adform

RTB TREND REPORT

EUROPE 2015 Q2

Table of Contents

Executive Summary

Programmatic marketing continues to take root throughout Europe, with advertisers earmarking more of their budgets for RTB purchased inventory, and publishers realizing better yields. Spending and CPMs continue to experience double-digit growth, and will probably do so for the foreseeable future.

Key highlights for the second quarter of 2015 include:

Spending

Confidence in programmatic continues to grow, as marketers allocate bigger slices of their budgets to the channel:

- ✓ 94.65% increase over past 12 months
- ✓ 76% increase from Q2 14 to Q2 15
- ✓ 21.27% increase from Q1 15 to Q2 15
- ✓ Growth in every European country
- ✓ 126% increase in rich media spending

Spending by banner and device type, as well as open market vs. private marketplaces saw little change. One change worth noting: Adform introduced a mobile in-app targeting option in April 2015, which was enthusiastically embraced by marketers. Though spending started at 0 euros in April, by May it shot up 717%, demonstrating pent up demand. Spending continued to increase, though less dramatically (28%).

CPMs

This quarter once again saw good news for publishers: CPMs continue to rise, providing ample incentive for them to participate more fully in the programmatic markets:

- ✓ CPMs increased 77% over the past 12 months; and are up 67% from Q2 14 to Q2 15
- ✓ From Q1 15 to Q2 15, CPMs are up 18.6%, driven by steady month-by-month growth in Q2 15: April (71%), May (54%) and June (78%)
- ✓ Top-earning banners by size are In-Stream video, followed by high-impact formats

- Rich media CPMs are 107.66% higher than standard CPMs
- Facebook's newsfeed banner tumbled from second place to fifth
- CPMs in private marketplaces are 3x those earned in open exchanges
- Overall CPM for desktop grew 94% from Q2 14 to Q2 15, while those for mobile and tablet dipped by 7% and 2% respectively

CTR

The average click-through rate (CTR) jumped 34% from Q1 15 to Q2 15, a trend that may be attributable to increases in mobile and rich media ad spending, as well as a rise in overall inventory quality, which is typically purchased by brands that invest heavily in creatives. Given that rich media excels at engaging consumers, we can expect CTR to continue its ascent in the coming quarters. Other key finds include:

- CTR is 130% better in Q2 15 than in Q2 14
- In terms of banner size, CTR for In-Stream banners deliver 2.7x better than it is for high-impact and Facebook In-Feed banners
- When comparing banner types, Synchronized and In-Stream banners outperform standard, Flash, HTML and rich media by 10.3x and 9.6x respectively
- CTR in private marketplaces is more than 2x higher then CTR in the open exchanges
- CTR for tablet and mobile are higher than desktop, though desktop reached new heights this quarter

CPC

Once again, there's good news for the industry in terms of cost-per-click (CPC), a metric that is closely correlated to ROI (the lower the CPC, the better the ROI):

- CPC for Q2 15 was lower than it has been over the past 12 months
- CPC in Q2 15 is 27% lower than in Q2 14
- CPC decreased by 14% in open exchanges, and by 5% in private marketplaces
- The CPC gap between rich media and standard banners widened in Q2 15 due to the decrease in CTR for rich media banners, and the increase in CTR for standard ones.

All in all, the sustained improvements in CPC over the past 12 months is good news for both buyers and sellers, and goes a long way in delivering on the promise of programmatic.

Engagement

Both the engagement rate and engagement time for Europe (standard and rich media formats) declined from Q1 15 to Q2 15, as did the post-click conversion rate. The big exception to this trend was rich media banners, which delivered boosts in all engagement metrics. Key highlights include:

- Q2 15 engagement rate was 1.05%; down from 1.37% in Q1 15
- Q2 15 engagement time was 11.67 seconds; down from 12.66 in Q1 15
- Rich media delivered the strongest engagement and post-click conversion rates by far, topping 24.07% in Q2 15, representing a 1.3x increase from Q1 15

Day of the Week

As we do every quarter, we compared the number of requests (i.e. possible impressions) and spending to CTR by day of the week, as and once again, saw familiar patterns:

- Saturdays receive the lowest volume of requests (12.7%) but the highest CTR (0.2%)
- Saturdays and Sundays earn the lowest spending, but the highest CTR, giving marketers an opportunity to drive campaign ROI
- Wednesdays receive significant shares of spending and impression volume, but delivers the lowest CTR of the week

Above/Below-the-Fold

We continue to compare the cost and performance inventory that appears above and below the fold, and observed some new trends this quarter:

- The difference in CTR between above and below-the-fold inventory narrowed from Q1 15 to Q2 15. In the first quarter is was 2.7x higher; in the second quarter it dropped to 1.5x higher.
- Although above-the-fold inventory continues to deliver higher CTR than inventory below it, for the first time, the below-the-fold inventory delivered a lower CPC, making it the more cost-effective option for many campaigns.

- The narrowing of CTR is not an indication that performance for above-the-fold inventory is deteriorating in some respect; in fact, CTR increased from Q1 15 to Q2 15. Rather, CTR for below-the-fold inventory improved dramatically.

Viewability

- Across the continent, viewability was well above 50% (France and Germany were the exceptions)
- In 12 countries, viewability rates were at, near or above 60%
- Viewability declined marginally (0.1%) from Q1 15 to Q2 15 but this figure is not statistically significant

Spending

Over the past 12 months, spending on programmatic advertising jumped 94.65%, reaching new heights in June 2015. Spending in Q2 15 was 21.27% higher than in the first quarter of the year, which, following normal advertising trends, saw a steep decline at the close of the holiday season.

Overall, marketers are spending more, as evidenced by the growth (76%) in spending from Q2 14 to Q2 15. Spending in April and May followed the same upward trajectory as in 2014, though spending from May to June accelerated an additional 7%.

For the first time, nearly every country in the region saw an increase in spending from the first to the second quarter, with Switzerland leading the pack (+277%), followed by Germany (+68%), the UK (+36%), Turkey (+35%), France (+25%), Belgium (+23%) and Iceland (+15%).

Spending on programmatic rich media mirrored that of overall ad spend, increasing 126% over the past 12 months, with a small dip in April followed by a sharp increase in May.

Looking at spending distribution by banner type, standard banners continue to get the lion's share of the programmatic budget (81.6% to 82.3%), which is down 2% from Q1 15.

In terms of device type, advertisers still favour desktop targeting, which receives about 74% of programmatic spending. A slight change occurred in mobile vs. tablet spending; in Q2 14 tablet spending was slightly higher than mobile spending. Today, the reverse is true.

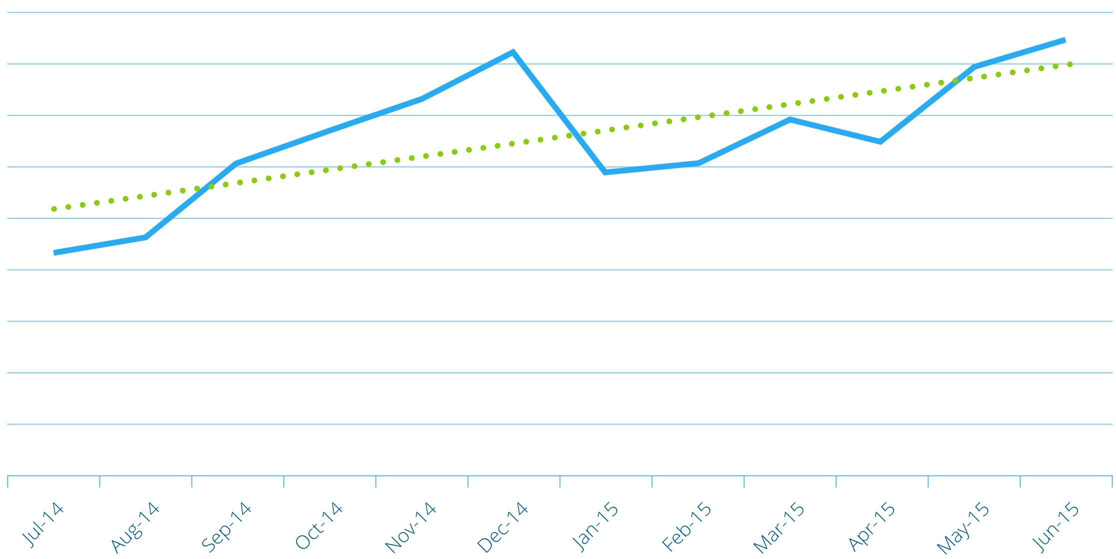
In April 2015, Adform launched mobile in-app inventory and began tracking spending. The option was enthusiastically embraced by marketers, as evidenced by the in 717% lift in spending in May.

In June, spending stabilized, delivering a 28% lift. Not surprisingly, mobile received the lion's share (91.42) of the in-app ad spend; and the majority of in-app ad spend (90.7%) occurred in the open markets.

Spending in open markets verses private marketplaces changed very little from Q1 15 to Q2 15; open markets continue to attract around 75% of the spending.

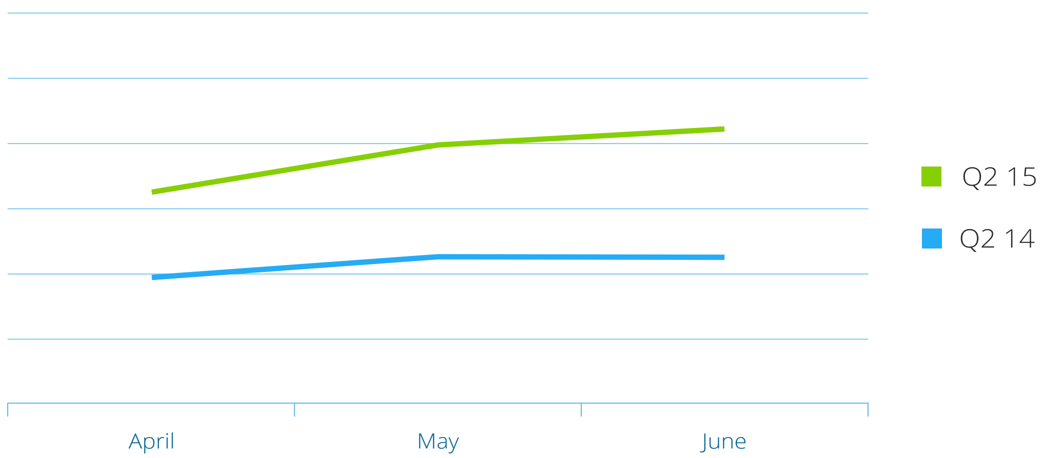
Total RTB EU Spend (Q3 14 - Q2 15)

94.65% YoY Growth

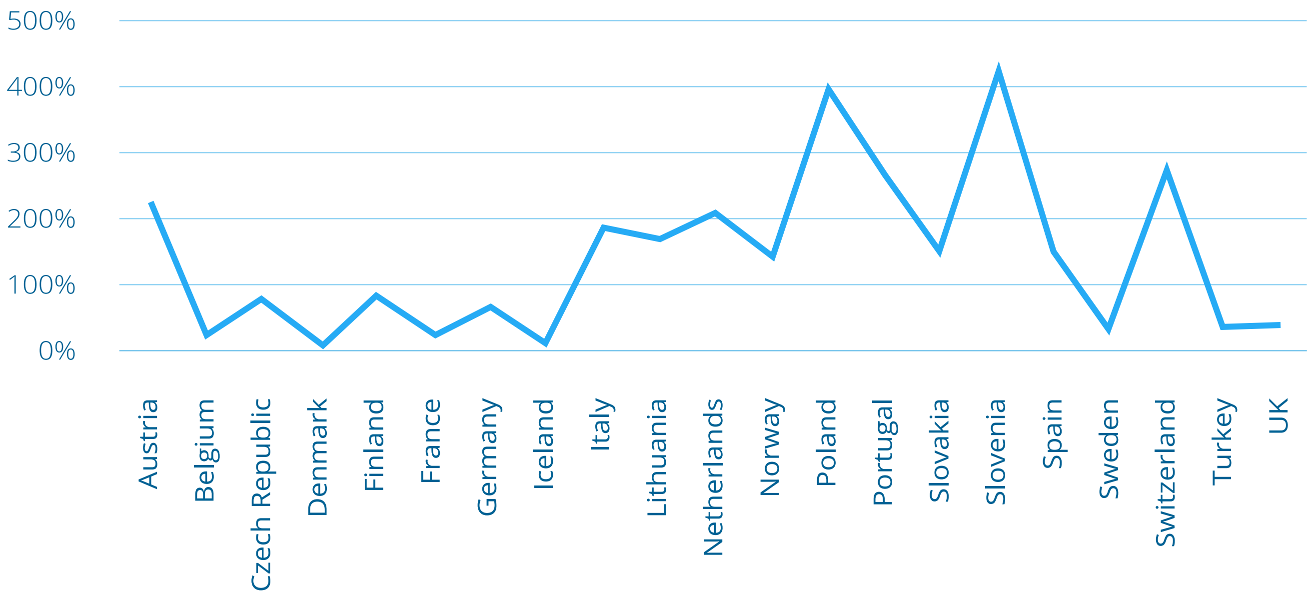


Total RTB EU Spend (Q2 14 vs Q2 15)

21.27% Growth

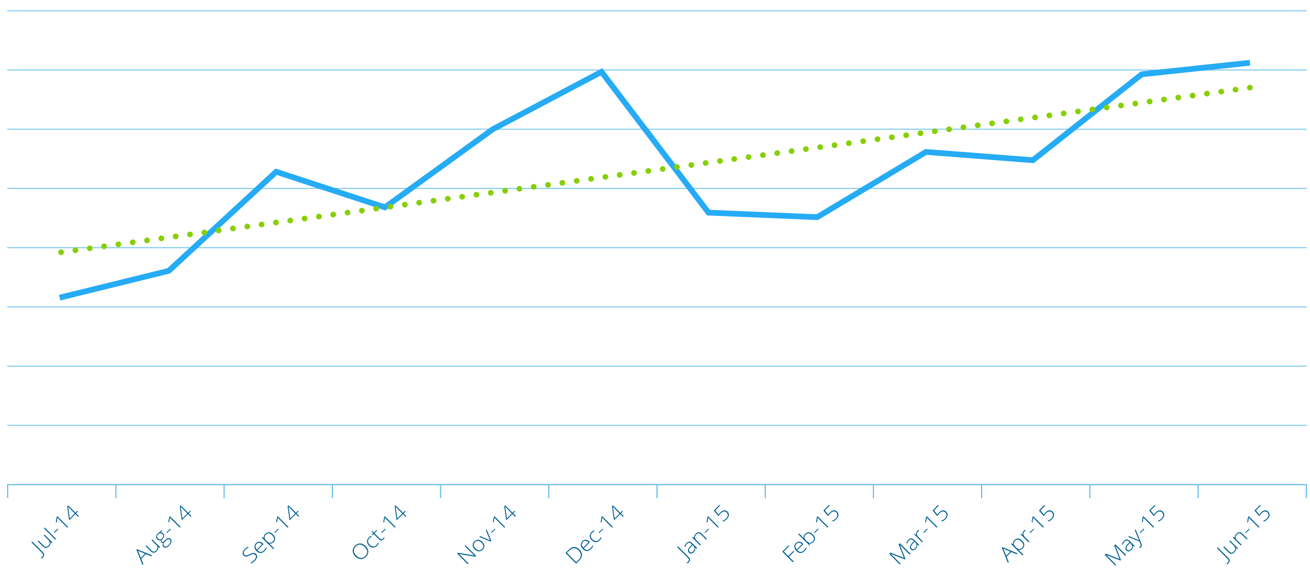


RTB Growth per Market (Q2 14 vs Q2 15)

