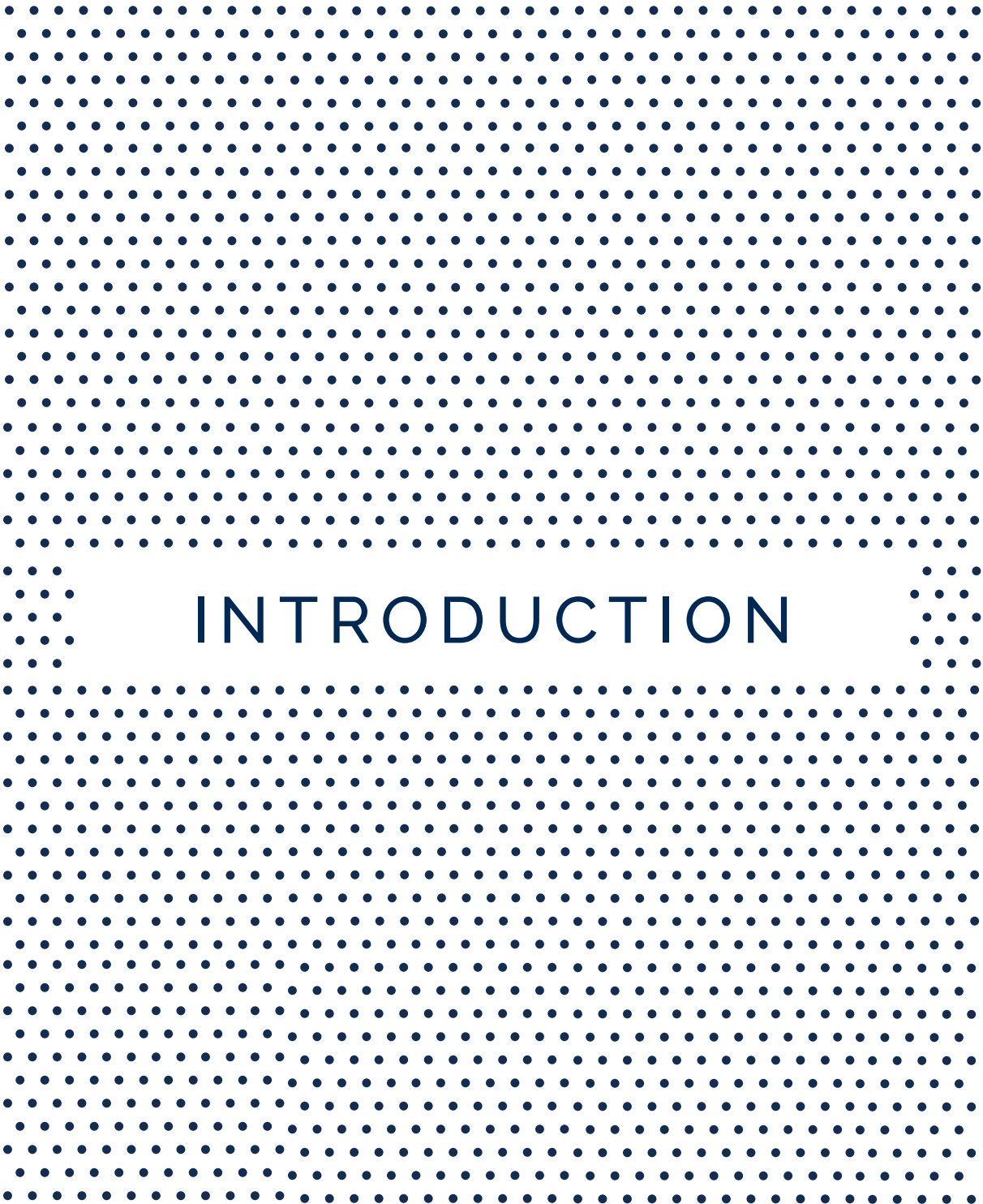


THE MOBILE TRANSPARENCY REPORT



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INTRODUCTION

In 2017, UK adults spend more of their daily media time in non-voice mobile activities (26.9%) than with desktop digital activities (22.1%), according to eMarketer¹. By 2019, mobile media time (29.6%) is forecast to almost overtake TV (30.4%).

Mobile is, obviously, a very significant channel. It has matured, but there is still a lot to do in the ecosystem and this is why we have conducted this survey to get a greater understanding of the challenges advertisers face in this market.

It was a truism that mobile advertising spend lagged behind consumers' mobile dwell time, that advertisers - still wedded to desktop environments - were not moving fast enough.

