AUDIO STREAM to REVENUE STREAM

Understanding the adoption and development of Programmatic Audio in Europe.

2019 SURVEY

XAXIS

THE OUTCOME MEDIA COMPANY

In association with iab.europe

“We're buoyed by the confidence that buy-side stakeholders will very likely plan to increase programmatic audio spend in the near future, although there is work to be done to educate. We see consumers become more connected with the media they consume; marketers are in a prime position to take advantage of the capabilities programmatic audio can deliver to their marketing outcome.

JOHN WITTESAELE
EMEA PRESIDENT, XAXIS

“Programmatic transaction mechanisms have enjoyed widespread adoption in display, mobile and video advertising. Programmatic audio is still at a nascent stage but growing quickly. Innovative European companies, both those with a history in radio and online streaming, are helping to drive growth. Audio's high level of consumer engagement married with the efficiency of programmatic delivery and brand safe environments creates a highly appealing media channel for brands.

DANIEL KNAPP
CHIEF ECONOMIST, IAB EUROPE

WITHIN EUROPE, THE FULL POTENTIAL OF AUDIO IS NOT BEING REALISED BUT OPTIMISM IS GROWING.

This survey was undertaken by Xaxis, in association with IAB Europe, the leading European-level association for digital advertising and marketing, in order to understand the drivers, barriers and adoption of programmatic audio advertising in a changing audio landscape.

THE FUTURE

The results show that the full potential of audio is not being realised within Europe but also an underlying optimism on the buy-side regarding increased spend over the next 18-24 months whilst recognising several challenges to be overcome.

THE PRESENT

Although 59% are already utilising the capabilities of programmatic audio to some extent, spend is low - over three quarters (79%) invest less than 10% of total ad spend on audio, and two-fifths (41%) allocate no budget to programmatic audio.

Surprisingly, confidence in understanding is low, with only a small proportion of buy-side marketers (15%) feeling confident in their understanding of programmatic audio. However, when speaking to the sell-side, this is doubled with 30% stating confidence in programmatic audio understanding.

OPPORTUNITIES

Despite the fact marketers are conservative in their approach to allocating significant budgets to audio, the top three drivers for investing in audio advertising are recognised as complementing the media mix (63%), reaching specific audiences (59%), and raising brand awareness (58%).

The key drivers for programmatic audio investment are achieving targeting efficiencies (63%) and taking advantage of data insights (44%).

THE BARRIERS

However, two strong barriers to progressing with audio investment are having a clear understanding of the impact of programmatic audio trading on total revenue (49%) and the availability of technology (44%).

DEVICE CHOICE

The majority of respondents agreed that to reach audiences, device choice is important, with mobile ranking top (88%) followed by laptop/desktop (61%), in-car (59%) and tablet (46%).

THE CURRENT STATE OF PLAY OF THE PROGRAMMATIC AUDIO ADVERTISING MARKET

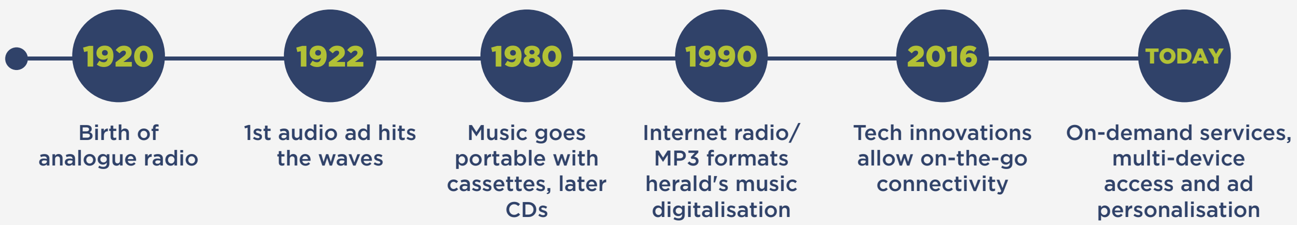
INDUSTRY CONTEXT

Looking back twenty years, the technology infrastructure that underlay much of digital ad buying was designed for display, the format that drove the first wave of digital ad spend. Audio was not then a consideration and consequently missed out on this 'tech wave'. This has meant that audio streaming platforms have had to invest more in proprietary ad tech, which has taken longer.

