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The State of Programmatic in JAPAC — 2021

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OpenX

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Contents

Executive Summary

The ever-maturing programmatic industry faced perhaps its greatest challenges over the course of 2020. Global uncertainty caused by the coronavirus pandemic was compounded by Google announcing that it would be deprecating the use of the third-party cookie within its Chrome platform, while Apple announced it would be similarly hindering its Identifier for Advertisers (IDFA) via the introduction of App Tracking Transparency (ATT).

While these issues affect the advertising and marketing technology industries worldwide, the Japan and Asia-Pacific (JAPAC) region provides an ideal testbed for monitoring the effect of these changes, with its divergent range of economies and digital media landscapes.

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Senior Editor, ExchangeWire

This report, produced in association with OpenX, was performed to provide an updated snapshot of the programmatic industry in the JAPAC region for 2021, to ascertain in more detail the effect these changes are having on programmatic spend and revenue in the region, and how both buy and sell sides are adapting.

Coupling original quantitative research with thought-led insight from JAPAC-based media and advertising professionals, along with comparisons with pre-pandemic findings reported last year, the following is examined:

- The growth in programmatic spend in JAPAC and the impact of Covid on the industry;
- Concerns and solutions to the deprecation of third-party identifiers;
- Market access to first-party data;
- Use of header bidding across JAPAC;
- and the status of SPO reviews and concerns over fraud within programmatic in the region.

As detailed below, despite these landmark challenges, optimism towards programmatic within the JAPAC region remains strong. Newly-forged programmatic expertise in the region across both the buy and sell sides, borne out of the dual necessities of rapid digital transformation and the rebalancing of the ecosystem in favour of the user, is driving the recovery from Covid, taking revenues beyond those seen pre-pandemic for many. Brands, agencies, and publishers, are now displaying greater confidence in managing their own programmatic activities as a result of this, undertaking SPO review processes and selecting open-sourced header bidder solutions such as Prebid. Moreover, this expertise is being supplemented by technology providers, with participants across the industry working together with their tech partners to navigate the nascent privacy-first environment, rather than abandon independent ad tech in favour of the walled gardens.

> Newly-forged programmatic expertise in the region across both the buy and sell sides is driving the recovery from Covid

Although uncertainty remains, most notably with recent surges in coronavirus cases caused by novel strains, the JAPAC programmatic industry is well-positioned to weather the storm, with further growth expected in 2022 and beyond.

Key findings

Throughout April 2021, ExchangeWire and OpenX surveyed over 200 media professionals throughout the JAPAC region, assessing the market's standpoint on factors affecting programmatic investment and business recovery from the coronavirus pandemic.

64%

of JAPAC media professionals are increasing programmatic spend/revenue

36%

of brands are recording higher programmatic spend than pre-Covid levels

33%

of publishers are utilising Prebid solutions to optimise their ad revenue

80%

of brands and agencies have access to first-party data

The key findings from the original research were as follows:

I. Programmatic investment and percentage of revenue is generally growing across the JAPAC region, with nearly two-thirds (64%) of players increasing their programmatic investment/percentage of revenue compared to 10% lowering their investment/revenue percentage.

II. The response to Covid has been remarkably strong, with 30% of respondents recording higher programmatic revenue/spend compared with pre-Covid figures. This is particularly true among brands, however agencies are showing a markedly slower recovery.

III. Publishers have matured in their strategic selection of header bidding partners, using relatively fewer providers than in 2020, and prioritising ease of setup for when existing providers are not meeting expectations. The use of Prebid has increased by over 10% market-wide.

IV. The majority of respondents are concerned about the effect of IDFA and cookie deprecation, though a variety of solutions are being employed to mitigate the impact. Publishers are favouring first-party data, while agencies and marketers are turning to their technology providers for support. Despite fears, the overwhelming majority of brands are not shifting spend out of the independent web towards the walled gardens.

V. Two-thirds (67%) of marketers and agencies have run an SPO review in the previous 18 months, with 32% indicating that it was the first one they have ever done. This implies that marketers/agencies are not only acting on concerns over transparency, but are now more confident in conducting reviews and amending their programmatic pipelines as necessary. This may have been catalysed by the rapid digital transformation businesses were forced to undertake as a direct result of the coronavirus pandemic.

VI. The majority (80%) of surveyed marketers and agency professionals in JAPAC have access to first-party data, however a worryingly high proportion (29%) do not believe there are great solutions available to activate this data on the open web.

Jonathan Mackenzie, Managing Director APAC, Publicis Media, comments, "The results of this survey suggest that programmatic in general is reaching a new level of maturity in APAC. While there is still discrepancy around the region, general knowledge and understanding has certainly advanced in all markets as illustrated by the growth of SPO, concerns around ad fraud and increase in prioritisation of 1st party data in most markets.

The irony is that just as markets get to grips with the programmatic ecosystem of today, third party cookie and IDFA deprecation are re-defining the programmatic ecosystem of tomorrow. This makes for a very interesting 12 months ahead."

Part I:

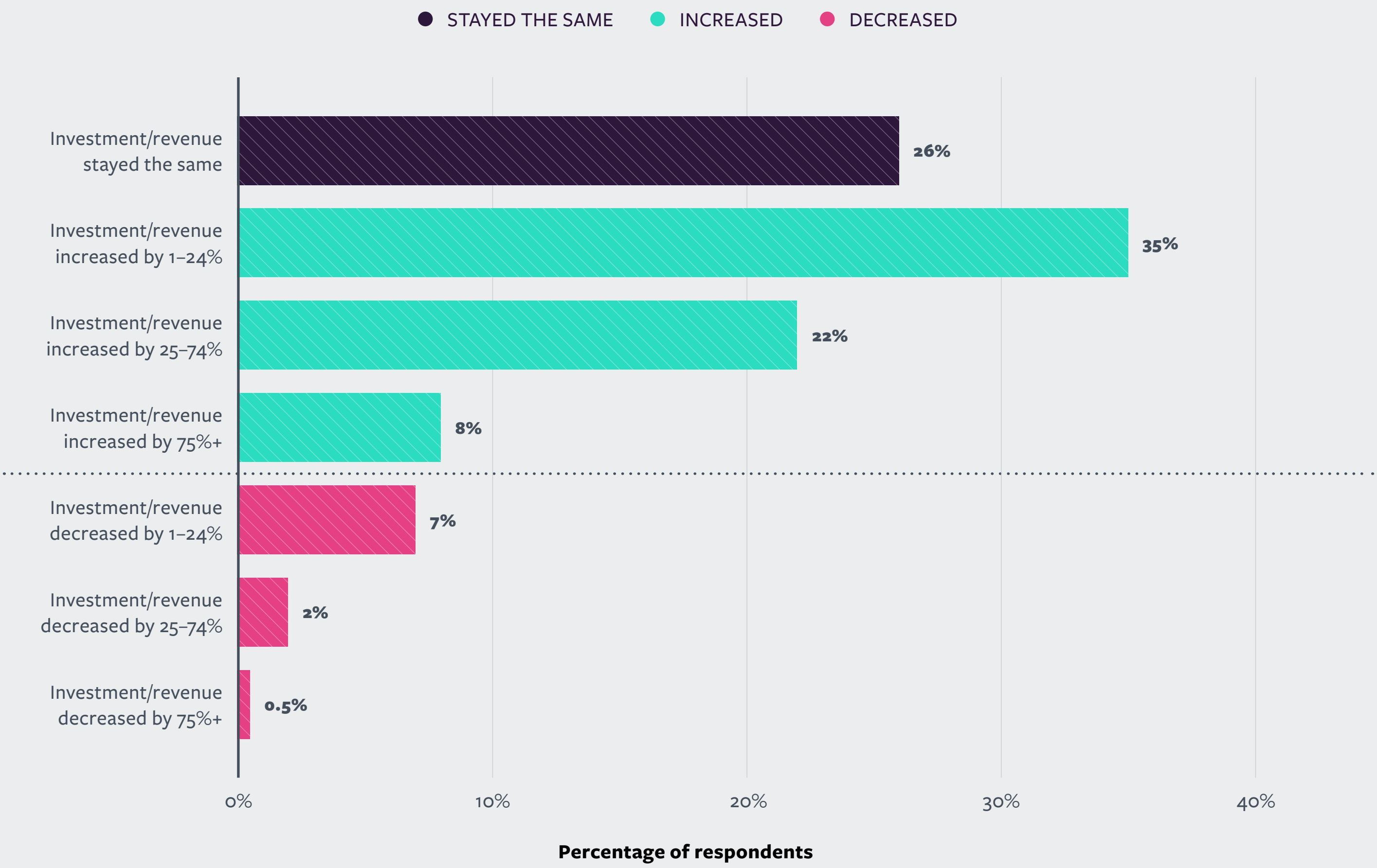
Programmatic spending in JAPAC and the impact of Covid

Change in programmatic revenue and investment

Programmatic investment and percentage of revenue is generally growing across the JAPAC region, with nearly two-thirds (64%) of players increasing their programmatic investment or programmatic revenue percentage over the previous 12 months, compared to just 10% lowering their investment/revenue percentage. This increase is particularly strong amongst publishers, with 13% of these increasing the programmatic proportion of their revenue by 75% or over.

Mackenzie highlighted the surge in digital transformation as driving this momentum, writing "2021 is a reflection of a general growth in digital advertising which will certainly continue into 2022. I think we will all be able to look back on 2020 as the year when digital transformation became "real" for most advertisers. With much of the world locked at home, retail outlets closed and travel non-existent everything, almost without exception moved online. As such, every industry vertical with the exception of travel hit the turbo button on their digital transformation journeys and by consequence digital advertising budgets have grown as market confidence returns."

Figure 1: Forecast change in programmatic investment and percentage of revenue attributable to programmatic in JAPAC through 2021 versus the previous 12 months.