But the gap has now been closed. Last year, mobile accounted for the majority of UK digital display advertising (51%) for the first time, after total mobile spend grew by £1.2 billion to £3.86 billion, driven by growth in video and social ads especially, according to IAB UK².

PROGRAMMATIC EMPOWERMENT

As marketers embrace mobile, they begin to reach consumers in the place where they spend their time, in the contexts that delight them. And, now that "programmatic" technologies - for automating the buying and selling of digital advertising - have also made the leap from desktop to mobile, brands have gained new efficiencies.

According to AppAnnie³, UK consumers use around 35 apps per month, in addition to countless websites - all on mobile alone. Across this kind of breadth, knowing where and how to reach your audience has become a headache. To reach sufficient scale to be effective, marketers typically are transacting for tens or hundreds of thousands of impressions.

Mobile programmatic platforms ease the pain by letting advertisers buy across the growing plethora of mobile apps and websites using targeting data and automated processes, to achieve far greater buying efficiency than would traditionally be involved through manual purchases.

Advertisers are embracing the advantage. Mobile display is already the channel most transacted programmatically. Last year, £1.18 billion in UK mobile display was spent this way, according to IAB UK, and the body expects programmatic to account for as much as 95% of mobile display spending by 2019.

Almost all of mobile, then, is becoming entirely programmatic.

WHY WE CONDUCTED THIS RESEARCH NOW

The marketing chief of P&G, the world's biggest media spender, has been outspoken about their pushing back against the "complicated, non-transparent, inefficient and fraudulent media supply chain." They are demanding one viewability standard, accredited third-party verification, transparent agency contracts and commitment to ad fraud prevention across the board because in Pritchard's words "it's good for consumers, good for our business, and responsible for the industry."

ISBA, representing 450 major brands, has complained⁴ similarly that many of the contracts advertisers have with their agencies lack sufficient client protections to limit risks surrounding click fraud, viewability, verification and brand safety.

¹ eMarketer, April 2017 - <http://www.emarketer.com/Chart/Share-of-Average-Time-Spent-per-Day-with-Select-Media-by-UK-Adults-vs-UK-Ad-Spending-Share-2017-2019-of-total/206251>

² IAB / PwC Digital Adspend 2016

³ AppAnnie, Spotlight on Consumer App Usage, 2017 - http://files.appannie.com.s3.amazonaws.com/reports/1705_Report_Consumer_App_Usage_EN.pdf

⁴ ISBA - <http://www.isba.org.uk/news/2016/05/17/press-release>

As this marketplace grows, it's becoming very clear that advertisers and their tech providers need to improve the way the ecosystem works. Ad fraud continues to be a concern across all platforms at this moment in time.

A recent analysis of 700 mobile ad networks, by mobile marketing platform Tune, found 15.71% of impressions were served fraudulently - eight of the networks were 100% fraudulent⁵. Another study by ad verification company Adloox forecasts that, globally, marketers will lose \$16.4 billion to ad fraud in 2017.

That is why we have produced this research. I believe all marketers deserve to transact in a simplified, open and fraud-free environment that combines the best of advertising technologies with the most transparent operation.

But, to achieve that goal, we must listen to and understand the concerns of our customers to investigate change, and move the whole industry forwards towards overcoming those challenges.

