STATE OF THE NATION

H1 2016 Mobile Advertising Global Outlook

addictivemobility
MOBILE ADVERTISING SOLUTIONS

The purpose of this paper is to provide an unbiased and informative understanding of the digital media buying landscape with particular emphasis on the mobile advertising space. While the future of digital advertising remains to be seen, a critical analysis is applied to predict future trends and place recommendations around how to combat key industry challenges.

Global Markets, Economic Outlook & Ad Spend

The extraordinary is quickly becoming the new ordinary as massive global market fluctuations and uncertainty persist

The Past 12 Months

• China devalued the renminbi amid an economic slowdown causing Q3 growth of 6.9% compared to a 10% three decade average

• Oil prices fell from a peak of $115 a barrel in June 2014 to $35 in February 2016

• The UK voted to disassociate from the EU in an unprecedented referendum wiping $2 trillion USD off the global market

• The world's largest economy held a presidential race plagued with controversial ideas including the deportation of 7% of its labour force

Source: Wall Street Journal

While a slowing economic growth may be fuelled largely by specific industries and events, the outcome will be felt across the board. The public remains widely unaware of the extent to which this will impact profit margins.

Global Real GDP Growth (%) 1980 - 2015

35 yr avg 3.5%

20 yr avg 3.8%
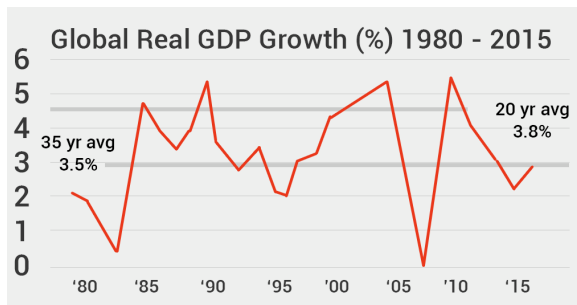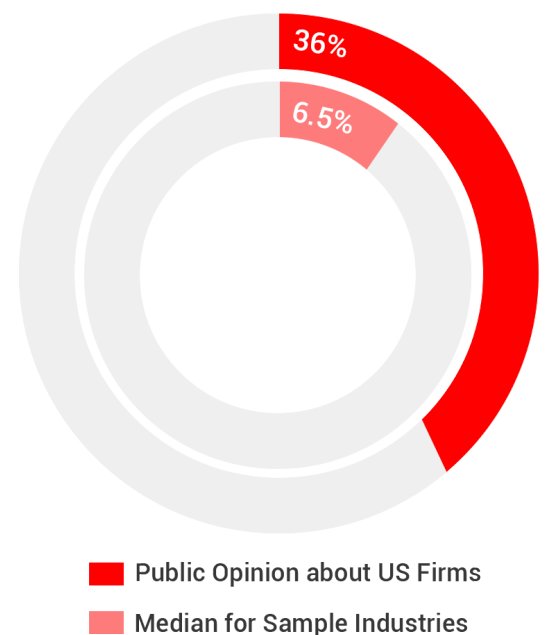
Source: Mary Meeker, 2016

In addition to chaotic circumstances, ongoing economic challenges continue to impact the global economy. Mary Meeker summarized this in her 2016 Internet Trends Report in five bullet points:

• GDP growth is slowing in emerging economies

• Government debt is high and rising

• Interest rates have declined

• Population growth is slowing and people are aging

• Connectivity growth reaches a point of maturity

Source: Mary Meeker, 2016

LET'S STICK TOGETHER

Profit Margins 2015

36%

6.5%

■ Public Opinion about US Firms

■ Median for Sample Industries

Source: Yahoo! Finance, 2016

What Does This Mean for Agencies & Advertisers?

