Russian Programmatic Market Overview 2015

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About This Document

"Russian Programmatic Market Overview – 2015" covers main recent events and trends in the area of programmatic advertising in Russia and abroad since the beginning of 2015. This review will be useful for the entire advertising vertical, from advertisers and agencies to tech companies, data suppliers and media publishers.

For this overview we used data obtained during the expert survey of top managers and specialists of the leading companies operating in Russian programmatic ad industry, as well as personal interviews with market experts. We also used such open sources as foreign and Russian researches and surveys, media materials.

We would like to thank the following IAB Russia Programmatic Working Group and IAB Russia Data Market Development Working Group experts for participating in the research, as well as representatives of companies that are non-members of these Working Groups: Emin Aliev (Criteo), Denis Afanasyev (CleverDATA), Mikhail Balakin (Cityads Media), Nikolay Bulanov (Xaxis), Mikhail Getmanov (Between Digital), Fedor Golubev (Yandex), Nikolay Danilov (Yaznayu), Sergey Zhuravlev (Kavanga), Daniil Zabolotny (ADLABS), Maxim Zenin (Mail.ru Group), Alexey Kashtanov (AmberData), Ilya Lagutin (Aidata.me), Dmitriy Lelis (Kavanga), Anton Melekhov (RTB House), Andrey Molev (AMNET), Gennady Nagornov (Auditorius), Gleb Nikitin (AdSniper), Oleg Nikolaev (RTB-media), Alexander Papkov (Digital BBDO), Nikita Pasynkov (Yandex), Artyom Rodichev (IPONWEB), Irina Skripnikova (Yandex), Dmitriy Fedoseev (OMD Resolution Russia), Andrey Filatov (Sociomantic Labs), Roman Filippov (Internest-holding), Artyom Tsyplakov (Vivaki), Dmitriy Cheklov (Hybrid) and Kirill Chistov (Exebid.DCA).

Ordering Parties of the Research

This overview was prepared on the initiative of the IAB Russia Programmatic Working Group and IAB Russia Data Market Development Working Group, backed by the General Meeting decision of the IAB Russia members in October 2015.

Special contribution was made by the Chairman of the IAB Russia Research Committee Alexey Belyaev (Mail.ru Group), co-heads of the Programmatic Working Group Vladimir Krivosheev (Rambler&Co) and Alexey Arshinov (Google Russia), co-heads of the Data Market Development Working Group Dmitriy Egorov (Weborama), Dmitriy Shkolnikov (Cityads Media), Ivan Lobov (Exebid.DCA) and President of IAB Russia Boris Omelnitskiy (Yandex).

We would like to express gratitude to all the companies-members of IAB Russia that have funded the preparation of this overview and have made an active expert support.

Definitions

Programmatic is a set of online ad buying methods via automated systems and special tools for decision-making based on user profiles available both to publisher and advertiser.

Real-time Bidding (RTB) is a technology of selling and buying ad impressions based on auctions held in the real time.

Preferred deals/Private Auction is an ad buying model where a buyer has a priority access to publisher's inventory, fixed prices, set terms of the deal and a possibility of using bidding mechanisms and utilizing audience data.

Programmatic Guaranteed is an ad buying model where the deal is negotiated directly between buyer and seller, the inventory and pricing are guaranteed, and the campaign runs at the same priority as other direct deals in the ad server but via programmatic infrastructure.

DSP (Demand Side Platform) is a platform that allows agencies and advertisers to purchase online ad inventory via programmatic infrastructure through various advertising exchanges.

SSP (Sell Side Platform) is a platform for publishers that allows to automate ad sales and receive more revenue using auction-based price determination.

ATD (Agency Trading Desk) is a centralized ad buying platform utilizing various ad models.

DMP (Data Management Platform) is a platform that allows to organize, segment and analyze data arrays used for ad targeting in order to deliver the most relevant and useful ads to each user at a particular moment.

Data Supplier is a company that sells its own data, raw or processed and synchronized with cookies / IDFA / phone number / e-mail / social ID or other IDs.

Data Exchange is a platform for interaction of suppliers and buyers of audience profiles and customer information.

Brand Safety – practices and tools allowing to ensure that an ad will not appear in a context that can damage the advertiser's brand.

Viewable Ad Impression – a served ad impression can be classified as a viewable impression if the ad was contained in the viewable space of the browser window, on an in-focus browser tab, based on pre-established criteria such as the percent of ad pixels within the viewable space and the length of time the ad is in the viewable space of the browser.

Executive Summary

- Throughout the world in 2015 programmatic for the first time exceeded 50% of display advertising and in 2016 is forecasted to reach 60% of it.
- In Russia for the full year 2015 revenues of selling advertising through programmatic technologies totaled RUB 5 billion. Publishers account for 62.5% of total, tech companies – for 35%, data suppliers – for 2.5%.
- While display ad revenues in Russia are declining, programmatic market for the full year 2015 grew 32%, as advertisers are willing to optimize display buying costs.
- Open Auction (RTB) made up nearly 73% of programmatic revenue, while 27% related to other models, such as Preferred Deals/Private Auction and Programmatic Guaranteed.
- The main events on Russian programmatic market are related with technologies development, growth of expertise of market participants, Premium Programmatic models proliferation and new channels mastering, in particular, video and mobile programmatic.
- In 2015 revenues of third-party data suppliers in Russia amounted to RUB 125 million. The main trends of data market are active usage of DMP opportunities and utilizing first- and second-party data not only inside private technological stacks of major players and retargeting platforms, but also for constructing complex segments with the help of external DMPs.
- Increasing proficiency of advertisers in programmatic benefits and active development of Programmatic Premium technologies allow to expect strong programmatic ad revenue growth in the course of the next couple of years.

Study Methodology

According to this overview methodology, programmatic revenues include revenues from display ads that were bought or sold through OpenRTB protocol with the use of automated systems, decision-making tools and audience data by both buy side and sell side.

In this study we explore trends and events, related to the most prominent Russian industry players, who offer the products that allow advertisers to buy inventory with the use of programmatic technologies benefits: applying audience data, internal auctions and dynamic optimization of ad campaigns. Hovewer if display inventory was sold outside OpenRTB protocol, it was not taken into account when estimating the programmatic market size.

This year the market estimation was done in accordance with the methodology offered by IAB Global in IAB Programmatic Revenue Report 2014 Results[1]. There programmatic ad revenues are segmented into publishers' and tech companies' revenues that make the ecosystem work. Additionally, the data suppliers segment was highlighted in this overview.

Tech companies' revenues include the revenues of both buy side and sell side platforms.

The revenues of third-party data suppliers do not include the revenues of utilizing DSP-owned audience data (they relate to DSPs revenue structure). Therefore, they include only the revenues from third-party data that is paid by the buy side separately.

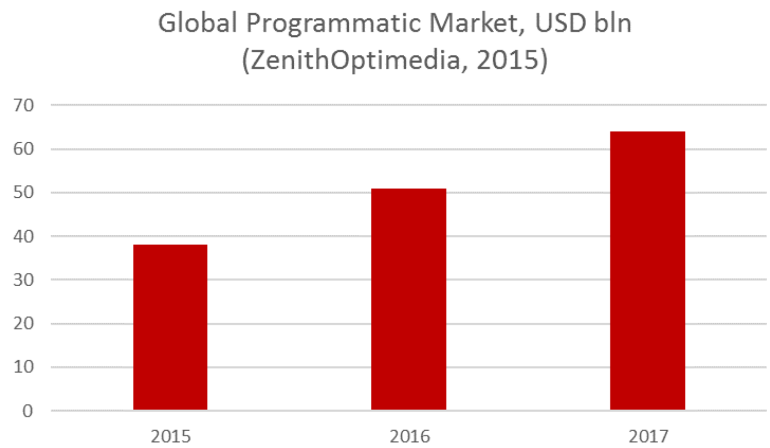
In the previous overview, "Russian Programmatic Market Overview – 2014"[2] the programmatic market was not segmented by publishers, tech companies and data suppliers, though the total estimate did imply all these categories. In this study we will present the last year's estimate taking into account the new methodology.

[1] http://www.iab.com/wp-content/uploads/2015/07/PwC_IAB_Programmatic_Study.pdf
[2] http://iabrus.ru/projects/504

Global Market

Global Programmatic Market Revenue

Programmatic technologies change the process of buying and selling ad inventory throughout the world. In just a few years they turned from a fashionable trend into a necessary tool. In 2015 global programmatic market for the first time made up more than 50% of display ad market (according to ZenithOptimedia forecast[3]), and in 2016 this share is projected to reach 60%.



Average annual growth rate of programmatic adspend exceeds 100%, it grew from $5 billion in 2012 to $38 billion in 2015. Its further growth is slowing down but ZenithOptimedia analytics forecast that by 2018 two thirds of display and mobile advertising wll be sold programmatically.

According to different research companies' estimates, the biggest markets in terms of programmatic are the US (more than half of global programmatic market), the UK, China and Japan.