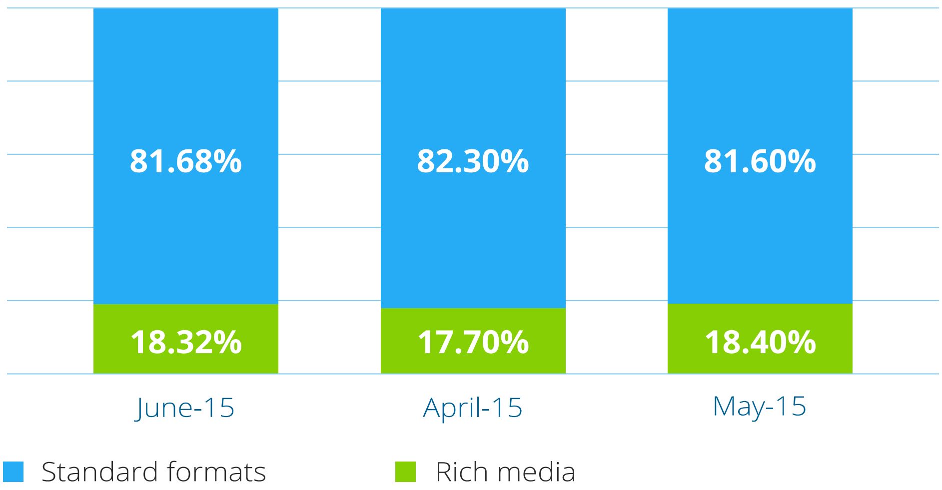


Total Spend on Programmatic Rich Media (Q3 14 - Q2 15)

126% YoY Growth

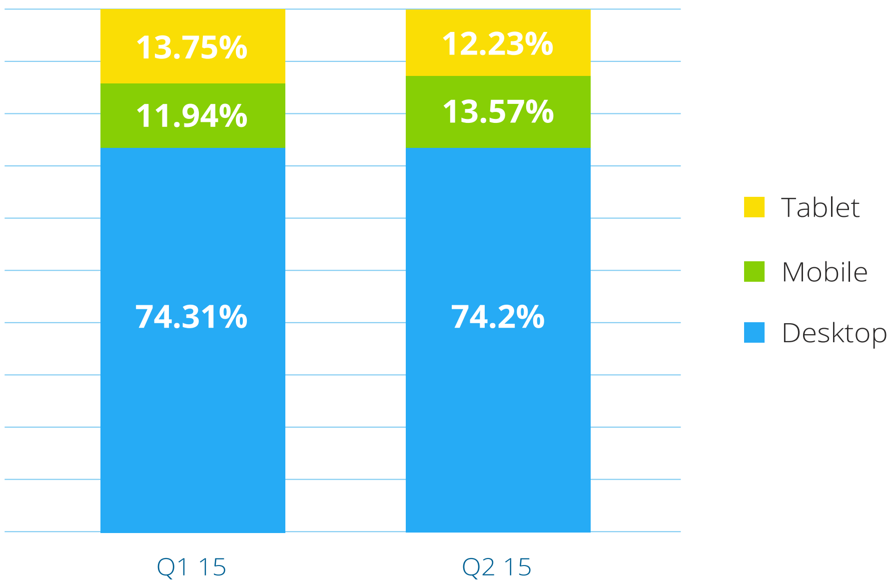


Total Spend by Banner Type (Q2 15)



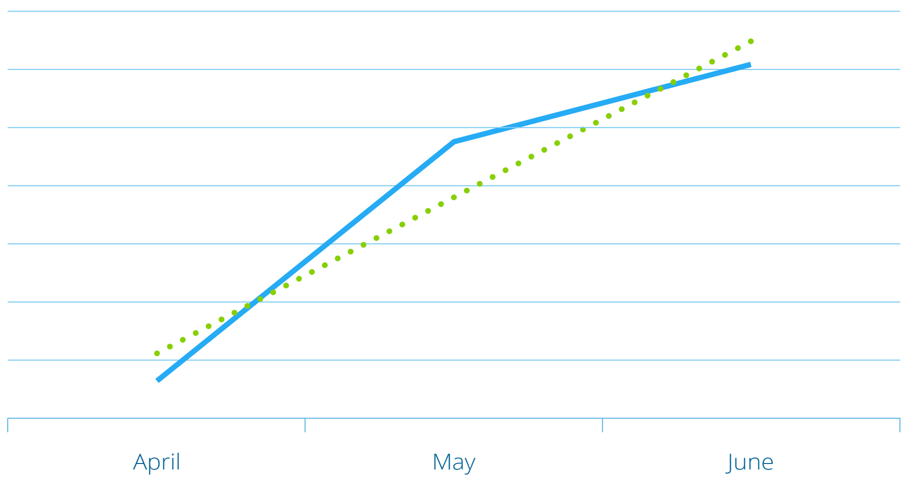
Total Spend by Device (Q1 15 vs Q2 15)

Mobile and Tablet switch places

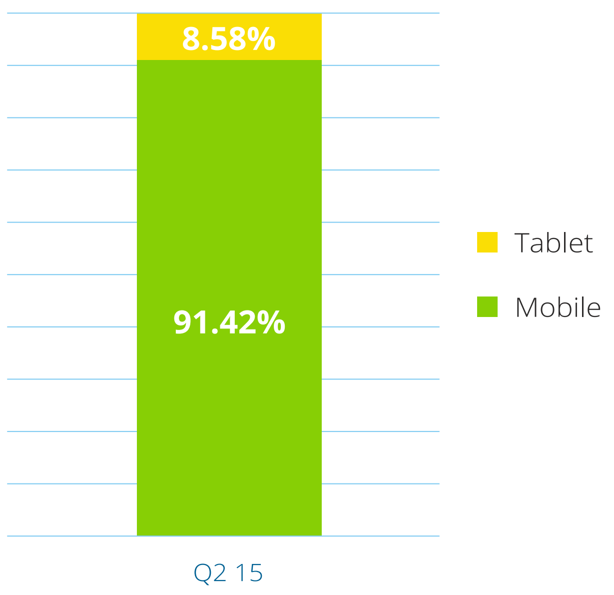


Total RTB EU In-App Spend (Q2 15)

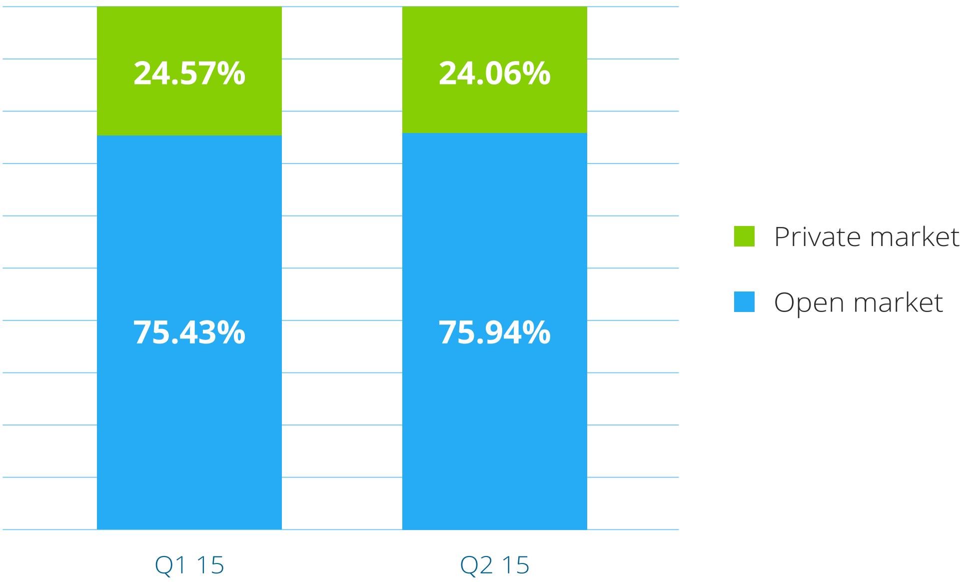
717% lift in spend



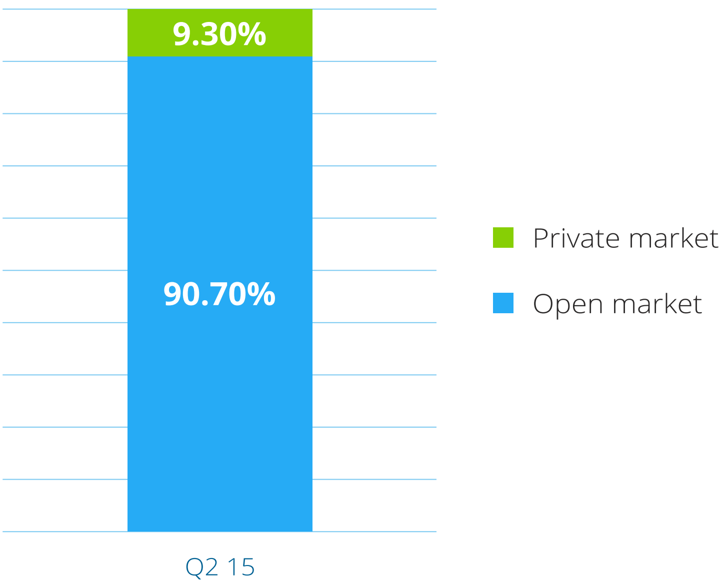
Total In-App Spend by Device (Q2 15)



Total RTB Spend (Open Market vs. Private Market; Q1 15 – Q2 15)



Total In-App Spend (Open Market vs. Private Market; Q2 15)



Take-Aways

- Programmatic ad spending continues to follow standard advertising spend patterns, a sign that the market is maturing.
- Sustained growth is a sign of health for the industry, as well as proof that both the sell-side and the buy-side actively participate in programmatic.
- Advertisers clearly want to target mobile users via in-app inventory, probably because standard mobile ad formats aren't nearly as effective. Moreover, hyper-local targeting is available via in-app, a targeting feature of particular importance to retailers. App developers would be wise to build native and in-app ad units into their mobile apps.
- Private marketplaces have yet to reach their full potential; we anticipate spending to accelerate as brand marketers migrate to programmatic execution of their direct, premium campaigns (e.g. automated guaranteed campaigns).

CPM

As a sign of health for the industry, CPMs continue to rise, growing 77% over the past 12 months, and are 67% higher in Q2 15 than they were in Q2 14, and 18.6% higher than in Q1 15. Each month of Q2 15 saw impressive gains: April (71%), May (54%) and June (78%). The rising CPMs may be a result of publishers offering higher volumes of premium inventory to programmatic buyers, the nearly doubling of inventory integrations (i.e. sources of inventory), as well the increase in programmatic video and rich media ad spend.

Overall CPM for in-app inventory was 33.3% lower than the average CPM for all RTB spending. This may be due to a variety of factors, such as the small volume of inventory traded in private marketplaces, as well as the newness of the inventory. Marketers may have been testing out the format to assess the results. In the coming quarters, Adform will watch the performance of mobile in-app inventory with keen interest.

Comparing size, In-Stream video (e.g. pre-roll) continues to earn the highest CPMs, followed by high-impact formats, such as the 980x400 format. Perhaps as an indicator of shifting consumer behaviour, Facebook's newsfeed banner (600x315) took a tumble from Q1 15 to Q2 15, falling from second to fifth place in the list. The Video Skin Marquee, a rich media 1x1 format popular in Italy, made an appearance on the Top 10 List for the first time this quarter. As for in-app inventory, the 384x263 banner earned the highest CPMs.

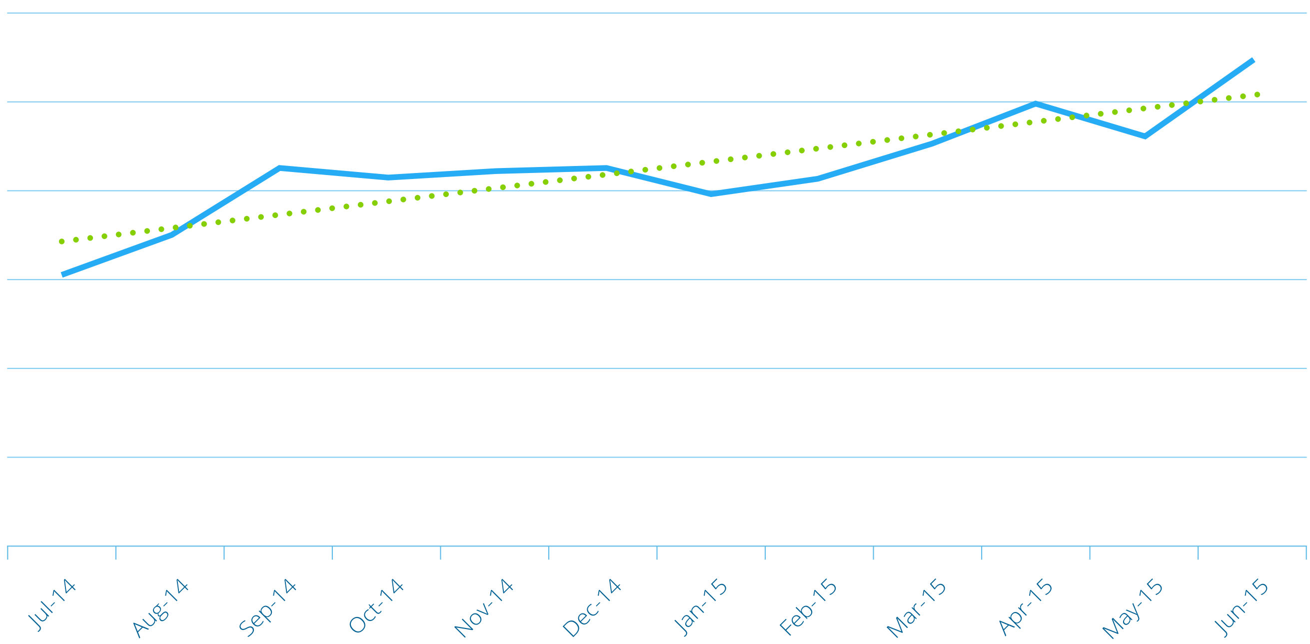
Not surprisingly, CPMs in private marketplaces are 3x those earned in the open exchanges. From Q1 15 to Q2 15, the average CPM grew by 20% in open markets, and by 7% in private marketplaces. The higher CPMs were driven by substantial increases in spending 20% and 23% respectively, in private and open markets. For in-app inventory, CPMs were 6x higher in private marketplaces than the open markets.