Another area which has lagged behind is audio ad formats, where innovation has been slow and better ad formats are needed to capitalise on high user engagement and strengthen the position of audio as a complement to other media. There has also been an issue around supply of inventory which should improve as digital audio consumption increases.

The high user engagement of audio lends itself to branding campaigns yet the metrics to prove reach and effectiveness have also needed to catch up. Latterly, industry agreement on podcast specifications, for example, has improved with the publication of Podcast Measurement Guidelines by IAB US in 2017.[1]

AUDIO'S COMING OF AGE



1) Source: https://www.iab.com/guidelines/podcast-measurement-guidelines/

USAGE

Connecting digitally to listen to music, for example, is now mainstream: 45% of internet users use audio streaming services for music; 75% use video streaming services for music and 35% use internet radio. And 39% of time spent listening to music is on connected devices vs 34% on AM/FM radio.[2]

More than half of UK adults listen to digital audio each week spending on average, 12.9 hours.[3]

In Germany Podcast listening is on the rise. In 2018 22% of consumers tuned in to podcasts, compared with 14% in 2016.[4]

GLOBAL LANDSCAPE AND KEY PLAYERS[5]

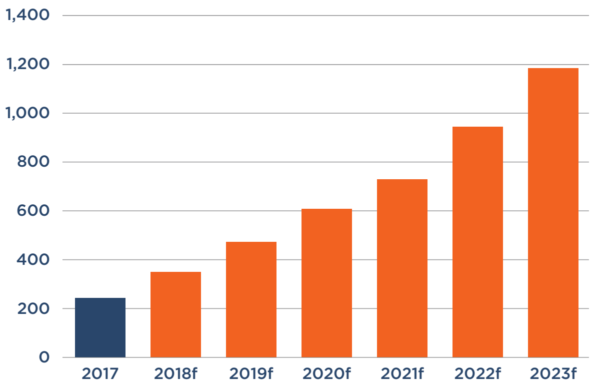
Note: Not exhaustive. Aim is to demonstrate variety of activity for ecosystem building.

GROWTH PREDICTIONS

Digital audio advertising is set to become a €1bn market by 2022[6] driven by podcasts, music streaming services and digital radio.

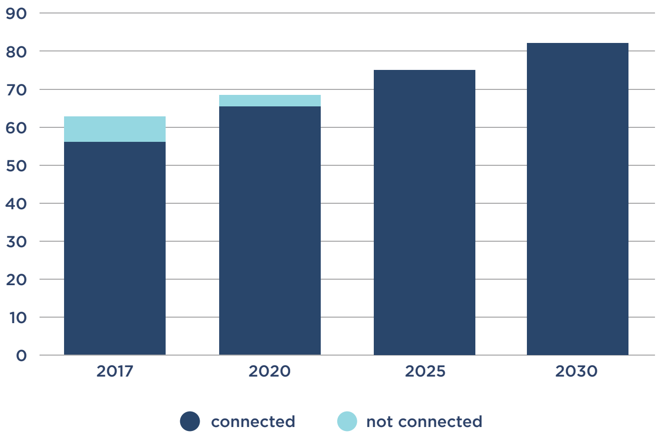
As was the case when display started to be traded programmatically, the programmatic share of audio advertising is still small but will grow with the connected car, a key driver of growth.[7]

Europe: Digital Audio NAR (€ Mil)



F = Forecast

Annual Sales: Connected Cars (Mil)



2) Source: Music Consumer Insight Report 2018, IFPI Global (Global data)
3) Source: MIDAS Spring 2019
4) Source: Bitkom, 2018
5) Source: IAB Europe 2019
6) Source: Company reports IAB Europe, RadioCentre, own model
7) Source: PwC strategy& Digital Auto Report 2017

THE 2019 EUROPEAN PROGRAMMATIC AUDIO SURVEY

Increased consumption of digital audio presents marketers with greater opportunities to engage with digital consumers. Audience data and creative options have improved yet questions about challenges have nagged the programmatic audio market.