In the US programmatic exceeded 50% of display ad market in 2014 and reached (according to IAB) $10.1 billion[4]. According to eMarketer's preliminary estimates, in 2015 the market grew to $15.4 billion or 59% of display ads budgets[5]. ZenithOptimedia projected the market to grow in 2015 even higher – to $16.8 billion.

In the US programmatic is becoming a new norm for ad buying, while directs sales share is decreasing every year. As forecasted by eMarketer, by 2017 only 28% of display ads will be bought without programmatic technologies.

[3] http://www.zenithoptimedia.com/wp-content/uploads/2015/12/Adspend-forecasts-December-2015-press-release1.pdf
[4] http://www.iab.net/media/file/PwC_IAB_Programmatic_Study.pdf
[5] http://www.emarketer.com/public_media/docs/Programmatic_Advertising_2015-Executive_Summary-10082015.pdf

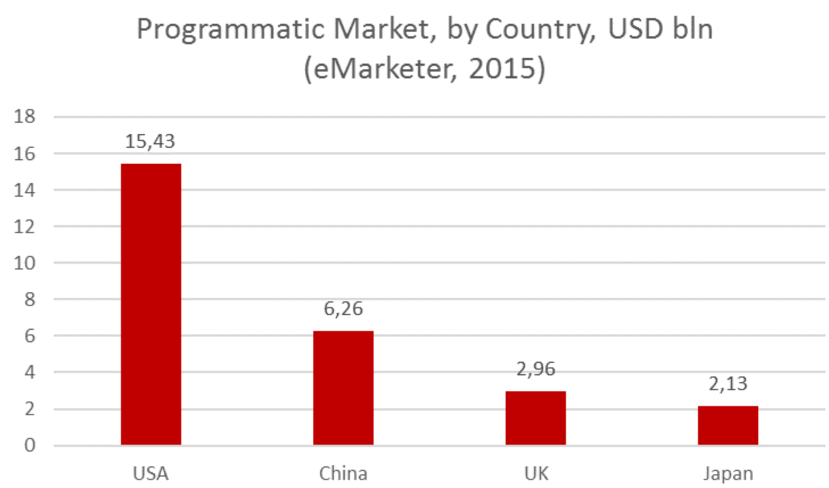
For the moment the majority of programmatic inventory throughout the world is bought through open auctions (RTB). Even in the US, where the trend for Premium Programmatic started several years ago, RTB accounts for full 70% of the market. However, the experts agree that in the next few years the market will shift significantly towards other models (Private Auction, Unreserved Fixed Rate and Automated Guaranteed).

In Europe the programmatic market is growing steadily for the past five years. According to IAB Europe, in 2014 programmatic adspend totaled EUR 3.62 billion (+70.5% vs. 2013). The results for the full year 2015 haven't been published yet, but IAB Europe study[6] showed that 90% of publishers in 29 countries planned to increase their programmatic revenues by the middle of 2016, 40% of those planned to increase it significantly – by one-third.

The UK continues to be the leading programmatic market in Europe and is estimated to reach $2.96 billion in 2015 (66% more vs. 2014)[7]. UK programmatic share of display ads is comparable to the US and accounts for 59%.

Chinese programmatic market showed explosive growth in 2015 and was forecasted to reach 44% of digital ad spend in the country (or $6.26 billion). eMarketer estimates that in 2016 for the first time more than half of digital display advertising in China will be transacted programmatically. The major impact on this surge comes from e-commerce giant Alibaba, search company Baidu and social media company Tencent – all three companies together take up about 90% of the Chinese programmatic market.[8]

In **Japan** programmatic ad spend in 2015 was estimated to total $2.13 billion, where half of the money accounted for mobile programmatic.[9]



[6] http://www.iabeurope.eu/research-thought-leadership/iab-europe-attitudes-towards-programmatic-advertising-report/
[7] http://www.emarketer.com/Article/UK-Programmatic-Display-Ad-Spending-Will-Surpass-2-Billion-2016/1012941
[8] http://www.emarketer.com/Article/Programmatic-Ad-Spending-China-Growing-Rapidly/1013542
[9] http://www.emarketer.com/Article/Programmatic-Ad-Spend-Japan-Reaches-Mobile-Tipping-Point/1013165

In terms of programmatic share of display Russia is now lagging significantly from the leading markets, however, judging by the emerging trends of programmatic buying implementation, it is catching up these countries. We have outlined the main trends in programmatic that were relevant for the main markets in the US and Europe in 2015 and are likely to become the main trends of 2016-2017 in our country.

Trends and Events

Brands Are Entering Programmatic and Building Up Expertise

Forrester Research and the Association of National Advertisers (ANA) surveyed 128 ANA members on the use of programmatic technologies in 2015. According to the study, 79% of respondents said they made programmatic buys in the last year. That's more than twice the 35% who acknowledged doing so in the previous report in 2014.[10]

The more money brands spend on programmatic ad buying, the more severe requirements for costs effectiveness they impose. New requests for campaign results evaluation, quality of inventory and clarity of audience data sources move forward the technology development and lead to the greater market transparency.

Advertisers want to see the real winning bid price, know on what assets their ad was shown, understand what fee goes to technological intermediaries. The services offered by the players of the US and European programmatic market allow to track all these indicators and monitor their dynamics.

Multiply surveys in the US show that big brands' marketers build up their expertise in programmatic year by year. In order to monitor how the requirements to quality and budget spend are fulfilled, major advertisers tend to shift programmatic buying in-house or at least build a team of competent professionals who will cooperate with agencies and supervise their work.

In connection with this more and more tools appear for advertisers to calculate the cost of future ad campaigns based on the use of various technologies. Thus IAB has released The Fee Transparency Calculator[11] where an advertiser can enter campaign details and expected results and then access in the real time the fees of all additional participans in the brand-publisher chain, as well as identify the overall impact of the use of these technological solutions.

Inventory Quality and Viewability

Advertisers put forward more stringent requirements for the quality and visibility of purchased ad inventory. For example, GroupM and its client Unilever in late 2014 made a list of requirements for the video ad placement.[12] According to it, 100% of the ad player must be in view and at least 50% of the video must be played while in view (with the sound on); and the user must press play, instead of an auto-start. Unilever is ready to pay only for the impressions that meet these criteria.

[10] http://marketingland.com/anaforrester-survey-most-marketers-buy-ads-programmatically-but-are-not-happy-about-fraud-and-transparency-167638
[11] http://www.iab.com/guidelines/iab-programmatic-fee-transparency-calculator/
[12] http://blogs.wsj.com/cmo/2014/10/24/groupm-and-unilever-push-publishers-for-more-proof-ads-are-being-seen/

Major publisher and tech companies, taking into account advertisers' wishes and observing the general guidelines, are working on the ad viewability. According to the commonly accepted IAB guidelines, for a banner ad to be deemed viewed, 50% of the ad should be viewable for more than one second.

In September 2015 Google introduced vCPMs, a new product that allows publishers to sell advertising on the pay per viewable impressions. The technology forecasts when an impression is absolutely viewable and automates the process of delivering full viewability to advertisers that are willing to pay a premium for the guarantee. Among the first partner to try this product was the publisher IDG Communications, which is behind sites including PCWorld and MacWorld.

Following it, AppNexus launched Viewable Marketplace, that performs the same functions and can work with any publisher (Google's vCPMs is available only for Google Display Network).

In Russia Yandex uses its own criteria for defining display ad viewability: an impression is deemed to be viewed only if at least 50% of the banner is in an active browser window for at least two seconds. This time requirement is twice that of the IAB's viewable ad impression guidelines. Such a difference is due to Yandex's long-term studies on determining the minimum time during which users can get acquainted with the ad message and make a motivated click. This technology of stringent viewability registration is used in Yandex auction for all banner placements and works on its proprietory assests, as well as on Yandex Ad Network partner sites.

At the same time, market participants have made efforts to clean the inventory out of fraud and arbitration, so to make it safer for major brands that are actively embracing programmatic. LiveRail, Facebook's open RTB platform, in 2015 joined the growing number of ad exchanges that banned ad networks from buying ad inventory for further reselling.

Malware, fraud and low-quality traffic became such hot topics that three largest industry associations – IAB, American Association of Advertising Agencies (4A's) and Association of National Advertisers (ANA) – created a joint cross-industry accountability program to develop standards and methods of combatting poor ad inventory.[13]

Programmatic Mobile Gains Momentum

The emergence of new tools for data usage and measurement of mobile ad campaigns effectiveness pushed the development of mobile programmatic. Now marketers are looking for new, more efficient ad formats that provide vast reach and high performance.