The overall boost in spending also drove higher CPMs for standard banners (15%) and rich media (32%), proving the adage that a rising tide floats all boats. CPMs for rich media banners are 107.66% higher than standard banners.

In a surprising turn of events, from Q2 14 to Q2 15 the average CPM for desktop increased by 94%, while the average CPM for mobile and tablet decreased 7% and 2%. These trends, in part, may be explained by the perception of mobile inventory as “remnant,”, as well as by the suite of robust rich media ad formats now available for desktop (e.g. Out-Stream Video format), which marketers have been slow to adopt for mobile and tablet campaigns. In terms of in-app inventory, tablets earn higher CPMs than mobile devices.

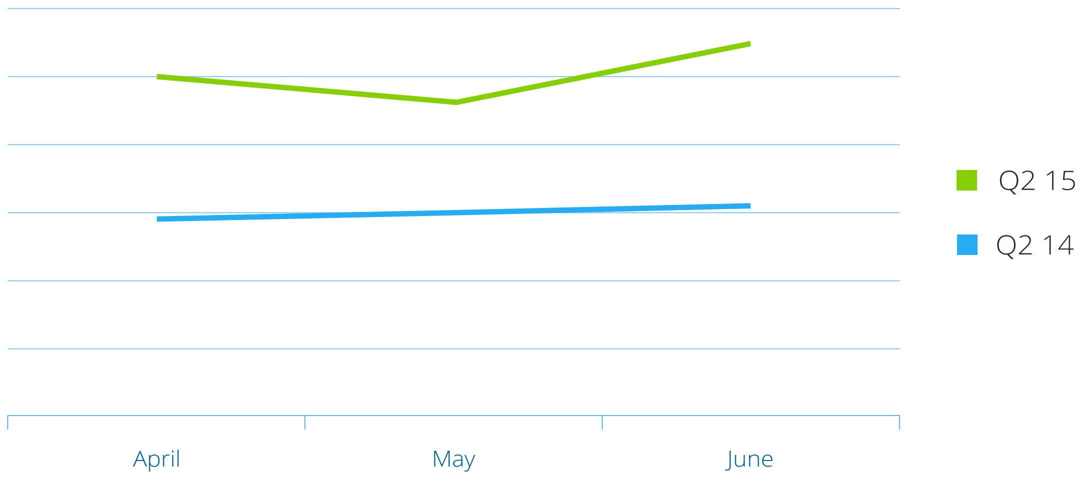
Average CPM (Q3 14 - Q2 15)

Average CPM up 77%



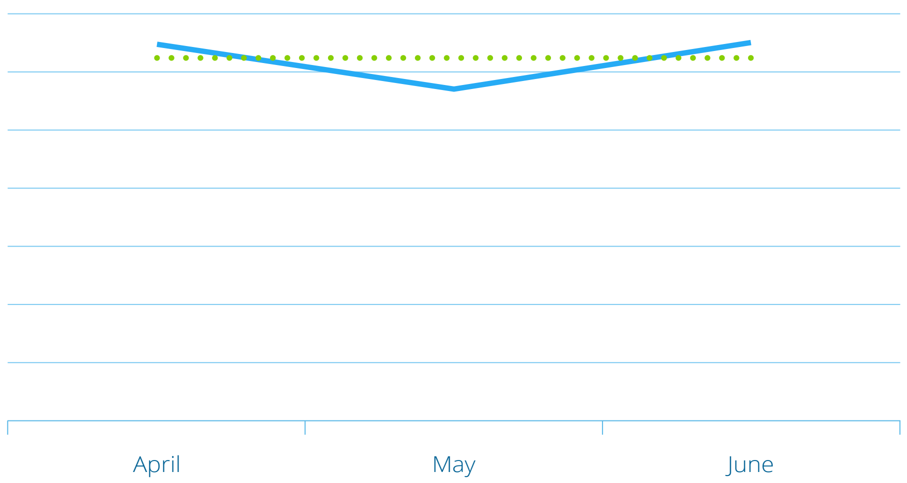
Average CPM (Q2 14 vs Q2 15)

Average CPM up 18.6%



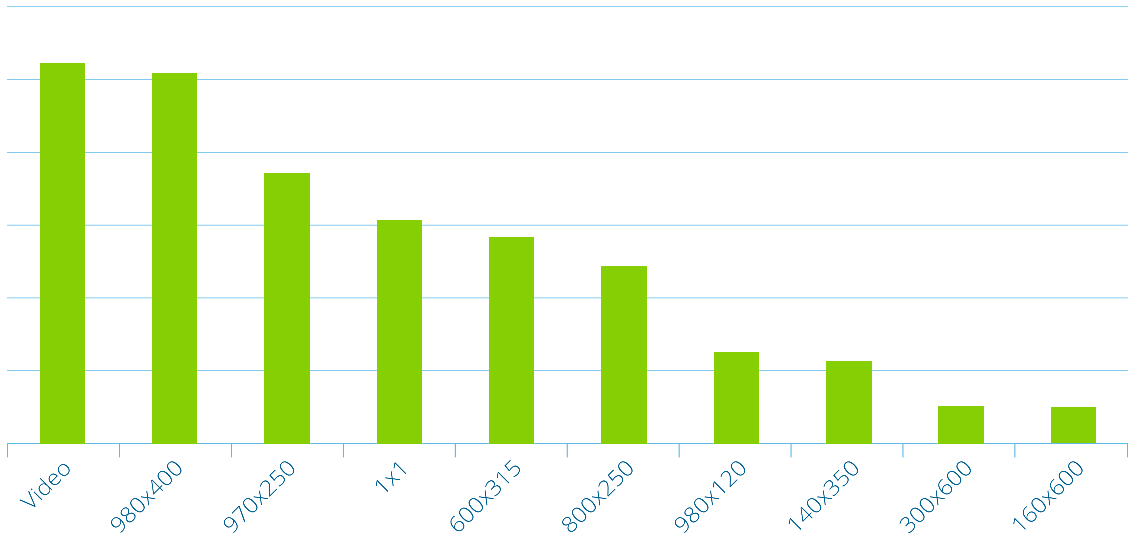
In-App Average CPM (Q2 15)

33% lower than Overall Average CPM

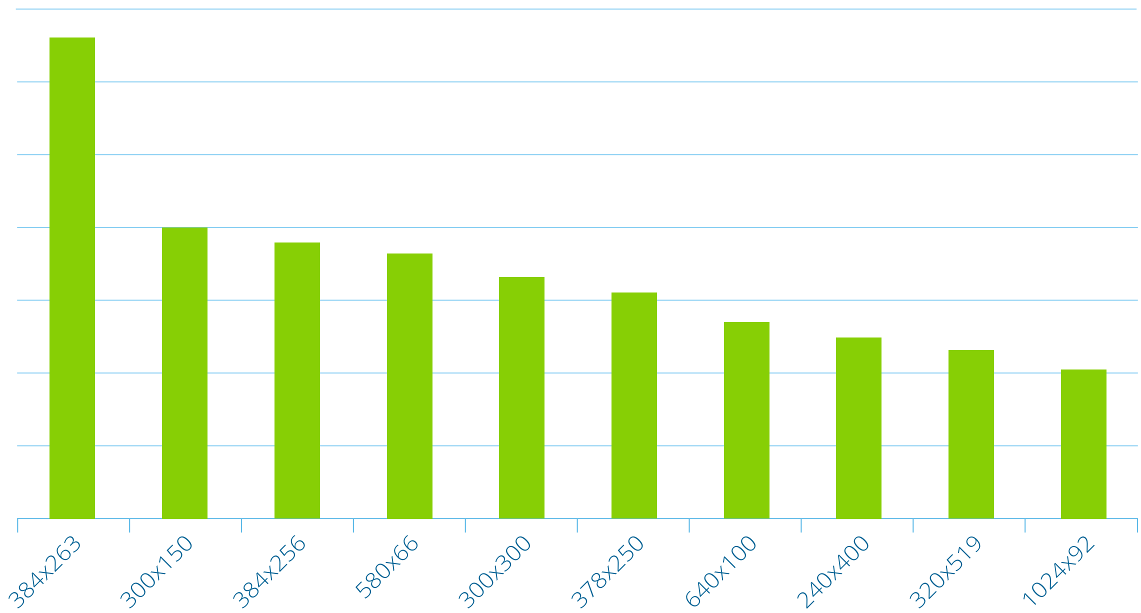


TOP 10 Format Sizes by CPM (Q2 15)

Facebook (600x315) drops to 5th place

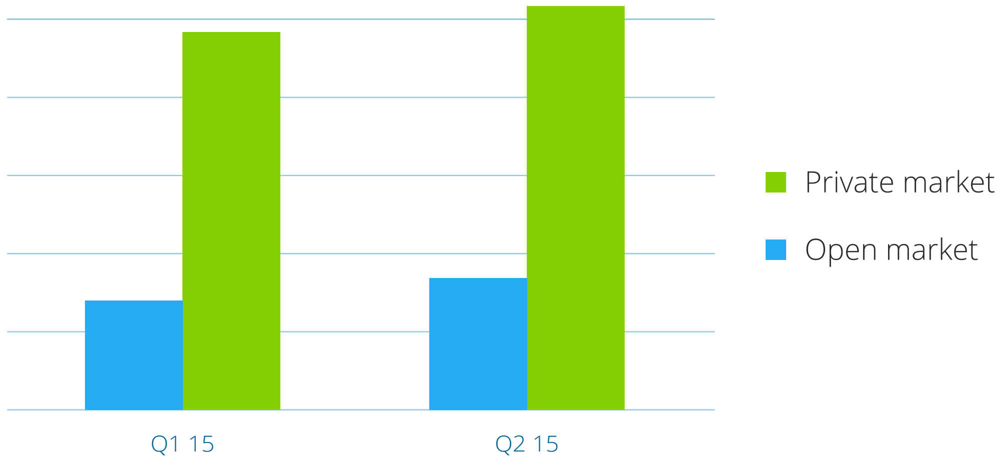


TOP 10 In-App Format Sizes by CPM (Q2 15)



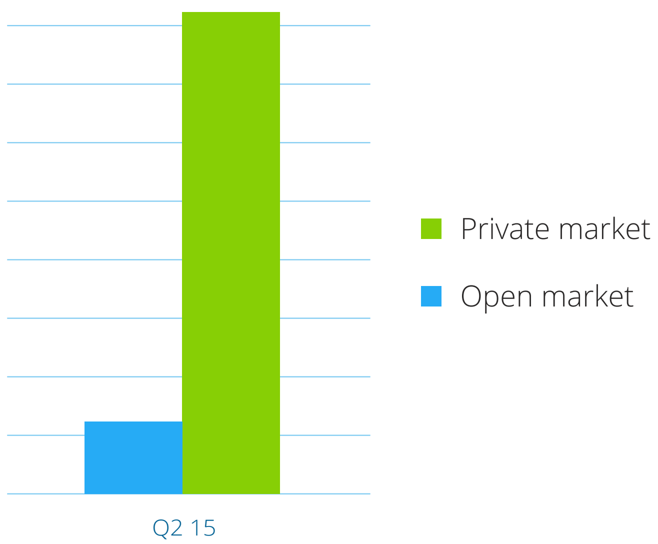
Average CPM (Open Market vs. Private Market; Q1 15 - Q2 15)

Average CPM in PMPs are 3x higher



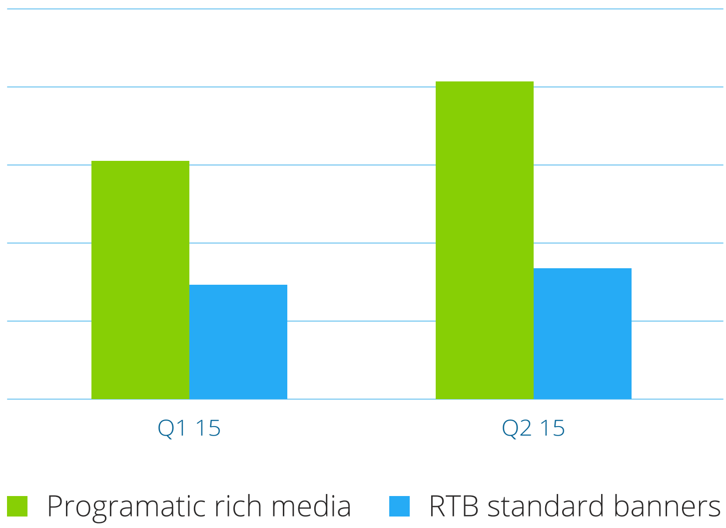
In-App Average CPM (Open Market vs. Private Market; Q2 15)