Xaxis, in association with IAB Europe, conducted a survey across Europe to gauge the changing landscape of Programmatic Audio advertising.

The survey asked:

- What are the drivers and barriers to programmatic audio investment?
- What the stakeholders' knowledge of programmatic audio is?
- Do you plan to invest in programmatic audio in the future?

METHODOLOGY AND PARTICIPANTS

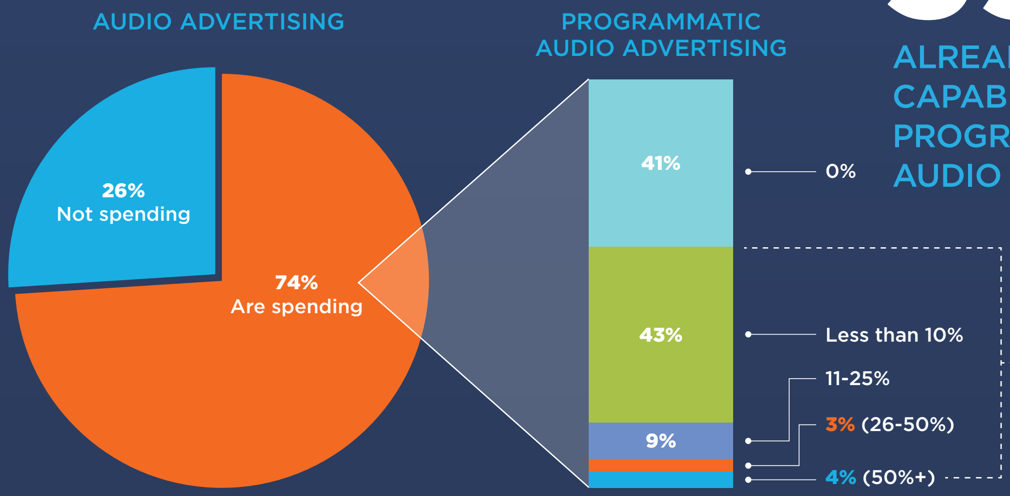
This online survey leveraged the national IAB network in 30 European countries to ensure a representative sample across European markets. The survey received almost 500 respondents between April and May 2019.

Respondents came from buy-side 72% (agencies/advertisers) and sell-side 28% (publishers/media owners) and had both pan-European and global remits.

CURRENT STATUS

The key findings show that although the buy-side stakeholders are already utilising capabilities of programmatic audio (59%), digital audio is still in early stages in development terms. A very small percentage of media budgets are being invested in digital audio, with an even smaller share being traded through programmatic.

Percentage of total advertising spend allocated:

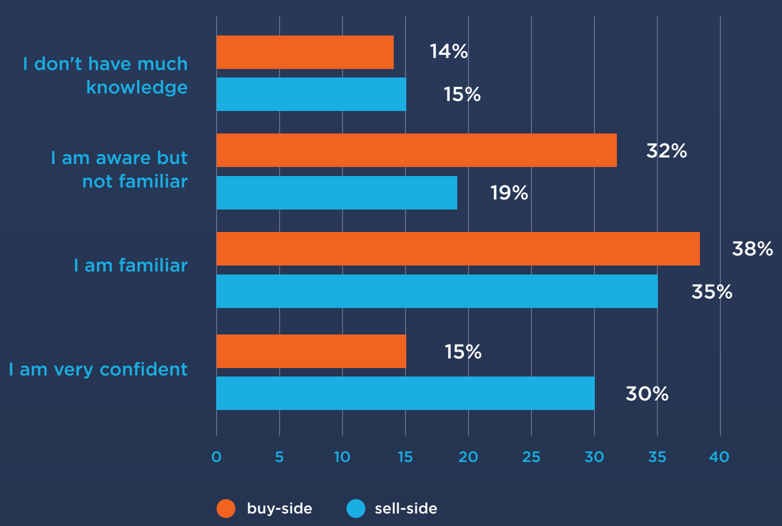


59%
ALREADY UTILISING CAPABILITIES OF PROGRAMMATIC AUDIO

LEVEL OF UNDERSTANDING

The level of understanding / knowledge is still low on the buy-side, although the sell-side feel more confident in their knowledge of programmatic audio.

