Getting the Most Out of Mobile
5 Ways to Maximize the Value of
Premium Publisher Mobile Ad Inventory
Oct 2014

mPOV

The first in an ongoing series
of Mobile Point of View studies
from PubMatic

PubMatic

INTRODUCTION

Are you getting the most out of mobile?
How do you quantify the value of your mobile inventory?

Measuring eCPMs and fill rates can tell you a lot about your existing strategy, but do you know how much value can be added to your bottom line by enriching your mobile impressions? For the first time, PubMatic has quantified the benefits of using enriched mobile impressions—those that include additional highly sought after data parameters like device ID and location—as part of your overall monetization strategy, and the results make it clear that enhanced data drives higher value and economic return for publishers.

The findings of this paper highlight how imperative it is that publishers develop a holistic mobile advertising strategy that aligns with advertiser demand while maximizing the mobile experience for consumers. The good news is that there is a very solid path to follow, one that builds on the concept of "premium" inventory already so familiar to quality publishers in the desktop world.

PubMatic's years of experience offering best-of-breed mobile and display advertising solutions for thousands of advertisers and publishers across tens of thousands of campaigns has allowed us to identify the key characteristics that create a premium ad experience in the mobile arena — regardless of whether the inventory is mobile-only or multi-screen, mobile web- or mobile application-based.

In this new world of multi-screen, real-time buying and selling, publishers must engage in a relentless quest to improve the effectiveness of their ad sales businesses. Having a programmatic strategy for mobile in general (and premium mobile in particular) has transitioned from a nice-to-have to a necessity for publishers seeking to retain and grow their revenues. Based on the success of our current publisher partners, we have identified five best practices that all premium publishers can use to help bolster the value of their mobile inventory.

Programmatic Advertising: Programmatic Advertising is the use of software to improve the buying and selling of advertising through algorithms and/or workflow automation.

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eCPM (effective cost per thousand): A form of measurement that allows advertisers to gauge the cost differences between a CPC (Cost Per Click) and CPM (Cost Per Thousand) campaign in order to determine which is more cost effective.

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KEY TRENDS

Shifting consumer usage and advertiser demand bring programmatic to the forefront for mobile.

Foundational shifts in consumer behavior are driving new advertiser demand, which in turn has an immediate impact on publishers.

Consumer Usage: Mobile app usage surges, accounting for 88% of all mobile Internet usage. The "Mobile Majority" has been with us since the beginning of 2014, with over half (55%) of all Internet usage in the U.S. now happening on mobile devices.[1] To put this in perspective, total time spent on digital media in the U.S. grew by 24% between 2013 and 2014, and U.S. consumers now spend 20% of that time on mobile devices.[2] Applications drive the vast majority of media consumption on mobile devices, accounting for an extraordinary 88% of all mobile Internet usage. On smartphones, consumers age 18 and older spend 88% of their time on mobile devices in apps, and only 12% in the mobile browser.[3] This is a precipitous decline in usage of mobile web browsing, which accounted for as much as a third of total mobile Internet access just one year ago.

Advertiser Demand: Trends support big shifts to mobile in programmatic spending. Advertisers are widely expected to shift spend to programmatic for mobile in response to both this uptick in consumer usage and a desire for increased efficiency in their media spend. Consider the following:

1. Mobile is leading a rise in total media ad spending. In 2014, U.S. advertisers will spend over 80% more on mobile advertising than they did in 2013—an increase of $8.04 bn. By the end of the year, mobile will represent nearly 1 of every 10 dollars in all media ad spending. It will become the third-largest individual advertising channel, surpassing newspapers, magazines and radio, behind only TV and display.[4]

2. The shift to programmatic is expected to continue. The US is leading the global adoption of programmatic: with $10.9 billion worth of transactions in 2014, the US represents 53% of the global programmatic market. Programmatic transactions will represent 62% of display-related digital dollars this year in the US, growing to 82% by 2018.[5]

3. All of which will drive a surge in advertiser demand for programmatic buying in mobile. Mobile programmatic advertising is a key element in this growth. In 2014 alone, it is predicted that we will see almost 300% growth in mobile programmatic buying.[6] Last year, approximately 68% of mobile ads were bought programmatically; this number is predicted to rise to 88% by 2017.