64%

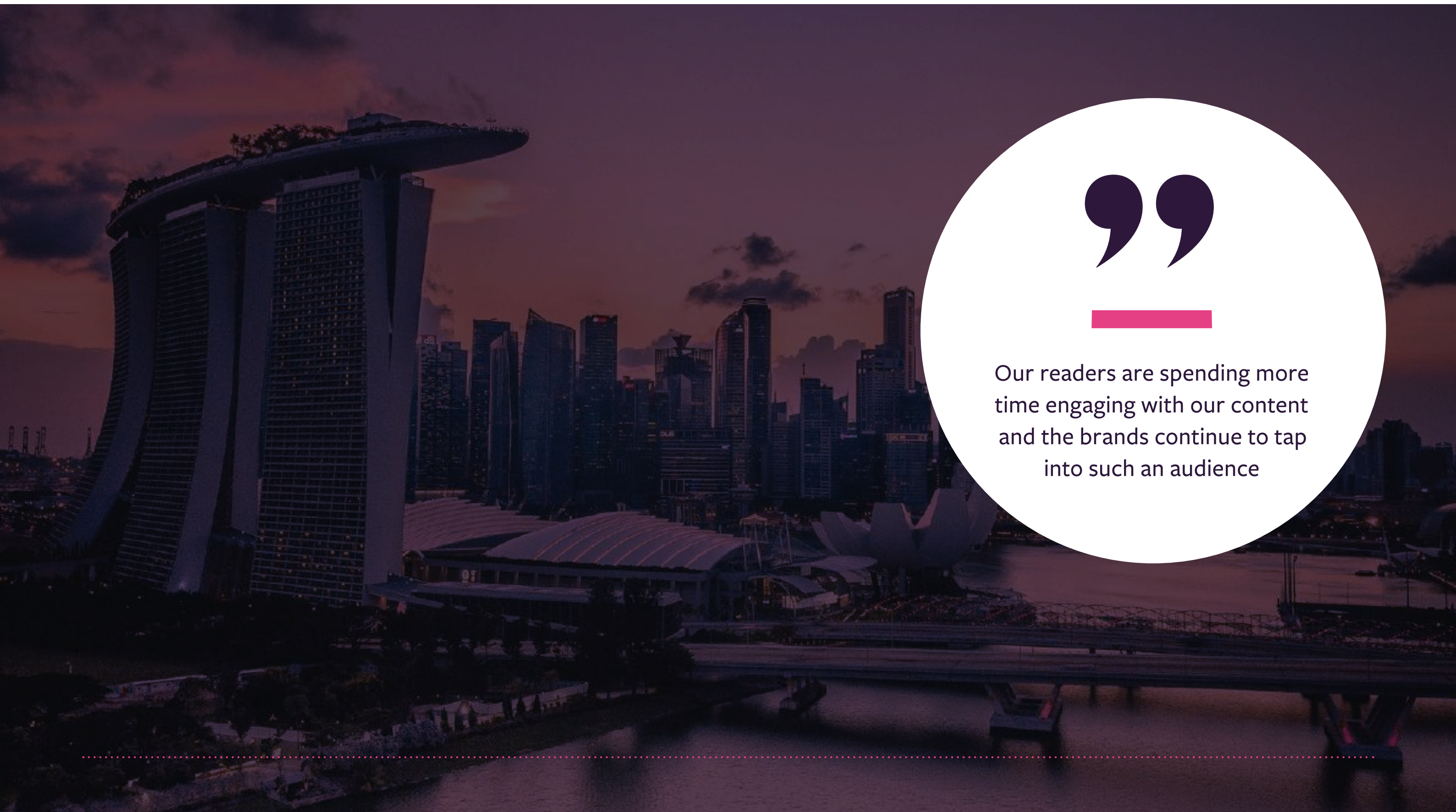
of players have increased their programmatic investment or programmatic revenue percentage over the previous 12 months

75%

13% of publishers are increasing the programmatic proportion of their revenue by 75% or over

Darshan Radia, Head, Advertising Technology, Media Solutions, Singapore Press Holdings (SPH), added, “We have seen a good recovery compared to pre-Covid levels both in terms of direct digital and programmatic monetisation.”

“The growth is also largely contributed by higher page views across our network resulting in over 40% increase in sellable inventory. In the new normal, as work from home continues to be the default (specifically in Singapore region); our readers are spending more time engaging with our content and the brands continue to tap into such an audience. We have also seen better eCPMs especially for the OMP demand compared to pre-Covid numbers. However, to continue this momentum for 2022, Publishers need to focus more on 1P audience monetisation and contextual targeting as the industry prepares for the third-party cookieless future.”



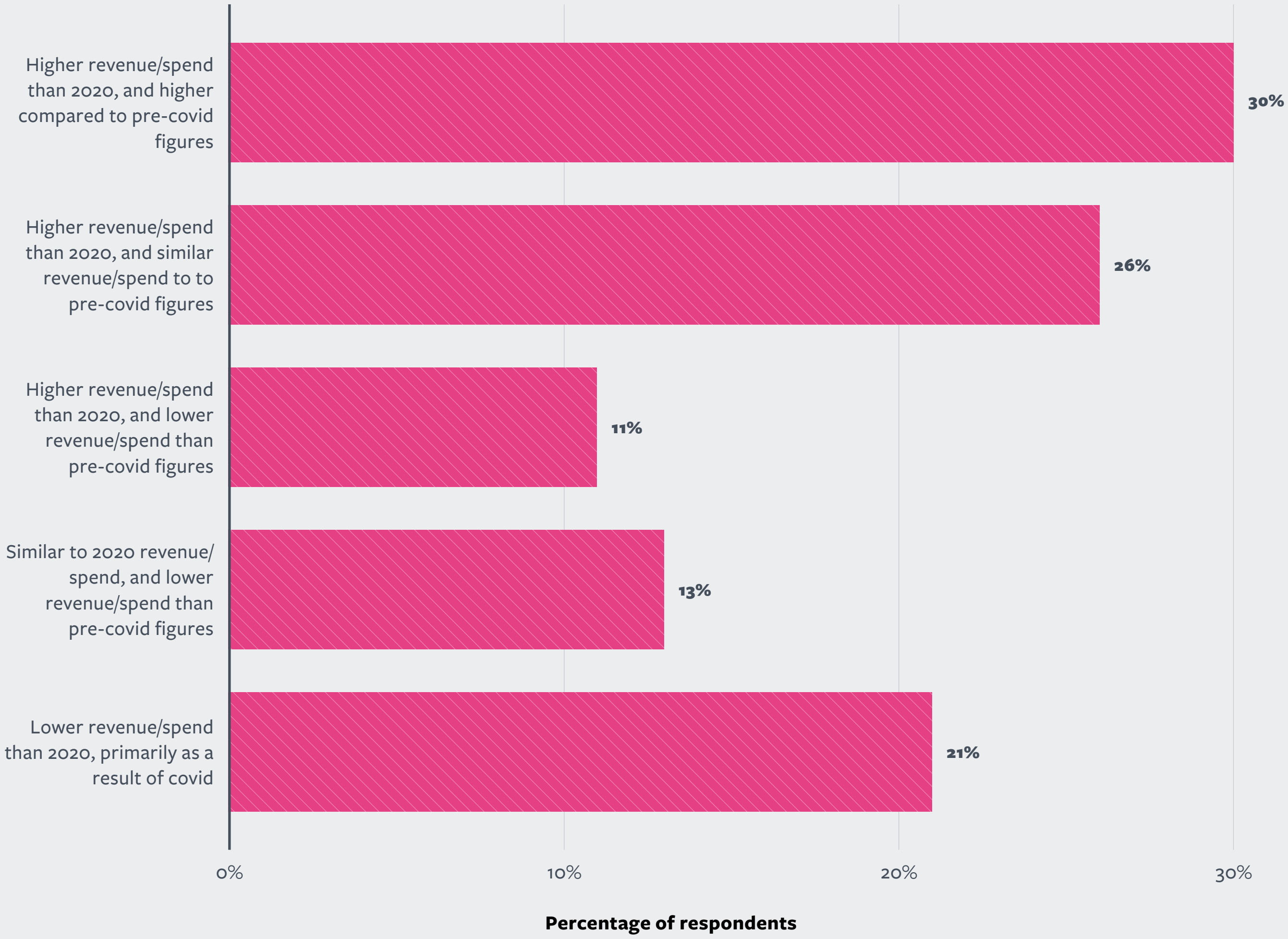
”

Our readers are spending more time engaging with our content and the brands continue to tap into such an audience

Response to Covid

Overall, the programmatic industry within JAPAC is displaying a remarkably strong recovery from Covid, with more than two-thirds of respondents generating more spend, or funneling more investment, via programmatic this year than in 2020, with 30% recording higher revenue, or spend, compared to pre-Covid figures. This pace of recovery was exceptionally strong among brands, with 36% recording higher programmatic spend than pre-Covid levels. By contrast, agencies have struggled, with 34% reporting lower spend than in 2020 as a result of the coronavirus pandemic.

Figure 2: Recovery of programmatic revenue and spend within the JAPAC region in 2021, in comparison to figures noted before the onset of the Coronavirus pandemic.



Deepika Nikhilender, Senior Vice President, Asia Pacific, Xaxis, comments, "A lot of global brands recovered, but many did not too. And several froze their ad spends to maintain a steady state."

"The brands which had a quick recovery are those which were able to put more digital transformation initiatives in motion and respond rapidly to the boom in e-commerce demand due to the pandemic. Agencies on the other hand were more modest in their predictions and had several investments to make in order to pivot themselves to meet the new challenges – be it in people, resources, data, or technology. At the same time agencies too had to equip themselves with knowledge, consulting prowess, and skills, to help activate the new digital strategies for their clients. To retain momentum in 2022, brands and agencies will need to continuously adapt their strategies to consumer behaviours, innovate, and leverage e-commerce, among other things."

> The brands which had a quick recovery are those which were able to put more digital transformation initiatives in motion

The rise in prevalence of OTT and CTV solutions was identified by John Harvey Faurholt, Head of Native & Display Advertising Partnerships, APAC, Microsoft, as a further explanatory factor as to why brands outpaced the rest of the market in their recovery, writing, "This has created alternative growth opportunities for many marketers beyond just standard formats and a rise in direct-to-brand relationships for the streaming platforms. Publishers who can offer, or bundle with, these canvases have seen revenue growth, but others have had to be more creative in how they approach their Covid period recovery. As Programmatic OTT/CTV capabilities continue to grow and evolve, I expect we'll see greater involvement from agencies as marketers seek greater simplicity and unification of their investments across OTT/CTV.

On a by-market basis, the programmatic response in India had been particularly strong at the time the survey was undertaken, with 43% of surveyed professionals stating their 2021 programmatic revenue/spend is higher than that of pre-Covid levels. However, at this stage it is unclear as to whether the latest surge in cases and hospitalisations will affect this finding. Notably, Indonesia is showing a marked dichotomy between strong and weak recoveries, with 37% displaying higher revenue/spend than pre-Covid, and 31% showing lower revenue as a result of coronavirus. This may be a reflection of the wider Indonesian economy, which is near-equally reliant on the industrial and service sectors which were in turn disproportionately affected by the outbreak of Covid-19.

43%

of surveyed professionals stating their 2021 programmatic revenue/spend is higher than that of pre-Covid levels