Paul Wright
CEO
iotec Global

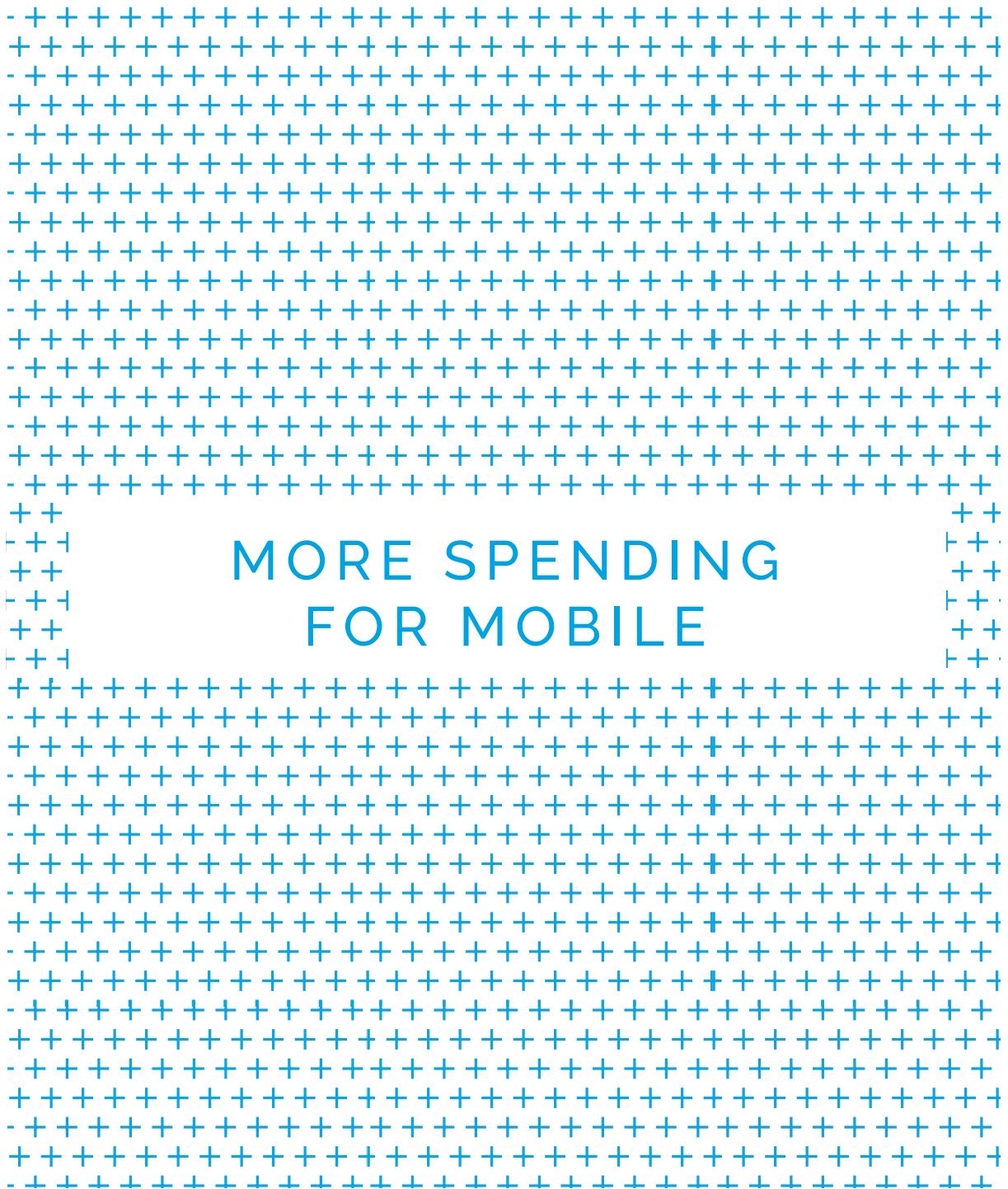


SURVEY FINDINGS

To dive deeper into the mobile programmatic opportunity and challenges, iotec decided to ask the industry.

OnePoll was commissioned to conduct a survey of 500 UK marketing decision makers between August 10 and August 22, 2017.

Respondents' answers reveal a picture of an industry keen to push mobile advertising toward 100% programmatic trading - but withholding further spending, concerned about the effects of fraudulent and non-transparent impressions.



MORE SPENDING FOR MOBILE

MOBILE PROGRAMMATIC TO TAKE OFF

In line with the overall industry shift toward mobile programmatic identified by IAB UK, 61.8% of our respondents said they plan to increase mobile programmatic spending within the next year.

This lends credence to the forecasts of an even greater majority of mobile spending going programmatic in the years ahead.

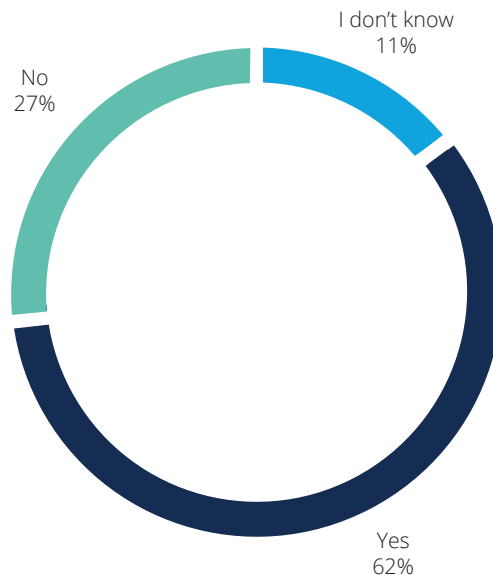


Fig 1. Does your company intend to increase your ad spend on programmatic mobile in the next 12 months?

MARKETERS GET THE MESSAGE

The news about the benefits of programmatic have seeped in to the marketer mindset. Our trade press is full of discussion, and myriad ad-tech providers actively sell their transformative effects.

In total, 81.6% of the marketing decision makers responding to our survey said they understood the mobile programmatic landscape. 59.4% said they have full understanding, while those with no understanding at all were in the minority.