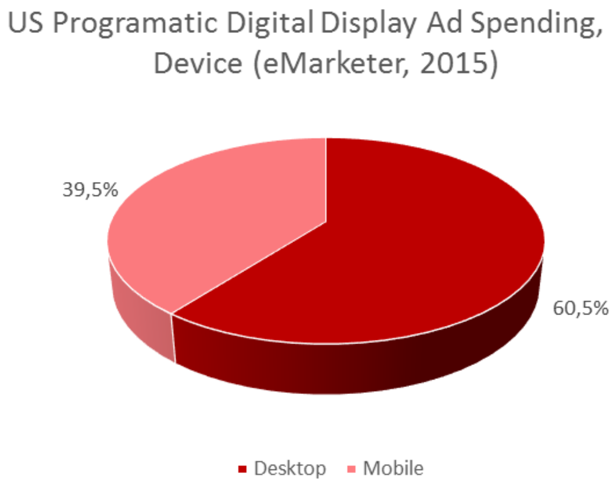
While in 2014 programmatic mobile in general was one of the most discussed trends, a year later at the conferences and in professional media people already were talking about increasing mobile

[13] http://www.iab.com/news/4as-and-ana-join-iab-in-launching-cross-industry-compliance-organization-to-combat-ad-fraud-malware-piracy/

performance through developing various formats, in particular programmatic native and programmatic video ads.

Some analysts believe[14] that in 2015 spending on programmatically purchased mobile ads overtook desktop and totaled $9.33 billion, that is 60.5% of overall US programmatic ad spending. This is indirectly confirmed by Google's observation that in the week leading up to Black Friday last holiday shopping season, more than 60% of impressions bought or sold programmatically through DoubleClick came from mobile.[15]

However, the majority of this market is occupied by Google, Facebook and Twitter with Programmatic Direct placements, whereas open auctions in programmatic mobile account for only 35% of those $9.33 billion.



Since video consumption on mobile devices is growing year after year, video ad budgets inevitably shift toward mobile as well. In 2015 mobile video became the fastest growing segment of US digital ad market. And ad tech companies are trying to get involved into this promising market and offer advertisers additional methods of automation and campaigns optimization. Judging by major advertisers' opinions we will see a significant increase in the budgets for programmatic mobile video in 2016 along.

Luis di Como, Senior Vice President Global Media at Unilever observed[16] in the Forbes commentary: "Recent research from the Mobile Marketing Association shows the effectiveness of mobile advertising and, in particular, the strength of mobile video advertising combined with data and context targeting." This, he says, dovetails with what Unilever is also seeing. "Video has long played an important role in building Unilever brands and now that consumers are spending more and

[14] http://www.emarketer.com/public_media/docs/Programmatic_Advertising_2015-Executive_Summary-10082015.pdf
[15] http://adexchanger.com/investment/google-touts-traction-mobile-ads-youtubes-trueview-q4/
[16] http://www.forbes.com/sites/peggyannesalz/2016/01/12/why-mobile-video-advertising-will-eat-the-world/

more time with mobile media Unilever is working to understand how best to use mobile video and other mobile ad formats."

Programmatic TV

Automating buying of television advertising is what was said about a lot in 2015. Obviously, such a traditional media as TV will slowly adopt new methods of ad placement, but the first steps in this direction have already been made, and according to Magna Global research, 4% of TV ad budgets, or $2.5 billion were sold programmatically in 2015.[17]

Programmatic TV is designed to optimize TV ad placement based on more accurate knowledge about the audience than just simple TV ratings. The real growth of this channel is predicted to occur in the next few years, when digital TV operators start embedding into set-top-boxes specific modules to demonstrate different commercicals to different viewers. These very operators will also be data suppliers along with Smart TV vendors, who will analyze users' profiles depending on their TV viewing habits.

The major market drivers will be not the largest TV channels (which even now don't have any problems with ad sales), but regional, cable and niche channels, where advertisers are now rather hesitant to buy ad packages, and in future they will be able to buy there a granular ad impression targeting a potential customer.

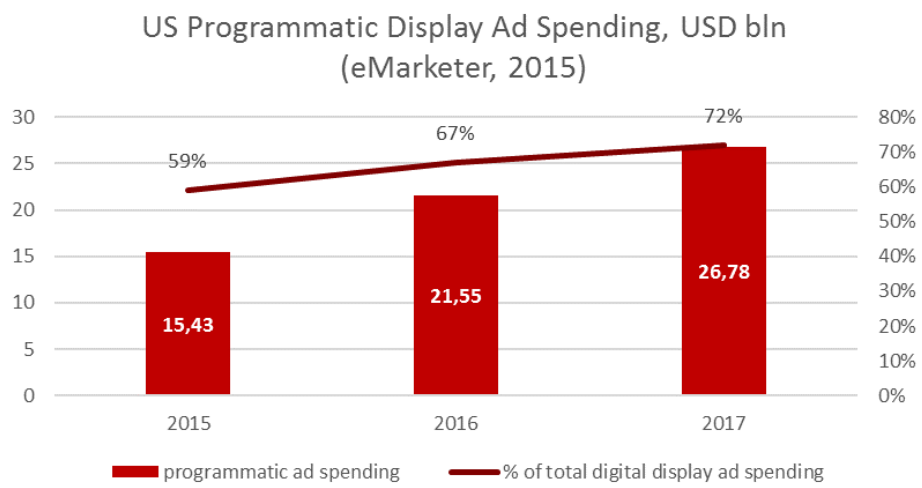
In Russia in the early 2016 Dentsu Aegis Network communication group and the largest Russian sales-house Vi announced creating a programmatic platform, that allows to place advertising campaigns in broadcast TV in online mode. The new product is based on Vi's software development VIMB, ad placement automated system. It carries out full technological cycle of implementation of media ad opportunities, uniting all stakeholders in a single place. In 2016 the platform will be used in test mode as part of an exclusive partnership. [18]

[17] http://adage.com/article/agency-news/programmatic-tv-climb-10-billion-global-tv-budgets-2019/298786/
[18] http://www.sostav.ru/publication/vi-i-dentsu-aegis-network-zapuskayut-programmatic-tv-21208.html

Forecasts

According to ZenithOptimedia forecasts, in 2016 programmatic will make up 60% of global display ad market.[19]

In the US where programmatic market started developing before all, the market is expected to grow by nearly 40%[20] in 2016 to reach $21.55 billion. Further growth rate will decline, but by 2017 more than 70% of US display advertising will be sold programmatically.



Researchers in their forecasts rely on the development of mobile and video programmatic.

According to eMarketer, by 2017 video programmatic will take up 75% of US video ad market, and the only constraint is the lack of available inventory. In Europe this market segment is also forecasted to win its share. Programmatic will reach half of video ad market in the UK and the Netherlands by 2019, and in France – by 2020. This year in European countries 10% to 43% of video ads will be sold programmatically.[21]

In the UK in 2016 programmatic market is expected to grow by 37% to reach $4.12 billion. This will allow the leading European market to bypass the US in terms of programmatic share of display ad market (70%). 58.7% will account to programmatic mobile.[22]

In China this year programmatic may also take the most of display ad market. It is expected to grow by 48% to total $9.29 billion.[23]

[19] http://www.zenithoptimedia.com/shop/forecasts/programmatic-marketing-forecasts-2015/
[20] http://www.emarketer.com/public_media/docs/Programmatic_Advertising_2015-Executive_Summary-10082015.pdf
[21] http://www.emarketer.com/Article/Europes-Programmatic-Video-Ad-Revenues-Will-Near-2-Billion-2020/1013055
[22] http://www.emarketer.com/Article/UK-Programmatic-Display-Ad-Spending-Will-Surpass-2-Billion-2016/1012941
[23] http://www.emarketer.com/Article/Programmatic-Ad-Spending-China-Growing-Rapidly/1013542

In Russia

According to RACA study "Ad Market Volume in 2015 by the Means of Distribution"[24], virtually all segments of Russian advertising market showed a negative trend. The total volume of ad revenues amounted to nearly RUB 307 billion, which is 10% less than in 2014.

Like in the last year, online was the only ad market segment, which showed growth: it totaled RUB 97 billion, that is 15% more comparing to 2014. Online has traditionally become the second-largest segment by revenue, its share in the total market volume exceeded 30%.

Search advertising continues to be the main driver of online segment: it grew by 20% to reach RUB 78.3 billion. Online display (includes banner and video ads) declined by 2%, and totaled RUB 18.7 billion.

In search of the most effective marketing tools advertisers are increasingly turning their attention to programmatic, which has ceased to be perceived solely as a low-cost open auction and has become an effective tool for reaching the right audience using a variety of models and advertising formats.

Increased use of audience data, Premium Programmatic model development and the emergence of new formats led to the fact that Russian programmatic revenues grew by 32%, from RUB 3.8 billion in 2014 to RUB 5 billion in 2015.

