

In the UK programmatic landscape, private marketplaces prosper and open exchanges stall

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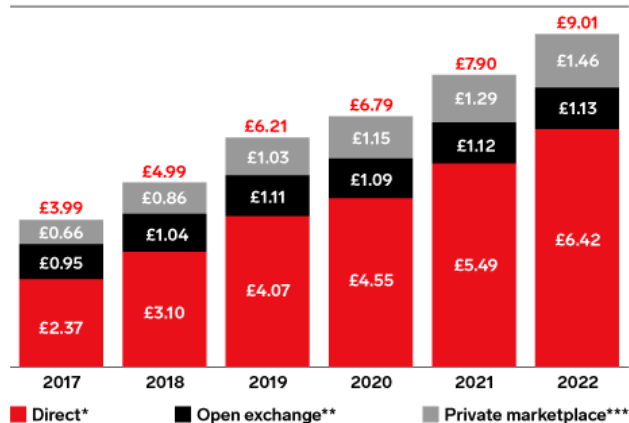
Bill Fisher

UK programmatic digital display ad spending increased in 2020, despite the incredibly challenging conditions. The shift to programmatic trading will further accelerate this year, but certain methods are performing better than others. Social media use played a significant role in driving programmatic direct's continued growth and dominance through the pandemic—we consider social media ad buys as transacted almost exclusively via programmatic direct. At the other end of the scale, though, open marketplace trading faced a difficult 2020, and things won't improve much in the coming years.

Even after the onset of the pandemic last year, programmatic direct and private marketplaces (PMPs) saw their respective stocks rise in the eyes of ad buyers. In 2020, UK programmatic direct ad spending totaled £4.55 billion (\$5.81 billion), up £0.48 billion (\$0.62 billion) year over year. PMP ad spending in the UK grew by £0.12 billion (\$0.15 billion) in 2020 to £1.15 billion (\$1.47 billion).

UK Programmatic Digital Display Ad Spending, by Transaction Method, 2017-2022

billions of £



Note: digital display ads transacted and fulfilled via automation, including everything from publisher-erected APIs to more standardized RTB technology; includes native ads and ads on social networks like Facebook, Snapchat, and Twitter; includes advertising that appears on desktop/laptop computers, mobile phones, tablets, and other internet-connected devices; numbers may not add up to total due to rounding; *includes all programmatic ads that are transacted as blocks of inventory using a non-auction-based approach via an API; **includes ads transacted through a public real-time bidding (RTB) auction in which any buyer or seller can participate, also known as open auction or open marketplace; ***includes ads transacted through an invitation-only RTB auction where one publisher or a select group of publishers invite a select number of buyers to bid on its inventory
Source: eMarketer, Nov 2020

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Programmatic direct will continue accounting for the lion’s share of UK programmatic ad spending through 2021 and beyond, but PMP surpassed open exchange spending for the first time in 2020.

Historically, open exchanges have been the predominant way to trade real-time bidding (RTB) inventory. However, that power dynamic flipped in 2020, with PMP ad spending surpassing open exchange ad spending in the UK for the first time. A 2.4% decline in open exchange spending, combined with a strong showing for PMPs, hastened this trend—12.2% UK PMP ad spending growth in 2020 represented the largest increase for all the transaction types we track.

UK Real-Time Bidding (RTB) Digital Display Ad Spending, by Segment, 2018-2022

	2018	2019	2020	2021	2022
Open exchange* digital display ad spending (millions)	£1,037.7	£1,113.6	£1,086.6	£1,118.2	£1,132.3
—% change	9.0%	7.3%	-2.4%	2.9%	1.3%
—% of total RTB digital display ad spending	54.7%	52.0%	48.5%	46.4%	43.7%
Private marketplace (PMP)** digital display ad spending (millions)	£859.4	£1,027.9	£1,153.8	£1,291.7	£1,458.8
—% change	29.8%	19.6%	12.2%	12.0%	12.9%
—% of total RTB digital display ad spending	45.3%	48.0%	51.5%	53.6%	56.3%
RTB digital display ad spending (millions)	£1,897.0	£2,141.5	£2,240.4	£2,410.0	£2,591.1
—% change	17.5%	12.9%	4.6%	7.6%	7.5%
—% of total programmatic digital display ad spending	38.0%	34.5%	33.0%	30.5%	28.8%