Knowledge of programmatic audio



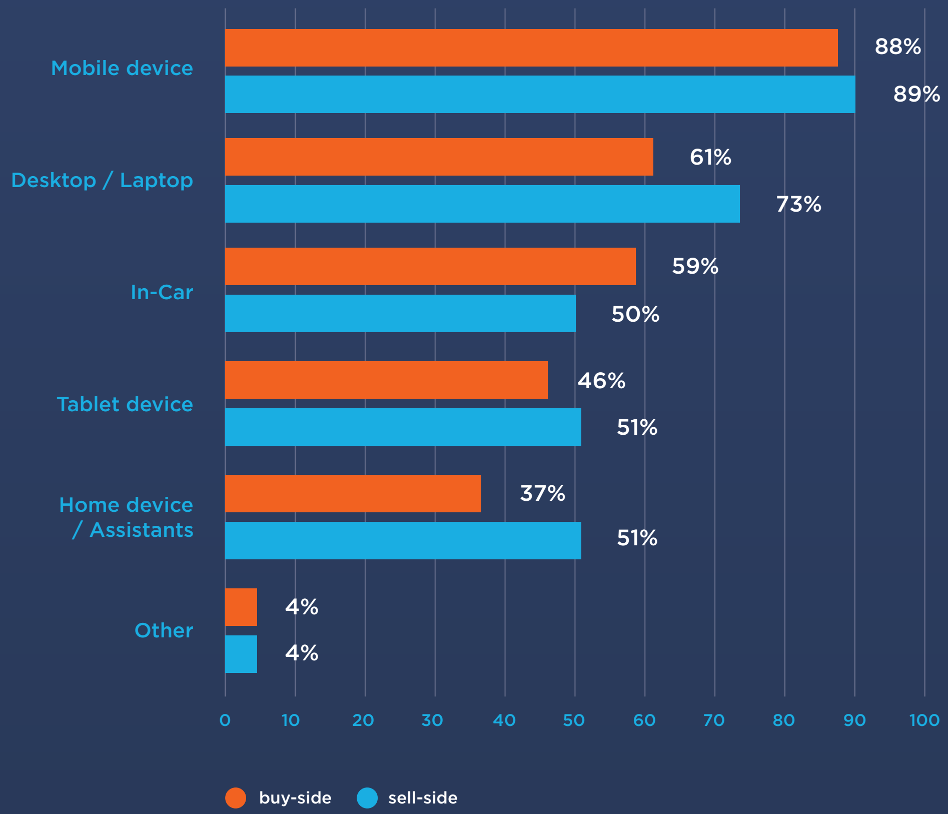
BUY-SIDE
15%
ARE VERY CONFIDENT IN PROGRAMMATIC AUDIO

SELL-SIDE
30%
ARE VERY CONFIDENT IN PROGRAMMATIC AUDIO

DEVICES

Mobile is the main device that the buy-side expect to reach their audiences through, although in-car and desktop/laptop are also valued. Publishers, on the whole, share similar device preferences although favour desktop/laptop more.

Devices expected to reach audiences when planning audio advertising



BUY-SIDE

88%

EXPECT TO REACH THEIR AUDIENCES WITH AUDIO CONTENT VIA MOBILE DEVICES

61%

VIA DESKTOP OR LAPTOP

PUBLISHERS

89%

EXPECT TO REACH THEIR AUDIENCES WITH AUDIO CONTENT VIA MOBILE DEVICES

73%

VIA DESKTOP OR LAPTOP

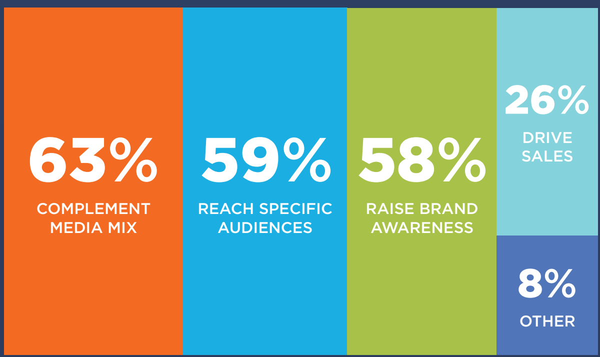
INVESTMENT

Audio is not a standalone channel - the key driver for investment is to complement other media and enhance the advertising offer.