The growing comprehension of programmatic capabilities within the industry can only be a good thing, empowering marketers to both benefit from the advantages of automation and understand where they can be better served.

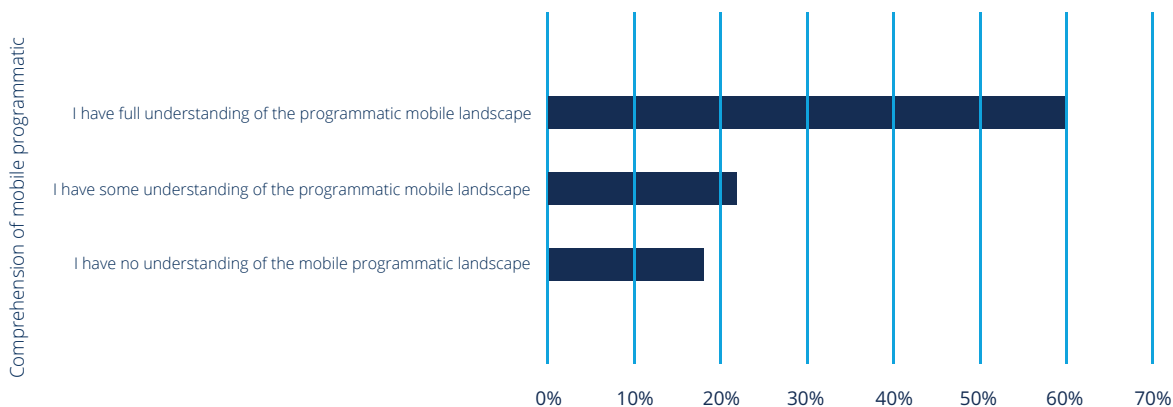


Fig 2. What of the following best describes your level of understanding of the programmatic mobile landscape?

HURDLES ARE HIGHER IN MOBILE

Marketers now know mobile programmatic well enough to know, also, how complex it can be to navigate.

33.8% of our respondents said programmatic is just as confusing on mobile as it is on desktop. But 40.9% of marketers surveyed said the discipline is most complex in mobile.

Mobile is a step-change that marketers are taking after long operating mostly in desktop, and involves some fundamentally different approaches. For example, absence of tracking cookies from mobile devices makes executing programmatic audience targeting different on mobile.

The norms of contextual ad placement are less mature in mobile. Standard display advertising, of course, has its place, but brands also need to experiment with new formats and placements, like in-game and native, which potentially promise higher engagement but which also demand a different approach.

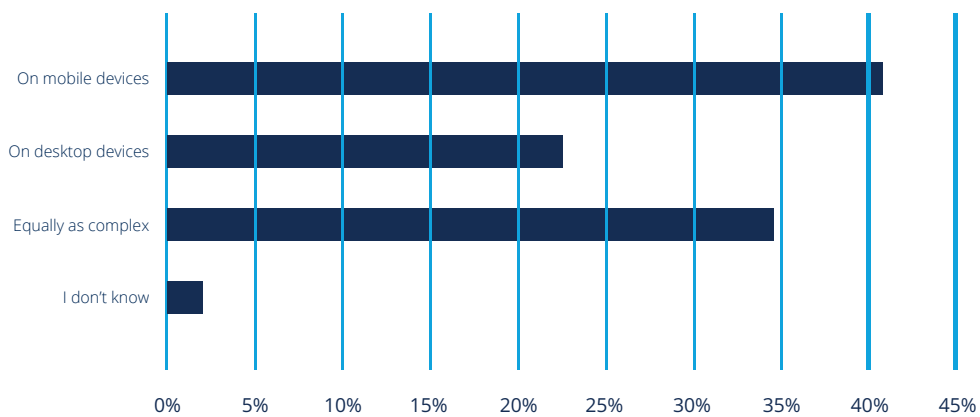


Fig 3. Do you think that programmatic advertising is more complex on mobile devices or desktop devices



FRAUD FEARS
DRAG ON BRANDS

MARKETERS' GROWING LIST OF MOBILE WORRIES

Asked for our survey to name their chief concern, marketing decision makers expressed a variety of worries, suggesting there are many fronts on which ad-tech vendors must better serve advertisers.

28.7% of respondents said viewability is their biggest worry. Naturally, brands only want to pay for ads that are seen by an actual consumer. But it is fraud that tops the list of concerns for 32.8% of marketers surveyed which shows how marketers are nervous about risks to brand safety in the mobile programmatic space.