The CMO Council has found that among those decreasing marketing budgets, 62% did so because of economic reasons. More than ever before, it is imperative that every dollar spent in marketing can be justified according to ROI. As a result, efficiency must be sought at all points throughout the marketing funnel.
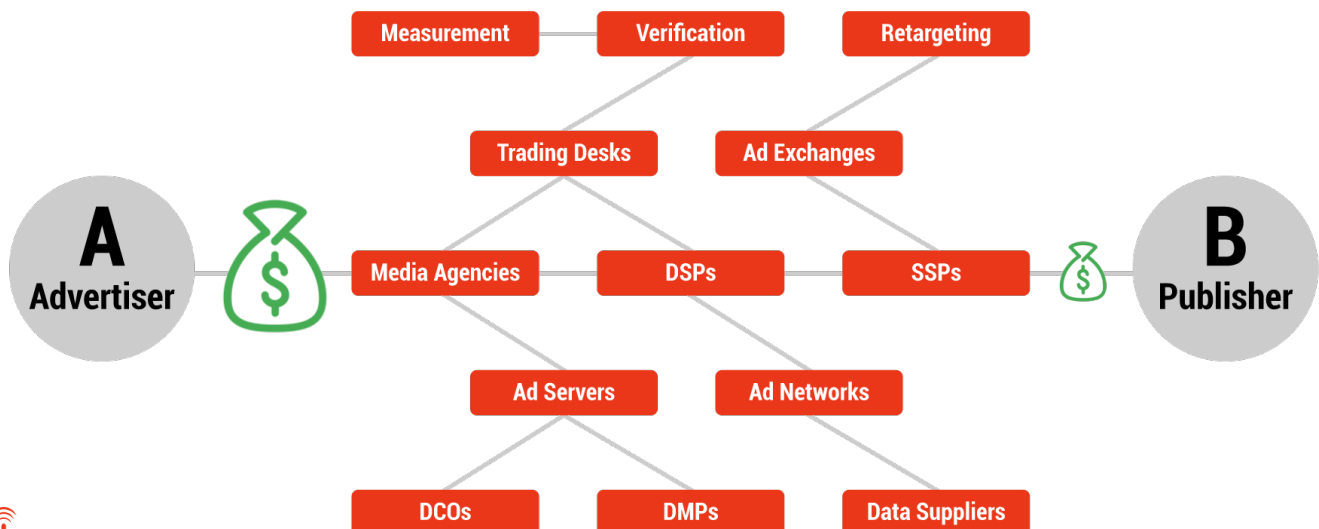
The Role of the Media Agency

Previously, marketing, media buying and creative agencies functioned in silos. With the advent of technology, tightening marketing budgets and the proliferation of data, they are now tightly intertwined. In order to continue to thrive, media agencies must continue to establish and defend their position as trusted advisors.

Media Buying

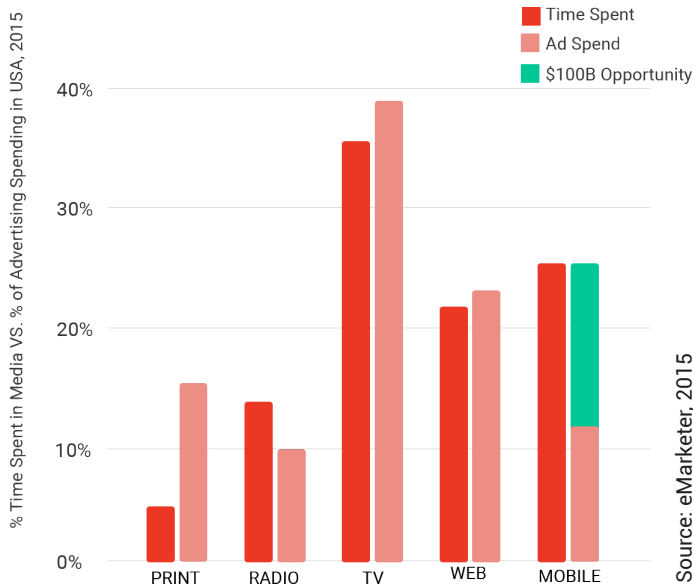Marketing   Creative

Trusted Advisor
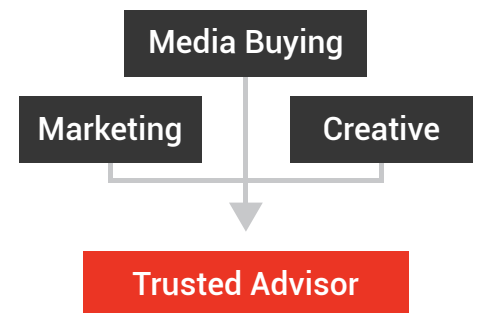
Creating Efficiencies in the Buying Process

Fortunately for agencies and advertisers, ad tech innovations are a constant as vendors look to continuously streamline the ways in which media is bought and sold. Unfortunately, with an abundance of solutions available the challenge comes in deciding which solutions will optimize strategy while minimizing "ad tech tax".

Without an all-in-one solution, your advertising dollars are hit with a greater cost when moving from point A to point B.