Average CPM in PMPs are 6x higher than Open market



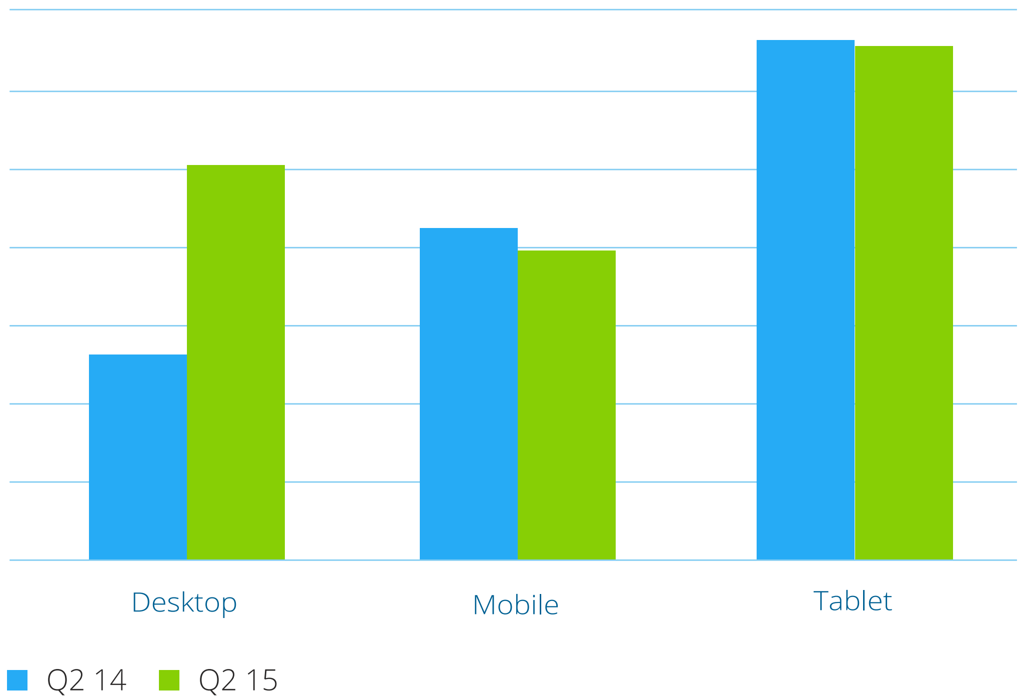
Average CPM by Banner Type (Q1 15 - Q2 15)

Average CPM for rich media up 107.66%

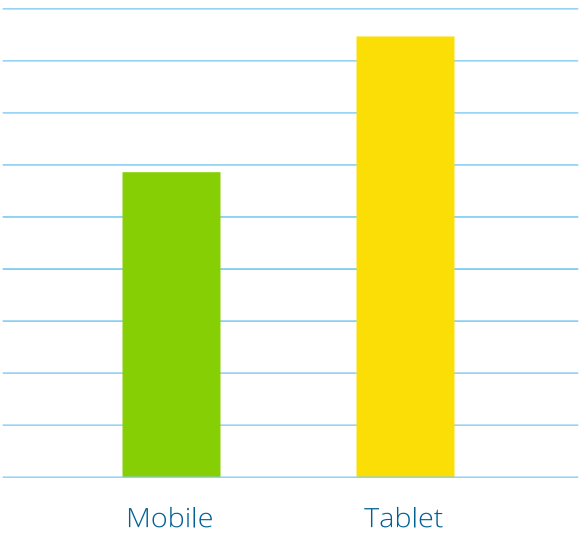


Average CPM by Device (Q2 14 vs Q2 15)

Desktop up 94%; mobile & tablet down 7%



In-App Average CPM by Mobile Device (Q2 15)



Take-Aways

- Publishers seeking to drive profitability may find private marketplaces an appealing option. Private programmatic deals offer both high CPMs, as well as reduced operating costs via automation.
- In-Stream video formats continue to earn the highest CPMs, most likely because consumers are captive audiences. Publishers who wish to increase yields should consider offering more video content on their sites.
- Advertisers clearly understand the value of rich media over standard banner ads, and are willing to pay substantially higher CPMs for them. This presents an opportunity for publishers to further drive yields.

CTR

The average click-through rate (CTR) jumped 34% from Q1 15 to Q2 15, a trend that may be attributable to increases in mobile and rich media ad spending, as well as a rise in overall inventory quality, which is typically purchased by brands that invest heavily in creatives. Given that rich media excels at engaging consumers, we can expect CTR to continue its ascent in the coming quarters.

In fact, we've seen a steady increase in CTR over the past year; overall, CTR is 130% better in Q2 15 than in Q2 14. In Q2 15, CTR mirrored spending, with June delivering a sizable increase, whereas

June 2014 saw a slight dip in CTR. Though new to the market, CTR for in-app inventory started out quite strong (0.25%), and diminished somewhat in the following months.

Overall, mobile devices deliver a higher CTR rate than tablets for in-app inventory. The month of May saw a significant increase in traffic volume for tablet in-app inventory coupled with a modest decrease in clicks, which resulted in a significant decrease in the overall CTR. In June the opposite occurred: in-app volume declined, as did the CTR rate. At this juncture, it is difficult to identify the causes of these trends.

Both the open and private markets delivered higher CTR in Q2 15 than in the previous quarter, though the private marketplaces continue to outpace the open exchanges by more than 2x. In-app CTR was roughly the same in the private and open markets.

In terms of banner size, In-Stream videos continue to earn the highest CTR, which is 2.7x better than the rich media formats, such as the 980x400 and Facebook (600x315) banners. The disparity raises a key question: Are high-impact banners the best bet for marketers given that they're slightly less costly than In-Stream banners, but deliver significantly lower CTR? Of course, the diminutive 1x1 Video Skin Marquee format earned the second-pace is the exception that proves the rule in that consumers clearly gravitate towards video.

As for in-app CTR, the strongest performers were the high-impact 765x50 and 300x600 banners. It's worth noting that neither one of these banners made the list of top most expensive banners.

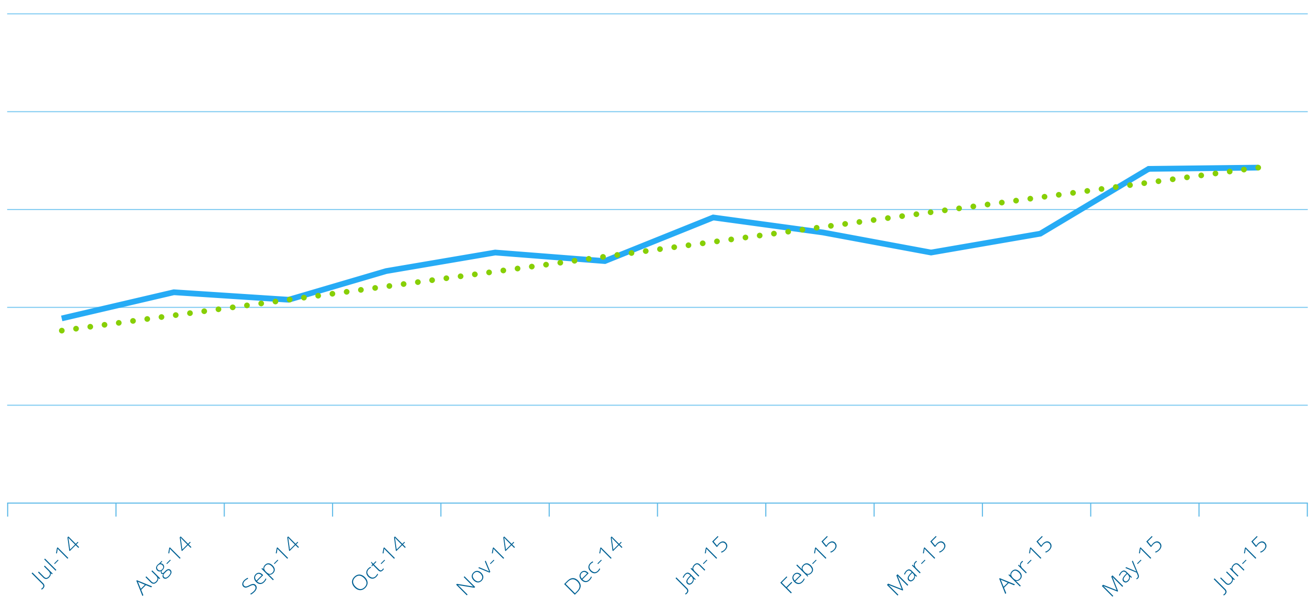
Rich media banners outperform standard banners by 1.2x, as was the case in Q1 15. The narrow difference may be explained by the fact that brand marketers, prominent users of rich media, rely less on CTR for campaign optimization, opting to focus on more brand awareness criteria, such as engagement rate and time.

When comparing banner types, synchronized and In-Stream banners outperform image, HTML5 and Flash, and rich media be 10.3x and 9.6x respectively (although the rich media performance is skewed lower because it includes simple HTML banners, which consistently garner few clicks).

CTR for desktop and tablet increased steadily throughout Q2 15. CTR for mobile climbed 1.4x, also higher than it has ever been, though its growth was a bit more circuitous in April and May. Tablet CTR closed the quarter with 1.3x lift. Once again, the CTRs for mobile and tablet are higher than they are for desktop, which may be a reflection of consumer behaviour, specifically consumers are more inclined to click on ads via their personal devices (mobiles and tablets), as opposed to their "work" computers. In any case, the steady rise of CTR is clear indication that marketers continue to sharpen their skills and insights, and are launching campaigns that capture the consumer's attention.

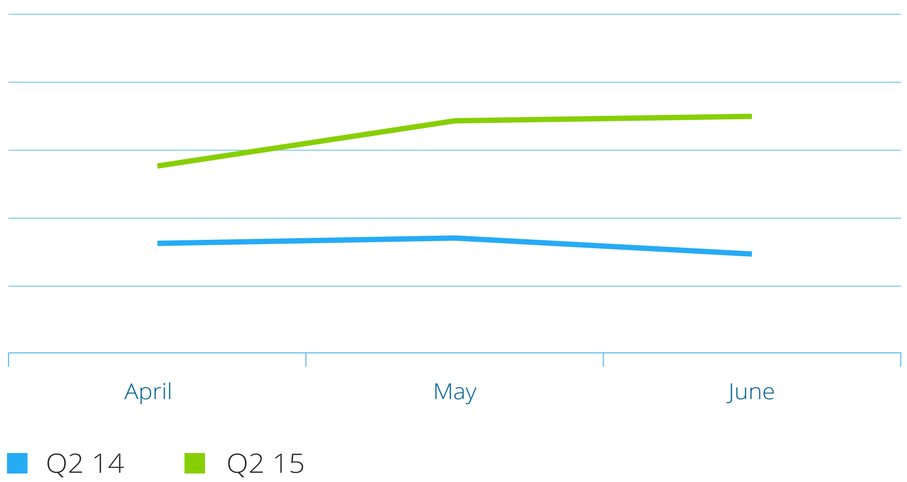
Average CTR (Q3 14 - Q2 15)

130% increase in Average CTR

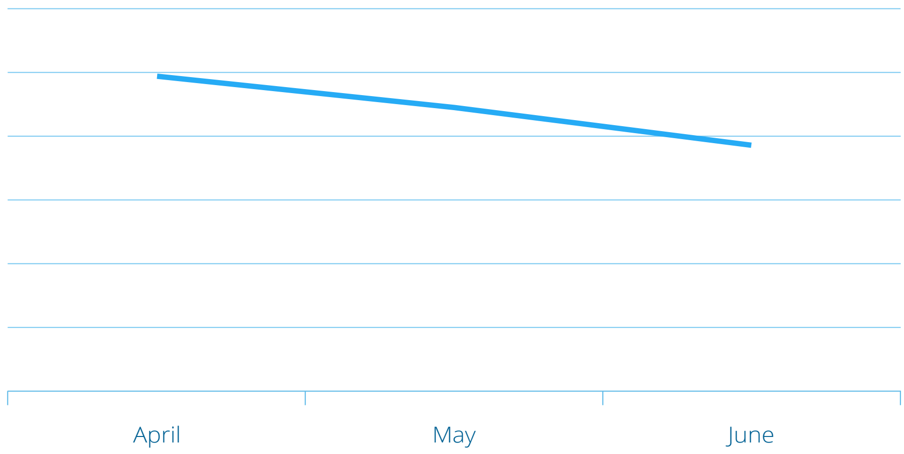


Average CTR (Q2 14 vs Q2 15)

34% increase in Average CTR

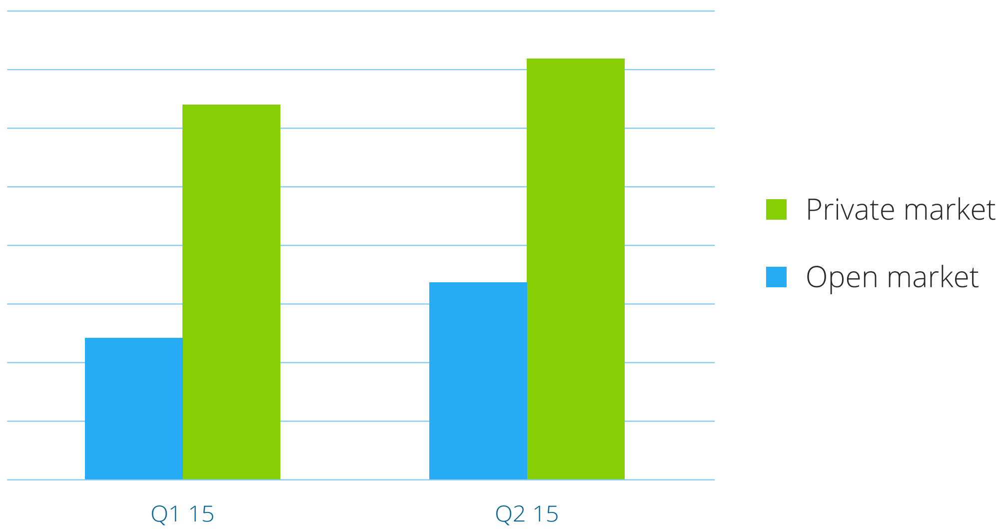


In-App Average CTR (Q2 15)

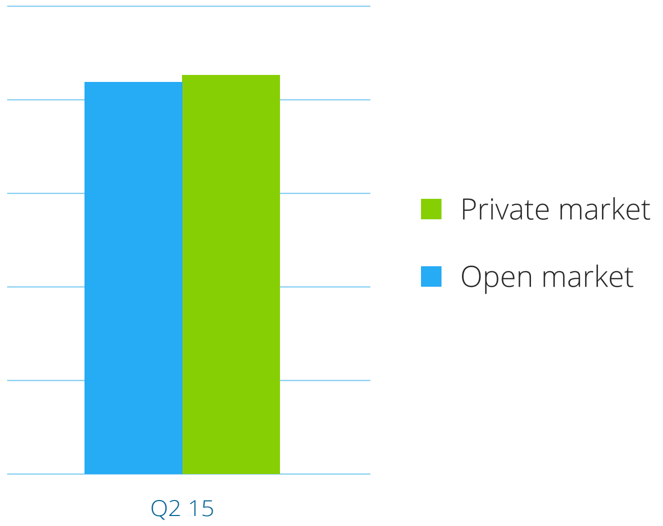


Average CTR (Open Market vs. Private Market, Q1 15 - Q2 15)