37%

displaying higher revenue/spend than pre-Covid

PROPORTION OF REVENUE AND SPEND ATTRIBUTABLE TO PROGRAMMATIC

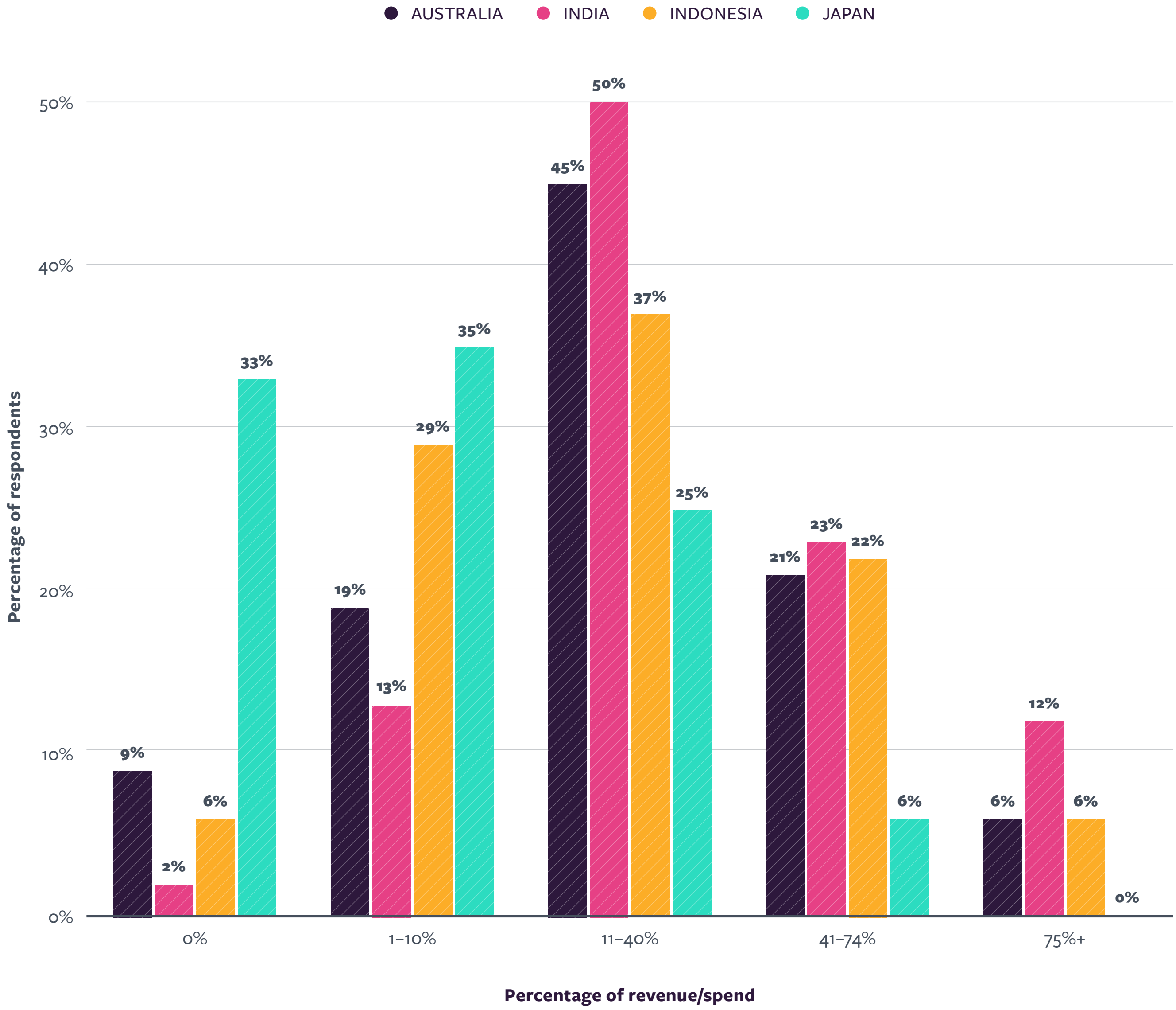
Following the strong performance of programmatic in recent months, participants across the JAPAC advertising ecosystem are directing more of their total media investment, or generating more of their total revenue, through the medium compared to other marketing streams than they were previously. Firms within the JAPAC region are investing heavily within the channel, with 58% of surveyed firms generating at least 40% of their revenue, or spending 40% of their available media investment, within programmatic.

Generally, publishers are generating a higher percentage of their revenue via programmatic than brands and agencies are funneling spend into the channel, with 31% of publishers generating over 40% of their revenue via programmatic, compared to 21% of buyers allocating over 40% of their spend to the channel. More specifically on the buy-side, marketers are allocating more media spend to programmatic than agencies are, with 22% of agencies not spending in the channel at all.

Efficiencies, targeting capabilities, and scale, were all cited by Radia as factors bolstering programmatic's appeal to publishers, writing, "We have seen a good growth year-over-year for our programmatic revenue, and buyers prefer this model for effective audience impressions and scale inline with their campaign goals. Programmatic is all about buyers bidding for the right audience impression at the right time, in real-time, and getting best return of their media spend. From a publisher's point-of-view, programmatic helps increase ad efficiencies and allows more effective targeting capabilities, widened reach and cost-effective value proposition to buyers. It's also about flexibility of a deal, be it programmatic direct/guaranteed, private marketplace (PMP), or open marketplace (OMP), and is a win-win for both buyers and publishers. Publishers in the region will continue to see incremental revenue via programmatic channels in time to come."

Figure 3: Percentage of revenue generated by publishers attributable to programmatic against buyer spend attributable to programmatic in 2021 within the JAPAC region.

Figure 4: Percentage of revenue/spend attributable to programmatic within the JAPAC region in 2021 — by market.



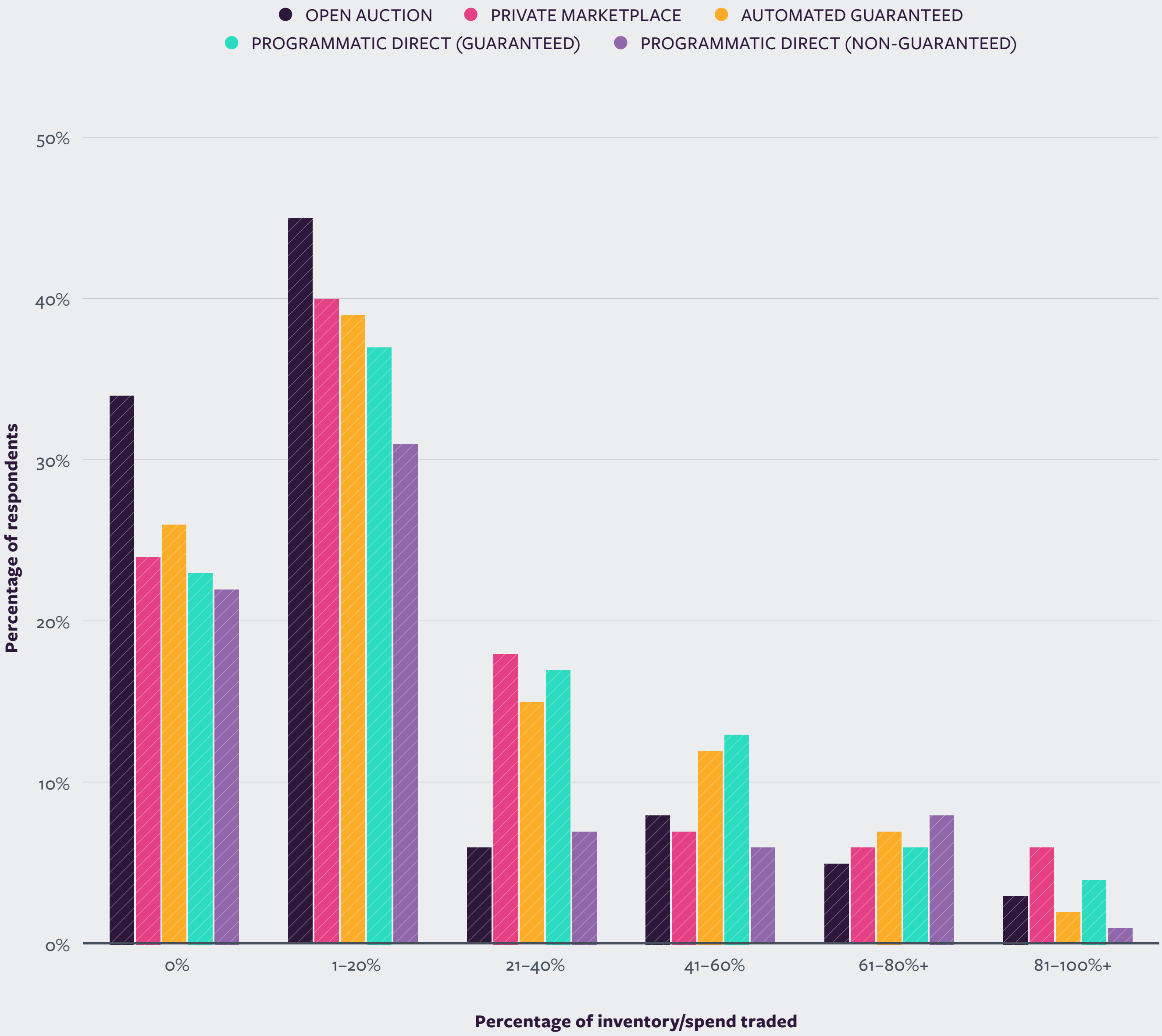
By market, participants in India are more heavily invested in programmatic than their Japanese counterparts

By market, participants in India are more heavily invested in programmatic than their Japanese counterparts, with only two percent not using the channel, compared to 33% in Japan. Moreover, 12% of respondents within India are generating over 75% of their spend in programmatic, double that of both Australia and Indonesia.

METHODS USED FOR PROGRAMMATIC TRADING

Where providers are investing over 80% of their total programmatic spend in, or generating over 80% of their revenue from, a single method, private marketplace (PMP) deals are the preferred option for all roles and markets, excluding Indonesia, where non-guaranteed programmatic direct deals are favoured. Furthermore, more participants are directing this high level of programmatic spend and investment through PMPs than last year, highlighting their increased importance in the market. With both buyers and sellers seeking more direct control over their programmatic activity (see *Part II* and *Part III*) than in previous years, and with the deprecation of third-party data usage, such PMP deals are set to become all the more important across the programmatic industry from this year onwards.

Figure 5: Percentage of programmatic inventory, or programmatic spend, traded by method within the JAPAC region — 2021.



Compared with last year, each method has seen a significant proportion of respondents abandon them, while simultaneously each has seen a rise in respondents funneling 1–20% of spend/inventory through them, suggesting that players are still experimenting with their approach.

Figure 6: **Percentage change in preferred method of programmatic trading within the JAPAC region from 2020 to 2021.**

Part 2:

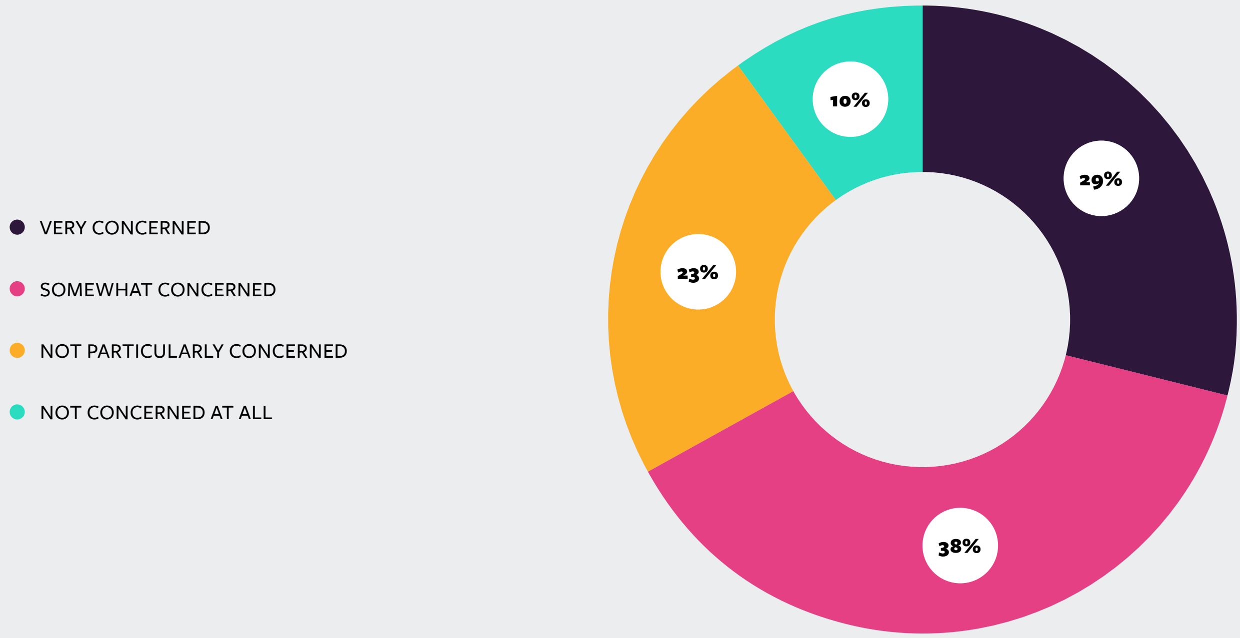
Preparing for 2022

IDFA and third-party cookie deprecation

The majority of respondents (67%) are concerned about the effect of IDFA and cookie deprecation, with 29% very concerned about these changes. While this concern is understandable, given both their scale and the fact they are being implemented following a period of vastly heightened global instability, the survey also found that one third of respondents were either not particularly concerned, or not concerned at all, demonstrating that the solutions being developed today are gaining traction in the JAPAC region and are restoring confidence in the market.

