

Mobile Advertising Trends Report 2014

By FunMobility



Summary

The landscape is changing. A worldwide explosion of mobile ad budgets has sparked a dramatic evolution of technology, standards, and best practices. Now, even the fundamental goals that industries are hoping to achieve with mobile ads have changed.

Amidst the excitement of this seismic shift, there is a lot of hype—and there are a lot of empty promises. This report will bring you up to speed, providing a no-nonsense examination of the principal forces reshaping the world of mobile advertising.

We also examine how each of the major industries fit into the big picture, evaluating projected mobile ad spend for 2014, the different goals of their mobile campaigns, and—most importantly—how advertisers can use mobile to accomplish those goals.

Analysis is derived from aggregate data sourced from FunMobility's own clients, as well as industry reports and editorial content from major vendors and thought leaders in the mobile ecosystem.

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Programmatic Buying & Real-Time Bidding

From a marketing standpoint, buzzwords don't get much more buzz than "Programmatic Ad Buying"—a process which has already transformed the ecosystem of online ads, and now seems likely to do the same for mobile. But, while it's certainly tempting to jump on the programmatic band wagon, it's important to filter out the hype and enthusiasm to discern what is actually currently possible on mobile—as opposed to what *may* be possible, *some day*.

What Is It?

Programmatic Buying & Real-Time Bidding

Programmatic Buying

Programmatic ad buying refers to automated purchasing of digital ad inventory, circumventing the human-managed process of buying ad space via contracts or insertion orders. But it's a subset of programmatic buying—Real-Time Bidding (RTB for short)—that's really making headlines in the mobile advertising world. RTB only accounts for \$4 billion of the \$7 billion annually spent on programmatic buying (Business Insider), but it has come to dominate the conversation so completely that the terms “programmatic” and “RTB” are now used more or less interchangeably.



Real-Time Bidding

The main analogy everybody seems to be latching onto is “day-trading stocks”—incorporating algorithms and automation software so that we can keep up with a massively complex, constantly evolving system. More specifically, real-time bidding is an automated process that happens within the fraction of a second between when a consumer clicks to open a site or app with available ad space, and when the site or app actually loads on the consumer’s mobile device. During this fraction of a second, real-time contextual information about the available ad space is sent from the supply side (publishers) to the demand side (brands, agencies, etc)—who then automatically do or do not place bids for the ad space.

3 Benefits of Programmatic Buying for Advertisers

Programmatic Buying & Real-Time Bidding

Streamlining

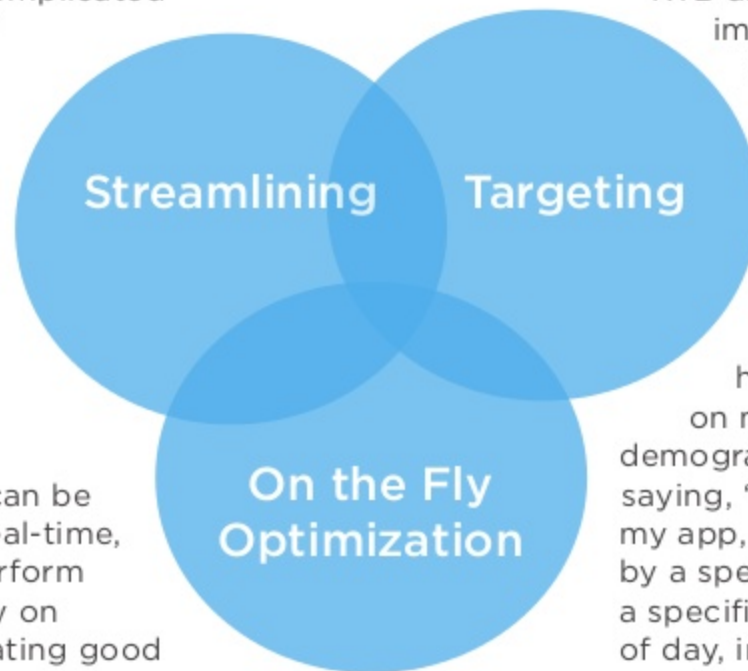
Mobile advertising involves a complicated workflow, with the hundreds of millions of unique eyeballs, viewing tens of millions of sites and apps, on hundreds of different devices, across multiple screens. The more an advertiser can reduce friction in this process, the better.