CTR is 2x higher in PMPs

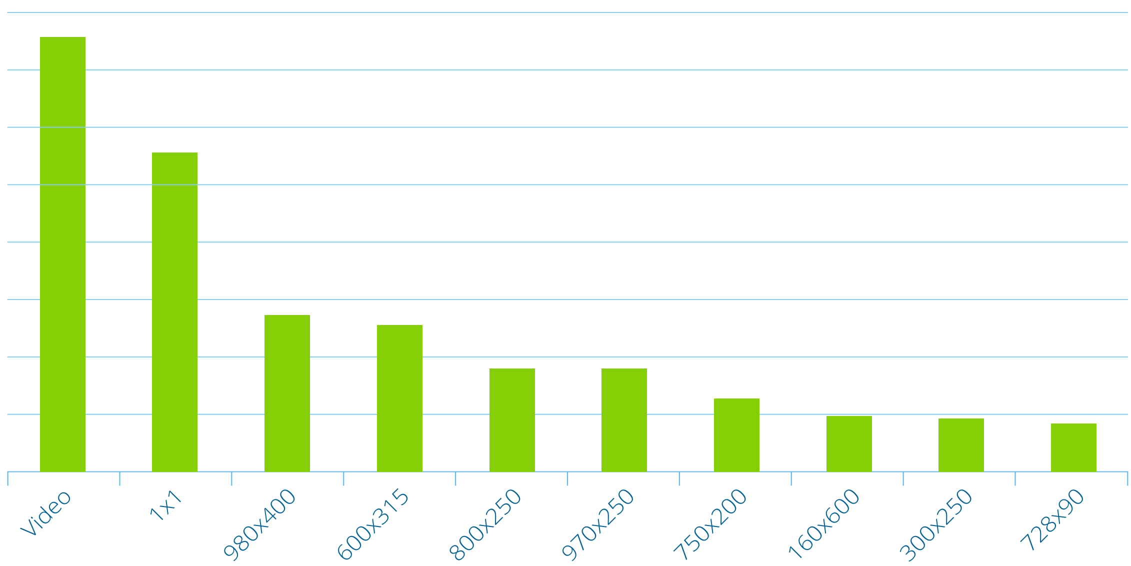


In-App Average CTR (Open Market vs. Private Market; Q2 15)

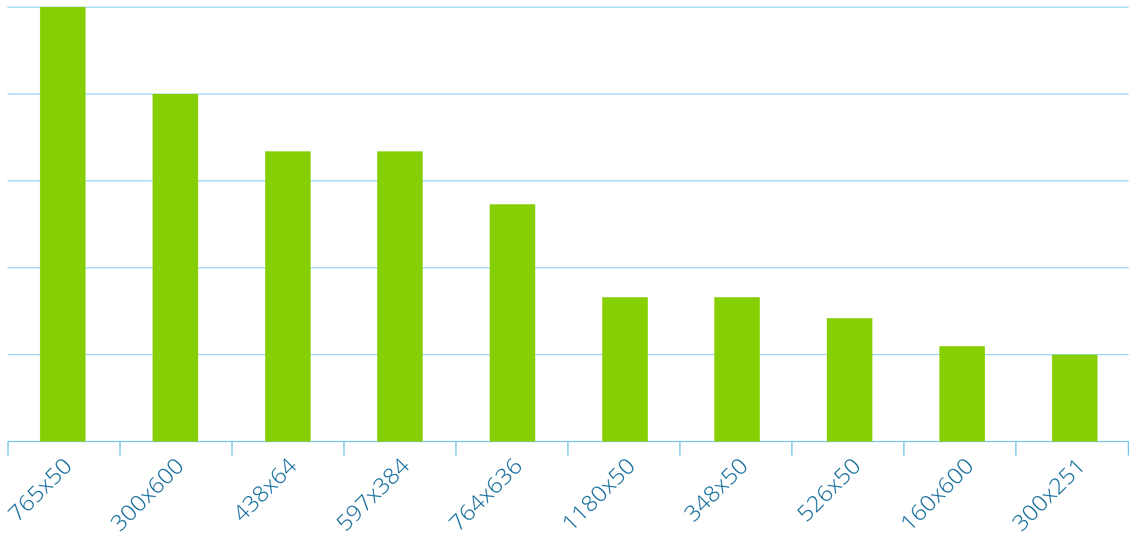


TOP 10 Format Sizes by CTR (Q2 15)

CTR for In-Stream (Video) banners is 2.7x higher than for rich media

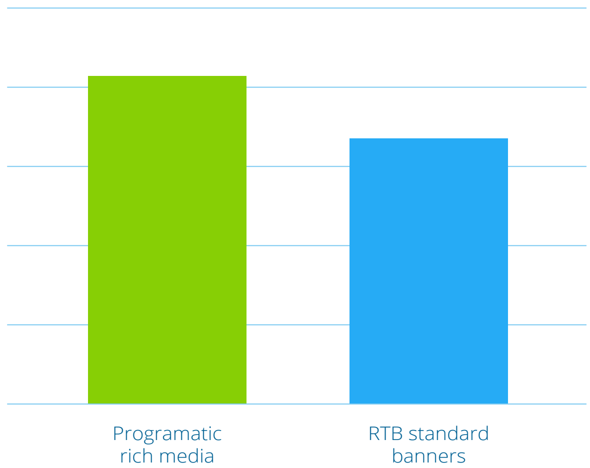


TOP 10 In-App Format Sizes by CTR (Q2 15)



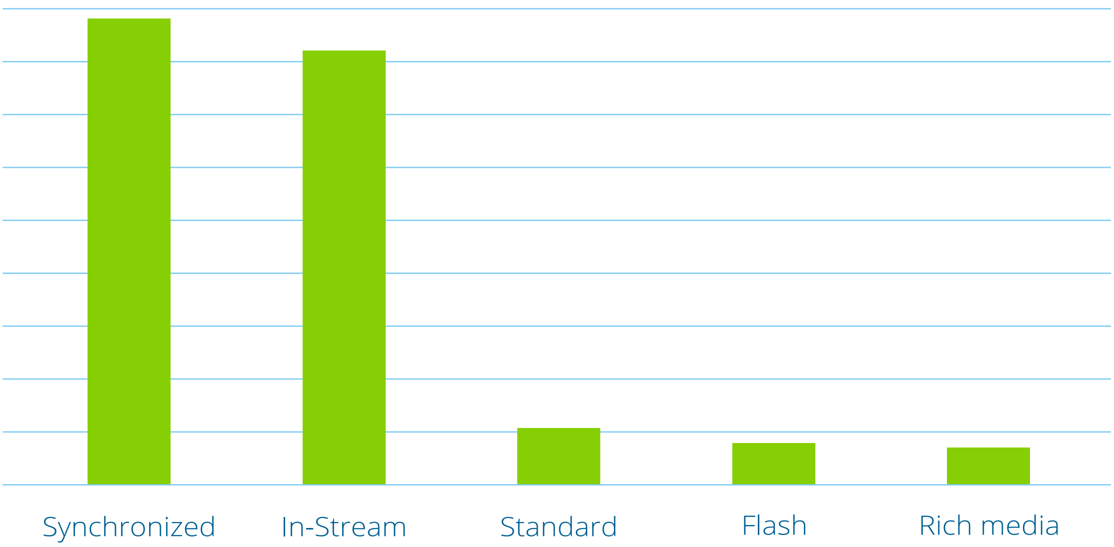
Average CTR by Banner Type (Q2 15)

CTR for rich media formats is 1.2x higher than standard banners

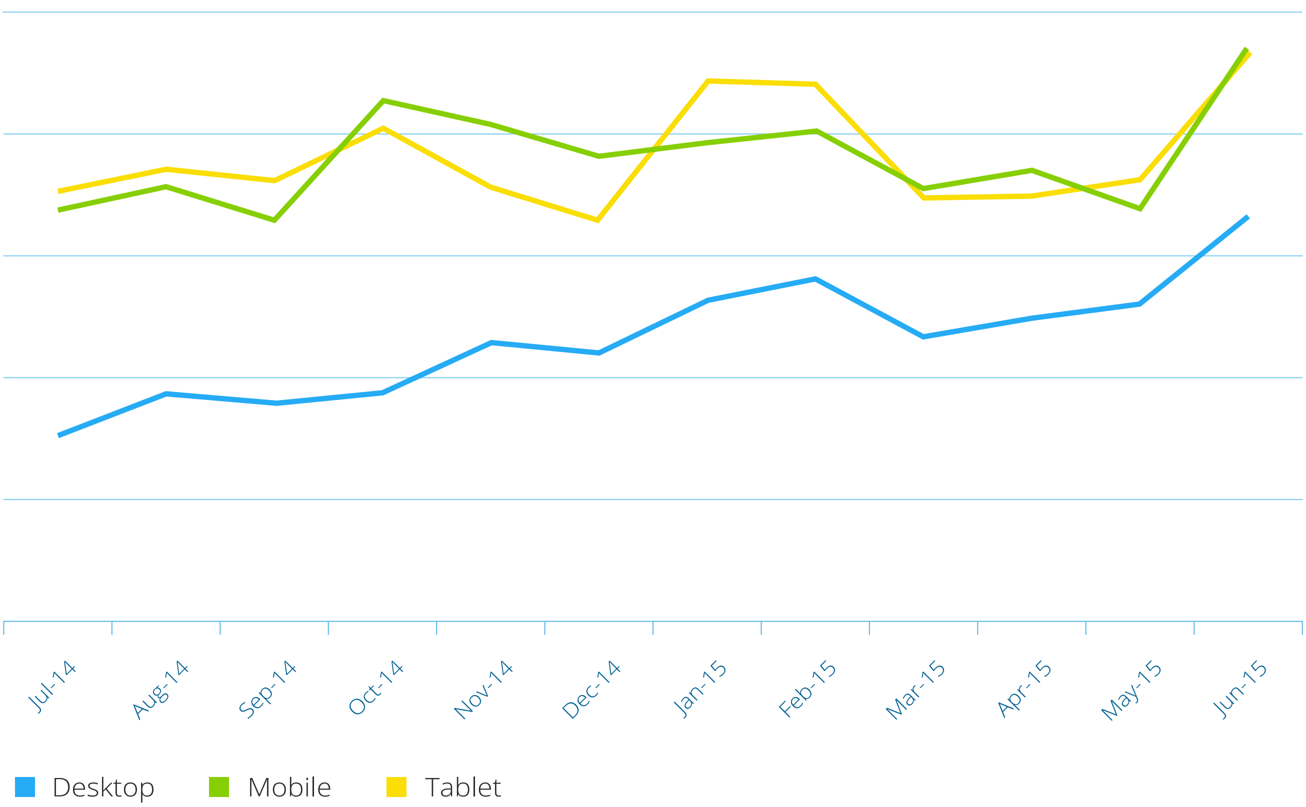


Average CTR by Format (Q2 15)

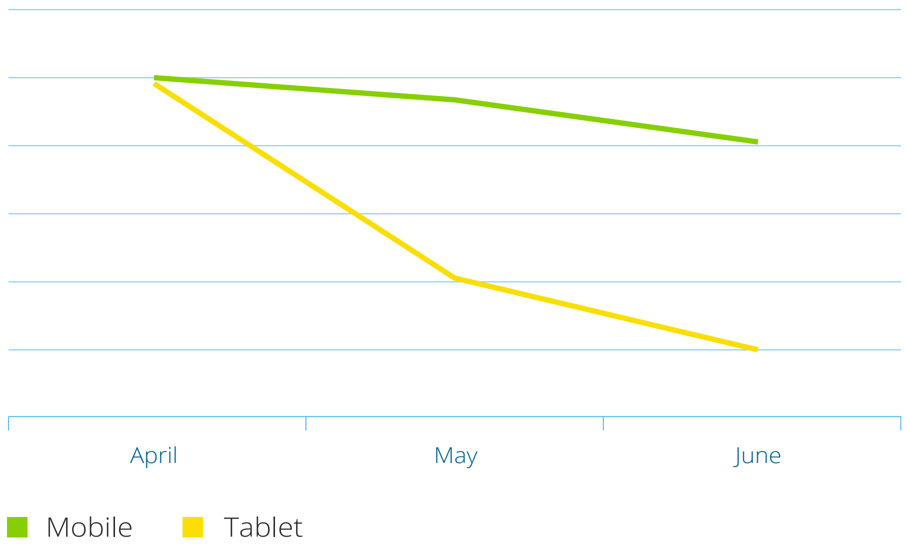
Synchronized and In-Stream formats are 10.3x and 9.6x higher respectively



Average CTR by Device (Q3 14 - Q2 15)



In-App Average CTR by Device (Q2 15)



Take-Aways

- Performance marketers who optimize campaigns based on CTR are wise to select In-Stream banners over high-impact banners (e.g. 980x400). The CTR for In-Stream banners are 2.7x higher, and yet cost just 0.30 Euros more than high-impact formats.
- The high-impact 765x50 and 300x600 in-app banners offer unique opportunities for marketers, given their combination of high CTR and relatively low cost.
- Forecasting into next quarter, we expect to see a slight decline in overall CTR. Additionally, CTR for Flash continue to decline in response to Google's announcement that upcoming releases of their leading Chrome browser will no longer support Flash.

CPC

Cost-per-click is an important metric for marketers as it is closely associated with ROI, the lower the CPC, the higher the ROI. In Q2 15, advertisers saw lower than ever CPCs, a trend that is even more remarkable given the steady increase in CPMs for inventory within the programmatic markets. The escalating CTR – a reflection of the marketer's growing sophistication in both creative and campaign execution; ready availability of rich media formats and inventory; as well as better collaboration between buyers and sellers – is responsible for driving down the CPC.

Comparing Q2 14 to Q2 15, CPC in June 2015 declined sharply, while in the year before it increased. As a result, CPC at the end of Q2 15 was 27% lower than it was a year ago. CPC for in-app inventory increased from April to June, driven by a falling number of clicks.

Overall, CPC decreased in both open exchanges (14%) and private marketplaces (5%). Again, the improvements stem from substantial increases in clicks. The CPC was also significantly higher for in-app inventory sold in PMPs.

As to be expected, CPC is 45% higher in private marketplaces than it is in the open exchanges due to the premium prices paid for the exclusive inventory. Of course, a higher CPC is easily justified given the higher quality traffic and increased likelihood of conversions.