It is important to note that, subsequent to the survey element of this research being completed, Google has announced that it will be delaying the deprecation of the third-party cookie to late 2023. While this lessens the immediacy of the changes, it does not impact their scale, hence we do not anticipate the findings to be dramatically altered as a result of the announcement.

Figure 7: Concerns within the JAPAC region over the deprecation of IDFA and the third-party cookie

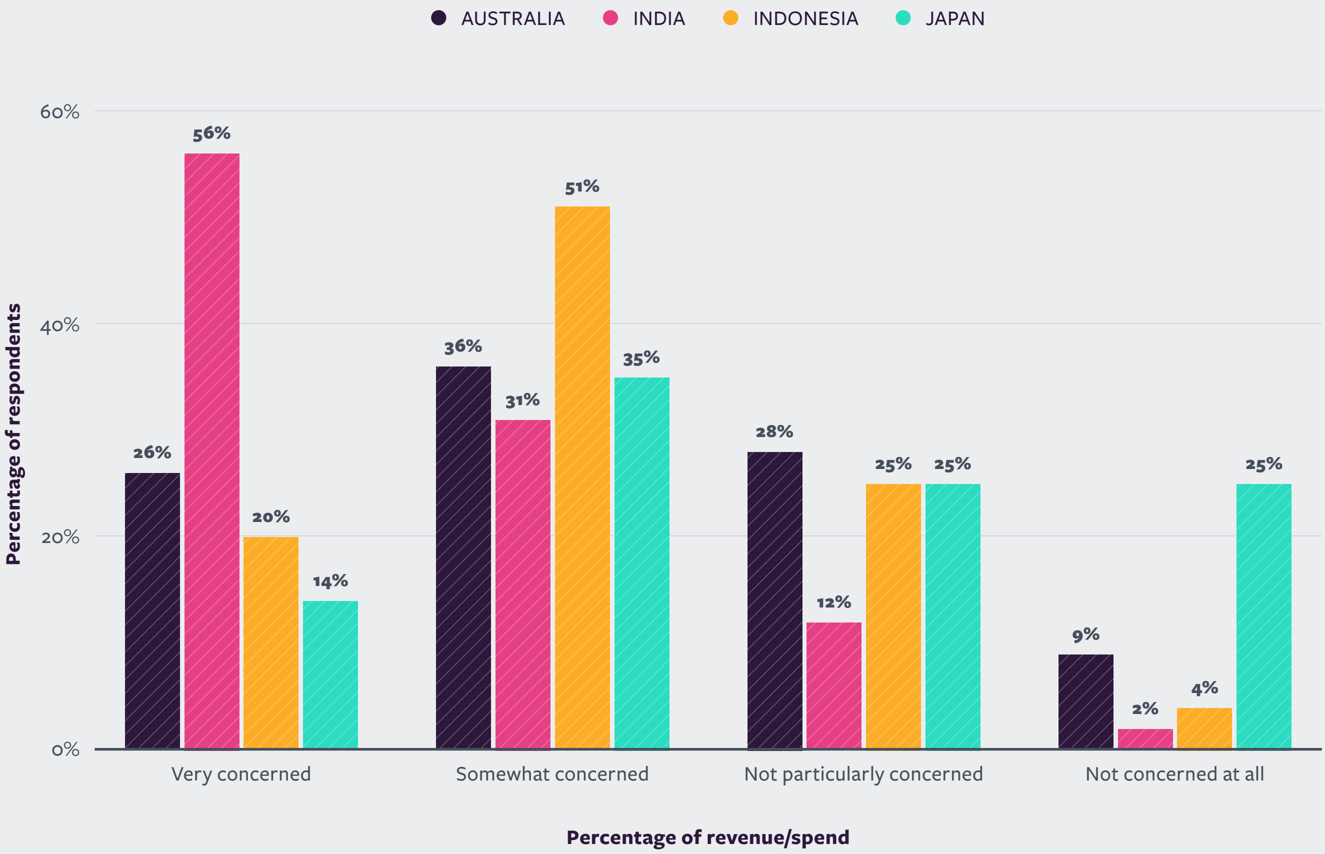


Publishers are more greatly concerned over the changes than buyers, with 37% very concerned and 39% somewhat concerned about the effect of identifier deprecations on their revenue. While this elevated level of concern compared to buyers is again understandable given its impact on their bottom line, the finding may also indicate that buyers and technology partners need to do more to reassure publishers that the upcoming changes to third-party identifiers will not prove overly detrimental to their income.

This level of concern is fuelling an intensive push towards first-party data strategies. Radia writes, "IDFA and cookie deprecation poses both challenges and opportunities for the publishers. While publishers are concerned as programmatic revenue will be impacted (mainly OMP and mobile), they are shifting their focus more towards first-party audience monetisation strategies and contextual targeting as the first-party data becomes more important than ever. Publishers are also shifting gears on federated login (SSO, Unified ID, etc.) initiatives to gather more insights and are adopting first-party DMP and identity solutions working closely with the buy-side ecosystem."

By market, India is most concerned over changes to IDFA and third-party cookies, with 86% disclosing some level of concern. This contrasts directly with Japan, where only 49% are concerned, while one quarter (25%) are not perturbed at all about the upcoming changes.

Figure 8: Concerns within the JAPAC region over the deprecation of IDFA and the third-party cookie — by market



While there is some level of concern over the deprecation of IDFA and third-party cookies, a wide range of solutions are being employed by JAPAC market participants to help alleviate these worries.

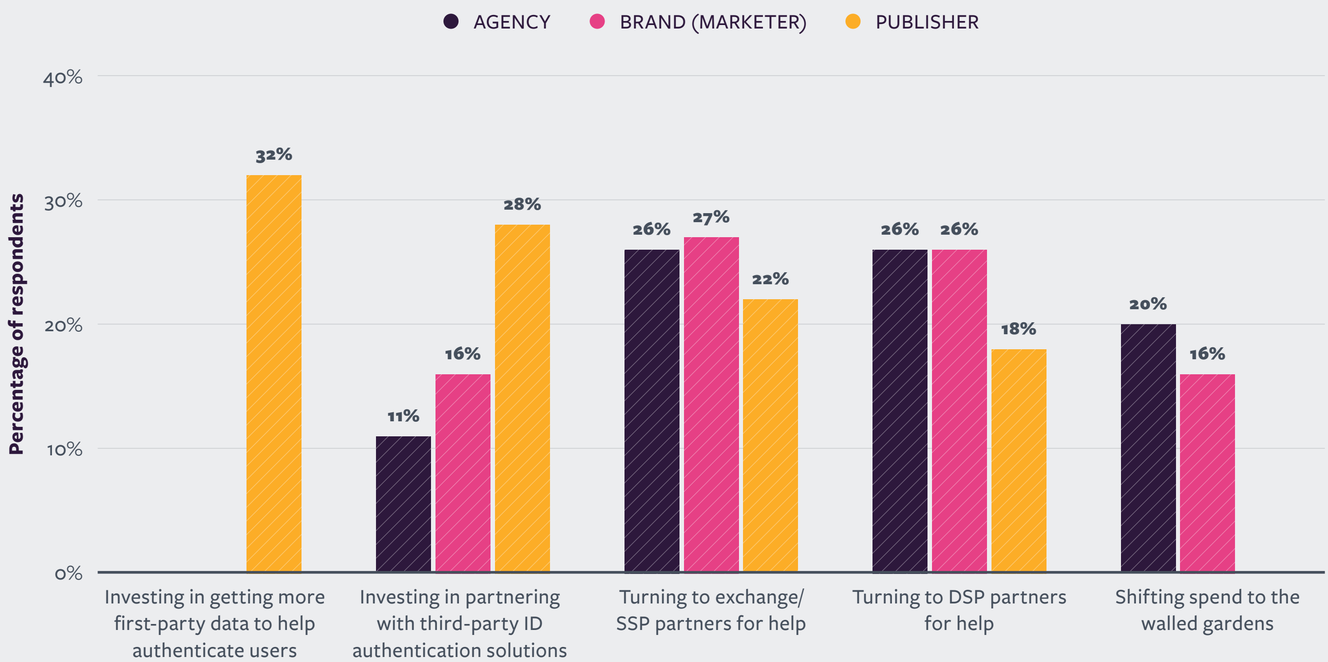
Firstly, programmatic technology partners are set to play an increasingly important role, with over one quarter of agencies and marketers turning to exchange, SSP, and DSP, partners for assistance in navigating the ID changes. Meanwhile, 32% of publishers are investing in obtaining more first-party data in order to help authenticate their users. Porter comments, "The best first step is to own the relationship, in partnership with your agency. The large agency groups work with all or most reputable tech partners, so this gives advertisers the opportunity to create a bespoke combination of partners which best suit their needs and ways of working. Partnerships will be crucial."

Transparency in tech solutions was also highlighted as key for future growth in the sector by Faurholt, writing, "By working to understand what solutions are being utilised and adopted throughout the programmatic value-chain as well as enabling the testing of the various ID-based solutions in market conditions. Creating clear (and nimble) testing methodologies and being transparent with results can help the collective industry move forward to find mutually beneficial solutions while maintaining the integrity and privacy of our users and audience. The broader industry will not benefit from the creation of additional walled gardens in this regard."

Encouragingly, agencies and brands within the JAPAC region are not abandoning independent ad tech en masse in favour of funneling spend towards the walled gardens. Instead these are relying on the expertise of their technology partners for support in navigating the new privacy-focused environment. Nikhilender comments, "Brands and agencies will want to have an open ecosystem and not be pushed into a corner with no choice but the walled gardens. An independent and federated identity as an option outside of the walled gardens reflects a healthy and competitive industry. It is for this reason, the industry will be receptive and collaborative with independent adtech players."

Moreover, Mackenzie proposes that contextual solutions, alongside CTV, will be embraced as fully-fledged alternative to targeted display advertising within the coming years, stating, "It hasn't been their time until now. JAPAC is a very cost driven region. As a result, programmatic has primarily been utilised as a performance channel and until now succeeded off the back of high reach and low cost with existing solutions. That is about to change. The deprecation of cookies is forcing context back into the limelight and the impact of the growth of CTV since Covid has really hit home. As a result we can expect both to feature more heavily going forward."