> ***Alexey Arshinov, Google****: "In 2015 the two determining factors clashed: the current economic conditions, that are forcing companies to fight even more vigorously for the effectiveness of ad placement budgets, and the presence of a "critical mass" of technologies, tools and expertise that enable to meet this challenge. Obviously expected growth of context and search ad segments was supported by the growth of programmatic channel".*

[24] http://www.akarussia.ru/knowledge/market_size/id6462

Programmatic Market and Volume Structure in Russia

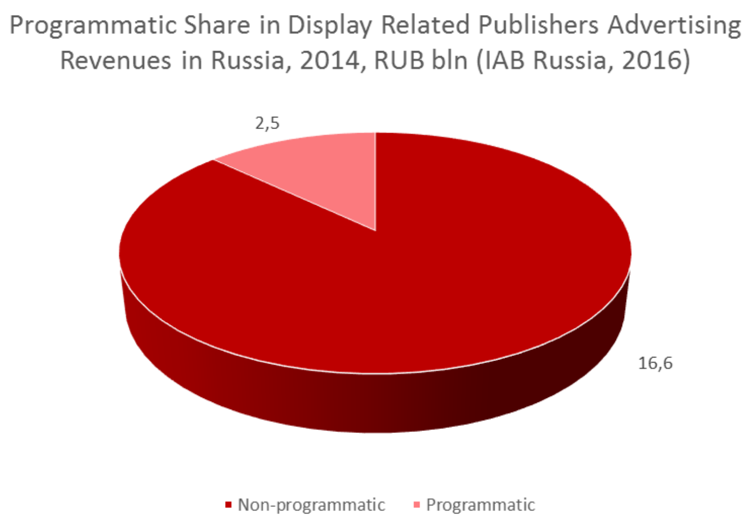
According to this overview methodology, programmatic revenues include revenue from display ads that were bought or sold through OpenRTB protocol with the use of automated systems, decision-making tools and audience data by both buy side and sell side.

This includes revenues by publishers, tech companies that make the ecosystem work and data suppliers. Ad agencies revenues are not included.

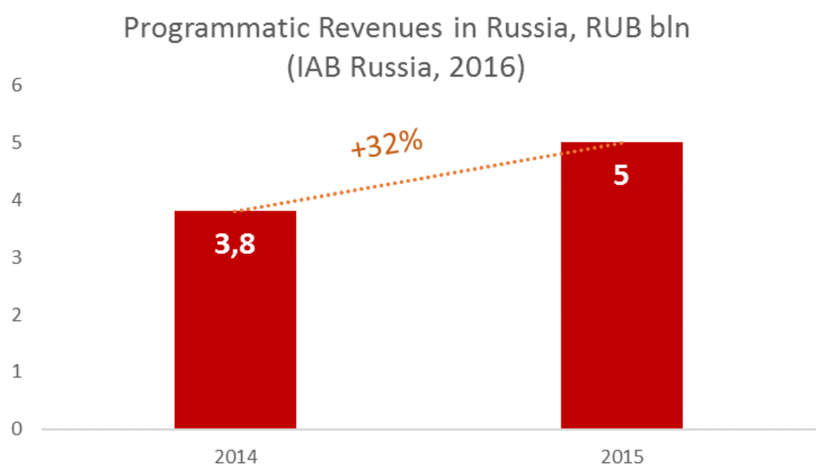
In 2014 Russian programmatic market was estimated to total RUB 3.8 billion, including publishers' and tech companies' revenues. In compliance with the new methodology we present Russian programmatic market segmentaton by the company type.

Publishers revenues in 2014 accounted for more than 64% of programmatic market volume, that is, in accordance with the market estimate in "Russian Programmatic Market Overview – 2014"[25], makes up nearly RUB 2.5 billion. According to RACA estimates, in 2014 in Russia publishers' revenues from display ad sales totaled RUB 19.1 billion. Therefore, programmatic share of publishers' revenues is 13%. Additional 35% of total programmatic market (RUB 1.3 billion) accounted to ad tech companies. Third-party data suppliers' share in 2014 was insignificant.

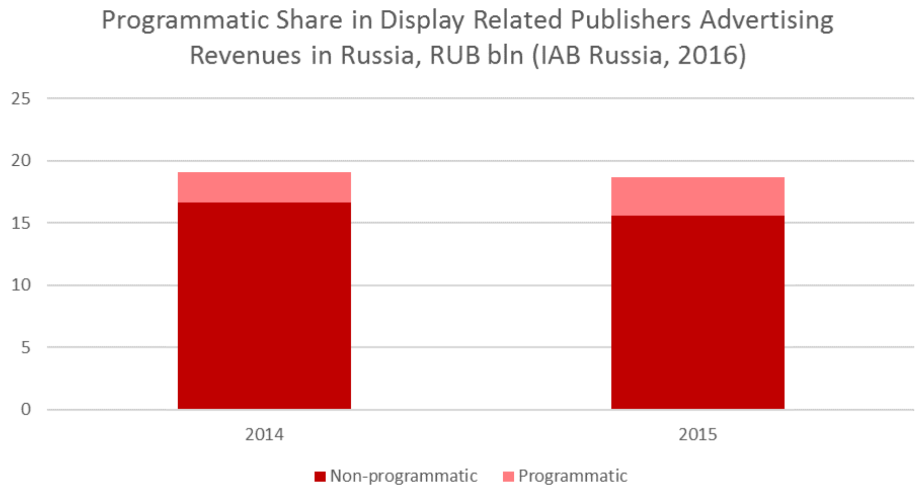
[25] http://iabrus.ru/projects/504



In 2015 the overall programmatic revenue in Russia is estimated to reach RUB 5 billion. It is 32% more comparing to the previous year.

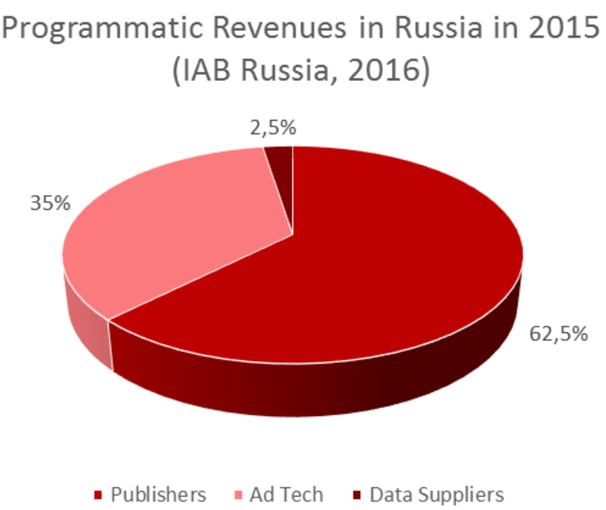


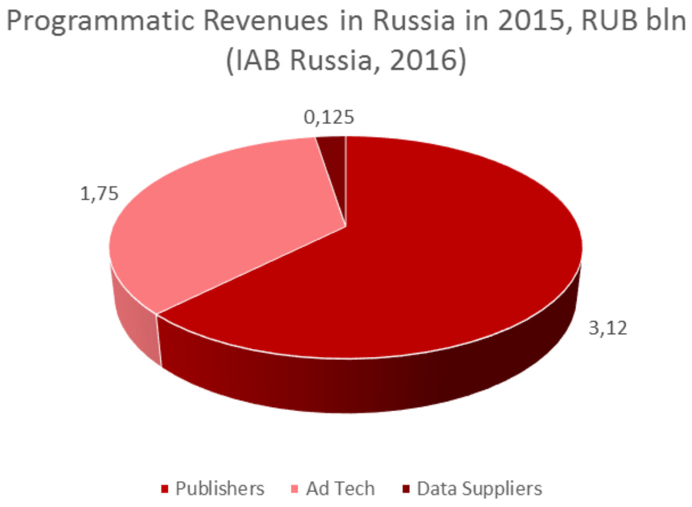
Programmatic share of publishers' revenues from display ad sales in 2015 was 16.7%, that is RUB 3.12 billion in accordance with RACA's display ad market estimamtes (RUB 18.7 billion).



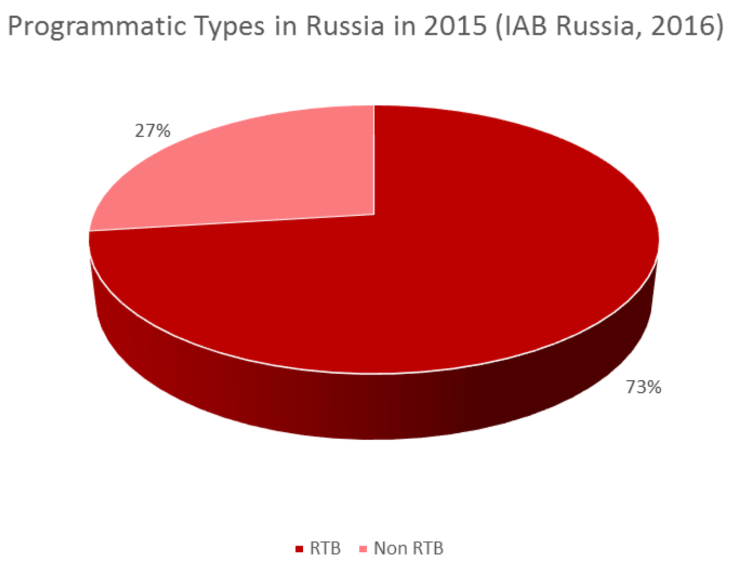
Publishers' revenues accounted to 62.5% of Russian programmatic market, further 35% accounted to revenues of ad tech companies that make the ecosystem work, and 2.5% - to data suppliers.