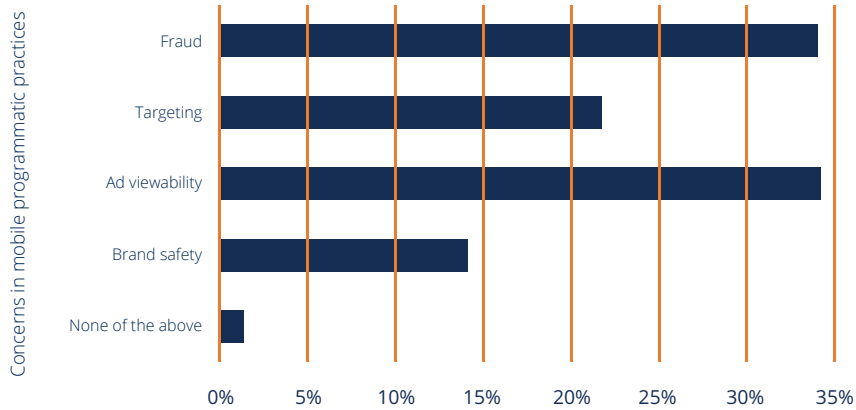


Fig 4. Which of the following are you most concerned about when it comes to programmatic advertising on mobile devices?

FRAUD GIVES MARKETERS MOST CONCERN

Despite the breadth of worries expressed by marketers when it comes to mobile advertising, one such concern tops the list. For the majority of our survey respondents (49.6%), fraud is the leading concern.

Unfortunately, mobile is becoming an increasingly large ecosystem comprising of browser based and app activity, predominantly through iOS and Android, which fraudsters are exploiting.

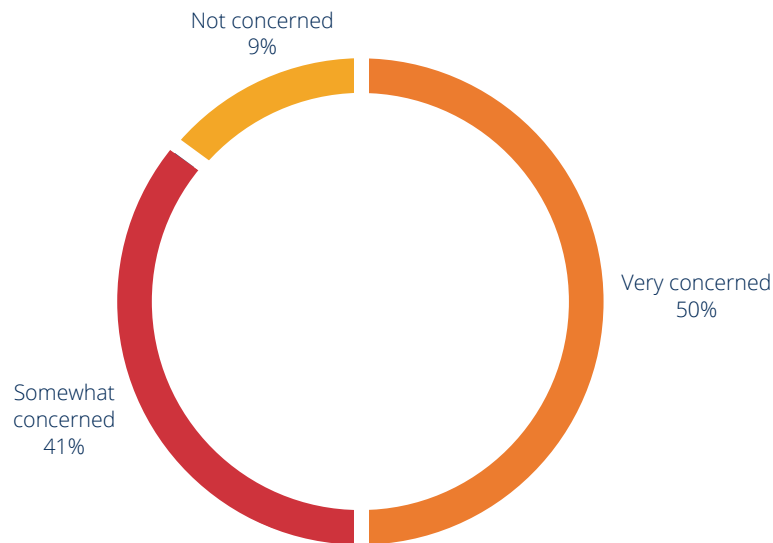


Fig 5. In general, how concerned are you about ad fraud on mobile devices?



TRANSPARENCY IS NOW
THE INDUSTRY'S
KEY DRIVER

MARKETERS DEMAND TRANSPARENT PLATFORMS

2017 was the year when the dam broke open on the opacity problem in media buying. Now brand marketers are demanding action. Our survey asked marketing decision makers where in the value chain they would like to see transparency brought to bear, and the results are interesting.

Only 18% of respondents said they wanted to see more transparency on how ad-platforms can help them optimise their campaigns. Transparency on use of data and on viewability and media placement garnered an equal spread of respondents with 44.2% and 41% respectively but it was transparency on pricing that came out on top with 50.4% of the vote. For advertisers, understanding the true composition of the price they pay through an ad-tech platform is paramount.

Buyers understand that knowing how ad-tech platforms act and operate on their behalf is necessary to derive true value from their media spend.

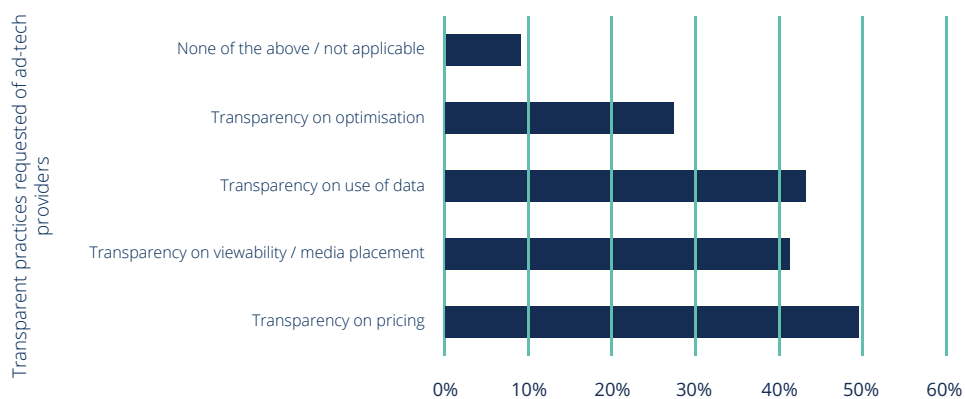


Fig 6. In terms of advertising on mobile devices, which of the following would be the key element(s) you would like to see from your company's ad-tech provider?