On the Fly Optimization

Real-time bidding parameters can be set to automatically adjust in real-time, so ad placements that underperform will be phased out to focus only on purchasing space that is generating good results.

Targeting

RTB allows for a sizeable improvement in an advertiser's all-important audience targeting capabilities, by including a number of additional contextual parameters into the buying process. The publisher is no longer just saying, "I have available ad space on my app, which attracts X demographic." They are now also saying, "I have available space on my app, and it's about to be viewed by a specific consumer, who meets a specific criteria, at a specific time of day, in a specific geographic area."



Seeing Through the Hype—Limited Targeting

Programmatic Buying & Real-Time Bidding



Now for a dose of reality: the most valuable aspect of Programmatic Buying and Real-Time Bidding—highly-informed audience targeting—doesn't really exist yet for mobile devices.

A consumer viewing ads on a desktop is generating a lot more personal data for the advertiser to work with (specifically browsing history). For example, RTB makes it possible for automotive advertisers to serve ads only to consumers who have been browsing automotive sites, and to serve different ads to different consumers based on what types of automotive sites they have been browsing (i.e. luxury, economy, etc).

But this sort of behavioral tracking is still limited on mobile devices. And, while mobile consumers do deliver valuable contextual information (specifically their exact location) for advertisers, it's not nearly as useful for real-time-bidding purposes as browsing history.

Seeing Through the Hype—Limited Ad Formats

Programmatic Buying & Real-Time Bidding

Mobile programmatic buying is largely limited to static banner ad placements, and has not been able to keep pace with the constant evolution of ever-more engaging mobile ad units. Native ads, video ads, and all the other rich media mobile ads poised to take over the market are still only available via direct partnerships with publishers or managed ad buys.

So, while programmatic buying and RTB streamlines the process in terms of scale, it has not yet replaced human management in terms of impact and engagement.

“You can buy millions and millions of small ads across websites and apps in programmatic channels right now. The question is, do you have anything like the kind of **impact** you might have on TV, or on desktop PCs with rich media? Everybody talks about **reach and targeting** and audience. But if you don’t have impact, what good does it do?”

- Eric Franchi, Co-Founder of *Undertone*

Rapid Adoption is Driving Rapid Improvements

Programmatic Buying & Real-Time Bidding

A recent survey from Millennial Media suggests that 57% of advertisers are already buying programmatically on mobile, with 77% reporting that they plan to do it before December of 2014. Businesses Insider projects even faster growth, as much as 56%, year-over year.

“In 2014, programmatic buying of digital advertising inventory will expand beyond standard IAB ad units into premium placements and nontraditional display units, such as in-image, native, and content marketing.”

- Ken Weiner, CTO of GumGum



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Mobile Display Ad Formats: New & Improved

Repeatedly, studies cite mobile banner ads as failing in two important ways: they're too small, and they're too boring. But the static mobile banners that have long dominated the industry are finally being replaced by a variety of innovative new ad units designed to leverage the qualities and features unique to mobile.

The early results are promising, with these more engaging mobile ad units delivering several times the performance of static banner ads.

Mobile Rich Media—Worth the Investment

Mobile Display Ad Formats: New & Improved

THE *CLICK-THROUGH RATE* OF MOBILE ADS IS

3-5x BETTER WITH RICH MEDIA

THAN WITH STATIC MEDIA

The term “rich media” refers to any ad that delivers a deeper experience than is traditionally seen with mobile banner ads. According to the MMA (Mobile Marketing Association), rich media ad units are defined as offering streaming video content, animated GIFs within the ad, an audio layer, or any interactive feature set other than basic mobile click-through.