The revenues of third-party data suppliers do not include the revenues of utilizing DSP-owned audience data (they relate to DSPs revenue structure). Therefore, they include only the revenues from third-party data that is paid by the buy side separately.





Nearly 73% of the inventory sold programmatically in 2015 in Russia accounted for Open Auction deals (RTB), while 27% related to other models, such as Preferred Deals/Private Auction and Programmatic Guaranteed.



> ***Vladimir Krivosheev, Rambler&Co****: "Major publishers' revenue structure from programmatic display offerings is usually strongly shifted towards direct deals, private auctions and sale of proprietary audience products. The reasons are significance of audience reach in general split, high-quality inventory, predictability of audience products' performace, volume guarantee and booking opportunities. Second- and third-tier publishers have limited capabilities in independent sales and therefore have to rely on selling inventory through ad exchanges and third-party ad products. Open auction will dominate in the revenue structure of such publishers. Site reach, unique knowledge about the audience, data processing technologies and skills of turning obtained knowledge into a competitive audience product allow publishers to count on the steadily high interest from the buy side.*

Advertisers Categories

Comparing with the previous year, there are some changes in top-5 advertisers' categories among those who use programmatic.

The first place is retained by "Retail" (including e-commerce). These advertisers use RTB opportunities more actively than others, in particular, various types of retargeting as a tool of increasing sales.

In 2015 "Financial Sevices" left the top-5 categories, its market share is still pretty high (about 5-6%), but the activity of pharmaceutical companies forced it to shift to the 6th position.

"Drugs & Supplements" category showed growth and moved drom the 7th to the 5th position. These advertisers are increasing ad activity in all media year over year. According to TNS estimates, pharmaceutical companies accout for more than 20% of all ad budgets on the Russian market. At the same time, while overall ad budgers are declining, this category in 2015 didn't reduce but increased ad spending by 8%.[26]

"FMCG" and "Automotive" categories show high activity on the programmatic market. 2015 has also became a time of active experiments with programmatic for the real estate industry. Experts suppose that for the full year of 2016 this category can enter top-5 advertisers' categories among those who use programmatic.

> ***Dmitry Fedoseev, OMD Resolution Russia****: "In 2015 we saw many clients turning towards programmatic buying. They are primarily automotive and telecom categories."*
>
> ***Nikolay Bulanov, Xaxis****: "In my opinion, the top categories did not change drastically compared to the previous year. I wouldlike to note that Automotive and FMCG this year are much more active in programmatic, so perhaps, by the year-end FMCG will overtake telecom operators in this ranking. Pharmaceutical companies also have a good chance to take a significant share of programmatic."*

[26] http://www.sostav.ru/publication/p-and-g-vernul-liderstvo-v-rejtinge-reklamodatelej-21297.html

According to a survey of market experts, the five most active advertisers' categories that used programmatic for purchasing ad inventory, are as follows:

Top-5 Advertisers Categories, Ranked by Programmatic Spending

2014	2015
1. Retail (including e-commerce)	1. Retail (including e-commerce)
2. Automotive manufacturers and dealers	2. Automotive manufacturers and dealers
3. Telecom and mobile operators	3. Consumer goods and services (including FMCG)
4. Banking and finance	4. Telecom and mobile operators
5. Consumer goods and services (including FMCG)	5. Drugs and supplements

> ***Roman Nester, Segmento****: "In 2015 Russian agencies and brands were actively mastering the possibilities of algorithmic buying. Some ad campaigns had mechanics that were not inferior to US and European cases. Flagships of changes were, as usual, automotive and FMCG brands. Unfortunately, we see a tremendous inertia from traditional sales houses and their partners. In my opinion, in 2016 those brands who are slowly changing their buying approach and are keen on "testing" the technologies for a full year or even two, will lose considerable money, compared with their faster competitors."*

Trends and Events

All Russian ad market players, including publishers, ad agencies and advertisers, continue evaluating the benefits of programmatic technologies. In 2015 major brands and premium publishers started being actively involved into programmatic market. The main trends of programmatic in 2015 are the development of Preferred Deals (Private Auction) and Programmatic Guaranteed models, the increased use of data in ad sales, emergence of new ad formats and the proliferation of mobile and video channels.

> ***Alexey Arshinov, Google****: "I would highlight the following points of growth, which will remain relevant in 2016 as well: connecting a large amount of inventory (including premium) to the main Traffic Exchanges; critical pressure by advertisers and agencies to shift significant budget shares into programmatic (this also explains the apparent success of the major brands in Europe and the US when placed in programmatically); the beginning of the data market formation, where the data is available for targeting."*

Programmatic Now Is More Than Just RTB

In 2015 nearly 73% of programmatic market in Russia accounted to Open Auction (via RTB) model, but the share of Premium Programmatic is growing every year. This may not be very obvious for the total market, but even now certain premium publishers obtain more than 90% of total programmatic ad revenue from non-auction based models.

> ***Vladimir Krivosheev, Rambler&Co:*** *"We launched the first Programmatic Premium Marketplace in Russia at the end of 2014 and over the past year we were completely certain in the correctness of the selected direction. High-quality audience product created on the sell side and implemented through programmatic direct and preferred deals channels, is the most demanded solution on the market. It is absolutely obvious that advertisers' and agencies' interest in buying ads on premium sites algorithmically will continue to grow. This growth will be the main driver of programmatic market in the coming years."*
>
> ***Nikolay Bulanov, Xaxis:*** *"The demand for such placements is rather high and we can feel the lack of quality inventory. So-called Programmatic Guaranteed is in the particular demand right now, when the advertiser does not simply buy quality traffic on quality sites, but also receives guarantees on the traffic volume from the publisher."*

Big brands pay great attention to the content environment of their ad placements and want to have guarantees of the absence of dubious traffic in the ad inventory.

At the same time, most of the premium publishers are still hesitant to put their inventory in programmatic channels, as audience buying for them can be a kind of a threat to their business: the cost of inventory sold programmatically is significantly lower when compared to direct sales. The solution of this dilemma lies in the development of Programmatic Premium models: Preferred Deals (Private Auction) and Programmatic Guaranteed (Programmatic Direct).

Preferred Deals/Private Auction is an ad buying model where a buyer has a priority access to publisher's inventory, fixed prices and terms of the deal, and a possibility of using bidding mechanisms and utilizing audience data.

Programmatic Guaranteed is an ad buying model where the deal is negotiated directly between buyer and seller, the inventory and pricing are guaranteed, and the campaign runs at the same priority as other direct deals in the ad server but via programmatic infrastructure.

By using Programmatic Premium, advertisers are able to buy inventory only on the sites they have selected, though with all the advantages of programmatic technologies. The impressions are sold on pre-negotiated prices, and audieince targeting and optimization technologies are applied in the course of the campaign.

> ***Nikita Pasynkov, Yandex**: "We see a strong demand from large advertisers for programmatic buying of premium publishers' inventory, and from these publishers – for the tools to work with this new type of demand. At the same time, programmatic is just a part of the broader advertising strategy for both buy side and sell side, therefore they need solutions for combining traditional and programmatic sales in both Open and Private Auction. That is why we provide publishers with the ability to manage all kinds of monetization through ADFOX technology, and advertisers and agencies – with all buying tools through Yandex.Display."*

> ***Olga Kulbashnik, Avito**: "Last year we saw a strong demand for private deals from major ad groups and local agencies (before that almost 100% of our programmatic transactions were done through an open auction). This year we see even more active players: now some customers have their own accounts in the DSP, and the agencies that have never specialized in display before, also show their interest in direct deals."*

Since the beginning of 2015, several Russian programmatic players have announced the launch of specific products for advertisers and ad agencies, that make automated access for programmatic inventory of premium and niche sites as easy as possible. One of the examples is Between Select by Between Digital.

> ***Mikhail Getmanov, Between Digital**: "In 2015 the market clearly delineated the demand for programmatic purchase of quality publishers' inventory. In this case we are talking not only about the premium sites, but mostly about the second- and third-tier niche sites, that could be convenient to purchase without worrying about the quality of content, traffic and audience. To satisfy this need, Between Digital has launched a special product Between Select. As part of this project we form ad packages out of niche sites, united by a single identifier (deal ID) for an easy targeting on DSP side. CPM in these packages is somewhat higher than the average for these sites in an open auction, but this is offset by higher performance of traffic."*

In March 2015 mediaholding RBC signed a partnership deal with AMNET (a part of the Dentsu Aegis Network communication group). According to it, AMNET creates customer segments based on first- and third-party data and buys targeted ad impressions on RBC assets in the form of ad packages through an auction with prices fixed for each individual client. Private Auction is done through DoubleClick Bid Manager system. The first advertiser to test Programmatic Premium on RBC was Lumia (Microsoft).[27]

In March 2016 as a part of the premium programmatic inventory expansion, myTarget advertising platform brought together the largest female-oriented sites in the Runet: Lady Mail.Ru, Woman.ru and Starhit.ru. The total monthly reach of these sites is 14.7 million users. All kinds of targeting are available in this package at no extra charge – geo, reach&frequency, gender and age, income, interests, TV viewing, search and behavioral retargeting, CRM segments, data from third-party DMPs.[28]

Also in March 2016 classifieds site Avito entered the Programmatic Guaranteed market. The first campaign on Avito was launched by the digital ad agency Realweb through DoubleClick Bid Manager platform for the bank "Tochka" (FG "Otkrytie").[29]

Players Consolidation and Technologies Value

On the one hand, the crisis year of 2015 prompted advertisers to seek effective ways of ad placing, which resulted in the growth of programmatic market. On the other hand, it forced companies to pay more attention to technology and expertise offered by ad tech suppliers and to make new requirements for transparency and performance of ad campaigns.