TRANSPARENCY IS KEY TO VENDOR SELECTION

These points are crystallised when marketers are asked which technology platform selling points would motivate them to change their ad-tech provider.

Marketers are now just as likely to say a lack of transparent practices would prompt them to jump to a rival supplier (20.2%) as they are to cite the promise of better results elsewhere (20%).

Only 16.8% of respondents say they could be lured to a rival platform by lower platform fees and 10% of respondents say they would switch to pursue greater return on investment.

While costs and return are key indicators, this pivot to transparent dealings and giving customers more information, is essential to note.

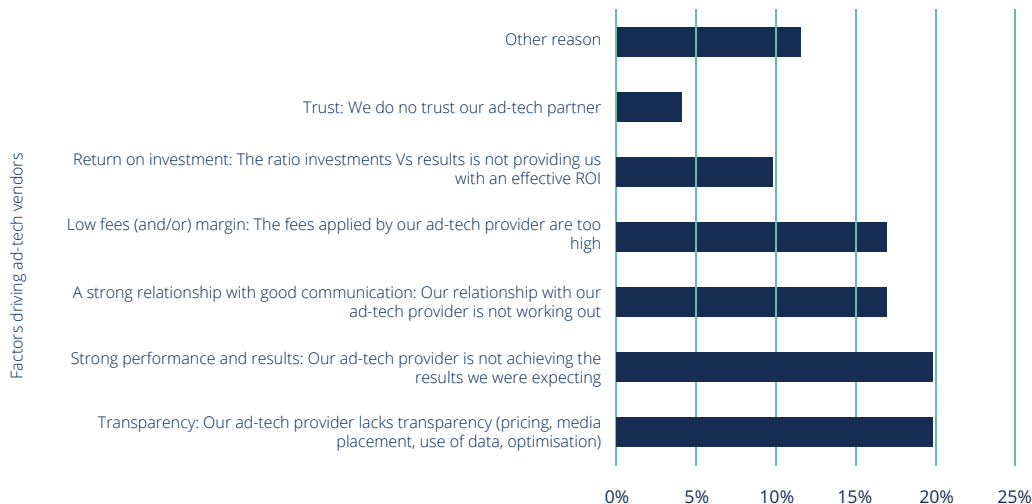


Fig 7. If your company were to change ad-tech provider, what would be the main reason?

TRANSPARENCY COULD UNLOCK EVEN MORE SPENDING

Improving transparency is not just crucial to ad-tech platforms, it is also vital to the entire industry.

Our survey reports that 61.8% of marketers intend to spend more on programmatic mobile advertising over the next year.

The most commonly-cited factor that would prompt marketers to transact more through this channel is if full transparency were to be provided within the supply chain (27.2%).

The other responses that came out on top were if their target audience shifted to mobile (23%) and the better user experience provided by apps (21.8%). But the fact that transparency has now become the key driver behind overall industry spending is stark.

It's a clear message to vendors to urgently usher in greater transparency if they are to help the industry unlock forecast growth.