*Note: includes programmatic ads that are transacted in real time, at the impression level; includes native ads and ads on social networks like Facebook and Twitter; includes advertising that appears on desktop/laptop computers, mobile phones, tablets, and other internet-connected devices; *includes ads transacted through a public real-time bidding (RTB) auction in which any buyer or seller can participate, also known as open auction or open marketplace; **includes ads transacted through an invitation-only RTB auction where one publisher or a select group of publishers invite a select number of buyers to bid on its inventory*

Source: eMarketer, Nov 2020

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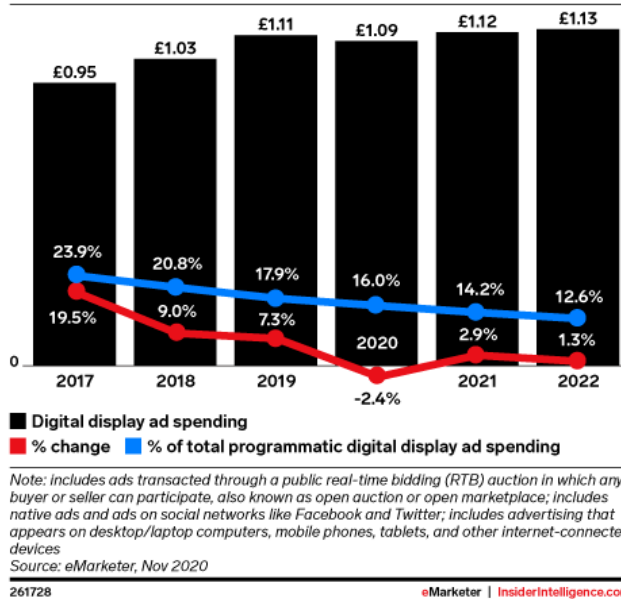
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Pandemic-fueled uncertainty led advertisers to seek transaction methods that could provide more control and reliability amid strained budgets and heavily scrutinized ROI. Things will normalize slightly in 2021, but the scales have tipped for good.

Investment in open marketplace transactions has stalled. Only slight growth in 2021 (2.9%) and 2022 (1.3%) will replace 2020's ad spending decline. By the end of 2022, total UK ad spending in open exchanges will marginally exceed pre-pandemic levels—£1.13 billion (\$1.45 billion) in 2022 versus £1.11 billion (\$1.42 billion) in 2019.

UK Open Exchange Digital Display Ad Spending, 2017-2022

billions of £, % change, and % of total programmatic digital display ad spending



The EU's General Data Protection Regulation (GDPR) enacted in May 2018 and the upcoming deprecation of third-party cookies on browsers like Chrome and Firefox are hastening the shift to a cookieless environment. The result has been an industrywide pivot from open marketplaces to PMPs or programmatic direct, as well as more interest in contextual targeting and increased use of first-party data.

"With the decline in third-party cookies, it will be tough to run retargeting campaigns at scale, which will lead to a shift in programmatic media buying," said Lucy Hinton, head of client operations at ad server Flashtalking.

Until the third-party cookie completely disappears, though, shifts won't be seismic. "Identity initiatives are still very much in their infancy, and we are unlikely to see a web-scale solution for at least 12 months," she said. "We expect a move toward contextual or publisher-targeted ads, which would suggest a shift from open RTB to PMPs and programmatic guaranteed."

Spending in open exchanges thus declined by 2.4% in 2020. The pandemic exacerbated this pivot—we previously expected UK ad

spending in open exchanges to grow by 7.0% in 2020. The control offered by PMPs, meanwhile, has proven popular.

“PMP deals have increased substantially this year, with buyers and sellers eager for a more reliable and consistent stream of revenue at a time when budgets are strained,” said Pierce Cook-Anderson, country manager for Northern Europe at Smart AdServer. “PMPs are also being used by buyers looking to transact against more quality video content, and the unique first-party data is used to enrich their buying experience and target users in greater detail.”

The cookieless future has also hastened advertisers’ shift toward PMPs. “As uncertainty over programmatic took hold among advertisers, we initially saw a trend toward investment in [private] marketplaces, where there is less dependency on cookies,” said Emma Delseerieys, director of customer success and attribution for EMEA at Nielsen. “However, as industry solutions, such as The Trade Desk’s Unified ID 2.0, are being developed to answer ecosystem challenges, there is growing confidence that programmatic platforms will adapt. 2021 will be a year of transition.”

To learn more about the accelerating shift to programmatic trading, Insider Intelligence subscribers can read our recent report:

Report by Bill Fisher Jan 22, 2021

UK Programmatic Digital Display Advertising Outlook 2021