Mobile rich media ads can take advantage of functionality unique to mobile devices, allowing for deeper consumer experiences and engagement.

Consumers can be encouraged to tilt, tap, pinch, shake, or swipe to progress through ad content in a fluid and organic way.

These additional layers of multimedia and interactivity are showing extraordinary results, with Opera Mediaworks reporting that mobile rich media campaigns outperform static media campaigns by nearly 400%. Millennial Media reported a similar boost to performance, with the rich media bump driving between 3-5x the CTR of static media ads, depending on the vertical.

Mobile Video Ads—Finally Where They Need to Be

Mobile Display Ad Formats: New & Improved

Video ads on mobile are really taking off, as consumers get more and more accustomed to watching television programs and movies on their mobile devices. YouTube reports that nearly 40% of all video watch time now happens on mobile. The Media & Entertainment industries are particularly big buyers of mobile video ads, with more than 50% of their mobile campaigns involving video.

Video spots—which may be frustratingly disruptive to consumers in some contexts, are far less intrusive and far more effective when served as opt-in content within an app, allowing users to earn in-app rewards or currency in return for viewing the ad.

A 2012 Nielsen study comparing the effectiveness of video ads across devices found that mobile devices performed substantially better than both desktop computers and televisions.

VIDEO ADS *ON MOBILE* ACHIEVE GENERAL RECALL

2.7 x BETTER THAN ON DESKTOP COMPUTERS

1.6 x BETTER THAN ON TV

eMarketer projects that video ad spending will grow by 50% in 2014, going from from \$4 billion to \$6 billion.

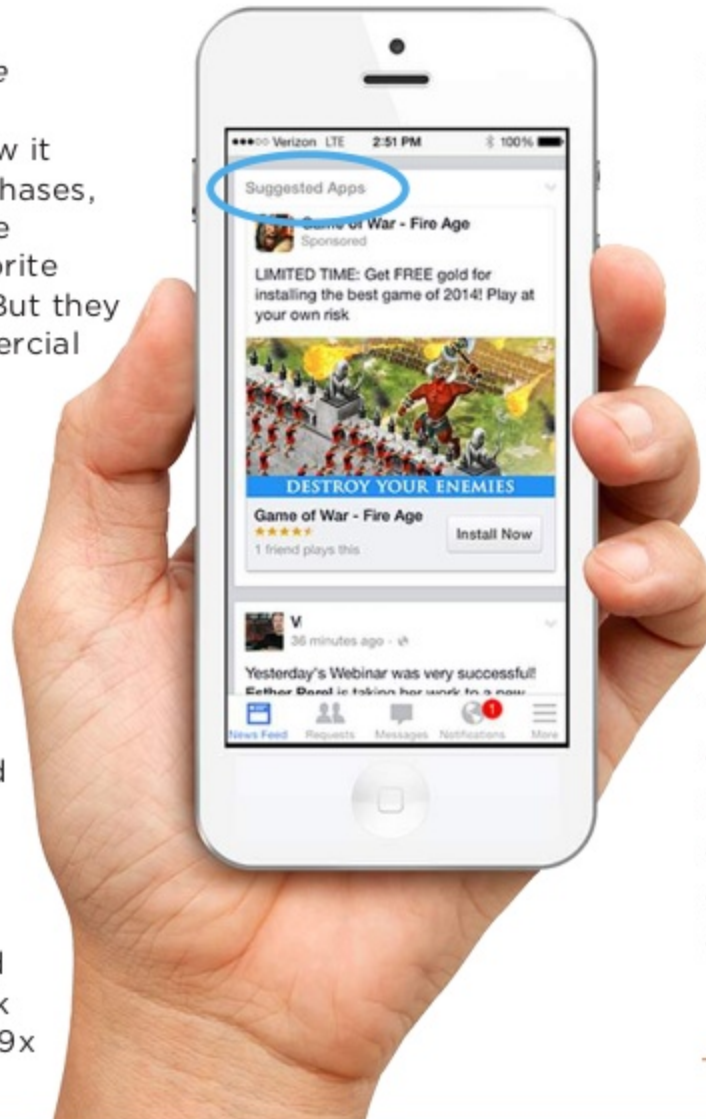
Native Ads—Redefining Your Social Strategy

Mobile Display Ad Formats: New & Improved

Consumers, in general, don't *like* advertising. Sure, they *tolerate* advertising. They appreciate how it helps them make informed purchases, and maybe they even appreciate how advertising funds their favorite websites and television shows. But they still fast forward through commercial breaks.