Figure 9: Solutions employed in JAPAC to deprecation of IDFA and third-party cookies within Chrome — 2021

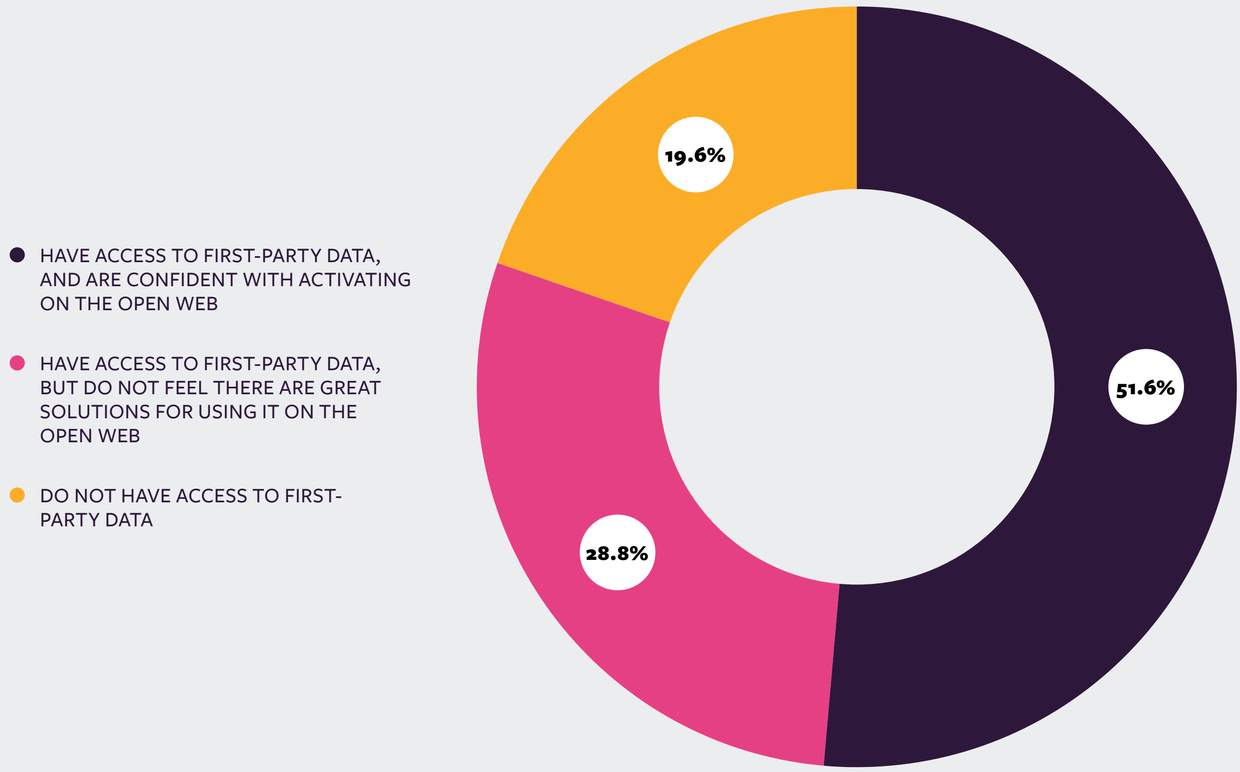


First-party data

With the deprecation of third-party identifiers taking place across desktop and mobile environments, access to first-party data has become of paramount importance to buyers across the market. To that end, it is heartening that 80% of surveyed brand and agency professionals in JAPAC have access to such first-party data. However, a worryingly high percentage (29%) do not believe there are great solutions available to activate this data on the open web.

Porter comments, "If 29% of brands were uncompetitive, that would be good news for the competitive ones! But only if it was true. The reality is more likely to be that, while some individual marketers are still building their data-driven marketing muscles, their host organisations are already moving quickly to acquire and use first-party data. The results would most likely be very different in six months' time."

Figure 10: Agency and brand access to first-party data in the JAPAC region — 2021



Addressing how marketers can alleviate concerns over first-party data use, Nikhilender writes, "More and more marketers are acknowledging that first-party data is a vital component to create a competitive edge for data-driven marketing in today's world. To unlock the full value and potential of first-party data, marketers should:

1. Design a data strategy to achieve their business outcomes and marketing objectives
2. Collect, store, clean, and combine, first-party data from multiple sources in a privacy-compliant manner
3. Activate and utilise first-party data across all stages of the purchasing funnel

"Specifically, for the process of activating FPD for campaign management, there are many complexities and challenges marketers need to prepare for. These range from privacy, governance, methods, technology and talent.

"On one end of the spectrum, activation may be as easy as uploading a .csv file onto the media activation platform directly. On the other end, it could entail the use of a variety of technology systems with advanced data management capabilities before the FPD is digitally activated.

"Most concerns of the marketers revolve around the methodology of adhering to privacy principles, laws, and data policies; the skillsets; and finally the processes to be followed. Be it the need to adopt an on-boarder tech, a cleanroom (media or independent), a customer data platform (CDP), or any AI tech — marketers can be better prepared with knowledge, process, and people."

Mackenzie adds, "I think the most important thing to do is to take positive action. Try things out and put it to the test. Only then can you know if you can activate it effectively or not. Having access to first-party data is a win. Doing nothing with it is a massive missed opportunity.

> Having access to first-party data is a win. Doing nothing with it is a massive missed opportunity.

"At the very least, you should be using your first party data to better understand and connect with your customers. It's surprisingly easy to turn first party audiences into custom audiences, retargeting segments, lookalike segments and those solutions have been in play for a very long time. You can get more sophisticated over time but the worst thing to do is nothing."

The important role that ad tech providers have in helping buyers in the JAPAC market is again emphasised here. Specifically, where brands and agencies have access to first-party data and are confident in activating it, nearly half (46%) are investing in partnering with third-party ID solutions. Whereas where they are not confident, getting help from DSP partners is the preferred option, at 30% of responses.

46%

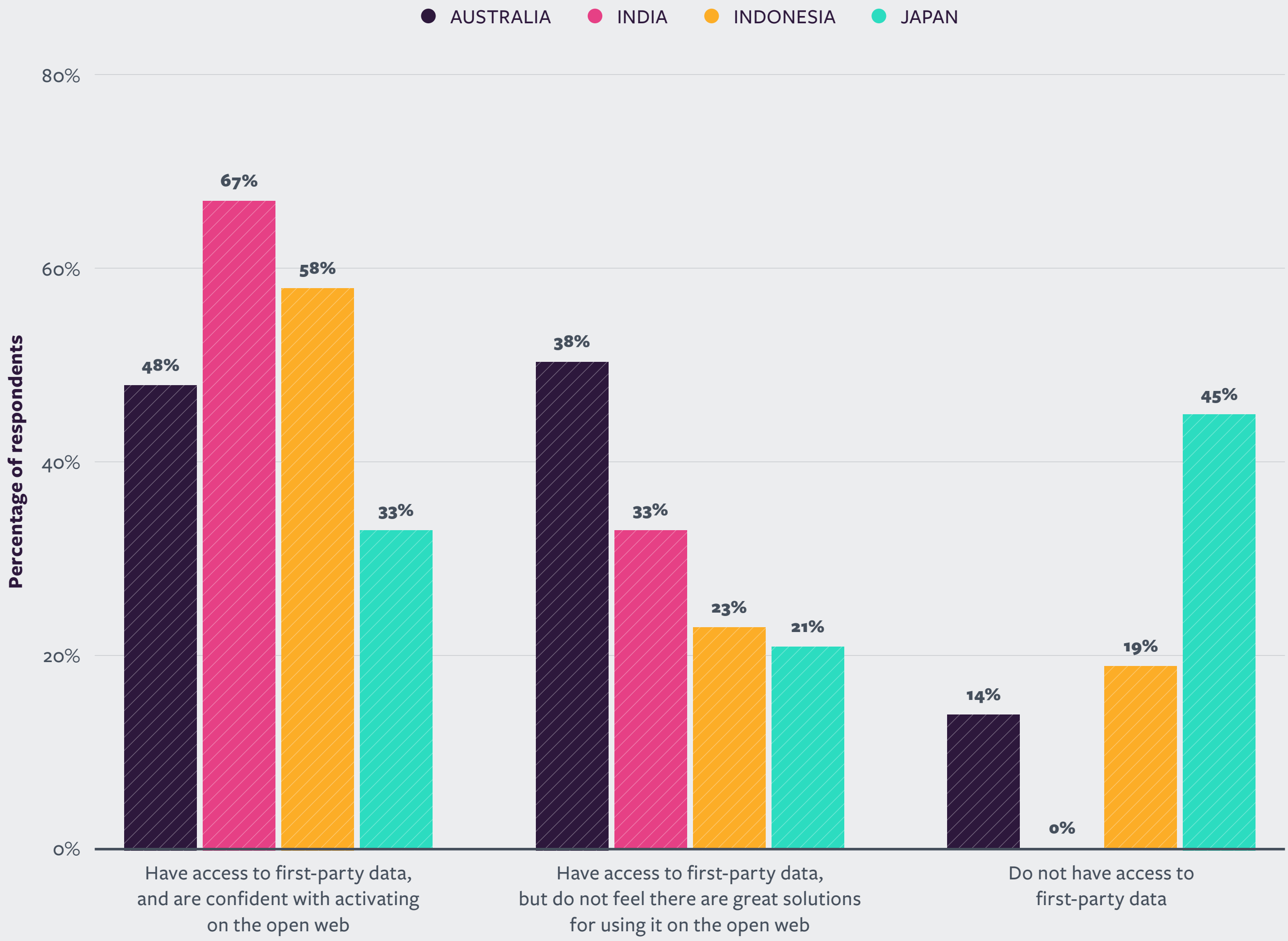
where brands and agencies have access to first-party data and are confident in activating it, nearly half (46%) are investing in partnering with third-party ID solutions

Generally, marketers are more confident with activating their first-party data on the open web than agencies (30% of agencies do not feel there are appropriate solutions available, compared with 28% of marketers). Given that much of the focus in previous years has been on the role of agencies in educating marketers as to the value of obtaining and activating first-party data within programmatic, it is surprising to see marketers as being more confident than their agency-based counterparts. This could also be symptomatic of brands in-housing their data capabilities and undergoing digital transformation in the wake of the Covid-19 outbreak as previously discussed.

> ”
>
> Generally, marketers are more confident with activating their first-party data on the open web than agencies

As with previous findings, there is a stark contrast between the Indian and Japanese markets. Here, all surveyed respondents in India have access to first-party data, and are more confident in activating such data on the open web. Contrastingly, nearly half (45%) of respondents in the Japanese markets do not have access to first-party data.

Figure 11: Agency and brand access to first-party data in the JAPAC region (2021) — by market.



Part 3:
Navigating the ecosystem today

The use of header bidding within JAPAC

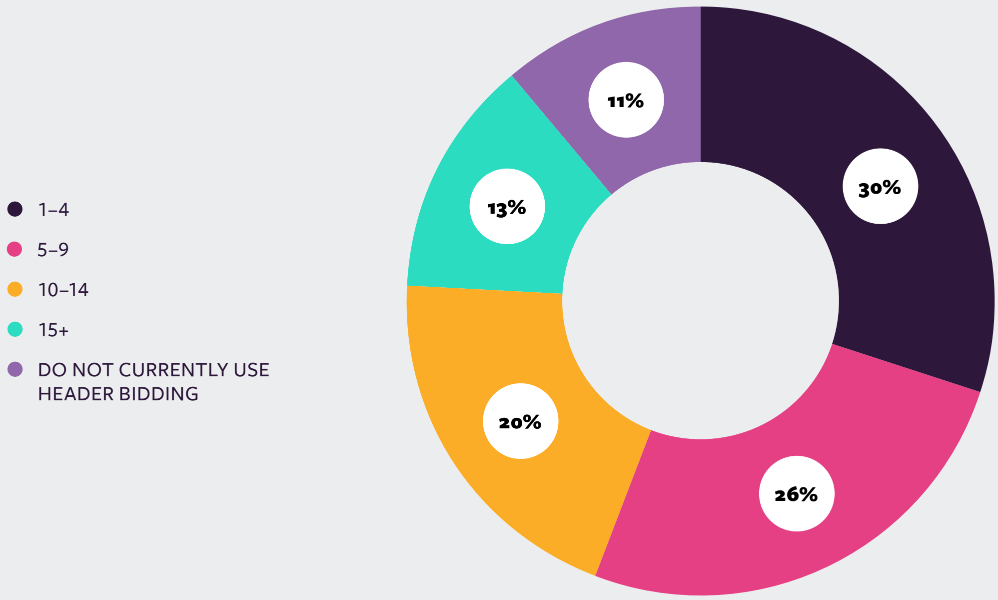
Publishers are using comparatively fewer heading bidding partners than last year, with 30% of respondents now using just 1–4 partners, an increase of 18% from 2020. This reduction in partners was particularly prevalent in the Indian market, where 32% of respondents are now using 1–4 partners, compared to just 7% last year, and 13% are using 15 or more partners, which has more than halved from the 29% recorded in 2020.