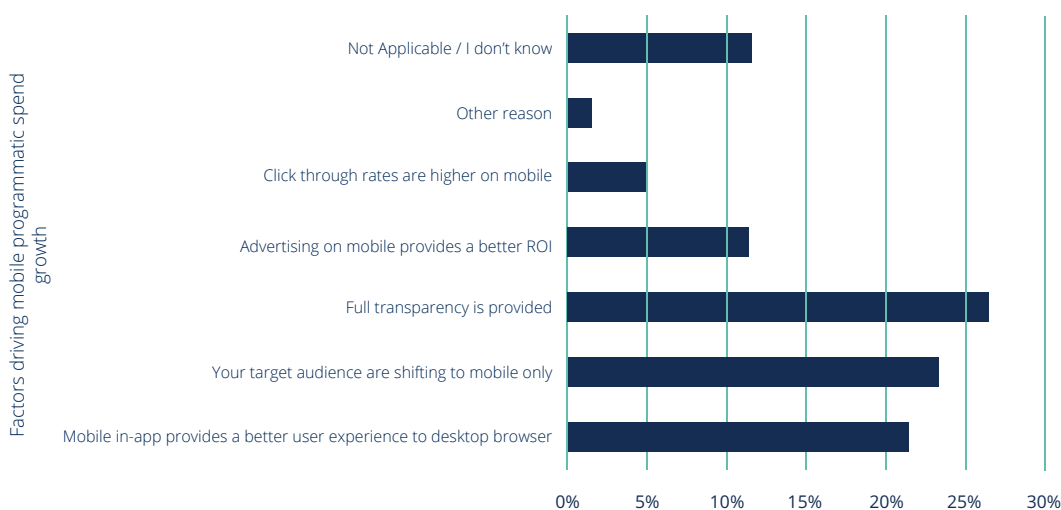


Fig 8. If your company is going to/were to increase your programmatic mobile ad spend, what is/would be the main reason to do so?



RECOMMENDATIONS

Programmatic automation can give advertisers greater efficiency when transacting to reach mobile consumers.

It's clear that mobile spend will continue to grow and media consumption habits continue to change. But as our research shows, marketers are demanding more transparent ways of working through their partners and platforms. Achieving forecast growth will depend on it.

Obtaining the level of transparency the industry needs is going to require clarity, planning, determination and collaboration.

Now we understand what the challenges in the market are, here are a few tips on how marketers should approach the mobile programmatic landscape:

1. INSIST ON TRANSPARENCY

The only way buyers will get what they seek is to ask for it.

Transparency in costs, in particular, is something that buyers need to insist upon as we see from our research with this topping the list of elements marketers look for in their ad-tech providers (50.4%). In the past, vendors have sold black box solutions where the transparency discussion was never raised.

Marketers of all sizes should approach existing suppliers to seek reassurance on their commitment to and practical implementation of transparency. More than this, they may feel it is appropriate to conduct a formal audit of their agencies' and suppliers' practices.

That means obtaining a thorough understanding of the extent to which a supplier discloses pricing and margin, data ownership, media placement, viewability verification and fraud activity. And that means asking direct questions, such as:

"What is your margin?", "Do you make any payments to my agency or trading desk?", "Will you tell me where my ads have appeared?", "Do you buy media with your own technology stack?", "Will I have full access to campaign insights", "How and where do you source your inventory?" and "How do you optimise campaigns?"

Beyond transparency, ask what your suppliers do to reduce ad fraud and ensure brand safety. What partners do they work with?

2. PROTECT YOURSELF FROM FRAUD

Help is on-hand. In the UK, JICWEBS, the Joint Industry Committee for Web Standards, is auditing vendors against the UK Good Practice Principles aimed at setting out best practice for reducing the risk of unsafe or fraudulent advertising online. Suppliers who have been awarded JICWEBS seals have been independently audited to verify that their processes reduce the risk of ad fraud and ad misplacement, therefore, buyers should insist on only working with suppliers who have been accredited by JICWEBS. The US are also making huge in-roads with TAG (Trustworthy Accountability Group) in a bid to protect advertisers from criminals who are exploiting the current lack of transparency in the digital ecosystem.

Apart from third party audits, buyers should additionally ask themselves questions about the following areas:

1. Which third party systems (pre-bid, post-bid and tracking) do you work with to eliminate fraud? e.g. IAS, DoubleVerify, Moat, Tune, Kochava and so on.

2. What internal measures do you employ to protect your brand/s and/or customers? e.g. whitelists, blacklists, machine learning anomaly tracking.
3. What account management oversight do you have in place to ensure that fraudulent inventory is not being utilised?
4. Are your KPIs setting you up for success? Are you sure you are not optimising your activity towards fraudulent sites or apps by setting unrealistic click or download targets?

But beyond audits and third party accreditations, do you trust your supplier and have a good relationship with them?