That's where native advertising comes in. Unlike typical mobile ads, which deliberately jump off the page to grab consumer attention, native ads are designed to seamlessly blend in-stream with a particular app or website, blurring the distinction between content and advertising.

AdRoll reports that Facebook ads appearing in the News Feed—looking for all intents and purposes like ordinary Facebook posts—achieve an astonishing 49x



higher click-through rate (and subsequently, a cost-per-click that is less than 20% that of traditional Facebook ad placements.) Business Insider projects that, due to the success of native ad placements on social sites, native spend will account for 42% of all social media advertising by 2017.

Yahoo has already announced that it plans to eventually phase out all non-native display ads.

“In the future, all advertising on social media will be native in-stream ads. The right rail and banners will disappear altogether.”

— Jan Rezab, CEO of *Socialbakers*

Native Ads—Redefining Your Social Strategy

Mobile Display Ad Formats: New & Improved

Consumers don't like being fooled. Advertisers need to tread carefully with native ads. Though the format lends itself to much higher CTR, the end result can be negative consumer experiences if people feel “misled” by clicking on the ad.

There is a rising tide of consumers reporting frustration with native ads; they expect click-through to deliver an actual piece of content, not blunt advertising materials. The numbers reflect this frustration: while the CTR is undeniably higher with native ads, the actual click-to-conversion rate—a barometer for how well-received the ad is by consumers—is substantially lower (16% lower, in the case of Facebook).

As consumers grow more savvy about native ads, performance may well decline unless advertisers make the effort to ensure these ads don't pretend to be something they're not.



Mobile Engagement Ad Units—Customize to Align with Any Goal

Mobile Display Ad Formats: New & Improved



Advertisers and marketers can be tasked with any number of different goals for a given mobile ad campaign: driving store traffic, building brand awareness, capturing consumer data, etc.

Mobile Engagement Ad Units integrate a customizable post-click consumer experience, providing a single solution that's capable of aligning with all of these diverse goals. The ad units initially load as mobile rich media animated banners, but on click-through they transform to responsively fill the screen with an interactive overlay tailored to meet the campaign's specific need(s).

The Most Popular Post-Click Experiences:

Smart Form

Capture registrations or consumer data with custom dynamic fields

Tap-To-Call

Instantly create 1-to-1 consumer relationships by integrating a button that triggers a phone call.

Store Finder

Drive foot traffic by providing map directions to participating locations

Promotion Page

Build awareness and prompt social sharing with multi-media engagement

Instant Survey

Reveal trends, product/service preferences, and consumer feedback by polling your target audience

Mini-Game

Build brand value and extend dwell time by making the experience fun and interactive.

IAB Mobile Rising Stars—New Standards Leveraging Mobile Functionality

Mobile Display Ad Formats: New & Improved



In 2013, the Interactive Advertising Bureau (IAB) announced 5 new mobile ad unit standards for its official portfolio, designed to leverage mobile functionality for better performance. A study by Vibrant Media, IAB, and comScore found that **users were three times more likely to interact with Rising Stars Ads** than standard mobile banners—8.5% vs. 2.8%. **Video completion rates experienced a 19% lift.**

IAB Mobile Rising Stars Formats:

Filmstrip

Functions as a “window” that lets users swipe to scroll through a variety of content.

Pull

A standard top or bottom banner that the user drags vertically to reveal a fullscreen ad.

Adhesion Banner

A standard banner that “adheres” to the mobile screen—maintaining consistent position and size, regardless of how site content is manipulated (i.e. zoomed, rotated, etc).