Programmatic audio investment is driven by targeting efficiencies and data insight (similar to the early phases of growth in other programmatic channels).

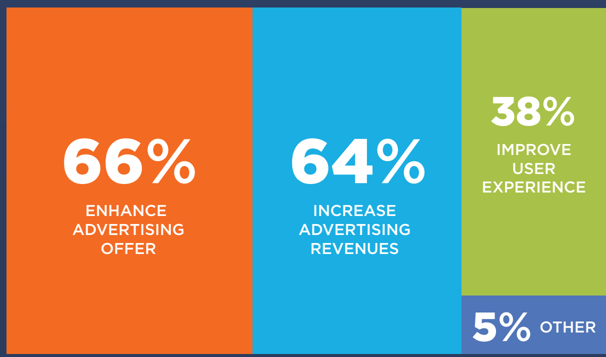
BUY-SIDE

Drivers for investing

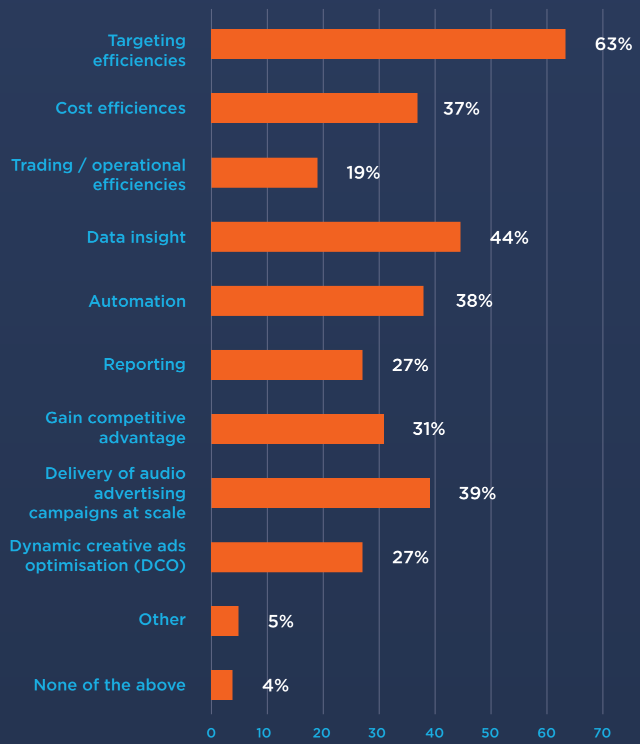


SELL-SIDE

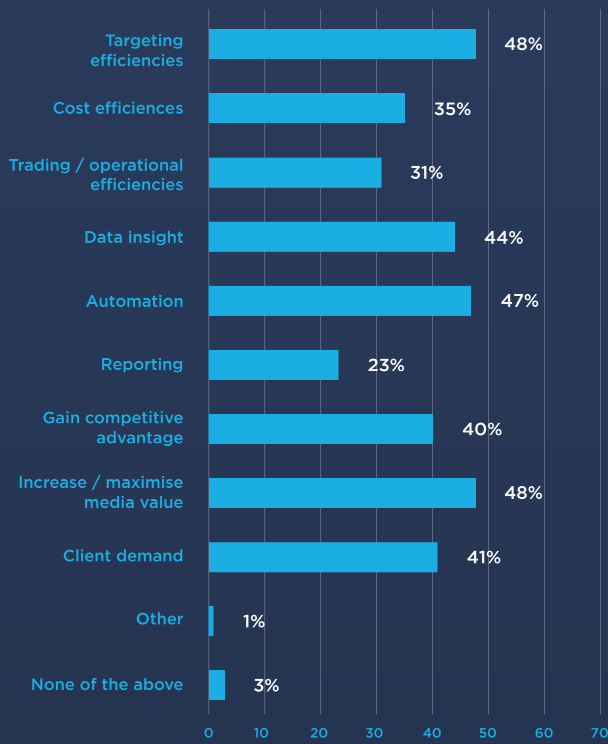
Drivers for offering



Key drivers for investing in Programmatic Audio (buy-side)