At the same time, the period of massive investments in emerging tech startups has come to an end, and those who could not gain the course were forced to announce the closure. During 2015, a number of players, who previously loudly declared themselves at the forming stage of the market, abandoned it.

> ***Roman Nester, Segmento***: *"2015 proved the benefits of long-term investments in complex technologies on digital market: strong technology companies were acquired by larger players, weak companies either left the market or have little influence on it."*

In the beginning of January 2015 Rollad project announced its closure. The company used to develop the auction, participating in which would take into account the following indicators, that are of an interest to the advertiser: the cost of impression, clicks, actions, advertising performance or conversions on site.

In March 2015, Sberbank acquired a controlling stake in the ad platform Segmento. According to the bank's press release, the platform, which is based on artificial intelligence and Big Data technologies, will allow Sberbank to use the largest in Russia customer behavior dataset.[30]

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[27] http://www.sostav.ru/publication/rbk-perekhodit-na-programmatic-15755.html
[28] https://corp.mail.ru/ru/press/releases/9551/
[29] http://www.realweb.ru/blog/sobytiya/avito-i-rialveb-zapustili-chastnuyu-sdelku-po-modeli-programmatic-guaranteed-na-platforme-doubleclic/
[30] http://www.rbc.ru/technology_and_media/12/03/2015/54c25d589a79478439e57458

Last year DSP Hubrus ceased its operation, the teams is now concentrating on the development of contextually targeted video advertising within a company ViHub.

In November 2015 programmatic platform Exebid.DCA announced its expansion by the addition of "Programmatic Technologies" team, that used to represent British tech company Crimtan in Russia for the past four years. [31]

Among the new players appeared in the Russian market in 2015, it is worth noting an international company RTB House, that specializes in the development of online retargeting and RTB-based solutions. In March 2015 it established its branch in Moscow. The company believes that focusing on the long-term presence in Russia is a strategic investment in its own development, as Russian retargeting segment has a strong growth potential.[32]

> ***Gennady Nagornov, Auditorius:*** *"An important result of programmatic market in Russia in 2015 is a multiple growth of customers who use technologies and, hence, a multiple growth of budgets. 2016 will be dedicated to the more active market education. It is important for decision-makers to understand whom to trust and where to invest their money. After all, programmatic's objective is to help advertisers make more money, and for this choosing the right partners is very important.*
>
> *The requirements for the programmatic campaign results are becoming severe, and not every team can create solutions that will suit smart customers (the number of which constantly increases). 2016 will be the year of resonating coming outs, as well as the year when the value of proprietary technology will rise on the first place."*

Programmatic Is Mastering Mobile

According to a study "Russian Media and Internet" by Sberbank CIB, mobile advertising accounts for about 28% of the total online advertising market in Russia.[33] In accordance with RACA's online ad market estimate[34], the mobile segment therefore equals to RUB 27 billion. Sberbank CIB analysts predict mobile advertising market to grow in 2015-2018 at a pace of 33% annually, which is significantly ahead of total online ad market's growth rate (14% per year).

These forecasts are supported by mobile Internet use data in our country. According to TNS Web Index[35], out of 83 million Internet users in Russia 53 million go online from mobile devices. As for the Internet penetration by age groups, it is worth noting that young people (15-24 years old) finally gave preference to mobile Internet in October 2014, while in the adult category (25-44 years) it is happening right now.

[31] http://adindex.ru/news/agencies/2015/11/26/130253.phtml
[32] https://www.rtbhouse.com/ru/rtb-house-otkryvaet-svoe-predstavitelstvo-v-rossii/
[33] https://www.vedomosti.ru/technology/articles/2015/11/12/616601-rinok-internet-reklami
[34] http://www.akarussia.ru/knowledge/market_size/id6462
[35] http://adindex.ru/news/digital/2015/12/2/130417.phtml

In respond to the growing demand for mobile inventory, the largest players on Russian market are expanding their mobile offerings.

> ***Fedor Golubev, Yandex:*** *"We see a growing demand from our advertisers for the communication with mobile audience. In 2015 we launched a display auction on mobile versions of Yandex and YAN, which includes both sites and mobile applications. In addition to a wide range of standard targetings there are available ones, more specific for mobile devices. Apart from that it is worth noting the capability of creating locally geo-targeted banners. They are displayed only to users who are in close proximity to the selected geographical point."*

In March 2016 Yandex announced the start of integrating external ad platforms with its system Yandex. Direct. Advertisers now can place ads not only on the Yandex search results and YAN partner sites, but also on third-party publishers and mobile apps. The first partner to join the platform is the international ad exchange Smaato. Yandex. Direct will integrate all Smaato's publishers that are available in Russia and meet Yandex requirements.

At the same time Mail.ru also strengthens its presence on the mobile market – it integrates third-party applications and mobile networks aggregators with its platform MyTarget. According to Dmitry Sergeyev (Deputy CEO of Mail.Ru Group), the Group dominates the mobile advertising market and provides more than 50% of all mobile traffic in Russia.[36]

Mobile programmatic was one of the most anticipated trends on the Russian programmatic market in 2015. According to the experts interviewed by IAB Russia, today mobile accounts for nearly 15% of programmatic ad market in Russia.

During 2015 several Russian tech companies offered mobile programmatic products in all eligible formats, including video and rich media. In 2016 they expect the further growth of mobile share of programmatic.

In July 2015 the new player appeared on Russian mobile ad market – MobiSharks agency. Its distinctive feature is the employment of not only automated buying models, but manual campaign optimization as well. The company's plans include consolidation of all major mobile platforms within its system and a full stack of mobile inventory.

In September 2015 Data-Centric Alliance launched a new technology solution for advertisers, which allows to extend the reach of programmatic campaigns by adding iOs and Android apps users. Initially, the platform will bring together mobile app inventory totaling 12 billion impressions per month.

[36] http://www.vedomosti.ru/technology/articles/2016/03/30/635733-yandeks-reklami

The Demand for Video Programmatic Should Spur the Supply

Advertisers are increasingly utilizing video advertising not only for the vast reach, but as a way to communicate with specific target audiences as well. Technology plays an important role in the development of video advertising: various types of targeting, auction-based pricing model and vast opportunities of evaluating ad campaign performance give online video additional advantage.

> ***Irina Skripnikova, Yandex:*** *"Yandex video ad network provides a significant amount of programmatic audience sales compared to simple reach-based ones. A large part of them though is still sold at a fixed price. This is due to the fact that price-lists contain all eligible audience segments, while the auction-based method of selling Yandex video network until recently included only socio-demographic targeting. At the same time 90% of generic (reach-based) sales come from CPV product - 100% completed views."*

According to the IAB Russia study "Russian Digital Video Ad Market Overview – 2015"[37], in 2015 video ad market in Russia totaled RUB 5.6-5.8 billion. In accordance with RACA's estimates on total Russian ad market, it comprised 32% of online display segment. IAB estimates that through programmatic went 10-15% of in-stream video adspend and 30% of out-stream. Therefore, programmatic made up 16% of digital video segment, or RUB 800 million.

As Russian market participants state, today advertisers' demand for programmatic video is very large and even exceeds the supply. There is not enough quality video inventory available for programmatic buying to meet this growing demand.

> ***Maxim Zenin, Mail.Ru:*** *"Programmatic video holds a strong position in the Runet, showing a steady growth in terms of inventory, budgets and the number of advertisers. Unfortunately, large sellers do not hurry to open their video inventory for a third-party purchase, so now the amount of premium video inventory, available to be bought programmatically, is extremely small."*
>
> ***Nikolay Bulanov, Xaxis:*** *"The demand for programmatic video is strongly growing, many Russian leading video publishers are experimenting with video programmatic from the beginning of 2015. This year the trend is developing further, and in 2016-2017 the market will obviously witness the appearance of completely new offerings in this area. We can see many successful cases across all industries: Auto, FMCG, Retail, Finance, Pharma."*

One of the largets suppliers of programmatic video inventory in 2015 was YouTube, but in the end of thevlast year Google announced the termination of YouTube ad inventory sales through third-party DSPs. Starting January 1, 2016 advertising in this channel can be bought only through DoubleClick Bid Manager (DBM) and AdWords, and only on a pay-per-view basis.

Google's change in the corporate position and a growing demand for programmatic video opens up great opportunities for publishers with legal video content. This year market participants expect

[37] http://iabrus.ru/news/639

major Russian video sales houses to enter programmatic. In October 2015 CEO Amnet Andrew Molev reported that Dentsu Aegis Network in 2016 expected programmatic to appear on premium video inventory of two largest Russian video sellers, IMHO Vi and Gazprom-Media Digital.