Measurement — Verification   Retargeting

Trading Desks   Ad Exchanges

A Advertiser   Media Agencies   DSPs   SSPs   **B** Publisher

Ad Servers   Ad Networks

DCOs   DMPs   Data Suppliers

Reaching People Where They Are Today

% Time Spent in Media VS. % of Advertising Spending in USA, 2015

- Time Spent
- Ad Spend
- $100B Opportunity

PRINT RADIO TV WEB MOBILE

Source: eMarketer, 2015

The 100 Billion Dollar Opportunity

It is evident that there are a multitude of ad tech platforms that agencies must choose between. Technology vendors and advertisers alike are combatting this technology overload by shifting ad spend and R&D dollars to where consumers spend their time in the digital era.

We see this shift in many ways. In 2017 worldwide digital ad spend will outpace TV ad spend for the first time. Forecasts anticipate that mobile will be the next big shift, with ad spend being reallocated to match time spent; a $100B opportunity by 2020.

Combatting Industry Wide Concerns

Ad Fraud continues to be a significant issue in the digital media landscape, estimated to cost $3.2B to the desktop industry and $1.33B to the mobile industry. While mobile is currently suffering a lesser impact, fraudsters are expected to follow the growth opportunity.

Viewability is also a challenge for advertisers. The industry wide clear rate for mobile ads currently sits at 80%, with only 80% of these ads meeting viewability standards. In-app ads see a higher viewability rate than mobile web ads (80% vs. 50-60%).

Finally, Ad Blocking challenges advertisers looking to share messaging through mobile with over 419M people blocking mobile ads worldwide, a 90% growth from January 2015.

Source: Yahoo! Finance, 2016

DEFINE:
VIEWABLE IMPRESSION

A standard measure of ad viewability defined by the Interactive Advertising Bureau (IAB) to be an ad which appears at least 50% on screen for more than one second (display ad) and more than two seconds (video ad)
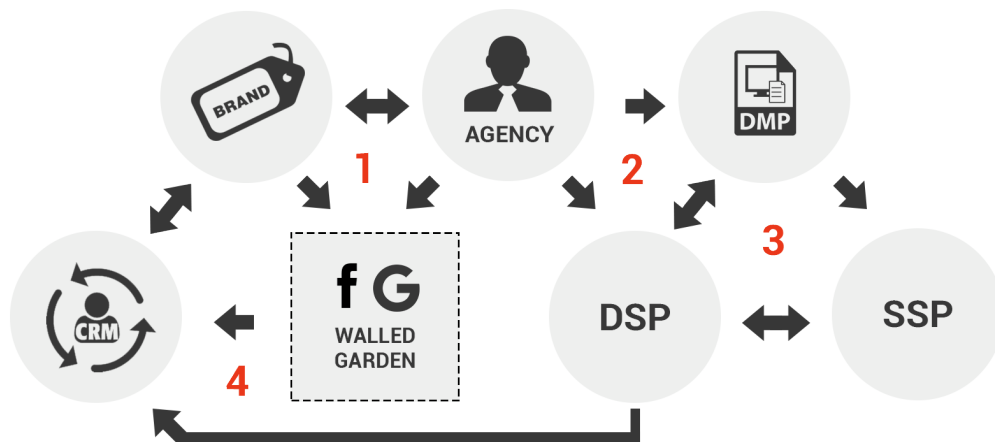
DEFINE:
BOT IMPRESSION

Software programs designed to generate fabricated ad impressions or to serve hidden, unseen ads - all while avoiding human detection

The Pursuit for Efficiency is to Obtain the Purest Form of Data

| 1	2	3	4
Previously, the brand went exclusively through the agency who then went directly to the publisher. This is changing as brands begin to approach major players (such as Facebook & Google) directly.	Change also occurred with the rise of programmatic where instead of approaching the publisher, the agency approached a DSP or DMP who could use algorithms to find the optimal consumer.	The DSP, DMP and SSP work together in order to proliferate data and improve bidding outcomes so that buying is more efficient and automated.	When the DSP, DMP and SSP proliferate data, they are able to circulate it back to the CRM in the form of first party data, which is the most valuable information a brand can own. Walled gardens cannot provide this, and instead rely on second party, incomplete information.