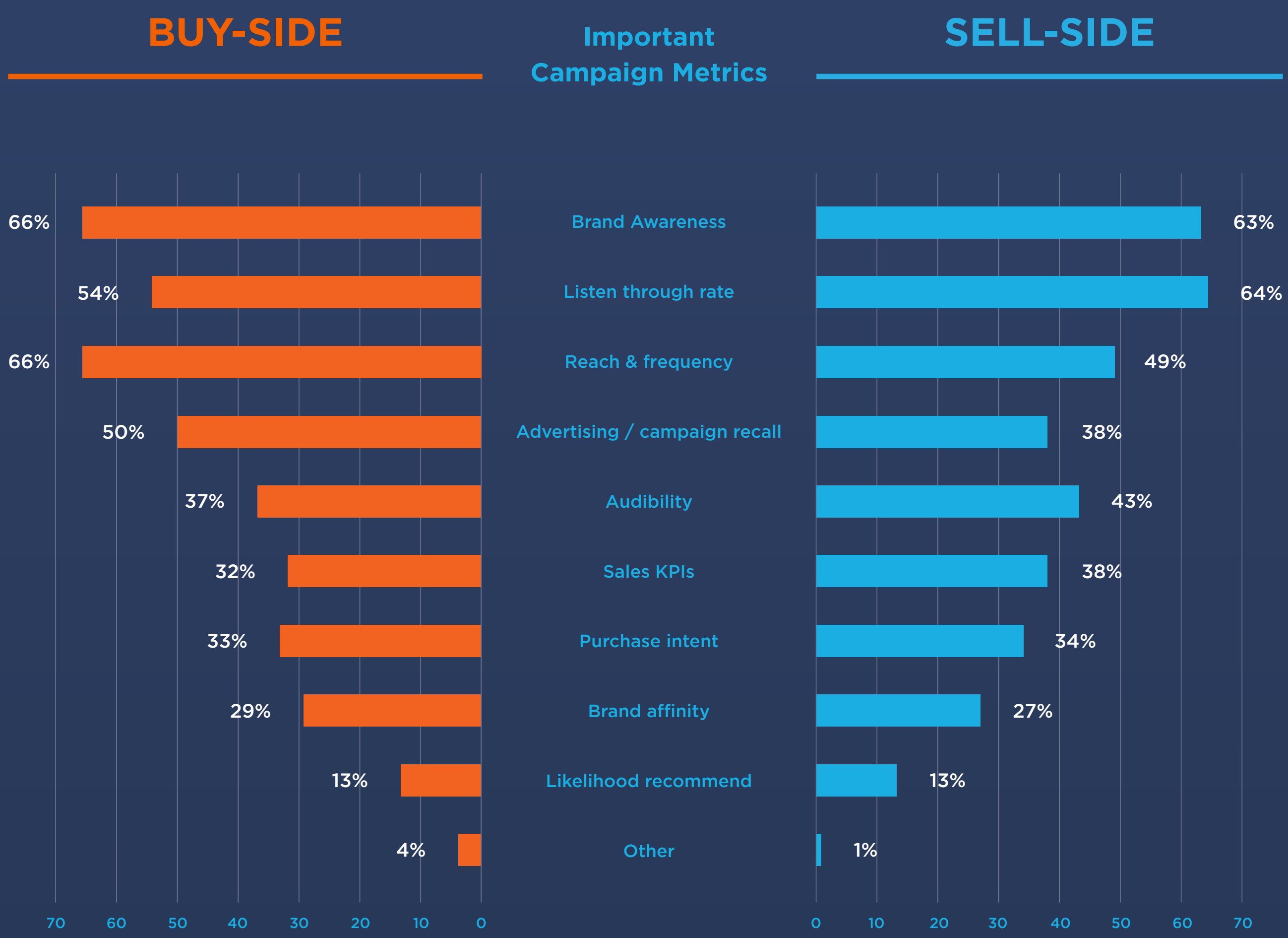


Key drivers for investing in Programmatic Audio (sell-side)



METRICS

The same metrics for evaluating Programmatic Audio campaigns rank in the top 5 for both the buy-side and sell-side. On the buy-side, it becomes clear that these metrics tally with the drivers for investing into Programmatic Audio.