Slider

A standard top or bottom banner ad that the user slides horizontally to reveal a fullscreen ad.

Fullscreen Flex

A fullscreen ad format involving responsive creative elements that automatically re-arrange to look great in both landscape and portrait orientations.



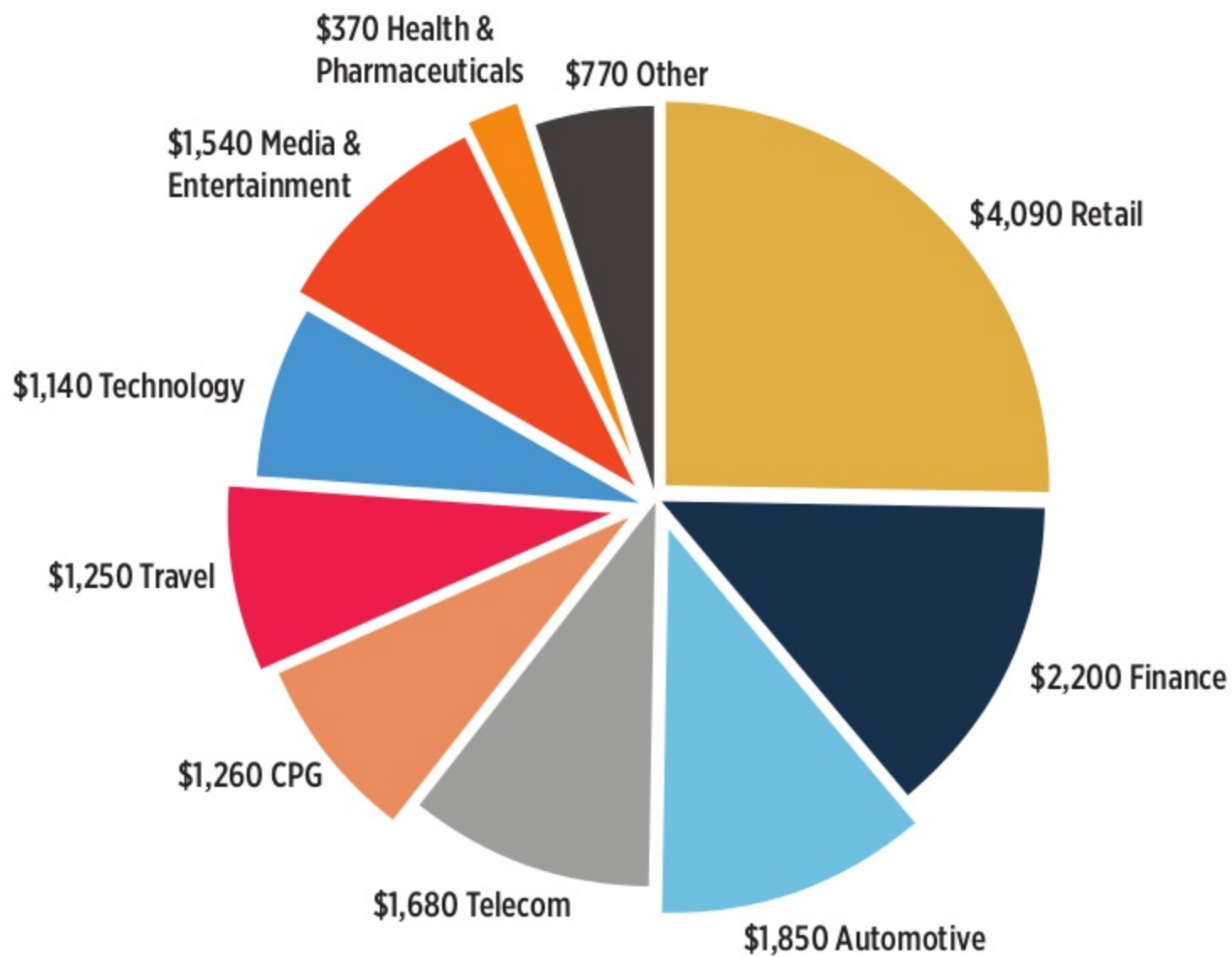
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Who's Buying? Breakdown by Industry

The mobile advertising industry has spent the past several years growing at an explosive rate (reaching triple digits, annually). eMarketer estimates that, in 2014, the United States alone will buy \$17.73 billion worth of mobile ads. But where, exactly, is all this money coming from?