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[1] comScore, U.S. Mobile App Report, 8/14
[2] Kleiner Perkins Caufield & Byers, The State Of The Web Report, 5/14
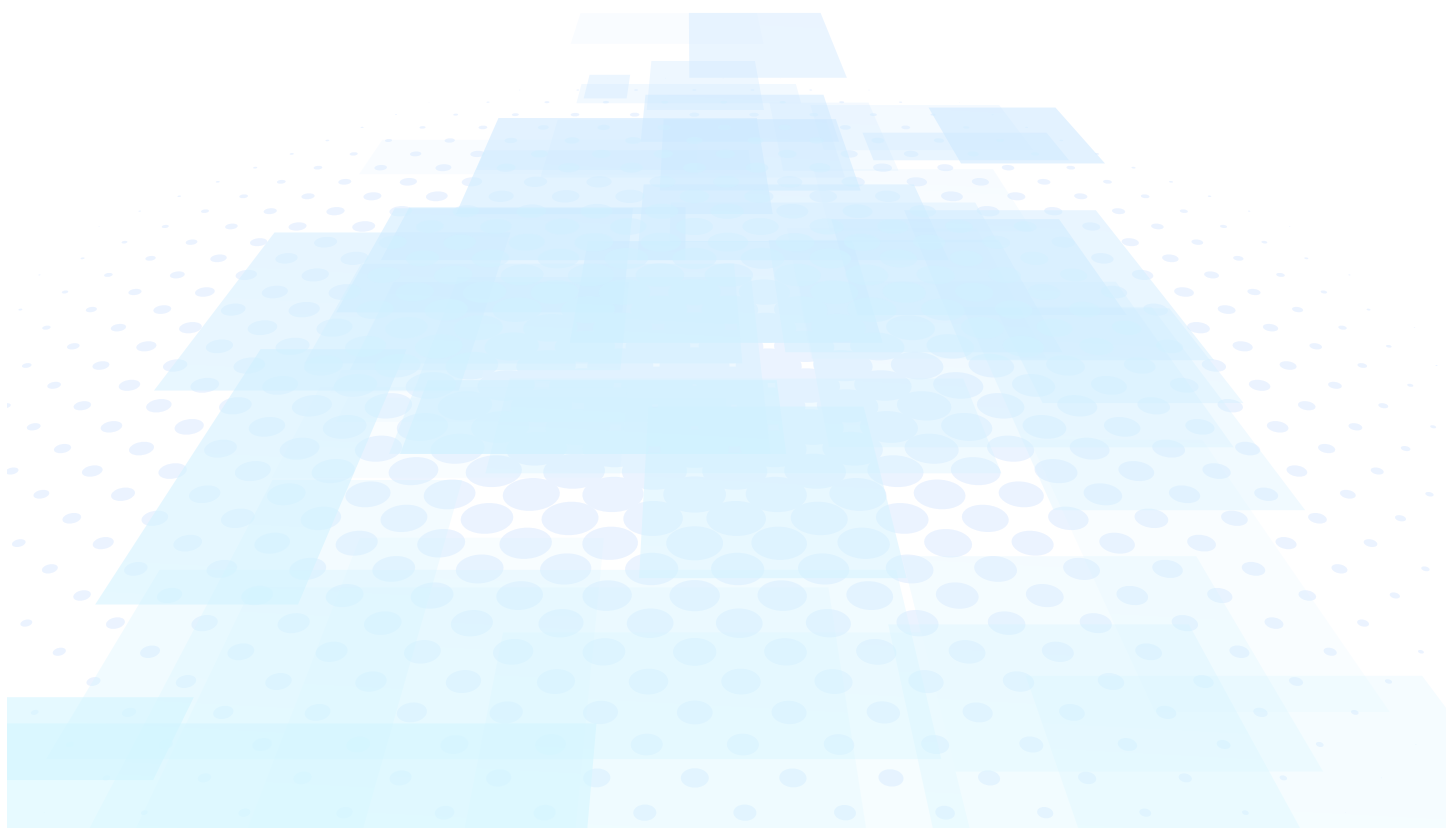[3] comScore, U.S. Mobile App Report, 8/14
[4] eMarketer, Programmatic Advertising: Forecast and Future Growth Trends, 8/14
[5] Magna Global, 2014 Programmatic Forecast, 9/14
[6] IDC, Worldwide and US Real-Time Bidding Forecast, 9/13

