
Outlook insights

Hot Topics

Four forces reshaping the digital advertising landscape: mobile, video, native and programmatic



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Four forces reshaping the advertising landscape: the

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“Digital” and “traditional” advertising are not mutually exclusive or in competition with each other—but all form part of the evolving mix of advertising options and revenue streams being targeted across the industry.



As the division between online and mobile ads blurs, and consumers’ attitudes to mobile advertising evolve, four forces are reshaping the ads landscape: mobile, video, and native and programmatic advertising.



While media companies must now offer both native and programmatic inventory in their advertising portfolios, the differing timescales and skillsets of these two types of ad mean they need to be managed differently—with management expectations set accordingly.

The brave new world of digital advertising...

PwC recently asked 3,800 consumers in the US, UK, China and Brazil about their experiences of—and views on—mobile advertising¹. Their responses confirmed that mobile Internet connectivity is now integral to people’s lifestyles the world over: at least 87% in each market in the survey check news, weather and sports on their mobile devices at least once a week. Put simply, we’re joined at the hip to our mobile phones.

Some common themes also emerged around attitudes to mobile advertising, with “relevant ad content” emerging as the most important attribute in every market. However, perhaps more interesting than the similarities were the differences.

For example, asked how often they wanted to be targeted with mobile advertising, over half of consumers in the US and UK said “never”. But in China and Brazil less than 10% gave this answer—with the vast majority being happy to receive mobile ads at least weekly.

...is turning out to be more complex than many expected

We also found big generational divides, with younger consumers more relaxed about technologies like geo-targeting and tracking, but the over-35 age group regarding these with suspicion. And while video was the most popular form of mobile advertising in Brazil and China, people in the US and UK said they preferred banner ads—largely because they’re easier to ignore.

All of this underlines the fact that, just because people love their smartphones, it doesn’t necessarily mean they like receiving ads on them—even (and sometimes especially) if they’re relevant to them individually and/or geographically. And the complexities on the consumer side are overlaid by growing diversity and choice on the advertising side, creating a shifting landscape for brands to navigate.

As this landscape evolves, it’s easy to assume that traditional and digital advertising are competing with each other. But in fact there’s no mutual exclusivity: “traditional” media is selling “digital” advertising—and the division between online and mobile is also evaporating rapidly, as advertisers increasingly come to see the merging of the two as a given.

¹ Source: PwC Consumer Intelligence Series—“Mobile advertising: What do consumers want? Cross-country comparison”

Four forces for change...

Against this background, what are the trends now driving change in the advertising environment? PwC's experience across the world points to four powerful drivers: mobile, video, and programmatic and native advertising (see Fig. 2).

These trends are all interrelated. The first two—mobile and video—are driven by changing consumer behaviours related to increased use (mobile) and digital content consumption (video), expanding the interaction and size of the advertising market that can be accessed through these channels. In late 2014, Facebook said roughly two-thirds of its sales revenues were coming from ads placed on mobile devices, up from just under half the year before.

...including two fast-growing forms of advertising

Although the size of the audience/growth rates and opportunities are very attractive for both video and mobile, advertisers also want to deliver the most relevant experiences possible to those consumers who are most likely to be interested in their products. To help realise these goals, they're turning to **native advertising**—online ads that match the form and function of the platform on which they appear, such as an article that's written by an advertiser but uses the same format as an editorial article. If created well, native ads have proved to be a good way to deliver relevant content and drive high user engagement, while also avoiding the

Fig. 2: The latest trends driving the evolving advertising landscape



Source: Global entertainment and media outlook 2015–2019, PwC

sometimes negative view of traditional ads as disruptive rather than additive to the content experience.

Meanwhile, both advertisers and publishers are looking for better ways to reach the right audience on the right device at the right (as low as possible) price. These goals play to the strengths of **programmatic advertising**, which can be targeted, priced and delivered based on audience data analytics and largely automated platforms. While there are still questions over how publishers should deal with programmatic advertising, it has emerged as a solution to help streamline the buying process, reduce costs, and enable the aggregation of consumer sets into meaningful audiences that can help advertisers to target even small niche segments.

Equally important, by leveraging data to help advertisers find and target audiences at scale, programmatic advertising introduces the potential opportunity across all inventory types, from remnant through to premium. And advertisers are getting the message: according to eMarketer's *2014 Programmatic Advertising Forecast*², US advertisers' spending of US\$10.06 billion on programmatic digital display in 2014 will more than double to US\$20.41 billion by 2016, accounting for 63% of all US digital display ad spending.

² <http://www.emarketer.com/Article/US-Programmatic-Ad-Spend-Tops-10-Billion-This-Year-Double-by-2016/1011312>

Managing two models in one portfolio

To meet the varying needs of today's advertisers, media companies must offer both native and programmatic advertising inventory within their portfolios. However, each of these forms of advertising demands its own very different skillset—creating the challenge of managing them in a coordinated fashion, without losing the diverse set of skills and experience unique to each area within the same organisation.

Native advertising requires creative people who can work closely with the editorial team in planning and executing campaigns over time. These people often contrast sharply with the deep technologists needed to run programmatic advertising.

As a result, the two teams need to be organised and managed in different ways. Differing management expectations must also be set for each, reflecting the essentially real-time nature of programmatic advertising and the much more extended sales cycle of native.

Driving value in the evolving digital advertising environment

So, as the four forces of mobile, video, and native and programmatic play out in advertising, what do advertisers and marketers need to do? In our view, four things:

- **First**, develop a “mobile first” mindset rather than one based on having traditional and online advertising repurposed for mobile.
- **Second**, remember relevance and context are king. People are willing to view an ad if it's relevant—but not if they feel it's overly invasive.
- **Third**, take account of the way Internet infrastructure of varying quality across different regions affects preferences for—and tolerance of—different advertising forms.
- **And fourth**, leverage big data and analytics to drive better targeting—not just of programmatic, but native advertising too.

Overall, the message is clear. As the advertising mix becomes more diverse, so do the opportunities. Online, mobile, traditional, programmatic, native: they all have a role to play and offer both tremendous opportunity and unique challenges. We're not in an either/or world, and as companies create their strategies they should have a right-sized “and” point of view in mind to fully take advantage of this important and evolving trend area.

10 questions to ask:

1. As a *marketer*, are you “skating to where the puck is going to be” with respect to media planning by having a clear mobile and video strategy?
2. Have you examined the opportunities presented by the programmatic buying channel?
3. Is native advertising a valuable format for your business?
4. As a *publisher*, do you provide a great mobile experience to your customers?
5. Are you investing in creating experiences that support your users' video and other needs?
6. Are you making not only remnant inventory available via the programmatic channel, but also evaluating or piloting opportunities to make other ads available via programmatic?
7. If you're managing both programmatic and native advertising, how do you structure and run them organisationally?
8. How closely do you measure your consumers' engagement with the digital ads you sell?
9. As an *advertising agency*, are you talking to your clients about programmatic advertising?
10. Similarly, are you assisting your clients in conceiving and executing native ad campaigns?

Outlook insights: an analysis of the Global entertainment and media outlook 2015–2019

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