This may be representative of a maturation of JAPAC markets and a greater awareness of the negative implications of using too many header bidding partners. This is supported by Radia, writing, "Adding more demand partners via header bidding client integration doesn't necessarily increase overall fill rate and yield for publishers. In fact, it impacts the overall latency and performance of their digital properties. The best practice is to have no more than five integrations on the client side and add more partners (if any) on the server side. Publishers are adopting such a hybrid approach (client and server side integration) to improve overall yield without impacting the performance."

Moreover, it is indicative of a wider market trend of participants across both the buy and sell sides seeking fewer, but higher quality, partners (see *resolving fraud and quality-related issues* below).

Header bidding is used widely throughout JAPAC, with only 11% of publishers not using the technology. Notably, this figure entirely comprises publishers based in Japan, with 100% of publishers using header bidding in all other surveyed markets.

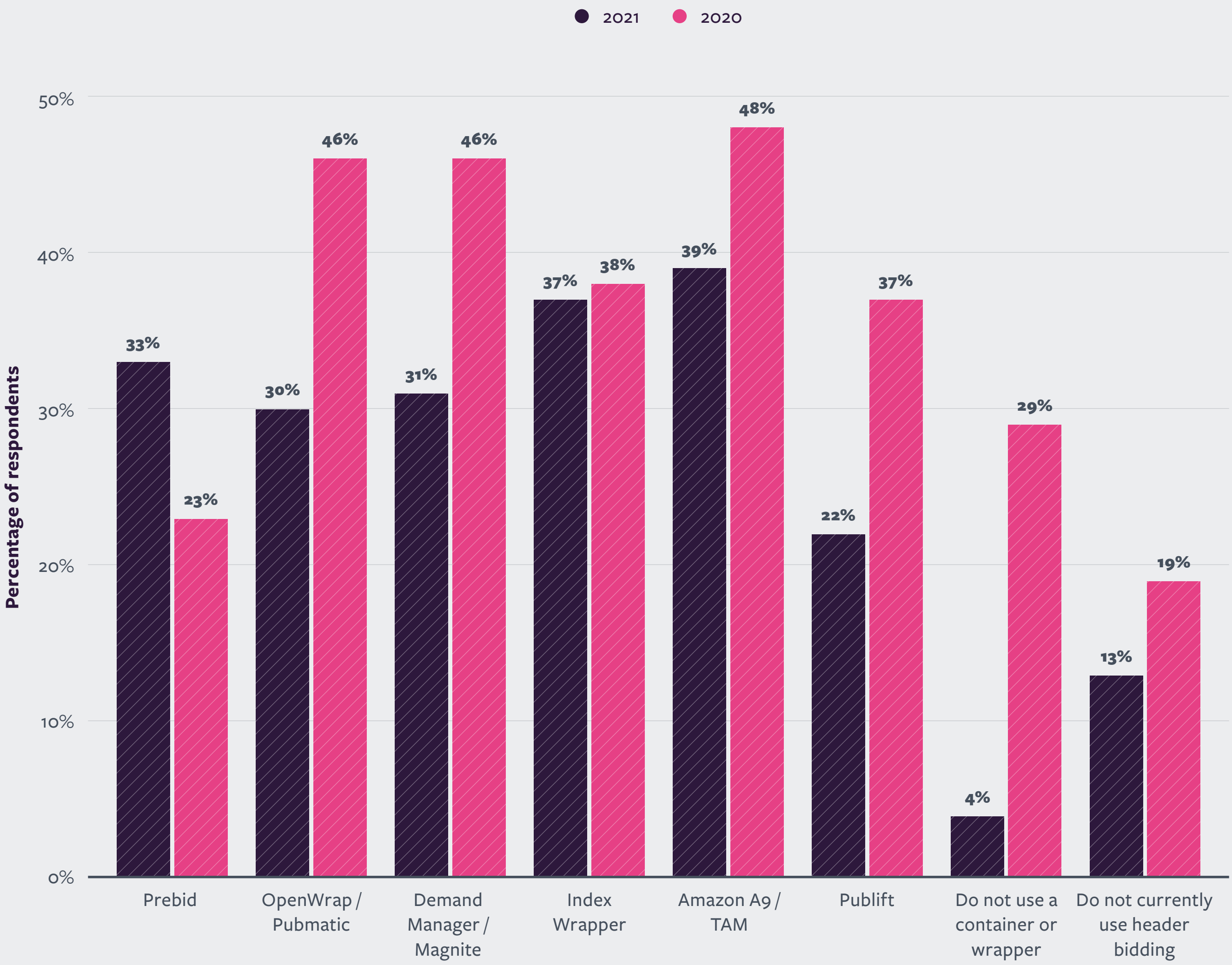
Figure 12: Number of header bidding partners used by publishers within JAPAC, 2021.



In terms of header bidding solutions utilised, one third (33%) of publishers are now using Prebid solutions to optimise their ad revenue, up from 23% recorded in 2020. Meanwhile, mirroring results for header bidding partners (see above), all other surveyed wrapper and container solutions saw a reduction in usage overall compared to the results in 2020, with a particularly sharp drop in the proportion of respondents not using a container or wrapper. This is indicative of publishers seeking greater transparency in terms of buyer activity on their websites, with open-source Prebid solutions gaining greater favour over third-party wrappers.

Moreover, benefits in terms of latency, such as those purportedly offered by Prebid-based solutions, have become more critical in recent months following the recent introduction of Core Web Vitals to Google's search rankings consideration. "Prebid being open-source, it offers complete flexibility and customisation that fits perfectly well with the needs of publishers (large or small)," writes Radia, "With a strong community across publishers and buyers and wide integration with the ad tech players globally, Prebid, with market-leading performance, becomes a natural choice for publishers. It also supports all ad formats and integrates with most analytics partners as well."

Figure 13: Change in usage of header bidding solutions across the JAPAC region, 2021.

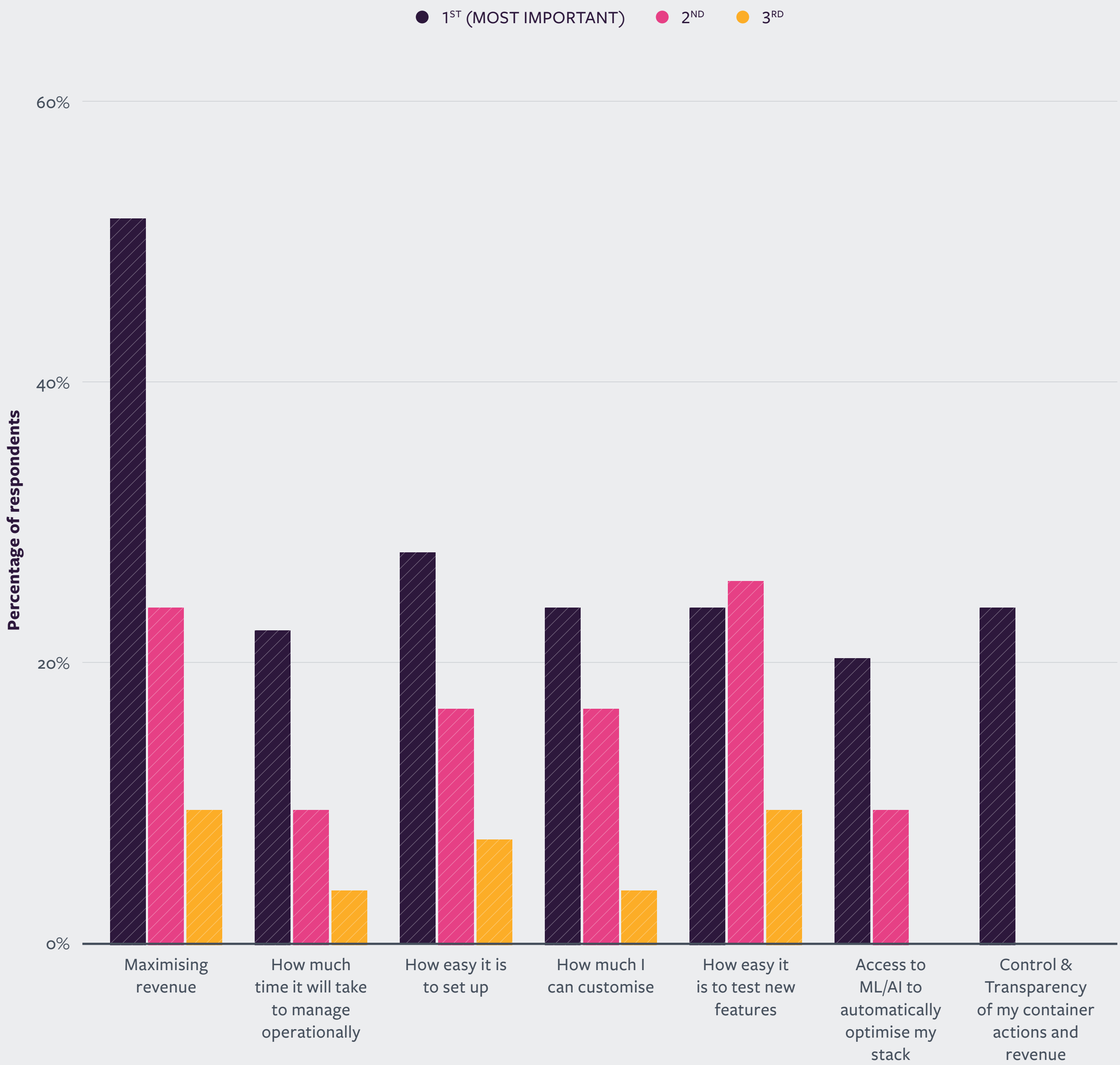


52%

of respondents selected maximising revenue as the most important factor for JAPAC-based publishers in selecting their header bidding wrapper/container solution

Unsurprisingly, maximising revenue is the most important factor for JAPAC-based publishers in selecting their header bidding wrapper/container solution by a significant margin, with 52% of respondents selecting it as their most important factor. This was followed by how easy it is to set up (28%), again suggesting that publishers are more open to experimenting with alternative solutions and controlling their header bidding themselves if their current partner is not meeting their expectations. In turn this is then followed by ease of testing, level of customisation, and transparency (all 24%).