4. The Global Perspective. Although the U.S. is the most advanced market in terms of embracing RTB and programmatic, the rest of the world is quickly advancing as well.[7] Globally, inventory transacted through programmatic methods will reach $21 billion in 2014 (+52% compared to 2013), or 42% of total display-related spend (vs. 33% last year). Strong growth is expected over the next few years, (with an average annual growth rate of 27%) as programmatic spend surges to reach $53 billion globally by 2018.[8]

5. The View From Inside: Growth & Revenue Impact. At PubMatic, we see the impact mobile has for publishers on a daily basis: From Q3 '13 - Q2 '14 we saw the average monthly mobile impressions triple on our platform. And this trend goes beyond simply the quantity of inventory: eCPMs show a steady climb for mobile inventory from $0.51 (Q1 '13) to $0.80 (Q2 '14). Q4 '13 was the first time the average eCPM for mobile surpassed that of desktop. Lastly, as of Q2 2014, **PubMatic's mobile SSP solution comprised 10% of the company's total revenue, up from 5.5% at the end of 2013**.[9]

WINNERS & LOSERS
The (premium) path in mobile.

Given the continued growth of mobile, it is imperative that publishers develop a coherent mobile advertising strategy. The good news is that there is a very solid path to follow, one that builds on the concept of "premium" inventory already familiar to quality publishers in the desktop world.

The math of premium mobile inventory is simple: the more a publisher knows about an audience member and the data parameters they can attach to the inventory to qualify it, the higher the CPM they can expect to garner for such inventory. Many publishers have struggled to make mobile inventory desirable to buyers and it has suffered from measurability challenges due to its lack of persistent cookies—the traditional means by which advertisers track users in desktop—and challenges in passing key data points such as true location and device ID. The reality is that while publishers move towards packaging mobile in more sophisticated ways, dramatic improvements in mobile performance are possible.

Key characteristics of a premium mobile ad experience. PubMatic's years of experience offering best-in-breed mobile and display advertising solutions for thousands of advertisers and publishers across tens of thousands of campaigns has allowed us to identify the five key characteristics that create a premium ad experience in the mobile arena — regardless of whether the inventory is mobile-only or multi-screen. Specifically, inventory in mobile should meet some or all of the following criteria to qualify as premium:

1. **Mobile application inventory:** Simply put, the potential of mobile app inventory to produce more targeted, effective, and engaging ads is unmatched and thus highly desirable. This is reflected in the cost for such inventory: mobile app inventory is typically monetized 30-50% higher than mobile web inventory.

> **Premium Mobile Inventory:** Inventory that is comprised of enhanced/enriched mobile impressions, i.e. those that meet some (or ideally all) of the five characteristics set forth in this paper.

2. **Able to pass either Apple's IDFA or Android IDs:** Mobile IDs take the place of cookies for targeting and attribution because third party cookies don't work in mobile as they do in desktop. Because mobile is predominantly an app-based environment, inventory that passes back an application ID is more valuable than inventory that passes back a URL, as with desktop inventory. Device IDs allow media buyers to determine the app category, providing even better context and transparency.