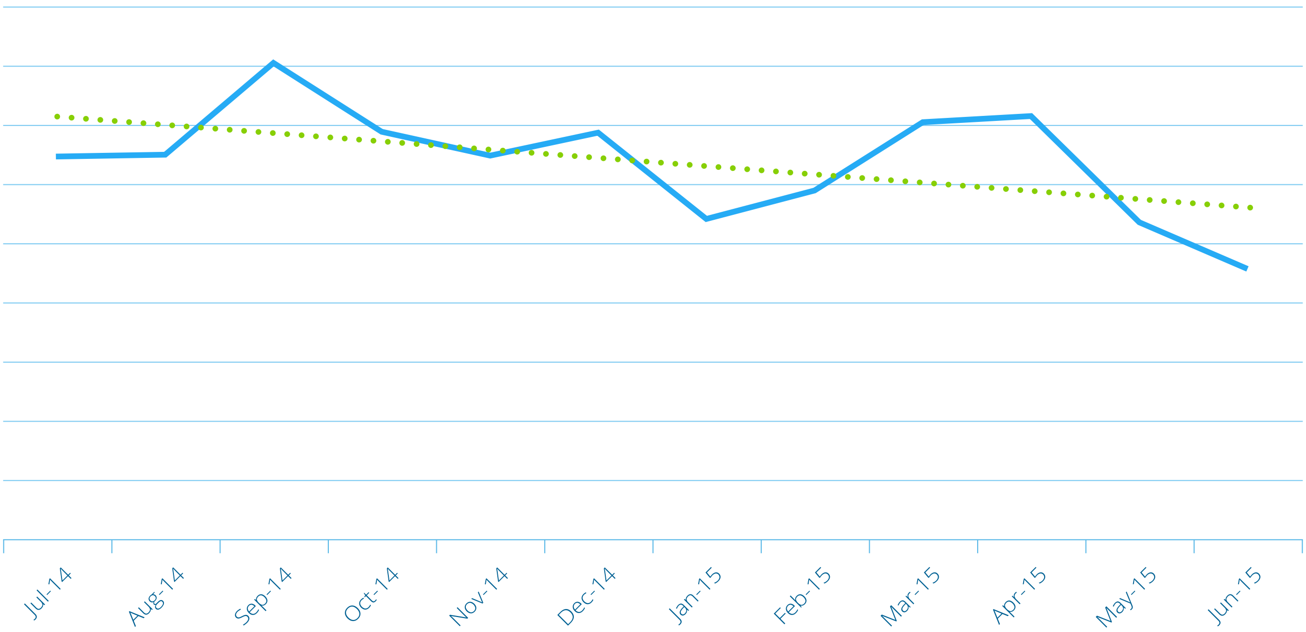
CPC for rich media banners continues to be higher than standard banners, driven by the cost of the inventory. That said, Q2 15 saw a dramatic increase in CPC for rich media banners, while the CPC for standard banners declined by 18%. In fact, in Q2 15, the CPC for rich media banners was nearly double that of standard banners. These patterns are a direct reflection of CTR, which decreased by 10% for rich media banners, and increased by 46% for standard ones, as well as CPM, which increased by 32% for rich media inventory, and just 15% for standard banners.

Mobile continues to deliver the lowest CPC among devices, including in-app inventory, though marketers are wise to exercise caution; accidental clicks may still play a role in lowering the CPC (note that tablet, a device that's closely related to smartphones, delivers the highest CPC of all the device types).

Comparing the general CPC by device, we see that the general CPC is 3x higher than it is for in-app mobile, and nearly 1.3x bigger than it is for in-app tablet.

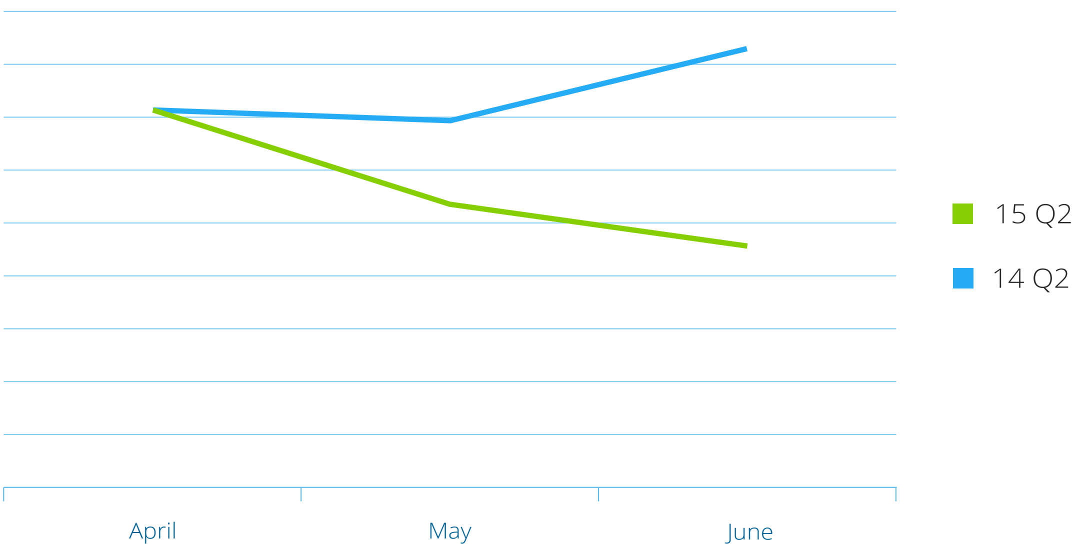
Average CPC (Q3 14 - Q2 15)

CPC continues to lower, delivering better ROI

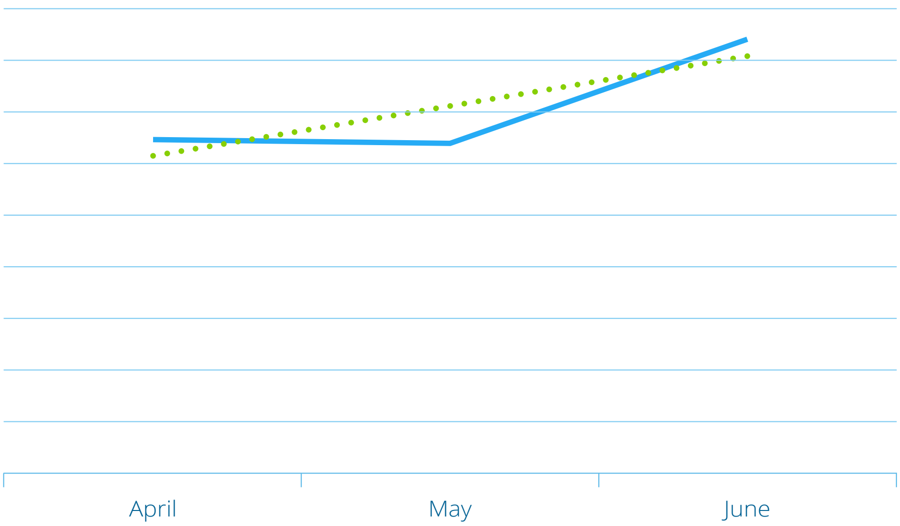


Average CPC (Q2 14 vs. Q2 15)

CPC is 27% lower in Q2 15

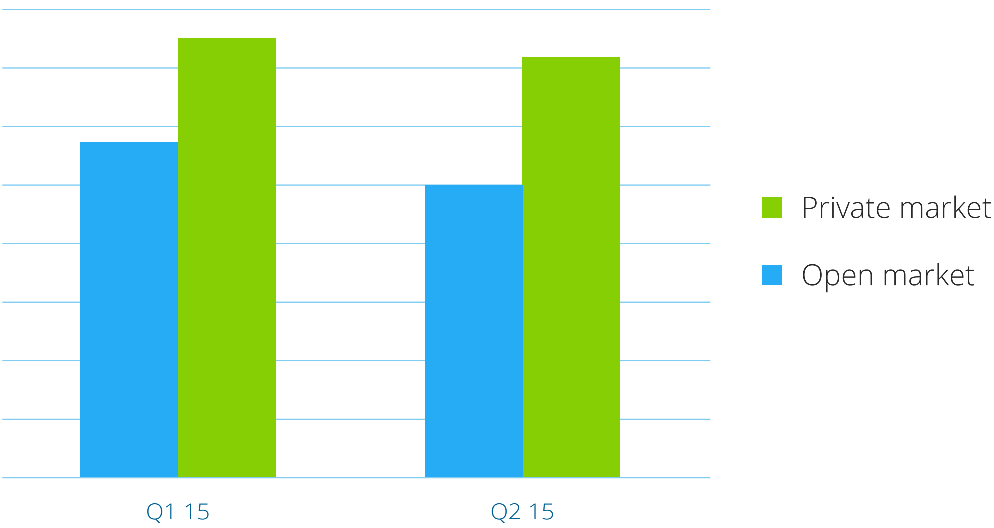


In-App Average CPC (Q2 15)

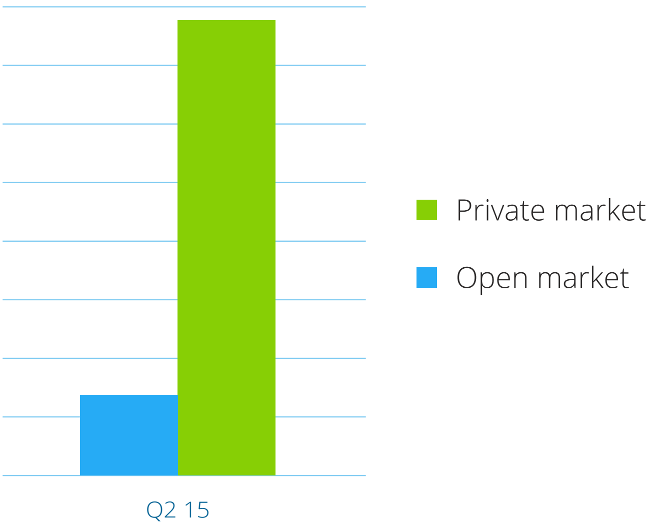


Average CPC (Open Market vs. Private Market; Q1 15 – Q2 15)

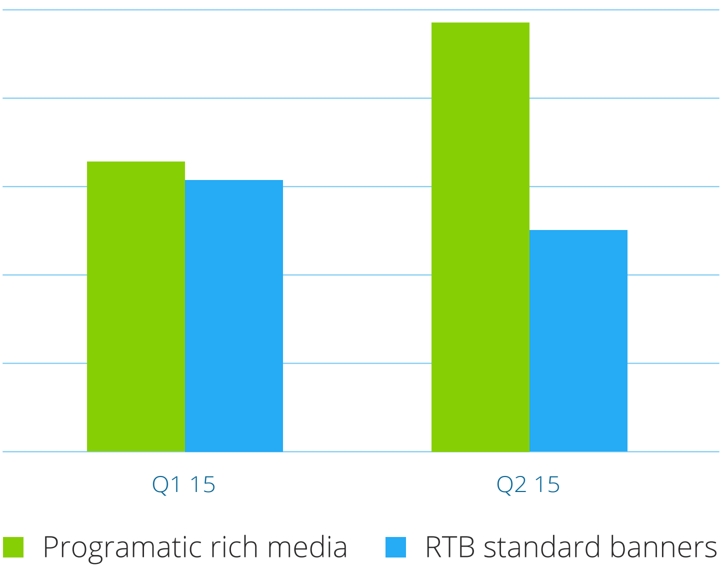
14% CPC decline in open markets & 5% decline in PMPs



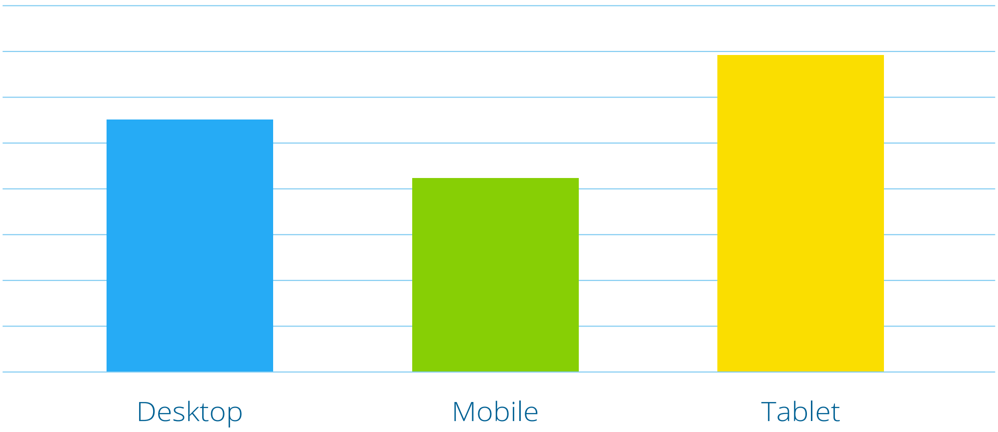
In-App Average CPC (Open Market vs. Private Market; Q2 15)



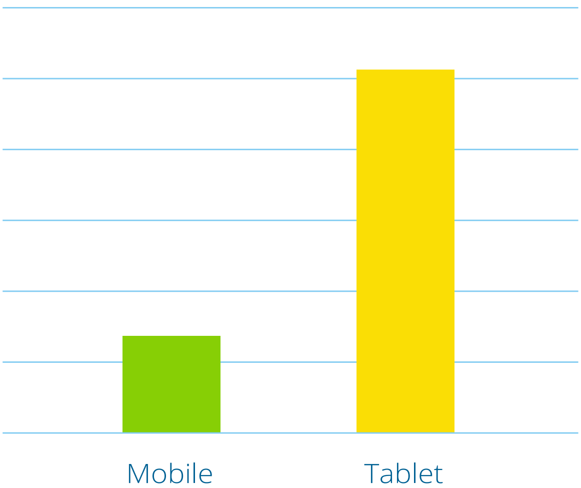
Average CPC by Banner Type (Q1 15 - Q2 15)



Average CPC by Device (Q2 15)



Average In-App CPC by Device (Q2 15)



Take-Aways

- ✔ In assessing device performance, marketers should examine the percentage of users by device type who reach a landing page as a result of clicking on an ad. The low CPC for mobile may be the result of accidental clicks; desktop may deliver more qualified clicks, as demonstrated by users reaching and staying on a campaign landing page.
- ✔ Given the CTR and CPC earned via in-app, it is evident that targeting mobile users via in-app is the most cost effective option.

Engagements

Engagement metrics are of particular importance to the brand marketer since their goal is to raise brand awareness and drive leads at the top of the funnel. Adform reports three key metrics in the engagement category: engagement rate, engagement time, and post-click conversions. Conversions can be a wide variety of actions, from purchasing a product, opting in to a email newsletter, or liking a page on Facebook.