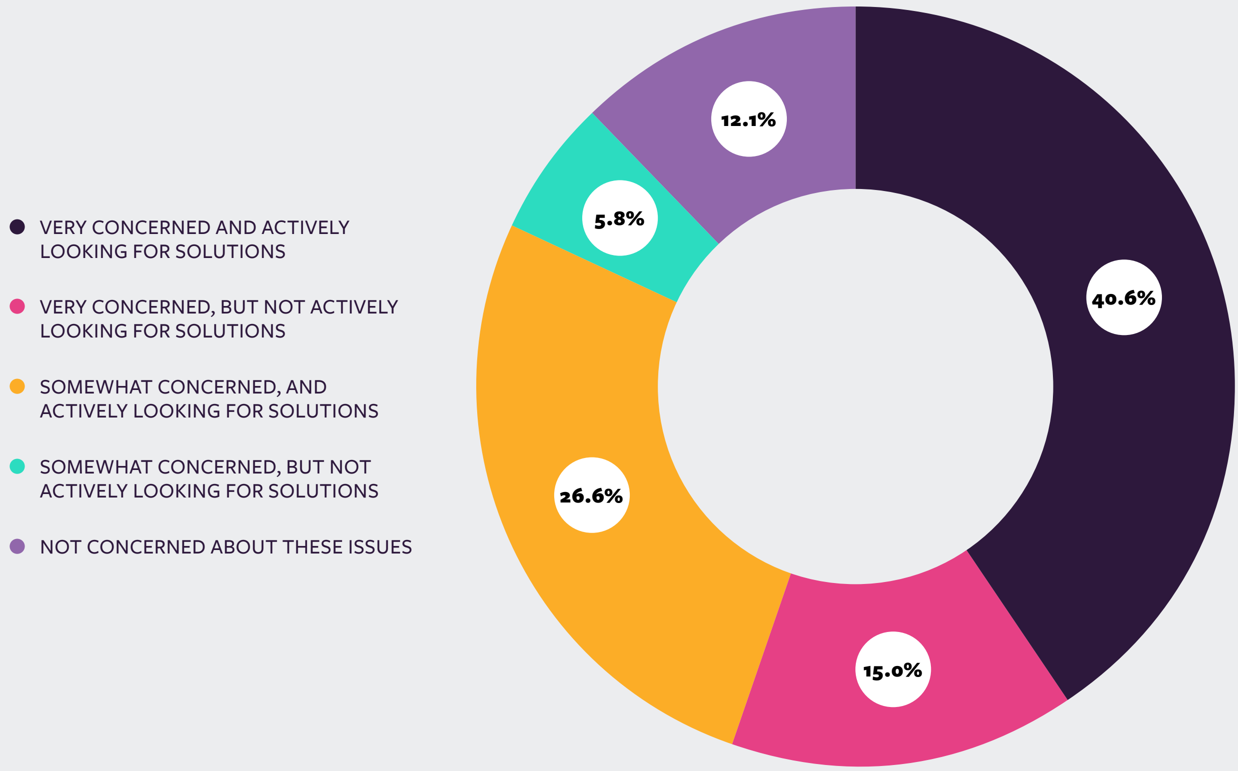
Figure 14: Importance ranking of header bidding factors in JAPAC, 2021.



Resolving fraud and quality-related issues

The overwhelming majority (88%) of JAPAC brands, agencies, and publishers, are concerned to some degree with fraud and quality-related issues, of which 56% are highly concerned. A notably strong percentage (15%) of respondents are very concerned, but are not actively looking for solutions, suggesting an element of scepticism around existing anti-fraud and brand safety providers, or a lack of education into the benefits these providers offer. These percentages are particularly high among the buy side (17% for both agencies and brands), compared to the sell side (9%).

Figure 15: Concerns over fraud and quality related issues in JAPAC — 2021.

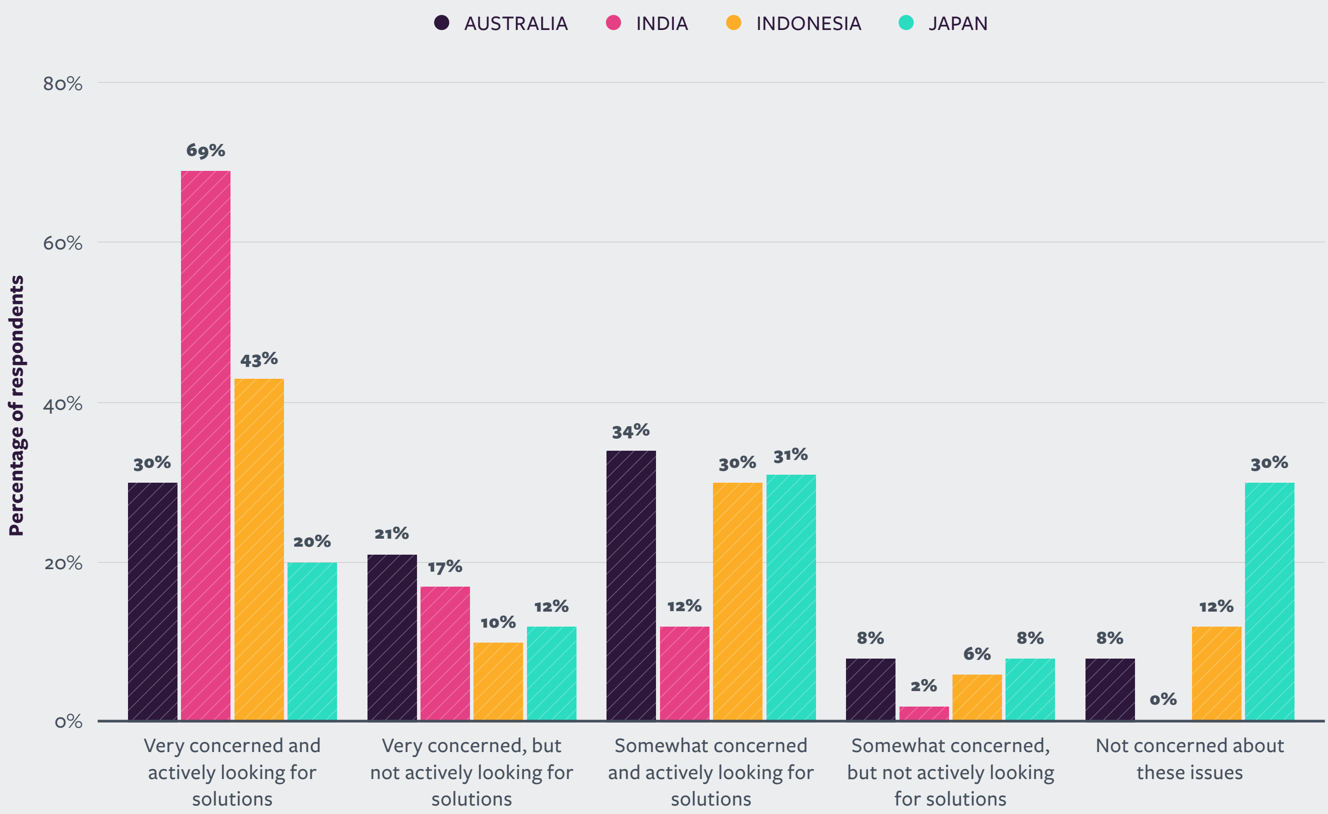


Concern over fraud and quality-related issues is particularly eminent among publishers, with 93% concerned to some degree, with 61% very concerned. “From a publisher’s perspective, working directly with advertisers/buyers, implementing PG and PMP deals are a few ways to prevent ad fraud and ensure brand safety,” according to Radia, “Publishers can implement header bidding for programmatic that helps in transparency and cleaning ad fraud to some extent. Publishers should also follow industry best practices such as IAB Tech Lab’s ads.txt and app-ads.txt that allows simple, flexible, and secure methods to disclose and authorise domains to sell digital inventory. Third-party measurement and verification tools also help keep a check on ad fraud and can be adopted based on specific needs of buyers.”

Agencies are juxtaposed in this, with 22% not concerned at all. While this is an unsurprising finding in the context of incoming revenue being more critical than spending effectiveness, JAPAC players on the buy side should endeavour to combat fraud and quality issues within the programmatic ecosystem where possible, particularly when continued uncertainty within the global economy may compromise future spend. Moreover, the prevalence of fraud may hinder future opportunities within programmatic for buyers, particularly within emergent channels. Connected TV, for instance, has long been discussed as a potential avenue for substantial growth, however this has yet to be realised, partially due to rapidly-proliferating rates of fraud in the sector.

Fraud and quality-related issues are a key concern in the Indian market, with 100% of respondents showing some concern, while over two-thirds (69%) are highly concerned and are actively looking for solutions. By contrast, only 20% of surveyed professionals in Japan are very concerned and actively looking for solutions, while 29% are not concerned at all by fraud- and quality-related issues. This is likely in reflection of the relative maturity of the markets, with a rapidly proliferating industry in India naturally more exposed to potential fraud, while Japanese participants have had comparatively more time to address these issues.

Figure 16: Concerns over fraud and quality related issues in JAPAC (2021) — by market



SPO review

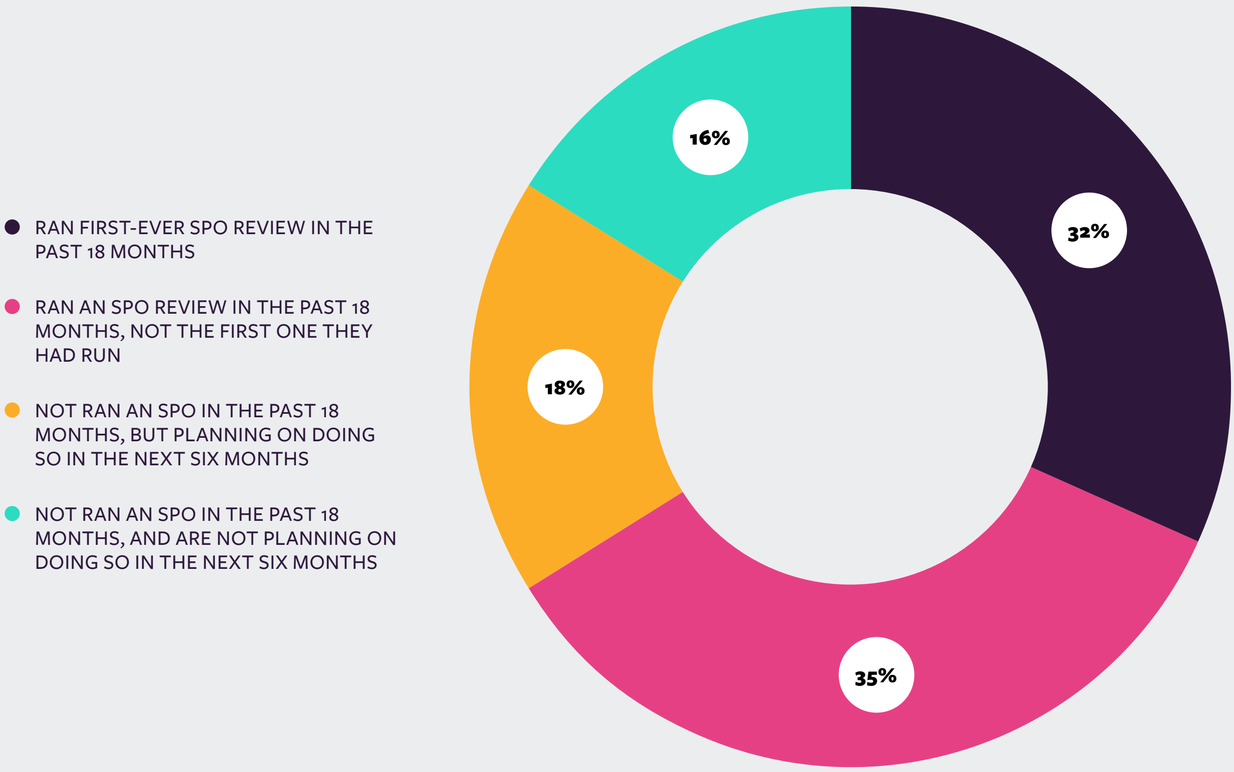
In concurrence with these concerns over fraud and quality, the majority (84%) of brands and agencies have either run an SPO review in the past 18 months or are planning on doing so in the next six months. Of these, two-thirds (67%) have run an SPO review in the previous 18 months, with 32% indicating that it was the first one they have ever done.