3. **Transparent:** In the past, mobile impressions were passed "blindly;" in other words, they didn't contain actual page URLs (in the case of mobile web inventory) or app store URLs (in the case of mobile app inventory). This meant that buyers were never sure which publishers they were actually purchasing, with just as great a chance of overpaying for a less valuable impression as underpaying for a more valuable one. The increased transparency of passing actual page URLs or app store URLs creates value for buyers, who know what they're purchasing, and thus increases value for publishers as well.

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4. Geo-enabled: Premium mobile publishers' inventory can be geo-enabled, taking advantage of mobile's inherent hyper local targeting. Geo-enabled inventory can pass back precise geo location or lat/long (a.k.a. latitude/longitude), which is much more accurate than the IP addresses used to determine general location in desktop inventory. Media buyers typically pay much higher CPMs for inventory that passes this geo location in the ad call.

> **Lat/Long (Latitude/Longitude):** A geographic coordinate system that when used in the context of mobile refers to the location data that can be shared from a device to help identify the location of a user, as well as user characteristics, environment, or context. Lat/Long is a critical metric that helps make advertising content more valuable to the publisher, advertiser, and consumer.

5. Rich media enabled: Premium mobile inventory is rich media enabled according to the IAB's standards, using either MRAID (V1 and V2) or ORRMA, which allows for scale across a publisher or SSP. Unlike standard inventory, rich media enabled mobile inventory is more valuable because it is more engaging and provides greater interaction than standard units.

Adding value to mobile inventory one step at a time.

After reviewing a wealth of data based on the performance of premium mobile publishers in 2014, a clear pattern of impact emerges as publishers enhance their mobile inventory with additional information. While these figures are approximate averages, in many cases the addition of certain additional mobile parameters—like device ID or lat/long—can increase average eCPMs for mobile inventory anywhere from 2x to 6x when compared to inventory that is not enhanced with data.

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Mobile Case Study

Immediate Impact: Many publishers who make the transition to premium mobile see an immediate impact to their bottom line, even if they are only able to supply a subset of the desired parameters. In the case of one large social media company, by simply working with PubMatic to enable and pass location data for their mobile inventory, they saw a 50% increase in eCPMs within the first 30 days of enriching their mobile inventory.

RECOMMENDATIONS

Best practices for embracing the premium paradigm for mobile: As premium publishers continue to embrace mobile to greater and greater degrees, they should think about best practices.

A year ago, mobile was still largely experimental for many advertisers, who bought inventory in relatively imprecise way to test and learn how to best leverage the medium. In the past six months, advertiser demand has given a clear signal that multi-pointed, precise targeting (formerly a nice-to-have) is now a requirement. No format better meets these demands than premium mobile inventory.

1. Location & Device ID deliver enhanced value.
No data helps add value to mobile inventory more than these two data points. This is especially true of location, which produces a 20% to 40% increase in eCPMs. In general, publishers are doing a good job passing inferred location, but there is much room for improvement in passing device IDs. As of September 2014, the majority of publishers utilizing the PubMatic platform were able to pass latitude and longitude, realizing an average eCPM of between $0.70 and $1.02—which can amount to up to a 124% increase over average eCPMs. A lower percentage are passing device IDs, but those that did realized an average eCPM of between $0.61 and $0.86. Publishers that enabled both lat/long and device ID saw an increase in eCPMs of up to 275%.

2. App inventory is now a must-have.
Just as many publishers were initially hesitant to monetize mobile web inventory, so do many now seem reluctant to shift their assets to application-based environments. Given the economics previously outlined, application-based inventory has, in the past several months, moved from a nice-to-have to a need-to-have for those who wish to maximize mobile revenue potential.