TOP 5 METRICS

Buy-side	Metric	Sell-side
66%	BRAND AWARENESS	61%
54%	LISTEN THROUGH RATE	64%
66%	REACH & FREQUENCY	49%
50%	ADVERTISING / CAMPAIGN RECALL	
	AUDIBILITY	43%

BARRIERS TO ADOPTION

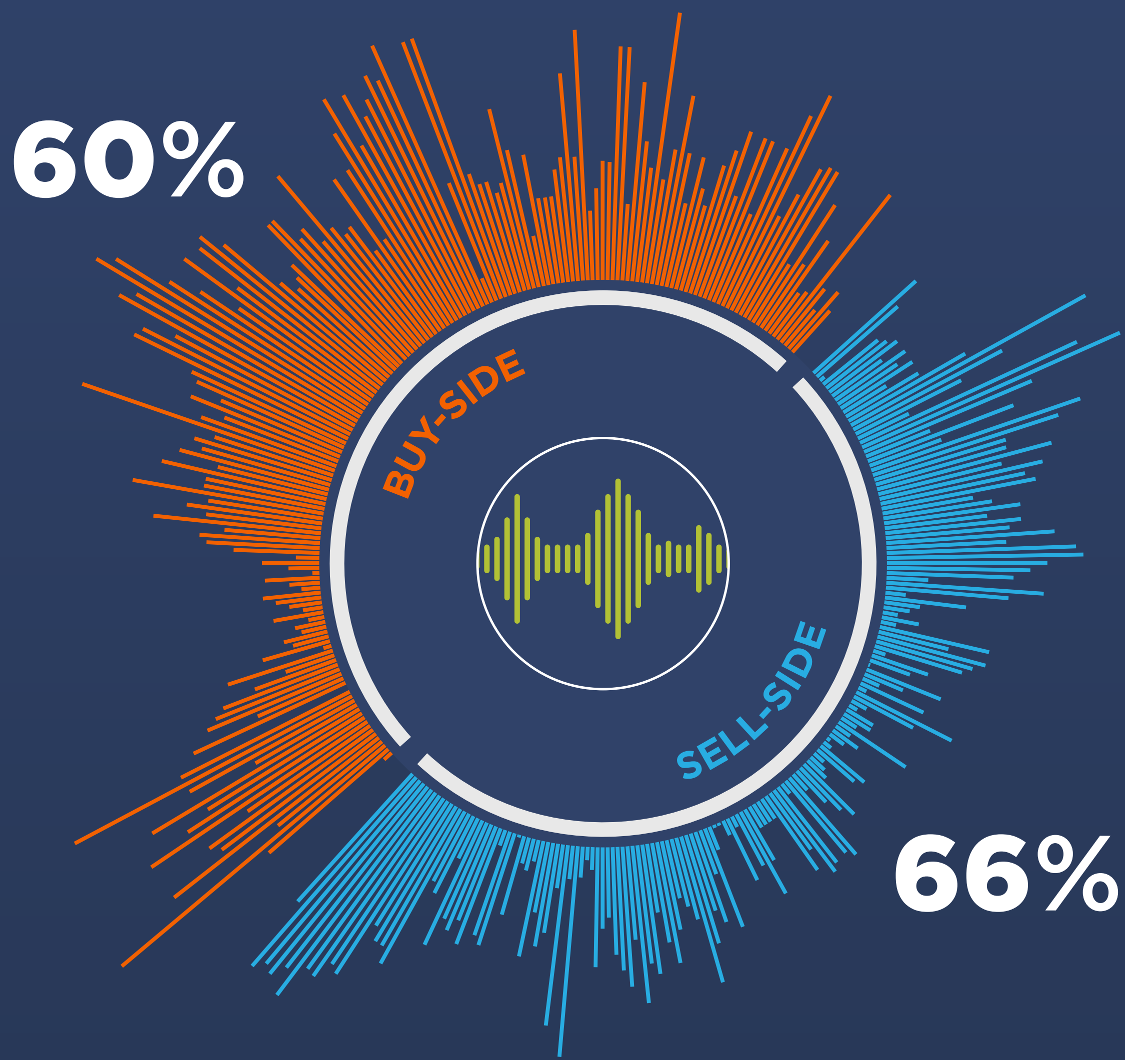
The top two barriers to programmatic audio investment for the buy-side are lack of an understanding of its impact and the perceived low availability of technology.