84%

of brands and agencies have either run an SPO review in the past 18 months or are planning on doing so in the next six months

This implies that buyers are not only acting on concerns over transparency, but are now more confident in conducting reviews and amending their programmatic pipelines as necessary. In turn this may have been catalysed by the rapid digital transformation businesses were forced to undertake as a direct result of the coronavirus pandemic, as well as the upcoming sidelining of third-party identifiers, supported by the high proportion of marketers running their first ever SPO review in the last 18 months, at 40%.

Figure 17: SPO review status of brands and marketers within JAPAC, 2021.



Commenting on the rise of SPO reviews among brands, Porter comments, "Supply Path Optimisation should be an Always On activity – the market evolves too quickly for any of us to stand still. It would be easy to allow the tech stack to burn almost 100% of the media budget. Despite being a very young industry, programmatic has become plagued by an over-complex and hard-to-audit value chain, in which an insufficient proportion of brand budgets make it from one end to the other."

"So brands need to make careful, frequent choices about their partners so that we work with fewer, better players, and remove unnecessary steps from the process. We are always looking to de-duplicate effort and to work with partners who can adapt to the changing market. But that doesn't need to lead to short-term relationships. Several of our current partners have been with us for many years. They have shape-shifted to fit the new landscape and have been very responsive during our reviews. Now we have a new generation of optimisation tools that are starting to bite into the unaccounted-for spending that has plagued the industry. So there are more reasons than ever for brands to lead the process."

From the agency perspective, Nikhilender writes, "The reason many agencies started their SPO review in past year and half, is due to the below situations that caused urgency:

1

Increase in header bidder adoption among publishers globally
Approximately 67% publishers globally have adopted header bidding technology, which has increased the duplication of the impressions being auctioned through their SSP partners by 5× to 30×. In order to reduce the duplication and cost on DSP accounts, agencies took the responsibility to limit SSPs based on the shortest path to supply.

2

Unauthorised Reselling
While this is nothing new, we still see many technologies and partners involved in the process to make this complex transaction to happen. As the publishers struggle to manage their yield, pressure pushes them to work with multiple partners. Making their inventory vulnerable to being hijacked by resellers that basically brings demand outside of the SSP, but at the cost of more ad tech taxes. This is one of the main reasons agencies need to vet through the supply side to monitor transactions being channelled to working media cost in return to its client. In some cases SSPs are also channeling the calls to other SSPs to increase fill rate from other sources of demand that they have strength in.

3

Investment Strategy
As more spend moves from traditional to digital channels, especially programmatic media, it is important to keep an eye on how the media spend is being channelled to publisher partners. In order to understand the supply chain, agencies have to evaluate each SSP based on their tech tax, auction dynamics, fraud prevention, brand safety layer, publisher transparency, and DSP connectivity.

4

Cookieless Environment and IDFA
Apple and Google's plans to provide more privacy to users in general, is also leading agencies to find alternative ways to prepare for the future. SSPs are playing an important role here in integrating the right service providers and making appropriate recommendations to their publishers, which then start to implement suitable solutions in order to obtain consent from users, having clean useable data segments to continue to reach existing and new audiences accurately – all with privacy at the core. Agencies will also then be able to work hand in hand with publishers to get seamless implementation of either the UID, fingerprint ID, or cohort data, as applicable."

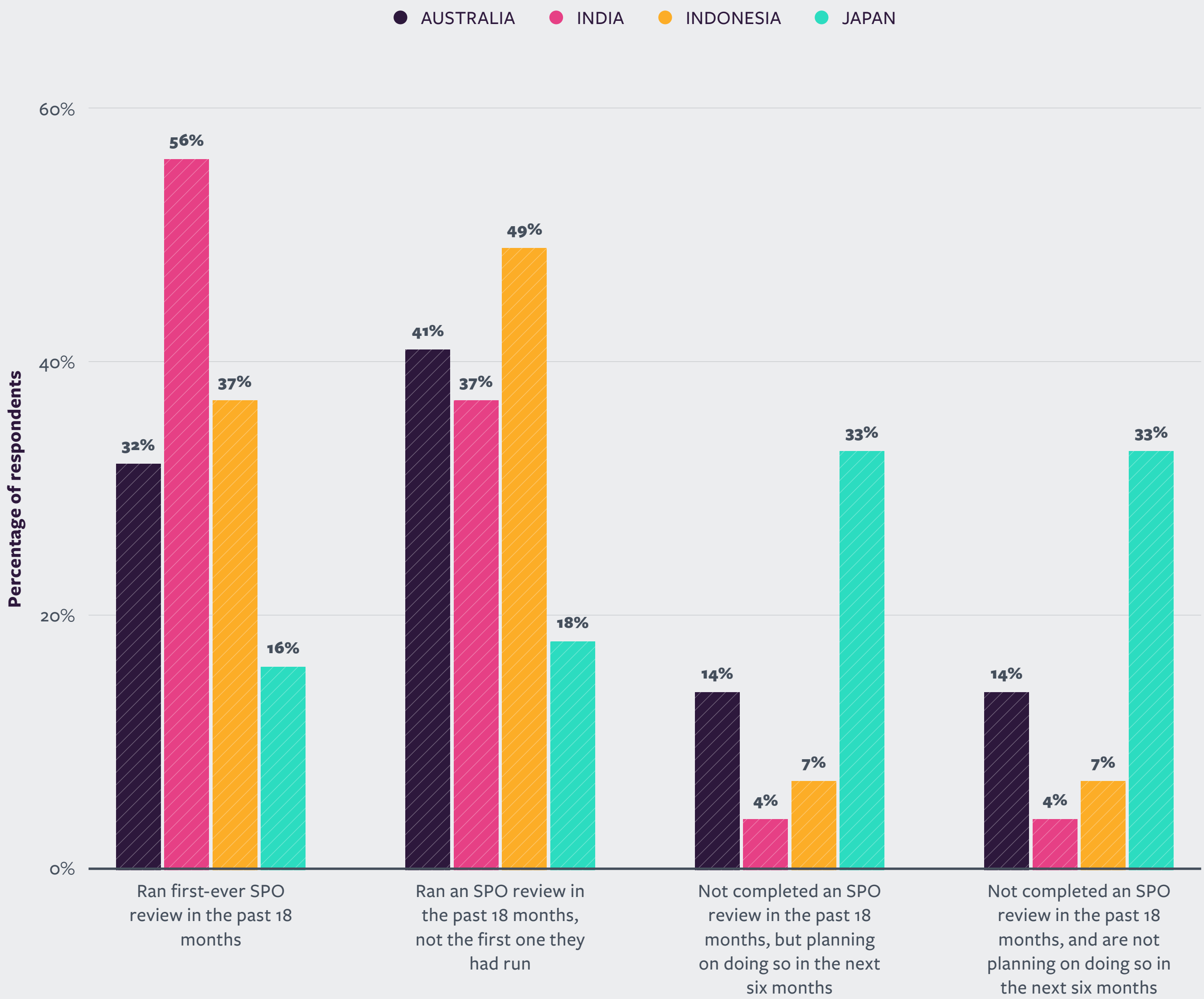
Looking at specific markets within the JAPAC region, the majority (56%) of marketer and agency respondents in India have run their first SPO review in the last 18 months, with only 7% having not run a review.

56%

The majority of marketer and agency respondents in India have run their first SPO review in the last 18 months

This contrasts sharply with Japan, where 67% of surveyed professionals in Japan have not run an SPO review in the last 18 months, with 33% not planning to within the next six. As detailed in the "*fraud & quality-related issues*" section above, the Indian market is significantly more concerned with fraud than Japan, likely reflecting the relative maturity of each of these markets.

Figure 18: SPO review status of brands and marketers within JAPAC (2021) — by market.



Part 4:
Market snapshot

Examining each market:

1. Australia

The results for Australia continue to be indicative of a highly mature market with robust programmatic offerings and a sophisticated grasp upon issues such as transparency and fraud. While coronavirus case levels in Australia have been significantly lower than the other surveyed markets, its domestic economy is heavily reliant on tourism and education. Hence it is unsurprising to see a relatively high proportion of respondents (38%) reporting lower revenue than pre-Covid.

However, despite its relative maturity as a market, 11% of respondents in the country recorded a 75%+ increase in revenue attributable to programmatic, indicating there is significant scope for future growth in the market and participants are seeing demonstrable returns from their programmatic activity. As forecast by Faurholt in last year's report, this may be indicative of a shift away from a direct-sold sales motion towards a programmatic-first approach, representing a departure from programmatic's traditional backfill role within the market.

2. India

India is continuing its strong growth in programmatic, with confidence soaring within the channel. Over one-third (35%) of participants in the market are now generating in excess of 40% of their revenue via, or directing over 40% of their spend through, programmatic. At the time of the survey, India was also demonstrating the fastest recovery from Covid, with 42% recording higher revenue than their pre-Covid figures. However the latest surge in cases and hospitalisations may affect this.

Access to first-party data is exceedingly strong in India, with all surveyed professionals reporting they had access to such data. Unsurprisingly, third-party ID solution providers, along with exchange, SSP, and DSP, partners are being turned to for support in activating this data. Encouragingly, only a handful of respondents in India (2.5%) are funneling spend away from independent ad tech towards the walled gardens.

Fraud and quality-related issues are a key concern in the Indian market, with 100% of respondents showing some level of concern, while over two-thirds (69%) are highly concerned. Rather than demonstrating uncertainty however, marketer and agency participants are now confident with undertaking review processes to identify and rectify these issues with over half (55%) running their first-ever SPO review over the last 18 months.

3. Indonesia

Indonesia appears to have rapidly matured as a market, with findings more closely mirroring that of Australia than India in terms of programmatic percentage of revenue/spend and the running of SPO reviews. However, there is evidence that publishers are still using a comparatively high number of header bidding partners in relation to other JAPAC markets, which are using relatively fewer providers. This experimentation may lessen once more immediate concerns with the coronavirus pandemic are resolved.

As previously referenced, surveyed professionals in Indonesia are reporting a demonstrable dichotomy in their recovery from the coronavirus pandemic, with 37.25% displaying higher revenue/spend than pre-Covid, and 31.37% showing lower revenue/spend as a result of Covid. The wider Indonesian economy could be an explanatory factor behind this, given that it is near-equally reliant on the industrial and service sectors, which were in turn disproportionately affected by Covid.

4. Japan

In direct contrast to India, Japan is showing a more cautious approach towards programmatic, demonstrating little change in its level of programmatic investment, while participants in the market are less concerned with the deprecation of third-party identifiers and fraud. This hesitancy, which was demonstrated last year, is likely in reflection of the greater maturity in the market, with buyers and publishers only making minor adjustments to their programmatic operations. This may also be the hallmark of a traditionally tightly-controlled media landscape, with a lessened appetite for experimentation as a result.

Respondents in Japan were also the least concerned with fraud, and have generally run fewer SPO reviews over the past 18 months, with fewer respondents planning on running one in 2021 compared to the other markets. Again, the relative maturity of the market, along with the use of comparatively fewer header bidding partners, could be explanatory factors.

Notably, brand and agency respondents in Japan also have the least access to first-party data by a significant margin, with 45% not having access compared to 19% for Indonesia, 14% for Australia, and 0% for India. However, the importance of such data in the wake of third-party cookie and IDFA deprecation is being recognised, with 31% of respondents investing in getting more first-party data, the most-utilised response in the market. By contrast, third-party ID authentication solutions are less favoured in Japan, with 13% of respondents investing more in these compared to 34%–35% in all other surveyed markets.

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SAMPLE & METHODOLOGY

The original quantitative research outlined in this report is derived from a survey of 207 media professionals working within a brand, agency, or publisher, within the Japan and Asia-Pacific (JAPAC) region. The surveyed countries were Australia, India, Indonesia, and Japan. Data was collected from 9th April to 21st April.

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