Mobile Case Study

Partnering For Progress: *When one large digital media company began working with PubMatic, they chose to use our platform to monetize basic mobile inventory, mostly web based. As the volume of the company's mobile inventory skyrocketed, they came to us looking for advice on how to better monetize this channel. After helping the publisher to analyze its available inventory, the PubMatic team helped the company identify a strategy for maximizing the value of their growing mobile inventory by enriching their mobile impressions. In April 2014, the publisher started sending more "premium" parameters, including UDID (unique device identifier) and true latitude and longitude, resulting in a nearly immediate increase in their eCPMs, from a $1.00 to $1.36.*

3. Options exist to better monetize mobile web inventory as well. This doesn't mean that publishers who see the vast majority of their traffic coming via mobile web are left out in the cold. In fact, those publishers focusing on web-based experiences should employ best practices like registration or data scraping to pass along key variables such as location and device ID in order to maximize the value of their browser-based inventory. A big stumbling block for publishers typically is finding internal development resources to make these key data collection changes, so it's imperative for all mobile web publishers to make the very real case internally that money is being left on the table by not "upgrading" their mobile browsing data capture techniques.

Mobile Case Study

Improving the Value of Browser-Based Inventory: About a year ago, a large software as a service (SaaS) vendor came to us because they wanted to improve the performance of their mobile inventory. This was a potential challenge because their traffic was almost 100% browser based and they did not see developing apps as an option given the particulars of their business. However by working with us on pricing (such as setting up tiers for the inventory with higher floors) and data collection (having them pass us URLs to better qualify their browser-based audience), the client was able to see a 20% increase in average eCPMs.

4. Mobile Programmatic vs. Desktop: Different rules of the road may apply. As mobile programmatic has grown there are early indications that it exhibits differences from PC-based program-matic buying in key areas such as bid, fill, and win rates. In 2013 for example, desktop buyers bid 30% of the time and won 5% of the time, while mobile buyers bid 1.3% of the time and won 23% of the time. In 2014, desktop buyers bid 19.7% of the time and won 5% of the time, while mobile buyers bid 9% of the time and won 4% of the time. Clearly, mobile programmatic buying behavior is now maturing, with mobile buyers learning more about what they really want and mobile competition for those dollars increasing.

5. Private Marketplaces are preferred in mobile. Private Marketplaces, popular for desktop inventory, are now becoming common for mobile buying as well. As precision and quality of audience becomes the standard for mobile advertising, the advantages of private marketplaces (e.g. exclusivity and the ability to package different types of inventory) will also become more important.

Quality (and CPMs) Predicted to Rise For Programmatic. In a recent Advertising Age survey of agencies and brand marketers, over 60% of respondents indicated that they're seeing higher-quality ad inventory when using programmatic buying compared to two years ago, and a large majority (86.4%) believe the quality of available ad inventory will be even higher in the near future.

Private Marketplace (PMP): Exclusive marketplaces that give the publisher the ability, through a Supply-Side Platform (SSP), to designate certain inventory to select buyers based on pre-negotiated terms. PMPs can be executed as RTB buys, or as non-RTB buys.
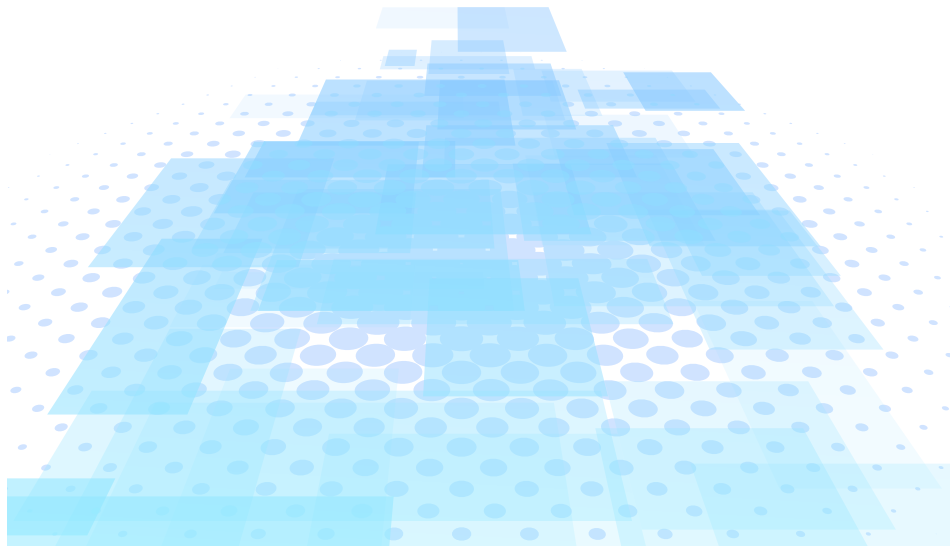
CONCLUSION

Embrace the mobile future as a key component on the path to profitability.