DEFINE:
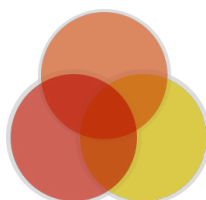
TECH GENERALIST

FACEBOOK & GOOGLE | 85%

A platform capable of executing multiple functions without any particular specialty
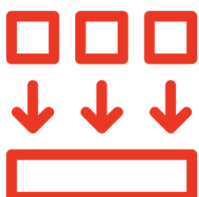
TECH SPECIALIST

OTHER DSPs | 15%

An information technology platform that conducts one or a few functions as a specialized competency

WALLED GARDEN

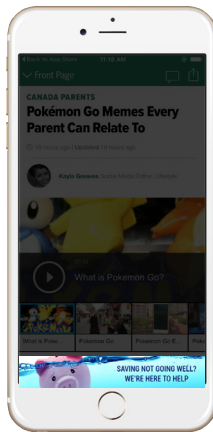A restricted range of information to which subscribers of a particular service are limited

Mobile Advertising 3.0

From Communication to Computing

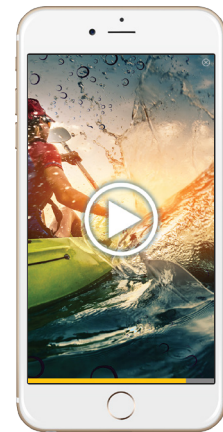| 2009-2014	2014-2016	2016-Onwards
Mobile 1.0	Mobile 2.0	Mobile 3.0
• Static Banners • SMS Ads	• Animated & Interactive Units • Rich Media • Static Display • Text	• Evolved Mobile Video • Data Driven Creative

What Drove the Evolution?

• Technological Innovations in Mobile

• Changes in Content Consumption Habits

• Consumer Preference

The evolution of mobile technology has occurred rapidly as is evident even over a short time frame. Recent developments in mobile technology can be segmented into three categories:

1. The device environment (e.g., available power, OS, network, processing, storage, etc.)

2. The physical environment (e.g., location, weather, lighting/ noise levels, codes attached to physical landmarks or objects, etc.)

3. The user environment (e.g., ID, applications, stored data, preferences, activity history, social connections, etc.)

Mobile Capabilities Relative to 2011
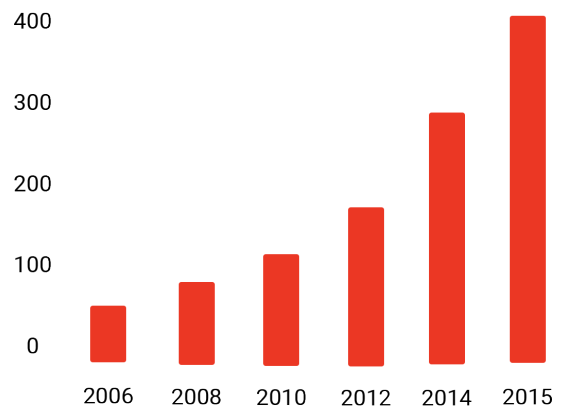

Source: PWC Mobile Technologies

PWC rates the growth of mobile innovations based on the following factors:

• Infrastructure Speed
• Device Connectivity Speed
• Processor Speed
• Memory

• Storage
• Image Sensor
• Display

Evolution of Ad Formats & Consumer Behaviours

While verification partners can be leveraged in order to combat fraud and viewability issues, ad blocking is another challenge posed to advertisers that can only be addressed through the provision of better content. Advertisers are responding by serving Evolved Video and Data Driven Creative.
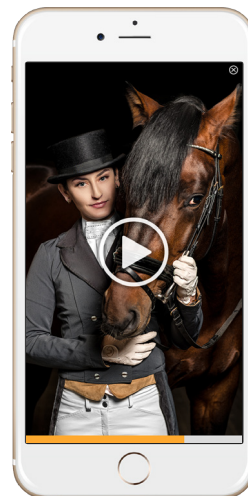
EVOLVED VIDEO
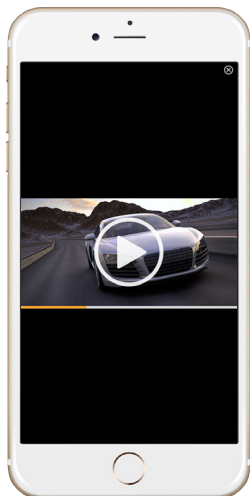
Standard Video
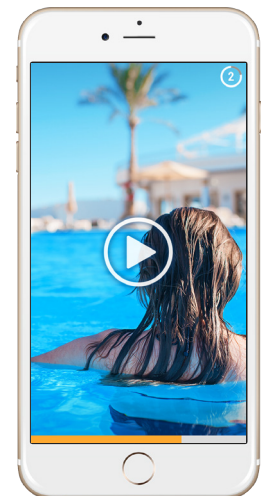
Video shown on a flat black screen