> ***Alexey Arshinov, Google:*** *"Youtube's decision to make its inventory available exclusively through DBM and Adwords, made a number of possible inconvenience for clients and ad agencies who now have to "readjust" for the new TrueView payment model. However, in my opinion, this has created extra motivation for video content owners to develop this direction and monetize video more easily, offering it in the usual form of CPM. After Youtube has left AdX, an increased demand for video inventory formed and this is great news for publishers."*

Native + programmatic =

Native advertising includes various types of ad formats messages, seamlessly placed into the site content. It could be paid blocks on social networks, recommendations in app stores or contextually relevant ad units placed in the body of the news article.

Due to the fact that this advertising is relevant to the page content, it is better perceived by user and shows enhanced viewability and message effectiveness. 10% of articles in the digital version of The New-York Times already contain native advertising[38], LinkedIn gets 45% of its ad revenues from native advertising[39], and in mobile Facebook Audience Network share of native reaches 83%[40].

First global native programmatic product was announced in 2013 by the largest programmatic platform Xaxis and a discussion service Disqus. In the following few years, major tech companies such as OpenX and VivaKi, one by one offered advertisers their own products and technologies for uniting native advertising and programmatic buying.

Interactive Advertising Bureau is actively working on the standardization of this new ad format. In January 2015 IAB updated OpenRTB protocol to version 2.3, and the main innovation in this API specification version was the support of native advertising precisely.

> ***Georgy Levin, GetIntent****: "After IAB released the update, GetIntent immediately switched to the new protocol, but only starting the fourth quarter of 2015 our American clients began the first tests and are now actively working with native formats. In Russia we have not run any native campaign through programmatic, as the market has almost no inventory. Another reason is the lack of Russian SSPs that are ready to work with native formats. I think that native programmatic in Russia may never appear in the open auction entirely, it can go straight to Programmatic Direct instead."*

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[38] http://adage.com/article/media/york-times-sold-18-2-million-worth-native-ads/296966/
[39] http://digiday.com/publishers/linkedin-native-ads/
[40] https://www.facebook.com/audiencenetwork/news-and-insights/native-advertising-forecast-2020

In our country, the trend for native programmatic outside the social networks is in its infancy. Russian social networks, in pace with major American and European ones, are actively offering native advertising in user news feeds: advertisers can place promotional posts and text-and-image units in “Odnoklassniki” (ok.ru) and “Vkontakte” (vk.com) using all possible kinds of targeting and MyTarget internal auction system.

> ***Maxim Zenin, Mail.Ru:*** *"Native formats in social networks are among the absolute leaders in terms of purchases through MyTarget. They show consistently high performance for virtually any type of campaign."*

In 2015 the first steps were made to develop native programmatic channel for sponsored content, though also within a private stack. Rambler & Co launched Programmatic Native Advertising product, which allows to show advertising articles in the editorial content with precision and efficiency of programmatic advertising. Audience targeting is done through Rambler’s DMP “User Model”, and the use of programmatic technology allows to optimize placement towards audience segments that demonstrate the greatest interest in the content. [41]

> ***Vladimir Krivosheev, Rambler&Co:*** *“Out of all existing native formats, advertorials has traditionally demonstrated the highest level of audience engagement. In 2015 we applied programmatic as the most progressive of the existing methods of ad targeting and optimization to the best native advertising media. We created tools to accurately measure the effectiveness and launched the product on the audience of premium sites, covering more than 40 million people per month. Native Programmatic placements demonstrate impressive results that are validated through research conducted by independent online panels. In Rambler&Co we place extra emphasis on Native Programmatic product development in 2016.”*

[41] http://rambler-co.ru/live/programmatic-native-advertising-novyj-reklamnyj-produkt-na-ploschadkah-ramblerandco

Russian Data Market

Russian data market in 2015 has just started the process of formation and is in its infancy compared to the global market. Advertisers are only beginning to experiment with the use of DSP capabilities, first-party and third-party data in ad campaigns. Despite the fact that data purchasing accounts for only 2.5% of companies' revenues from advertising sold through programmatic channels, experts see a positive trend in the development of this market.

Third-party data market for buying online ads in Russia amounted to RUB 125 million in 2015 and, following the outlined trends, will actively grow in the current year.

> ***Dmitry Egorov, Weborama****: "In 2015, the basis for Russian data market was established both in terms of the ecosystem formation, and advertisers having a better understanding of the ways they can use data management platforms (DMPs). One of the trends is the clearly increasing interest in the full use of such platforms. Out of more practice-related areas I'd like to point out working with mediadata (second-party data) and solving the problems of cross-device user identification. Judging by the results of the first months of 2016 we can confidently predict the further active growth of data market."*

Almost every DSP on Russian market has its own data processing platform, and programmatic ad buys in Russia in 2015 were held mostly with the use of this audience data, available in DSP at no extra charge. However, in order to improve the accuracy and effectiveness of audience data and so to improve campaign performance, advertisers and agencies are increasingly applying paid data from third-party suppliers.

Data Supplier is a company that sells its own data, raw or processed and synchronized with cookies / IDFA / phone number / e-mail / social ID or other IDs.

On the Russian market operate raw data suppliers (Pluso, AddThis, Openstat, UsefulData, Surfingbird, RedHelper, HotLog, AlterGeo, etc.), as well as processed data suppliers (Avito, AmberData, Facetz, HH, Weborama, tbh, ClearData, NousData, Soloway, etc.).

> ***Anna Kuzmenko, Exebid.DCA:*** *"Many Russian companies from completely different industries began implementing their own projects and showing active interest in data market and Big Data technologies. Major aggregators started offering services on the basis of their data. There appeared full-fledged platforms that allow companies to solve their problems with the use of external depersonalized data, including data exchanges, where data suppliers and data buyers can find each other, negotiate on commercial terms and establish technical integration."*

Data Exchange is a platform for interaction of suppliers and buyers of audience profiles and customer information.

Data Exchange sells raw branded data and has a full Marketplace technology. There are several platforms in Russia that provide the interaction of data suppliers and data buyers. In addition to the largest exchange Google DDP (DoubleClick Data Platform), CleverData and its product Data Marketing Cloud can also help monetize accumulated data, selling it out to many buyers at once.

Independent DMPs (Data Management Platforms) started being actively used for the aggregation of all kinds of data from different sources, processing and synthesizing it into audience profiles for later use in ad campaigns. An important difference of DMP from Data Supplier is the ability to transfer audience data to any buying platform (DSP) or publisher's ad management system (Ad Server). DMP is not tied to a particular traffic source or platform and can easily be integrated into any media space. The largest DMPs on the Russian market are AiData, Facetz.DCA, Weborama, Clever Data, AmberData.

DMP (Data Management Platform) is a platform that allows to organize, segment and analyze data arrays used for ad targeting in order to deliver the most relevant and useful ads to each user at a particular moment.

One of the trends of 2015, noted by almost all market participants, is the beginning of utilizing first-party data (advertiser's own data) in programmatic campaigns, together with second-party data – data collected in the course of the campaign, not only within the private technological stack of largest players and retargeting services, but also for the construction of complex segments using external DMPs' resources.

First-party data is advertiser's proprietary data, information collected through user interaction with the website, data on performed actions, purchase history, other brand communications, lead generation databases, subscripton information etc. stored in corporate CRM and loyalty programs databases.

Using 1st party data for ad targeting gives an impressive effect, as it brings together information about the users, that are already interested in the brand's product or service.

The first experiments of using propriatery data in Russia have shown good results. However, despite all the indisputable benefits of such data, there is one drawback - its limitation. A very small percentage of advertisers can accumulate the amount of data about their own audience, that is sufficient for providing the necessary campaign reach.

In this regard, Russian advertisers have begun assessing the large prospects of utilizing second-party data.

Second-party data is data collected by ad servers in the course of brand's ad campaign: banner clickthroughs, page views, completion of specific actions, user's social activity. Also second-party data includes proprietary data of other advertisers, that they are willing to share for carrying brand ad campaign.

The scope of second-party data application is very broad. Such data can be used effectively for ad campaigns, and the volume of this data can be expanded through the use of look-alike technologies, that in the real-time mode find online users, who are similar to those commited desirable actions, and add their profiles into targeting datasheet.

Brand can use the data, collected during the previous campaigns, for further targeting precisely to those users, who reacted in a certain way to an ad in that previous campaign. Or this data can help exclude from targeting those users that were already exposed to the banner.