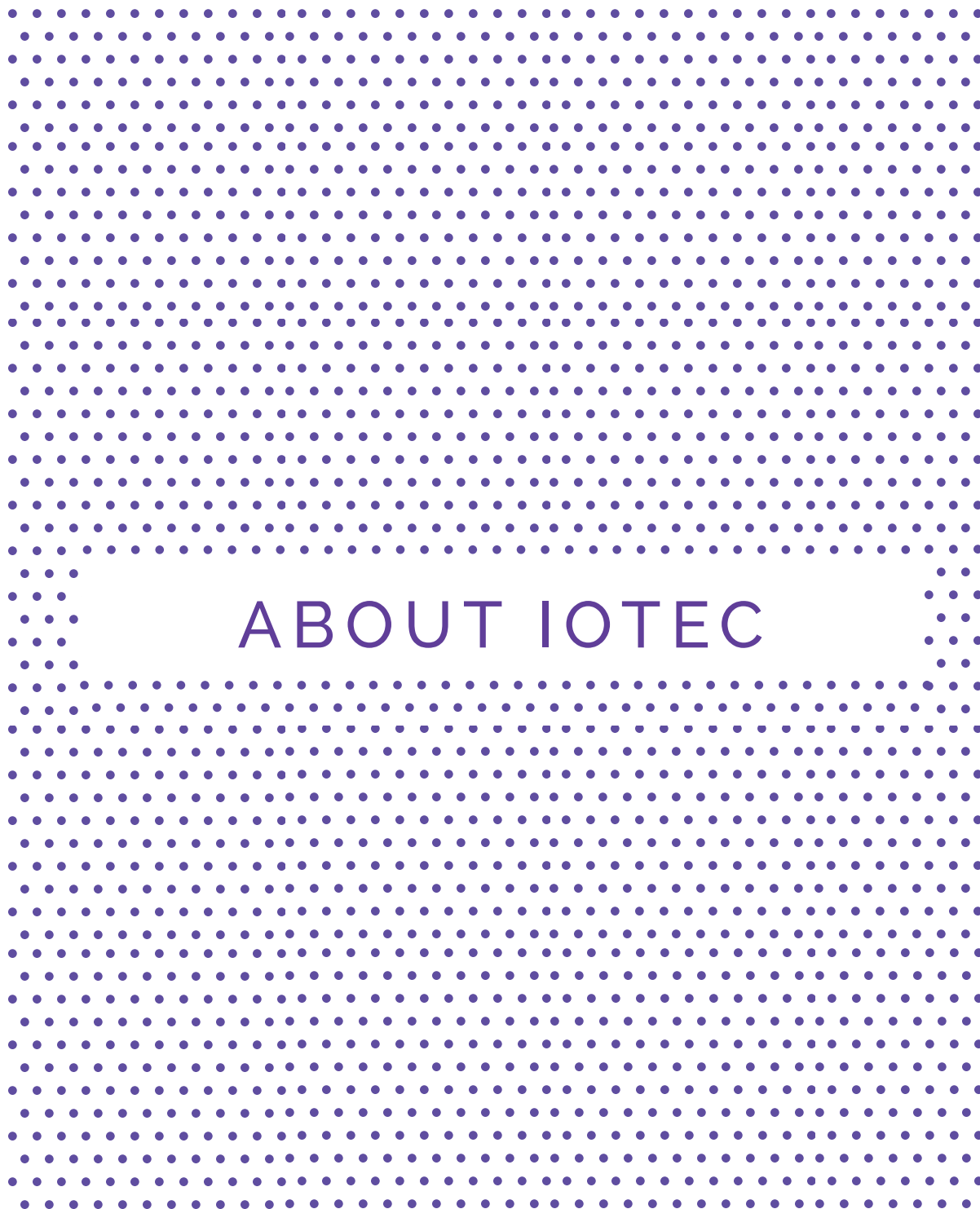
3. TRUST AND SERVICE

The importance of service by your tech provider cannot be underplayed. If they do not present good expertise or are unable to present the full disclosure that marketers are seeking, then they cannot be surprised that they will lose out on business. Top level client communication with clarity and honesty may sound easy but it requires talent to deliver on this promise.

The top reason for changing ad-tech provider in our survey was transparency (20.2%) which edged ahead of strong performance and results (20%). This just goes to show that marketers don't only want the best results at the cost of bad or unethical business practices. They will of course expect their chose partner to be a strong performer but it's good to see that providers who are transparent and open will have the competitive advantage, and rightly so.

The only way we will see the mobile programmatic space grow in the way that it has potential to, is by addressing these challenges head on and ensuring your selected partners can demonstrate full transparency, have third party accreditation to give you peace of mind and have the expertise internally to really add value beyond merely reporting on results, but what those results mean and how these may impact on the rest of the marketing strategy.

The mobile programmatic space needs to change rapidly in the coming months to ensure that the mobile channel achieves real, tangible value for marketers.



ABOUT IOTEC

ABOUT IOTEC

iotec is an independent, transparent media buying platform that harnesses sophisticated machine learning to ensure we deliver the best performance for our customers, while providing clear, actionable insights, media costs and margins.

Founded in 2013 by a team of three Met Office data scientists, iotec's technology was designed and built with transparency at its core and upholds strong business ethics across its culture and operations.

The company accelerated quickly following significant investment from some of the UK's leading technology and media entrepreneurs. iotec work with clients across, retail, entertainment, travel, finance and pharmaceutical industries.

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