Mobile increasingly represents one important part of a holistic monetization strategy for all screens, channels, and formats. Publishers must work with their buyers to transition dollars from purely PC-based inventory buys and enhance the value of their audience by developing better, more useful data sets and profiles of their users. According to the numbers cited in this report, the economics around mobile programmatic are clear: when data is used to enhance mobile inventory, the inventory delivers higher value for publishers in terms of eCPMs. In a new era of competitiveness for media spend, publishers who embrace a mobile premium paradigm put insurmountable distance between themselves and their less savvy competitors. Those who fail to do so are at a distinct disadvantage.

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"Location produces a 20% to 40% increase in eCPMs"

ABOUT

Since 2006, PubMatic has been at the forefront of developing innovative technology to help publishers automate the process of evaluating and selling their advertising inventory, giving premium publishers a real-time media-selling platform for managing revenue and brand strategy.

PubMatic's platform combines Real-Time Bidding (RTB), the most comprehensive brand protection tools, unified optimization and audience insights with hands-on support to serve the world's leading publishers. PubMatic is the premium resource for publishers who wish to better understand and profit from multi-channel consumer consumption of digital media across PC and mobile media consumption: the number of publishers that use both PubMatic's mobile and desktop products increased from 9% in 2012 to 22% in 2013, and increased again to 25% as of June 2014.

At PubMatic, we know that being a premium publisher in desktop does not automatically make a publisher premium in mobile. That's why we've worked hard to develop a best-in-breed mobile solution that is integrated into our One Platform from the ground up. It's also why we provide robust brand controls that help ensure the highest quality, including

a custom solution for mobile apps that we developed in partnership with The Media Trust, the global leader in monitoring and protecting the online and mobile advertising ecosystem.

PubMatic's mobile solutions are supported by a team with decades of experience in the mobile arena. Whether you're a mobile-only publisher with premium inventory or a desktop publisher expanding into the ever-growing programmatic mobile marketplace, PubMatic can provide you with a simple, easy user interface, customizable consultative services, brand safety solutions, and the expertise that will help you to make the most of your mobile web and mobile application inventory.

PubMatic is privately held, backed by funding from Nokia Growth Partners, August Capital, Draper Fisher Jurvetson, Nexus Venture Partners and Helion Ventures, and has offices in the U.S., Europe and Asia.

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[1] comScore, U.S. Mobile App Report, 8/14

[2] Kleiner Perkins Caufield & Byers, The State Of The Web Report, 5/14

[3] comScore, U.S. Mobile App Report, 8/14

[4] eMarketer, Programmatic Advertising: Forecast and Future Growth Trends, 8/14

[5] Magna Global, 2014 Programmatic Forecast, 9/14

[6] IDC, Worldwide and US Real-Time Bidding Forecast, 9/13

[7] Magna Global, Media Economy Report, 1/14

[8] Magna Global, 2014 Programmatic Forecast, 9/14

[9] Internal PubMatic Normative Data

Mobile Point of View (mPOV): *Making the Most of Mobile: 5 Ways to Maximize the Value of Premium Publisher Mobile Ad Inventory* is the first in an ongoing series of Mobile Point of View (mPOV) studies that PubMatic will produce over the next several months. This series will provide context and best practices for publishers who wish to profit from the profound changes that mobile advertising brings to digital advertising. Further studies are planned to address best practices and strategies in greater depth.

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