional video content, which we may see in the months ahead.

Viewability

- ✓ Although viewability rates were relatively flat, we anticipate steady increases over the next few quarters driven by advertiser demand. Publishers will respond by optimizing their sites to eliminate inventory with historically lower viewability rates, and by emphasizing ad units that tend to be in view more often. Ultimately, viewability will become a widely available targeting criteria within the RTB market.

Brand Format

- ✓ Based on the increasing number of requests we receive from publishers for bespoke brand formats, we anticipate increases in overall programmatic spending, as well as spending within the private marketplaces, which such formats are traded more frequently. The bespoke brand formats will also deliver higher viewability rates.