Engagement Rate per Country

The average engagement rate (for standard and rich media formats) declined across Europe from Q1 15 to Q2 15, falling to 1.05% from 1.37%. Only a handful of countries saw increases (Germany, the UK, Austria and Norway), Turkey stayed the same, and all other countries decreased.

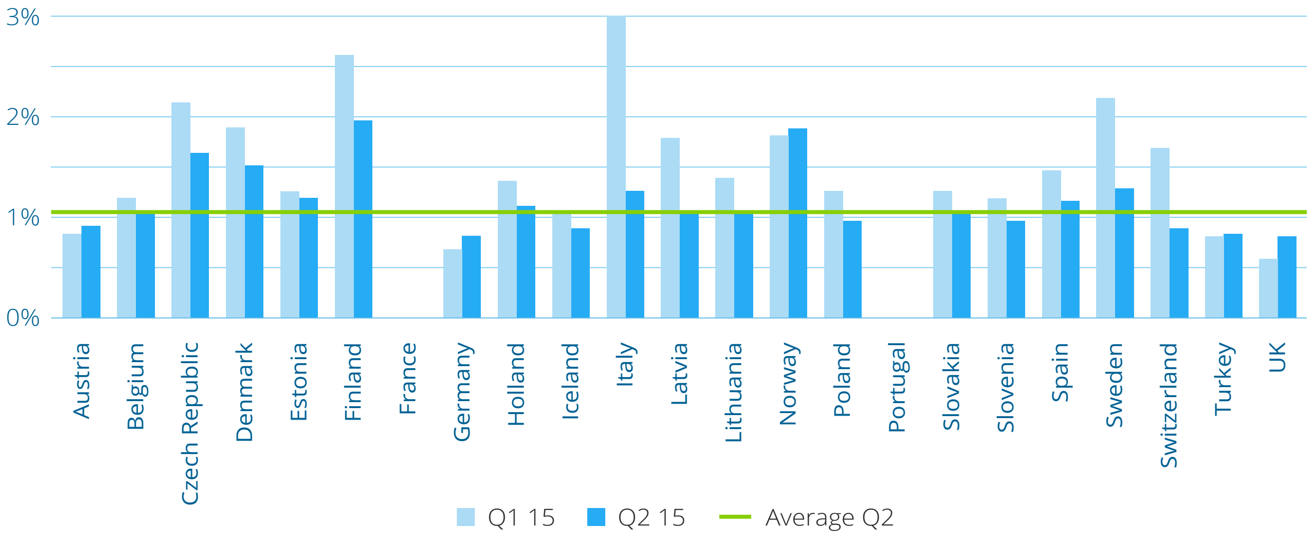
The average engagement time also decreased from 12.66 seconds in Q1 15 to 11.67 seconds in Q2 15, although it should be noted that 11.67 is still an impressive interval to engage with a consumer. At 18 seconds, Norway led the continent.

In Q2 15, the Education sector performed best as measured by both engagement rate and time. The Automotive sector engaged consumers the longest, and had an above average engagement rate. The Technology & Computing sector purchased the highest volume of impressions, and had an engagement time that was slightly below average, but an engagement rate that was slightly above average.

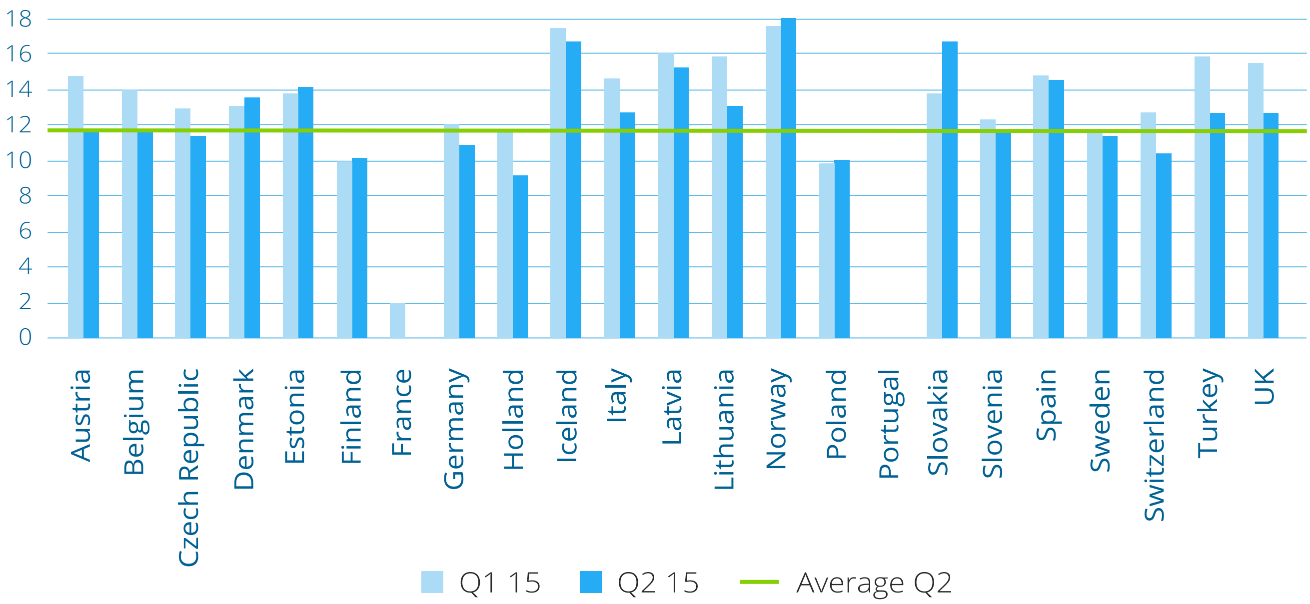
Rich media delivered the best engagement rate by far, followed by Synchronized and Flash / HTML5 banners. Not surprisingly, standard banners had the lowest engagement rates, most likely because consumers have learned to ignore many display ads.

Some sectors enjoyed higher than average conversion rates. For instance, Gambling and Careers saw significant spikes in Q2 14. Food and Drink, and industry that invests heavily in memorable creatives and branding, delivered strong conversions. Some sectors, notably Religion & Spirituality, and Law, Government & Politics, received little to no conversions, but this is to be expected since their goal is simply to drive website traffic.

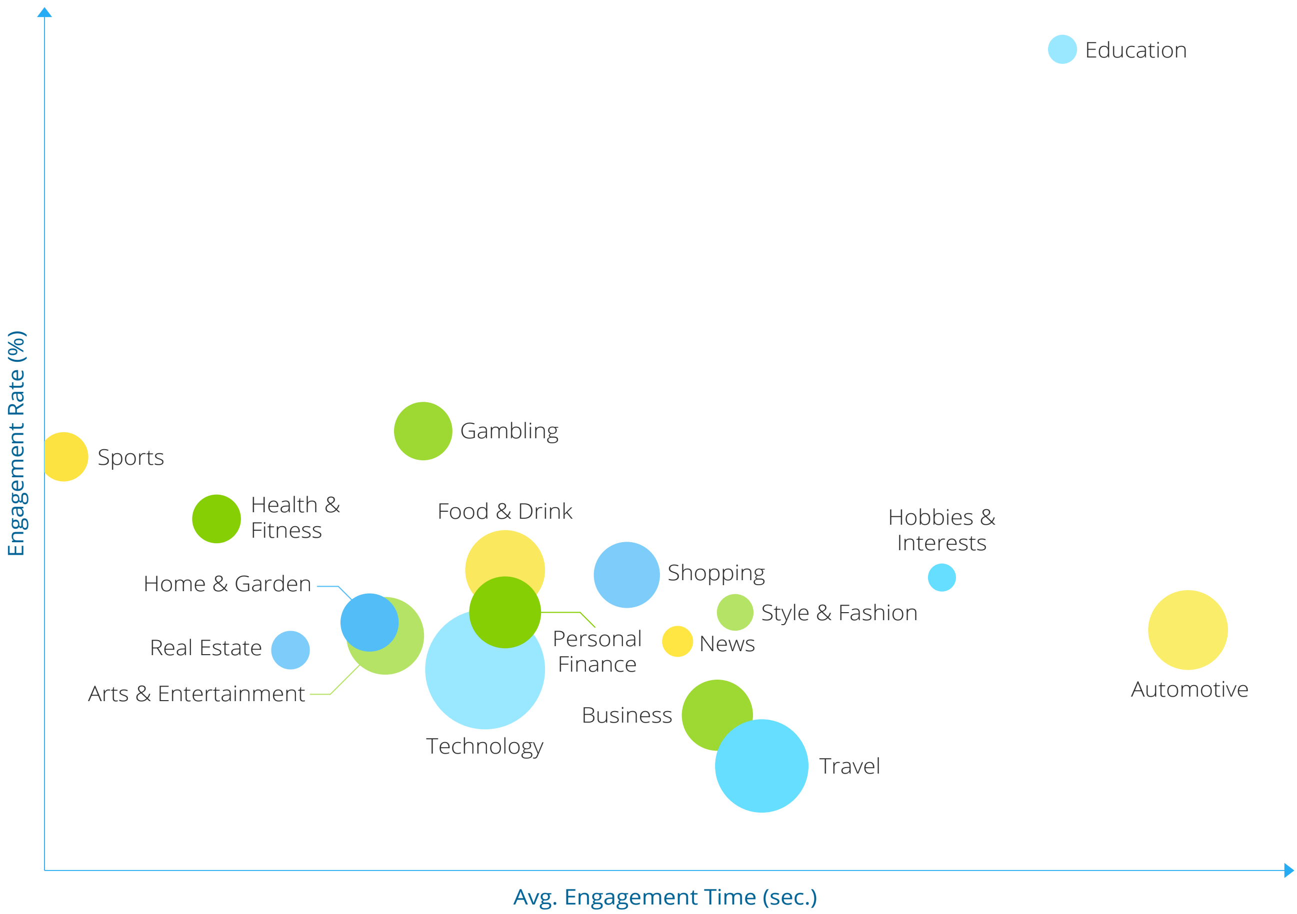
Overall Average Engagement Rate per Country (Q1 15 - Q2 15)



Overall Average Engagement Time per Country (Q1 15 - Q2 15)

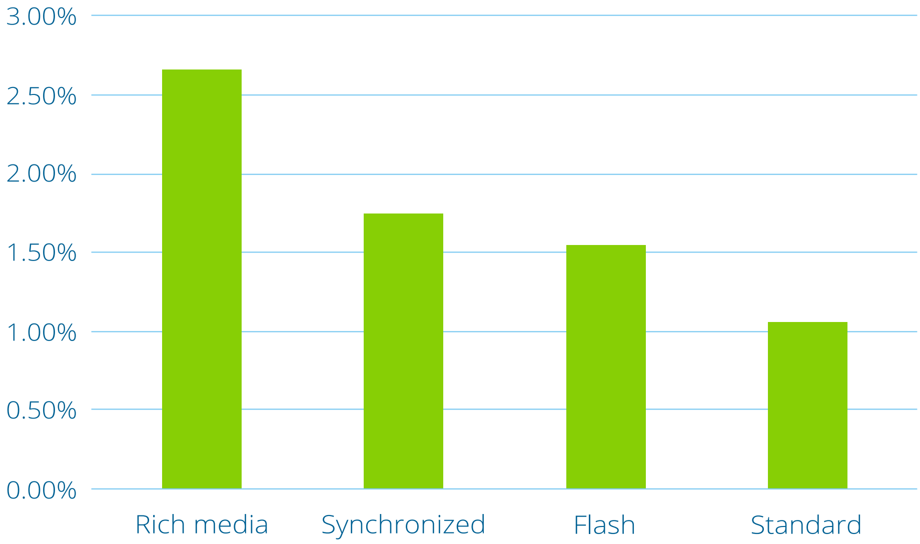


Overall Average Engagement Rate and Average Engagement Time per Vertical



The Bubble chart above has two metrics, average engagement time (in seconds) on X-axis, and engagement rate on the Y-axis. The size of the bubble corresponds to total number of impressions served (i.e. the greater the volume of impressions, the bigger the bubble).

Average Engagement Rate by Banner Type (Q2 15)



Take-Aways

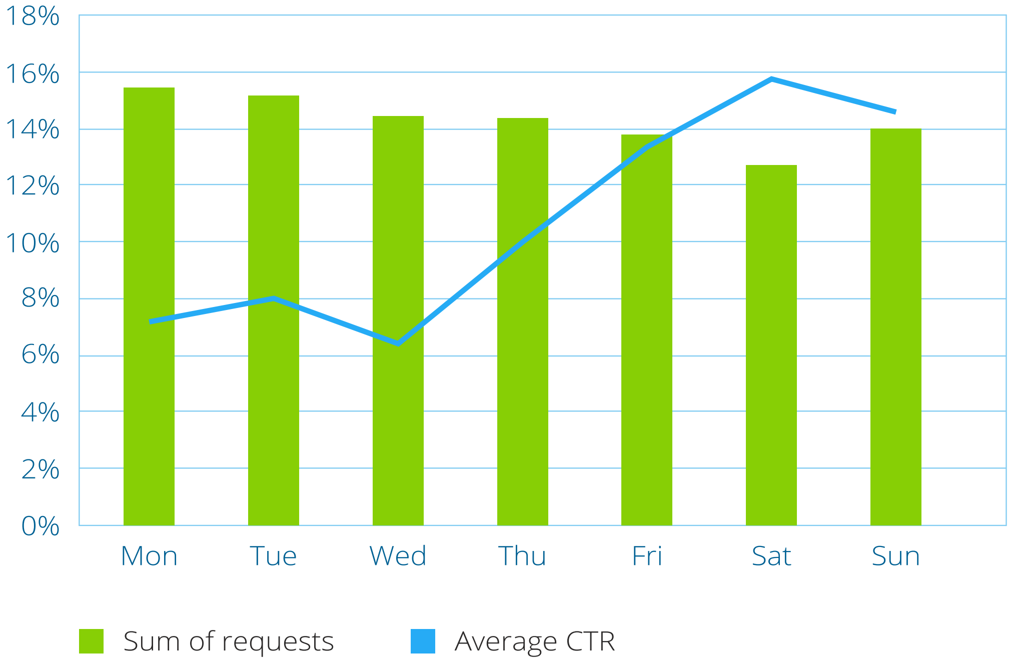
- ✓ Engagement rate and time are decreasing across Europe, except when rich media banners are used. Additionally, rich media banners deliver strong post-click conversions, making them an ideal option for both performance and brand marketers.