2014 Projected US Mobile Ad Spend

(\$ Millions)



Total: \$17.73 Billion

Retail—Ground Zero of the Cash-plosion

Who's Buying? Breakdown by Industry

Accounting for more than a quarter of all mobile ad revenue, the retail industry has embraced mobile more than anyone else. Retail's slice of the pie is so big, it's necessary to break down the ad spend even further, by vertical.

According to a study by xAd, three verticals account for 80% of all retail mobile ad spend. Big Box stores are the biggest spenders in town, claiming 33.3% of the pie. Clothing & Apparel and Home & Garden account for an additional 48.8%. The remaining 20% or so is divided up amongst a variety of smaller players.

Primary Goal:

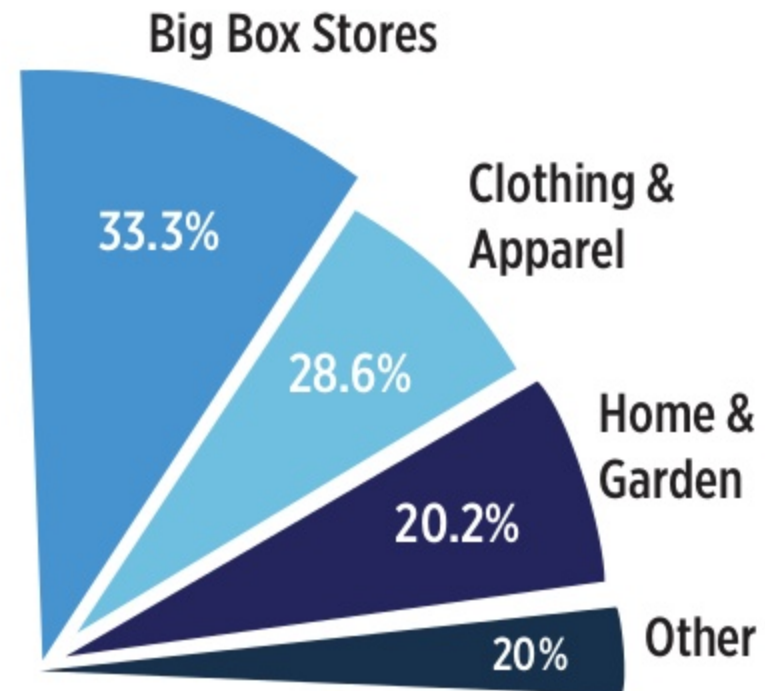
Driving traffic—both on the web and to brick and mortar locations.

Advertisers Should:

Take advantage of mobile's hyper-local targeting capabilities and integrate a store-finder feature in all mobile campaigns.

Projected Spend:

- 25.3% of 2014 U.S. mobile ad spend
- \$4,090 million



Finance—CTR Soars on Mobile

Who's Buying? Breakdown by Industry

Financial service institutions and banks might not be the first thing that jumps to mind when you think of mobile advertising, but the finance industry is the 2nd highest spender, behind retail. The reason? Finance sees a click-through rate for mobile ads nearly **FOUR TIMES** higher than for non-mobile digital ads (though mobile still accounts for just a third of all digital ad spend).

Primary Goal:

Various performance-based activities (i.e. registrations).

Advertisers Should:

Provide clear and concise incentives for registration, and make the process as frictionless as possible for the consumer. Remember, typing is difficult on mobile devices, so minimize the amount of required text fields.

Projected Spend:

- 12% of 2014 U.S. mobile ad spend
- \$2,200 million

Average CTR, Finance Industry