Wrapped Video

Video surrounded by branded elements

Vertical Video

Mobile-optimized video that occupies full vertical screen

5 Sec Video

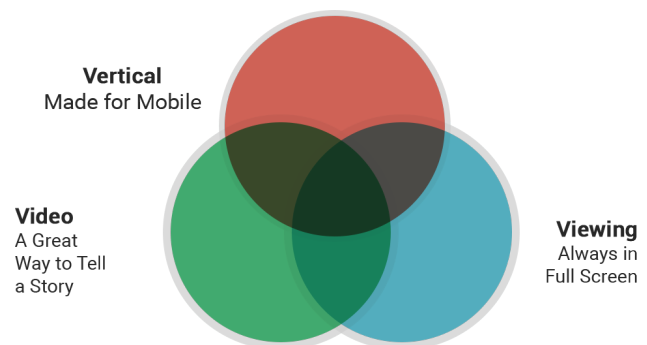Virtually unskippable 5 second video

Advertisers have noted that video must meet the following criteria:

- Authentic
- Entertaining
- Evoke Emotion
- Personal/Relatable
- Useful
- Viewer Control
- Work with Sound Off
- Non-Interruptive Ad Format

Vertical
Made for Mobile

Video
A Great Way to Tell a Story

Viewing
Always in Full Screen

Source: Mannly, 2016

Source: Snapchat, 2016

DATA DRIVEN CREATIVE

Marketers are currently using device, physical, and user environment data to customize ads served to consumers. This is being done in a number of industries and for various purposes. The outcome is largely positive, with businesses realizing the need for new skills in their staff and for higher ROI out of marketing campaigns.
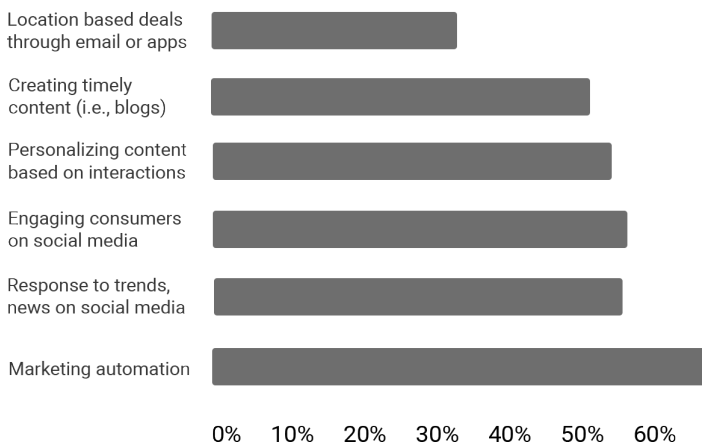
DEFINE:
DATA-DRIVEN CREATIVE

Data-Driven Creative: Ad creative that is compelled by data, rather than intuition or a standardized unit

Tactics that are included in Real-Time Marketing Strategy According to US Marketers, March 2015

Source: eMarketer, 2016

Tactic	Value
Location based deals through email or apps	
Creating timely content (i.e., blogs)	
Personalizing content based on interactions	
Engaging consumers on social media	
Response to trends, news on social media	
Marketing automation	

0% 10% 20% 30% 40% 50% 60%

Impact of Data Analytics on Organization

%	Impact
41%	Resulted in new hires to bring in new skills
35%	Measurably increased the ROI of our marketing campaigns
30%	Freed up strategic employees from administrative tasks
25%	Automated ability to collect insights
15%	Changed our organizational structure
1%	Other
9%	No measurable impact at this time
13%	Don't know/unsure

Key Takeaways:

• Traditional Media and Creative Agencies need to evolve in order to remain a valued partner to advertisers

• With the rise of ad blocking, digital audiences have spoken loud and clear, marketing content must be relevant and engaging

• The smartphone has evolved far beyond the usage and engagement ever anticipated. Advertising through this channel must take into account how to best engage audiences

About Addictive Mobility

Addictive Mobility is a Canadian-based mobile advertising technology company that works with Fortune 500 brands. The company's platform delivers brand engagement, lifts awareness, and provides transparent data and deep insights required for clients to run successful mobile ad campaigns. Addictive Mobility's cutting-edge mobile programmatic platform, proprietary optimization techniques, and global premium inventory reaches millions of unique users on mobile devices through world-class engaging and experiential creative. The company has offices in Toronto, Vancouver, and Dubai and can be found on the web at addictivemobility.com.