Day of Week

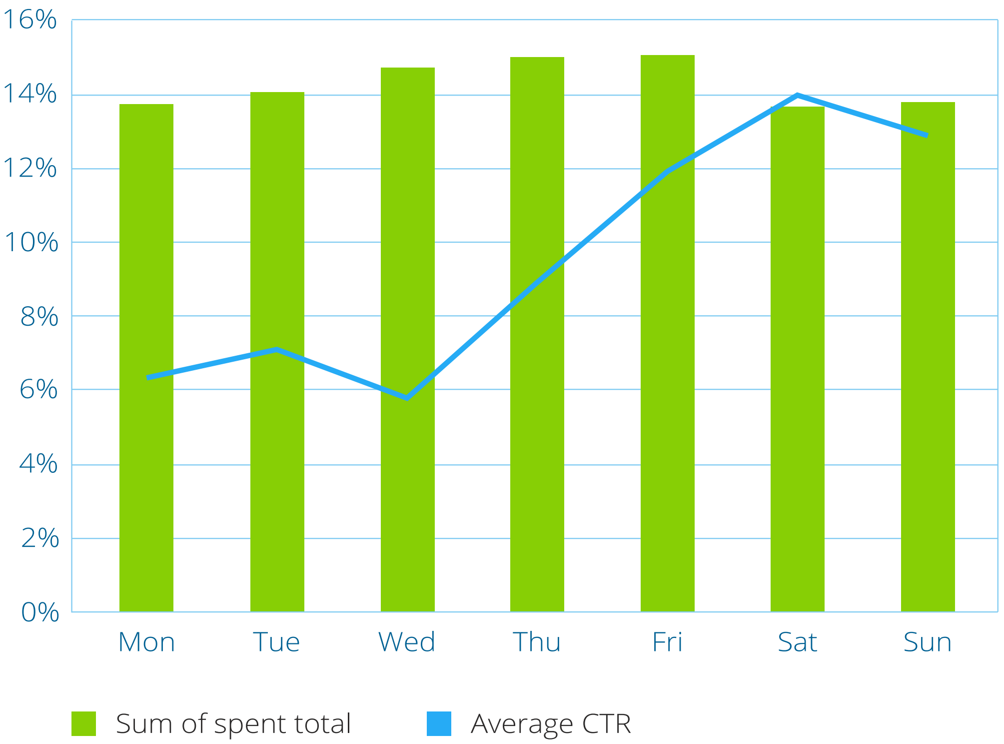
As we do every quarter, we looked at the number of requests (i.e. possible impressions) and CTR by day of the week, and once again, we saw the fewest requests for ads on Saturday (12%), accompanied by the highest CTR (0.2%). This pattern is an indication that fewer consumers browse the internet on Saturdays, but those who do are clearly in shopping mode and open to messages from advertisers. Moreover, Monday (15.5%) and Tuesday (15.2%) continue to see the highest volume of requests, although the CTR on both days (0.18) is among the lowest for the week.

Comparing spending and CTR by day, Fridays receive the highest share of spending (15.06%), followed by Thursdays (14.98%), though neither day leads in CTR. Saturdays and Sundays receive the smallest volume of spending, yet deliver the highest CTR, which, in all likelihood, means those days deliver the strongest campaign ROI.

Average Number of Daily Bid Requests vs. CTR



Average Spend per Day vs. CTR



Take-Aways

- The combination of less competition (i.e. low number of requests and spending) and high CTR makes Saturdays and Sundays ideal days for advertisers to reach and engage consumers, particularly advertisers who wish to optimize on CPC.
- Wednesdays rank third in terms of requests and spending, yet delivers the lowest CTR for the entire week. Marketers should take this information into consideration when planning campaign execution.

Above/Below the Fold

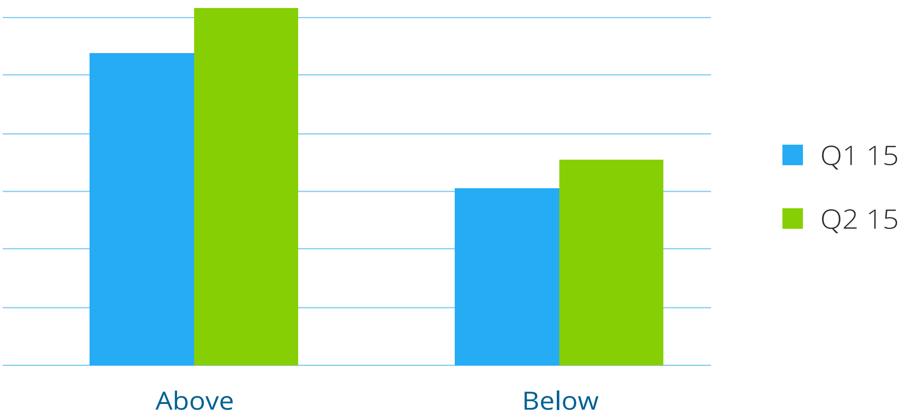
We continue to compare the cost and performance inventory that appears above and below the fold, although in theory, this distinction is less critical with the advent of viewability (inventory below the fold is typically considered 'unviewable' and earns lower CPMs).

In fact, that pattern held steady to date in 2015. Impressions above the fold earned 1.7x higher CPMs than those below it. Publishers can take heart in that regardless of where their impressions fall on the page, advertisers are paying more for them.

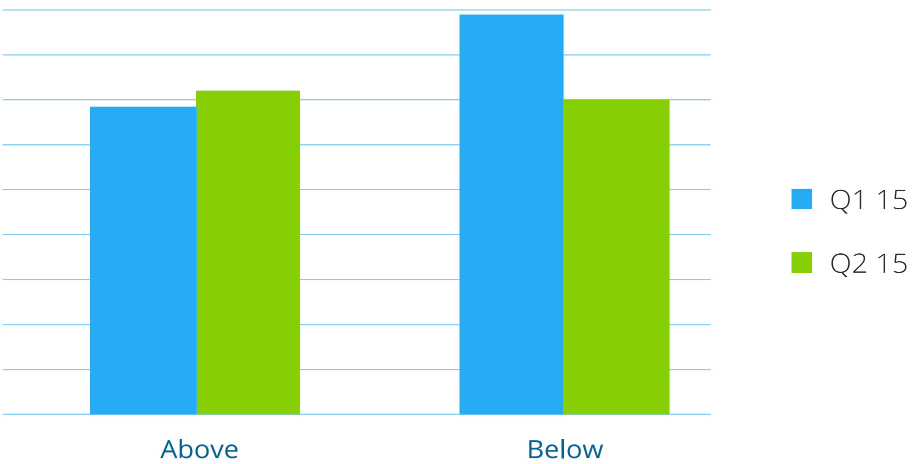
In Q2 15, the CPC for above-the-fold inventory was 1.2 times higher than it was for inventory below it, making it the more costly option for marketers. This reversal from Q1 15 is a direct result of CTR (see below), which was significantly higher for above-the-fold impressions in the first quarter than it was in the second.

CTR for inventory that appeared above the fold earned 1.5x higher CTR in Q2 15 than impressions below it, whereas in Q1 15 its CTR was 2.7x. Interestingly, the narrowing is not attributable to deteriorating performance of banners that appeared above-the-fold – CTR actually increased by 0.01% from the first to the second quarter. Rather, the narrowing is a result of higher CPMs delivered on ads that appeared below the fold. The improved CTR for below-the-fold inventory may be a consequence of the industry's adoption viewability; in other words, impressions may be on the bottom of the page, but they're still in view, and those that aren't are eliminated from the tracking. Additionally, publishers, in preparation of transacting inventory based on viewability, may have eliminated underperforming units from their sites, which, in turn, raised the general quality of all impressions, including those that are below the fold line.

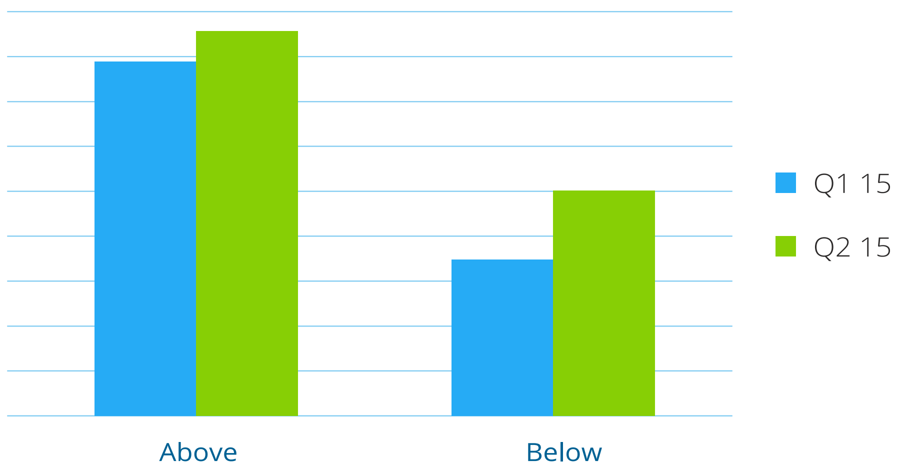
Average CPM by Above/Below the fold (Q1 15 - Q2 15)



Average CPC per Above/Below the fold (Q1 15 - Q2 15)



Average CTR per Above/Below the fold (Q1 15 - Q2 15)



Take-Aways

- In light of viewability, some marketers may want to take a new look at below-the-fold inventory; CTR is strong, and the lower CPC means it can offer better value. That said, this may be a one-time anomaly; it's worth keeping an eye on.

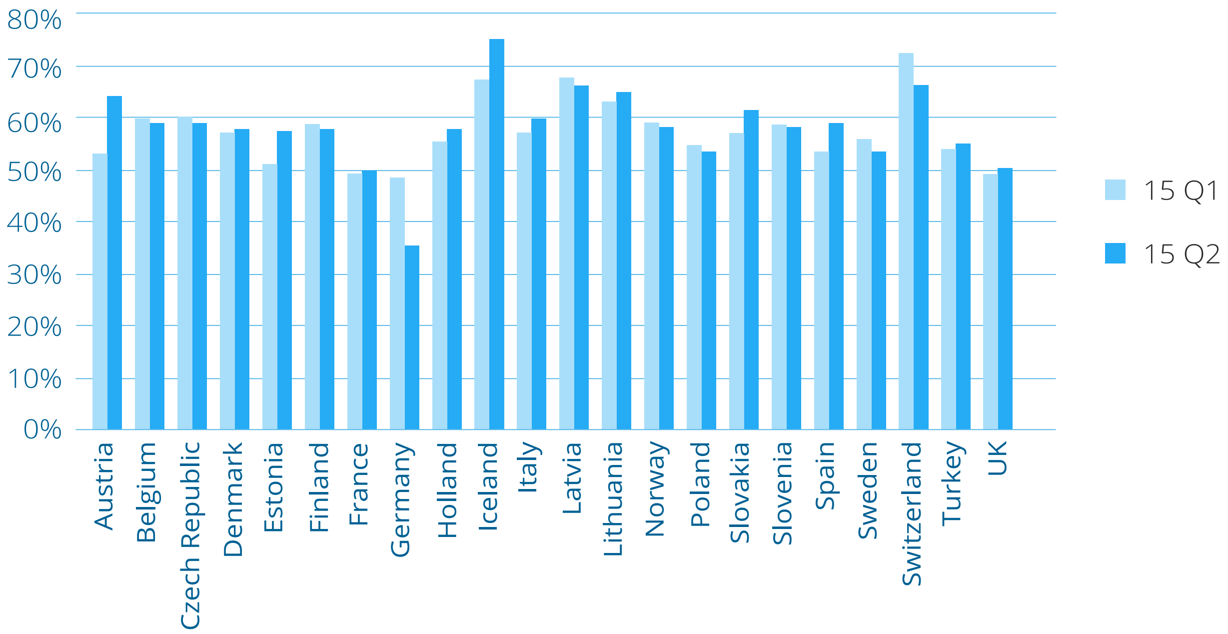
Viewability

Generally speaking, viewability was well above 50% in all but two countries (France and Germany), and at, near or above 60% in 12 markets. Iceland's viewability rate was better than 70%, which is getting close to the industry goal.

Viewability declined marginally (0.1%) from Q1 15 to Q2 15 – the result of Portugal, France and Germany experiencing slight declines.

Countries with the biggest improvements include the UK, Austria, Iceland and Estonia.

Average Viewability per Country (Q1 15 – Q2 15)



Countries with decrease of viewability %: Portugal, France (previous quarter, Q1 15, they had very small amount of viewable impressions) and Germany.

A Look Forward

First and foremost, we anticipate seeing continued growth in spending, CPMs and performance of programmatic campaigns in the open exchanges as well as private marketplaces.

These improvements will be driven in large part by a greater reliance on mobile and video advertising, rather than standard banners. Marketers realize that many consumers have learned to ignore standard banners, but are still attracted to video content, and well-crafted mobile messages.

Innovation in Video Formats

In the coming 12 months, Adform expects to see significant innovation around video formats across all device types (desktop, tablet, mobile). Video has more than proved its ability to engage consumers effectively, and advertisers have been quick to adopt the newer rich media banner options that support video, such as the Out-Stream Video format. Some of these formats lack scale, but we anticipate that changing as demand increases.

Viewability & Demand for PMPs

Advertisers and agencies will continue to demand high viewability rates, which may have a significant impact on PMP sales. Delivering high viewability rates is technically easier within a PMP environment than it is in open ad exchanges. As a result, viewability may drive private programmatic deals.

Cross-Device Targeting

Cross-device tracking is still very much in its infancy, and to date, the industry has seen few examples of true cross-device campaigns. However, we are now seeing companies enter the market that have the necessary technology (i.e. probabilistic algorithms) to implement cross-device tracking and targeting, and we expect to see execution of cross-device campaigns within the next 6 to 18 months.

Cross-device tracking will have a profound impact on digital advertising. To begin, it will make it easier for brands to gain clarity into the customer journey, enabling them to add significant efficiencies in their media ad spend. They'll also be able to better control frequency.

Moreover, the efficiencies of cross-device tracking and targeting will enable marketers to focus solely on their best audiences, freeing up budget to bid higher for the right users on better quality inventory.

Programmatic Guaranteed

The increased adoption of DMPs, by publishers and DSPs, will drive programmatic guaranteed sales. Programmatic guaranteed requires buyers and publishers to synch audience data in order to identify and target desired consumers. Buyers will realize multiple benefits of automated guaranteed, which will ultimately lead to increased spending. First, they can cherry pick the users they wish to purchase, which will drive campaign performance. Second, this scenario allows them to bypass their DSP and SSP technology partners, giving them more budget to spend on actual media.