This is not that surprising due to the fact that programmatic audio is still relatively new in comparison to its counterparts, display and mobile, which have been traded programmatically for over half a decade now.

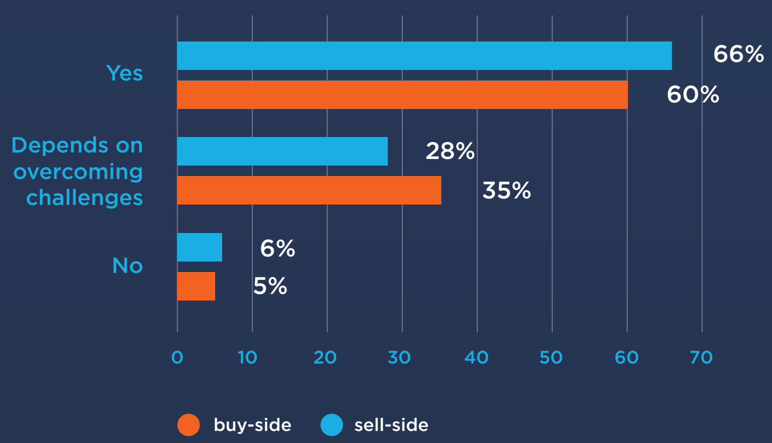
BUY-SIDE		SELL-SIDE
44%	AVAILABILITY OF TECHNOLOGY	45%
24%	COST OF TECHNOLOGY	33%
29%	PARTNERSHIPS WITH PUBLISHERS, AGENCIES OR ADVERTISERS	40%
36%	CAMPAIGN MEASUREMENT	26%
49%	HAVING A CLEAR UNDERSTANDING OF THE IMPACT ON TOTAL REVENUE	33%

THE FUTURE

The future of programmatic audio is positive. There is a keenness from both the buy-side and sell-side to increase advertising spend or investment.



Opportunity to increase programmatic audio in planning/spend of audio advertising, in the next 18-24 month.



CONCLUSIONS

In conclusion, the future of programmatic audio advertising looks bright across Europe.

Marketers now see significant drivers for allocating more budget to programmatic audio, including its complementarity within the media mix. With audience consumption behaviour shifting, those marketers who are forward-thinking in how they plan their audio spend, will surely deliver against their marketing outcome. And whilst we see positive attitude across Europe to embrace programmatic audio and its capabilities, there are still barriers and challenges which means there is a lot of work to be done in educating and informing those in charge of spend.

Publisher/Media Owners expressed that they want to enhance their offer, improve user experience and increase ad revenue. When aligned against the buy-side view point, we see that there is clear potential in programmatic audio for all players ready to grasp this opportunity and reap the benefits of this additional revenue stream.

TOP 5
CONSIDERATIONS FOR THE
BUY-SIDE

- Can you access quality audience data?
- How plentiful is inventory for your target audience?
- Is there a good level of transparency on pricing and inventory?
- Which buying mechanism do you want to use for your programmatic audio requirements?
- Are you geared up to deliver effective creative?

TOP 5
CONSIDERATIONS FOR THE
SELL-SIDE

- How much of your audio inventory do you want to make available programmatically?
- What is the cost of the technology?
- What data integrations are available?
- What are the HR and training requirements?
- How do you scale your strategy for the future?

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