> ***Dmitry Egorov, Weborama:*** *"During 2015 the largest advertisers have formed a strategy of using media data in programmatic activities. In particular, the use of ad placements' data allows to implement strategies of incrementing reach, frequency or retargeting to those users who have completed the video view. The most common strategy is incrementing unduplicated reach to the direct placement, that allows to minimize the overlap between direct and programmatic flights (the intersection is less than 1%)."*

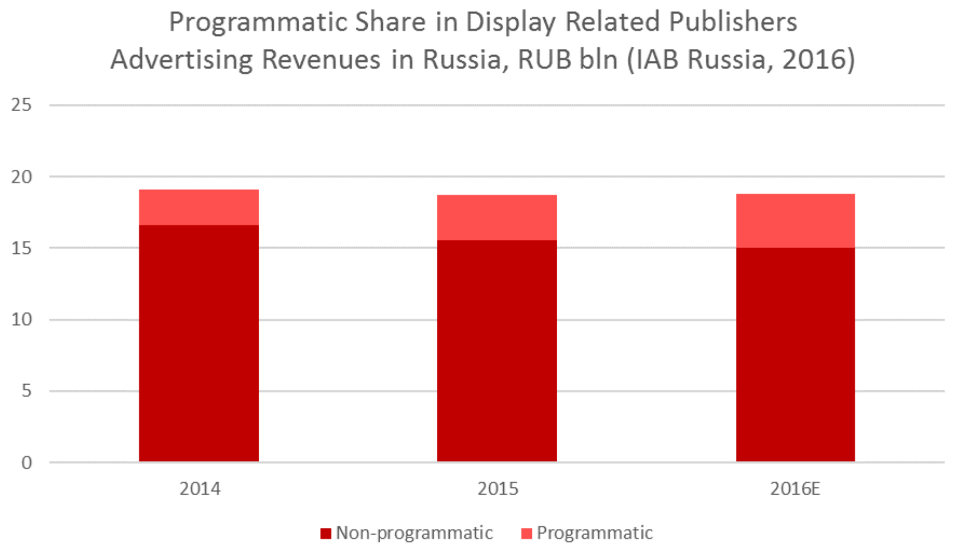
According to a survey of market experts, in 2015 first-party data was used for 15% of programmatic ad inventory in Russia, second-party data was used for 10% of it.

In 2016 experts estimate the data market growth to be provided through the increased use of DMP capabilities by the buy side, the increased amount of data suppliers and growth of data market for mobile audience.

> ***Anna Kuzmenko, Exebid.DCA:*** *"In 2015 everyone waited for offline data to come to programmatic and it seemed to have come. 2016 will be the year of mobile data, at least we in the DCA are investing resources in this direction and observing a positive feedback from the market. The combat with bots will continue, filtering technologies will perfect. The data itself will become more "connected", there will appear noticeable independent providers of such links, as the market for them is ready."*

Forecasts

Market experts forecast that in 2016 publishers' revenues from the sale of programmatic advertising in Russia will exceed 20% of total media advertising market. Taking into account the ad tech revenues and the growing share of data suppliers' revenues, the projected amount of programmatic advertising in Russia will exceed RUB 6 billion.

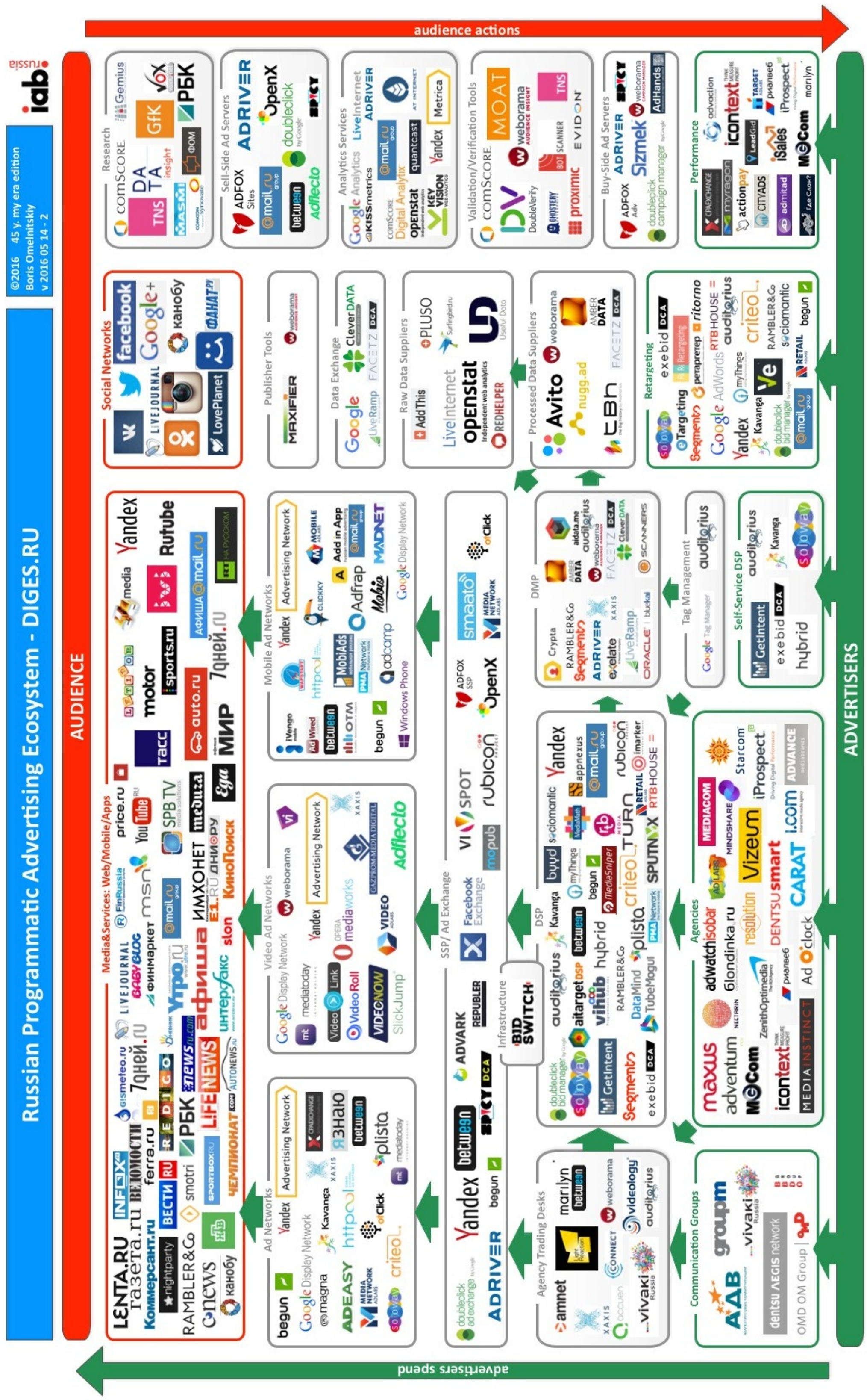


Market growth, in the first place, will be provided by the proliferation of Premium Programmatic models, arrival of big brands and premium publishers to audience buying and the increased use of data. Experts expect further growth of video and mobile share in the total programmatic market.

> ***Alexey Arshinov, Google:*** *The main programmatic trend in 2016 should be the development of Programmatic Premium. The market is scarcely overcoming the internal inertia and is more often launching campaigns through private auction tools and guaranteed programmatic deals."*
>
> ***Nikolay Bulanov, Xaxis:*** *"Russian programmatic market in 2016 will grow at the expense of increasing share of video programmatic and a long-awaited start of massive programmatic sales by numerous premium publishers. This process is only gaining momentum, so it has a great potential for the coming years.*
>
> *At the same time there will be quite a strong programmatic inflation, i.e. average CPM will continue increasing due to the fact that clients and ad agencies have come to the following conclusion: the inventory, which can be bought through an open auction and networks (at least that of an acceptable quality) is very very limited, and the leaders of display ad market should enter programmatic. Publishers, for their part, matured to understand how to work with programmatic efficiently, and that when used properly, it does not cannibalize direct sales, but, on the contrary, increases them.*

> ***Dmitry Egorov, Weborama:*** *"In 2016, Big Data approach will allow to collect and analyze audience data from all marketing activities and to turn unstructured stream of online and offline data into a single user profile. This will contribute to the growth of programmatic mobile and programmatic TV channels as brands will be able to customize communication with real people, not with their devices."*

Appendix 1. Russian Programmatic Ecosystem



Appendix 2. Russian Programmatic Market Players

DSP (Demand Side Platform)

AdSniper

AdSniper operates on the market since 2013. It is an automatic ad placement system, modifying costs in real-time according to the changes in the campaign results. It offers DSP and DMP services, a proprietary system of audience building and look-alike targeting mechanisms. The system focuses on performance-based buyings (active click, registration, transaction) and is suitable for CPA clients.

http://adsniper.ru

aitarget

Aitarget is the only Facebook reseller in Russia and a marketing partner of Instagram. Company's activity is focused on mobile advertising, including social video. It works with its own DMP Aidata.me.

http://www.aitarget.ru/

auditorius

Auditorius Programmatic Buying Platform is the leading Russian independent company in the field of RTB/programmatic and data management. According to Digital Index it is the platform #1 by the quality of client experience (2015) and aided awareness (2014, 2015). Auditorius has a stack of following technologies: Auditorius TD (programmatic trading desk), Auditorius DSP (a platform for buying ad inventory for programmatic campaigns), Auditorius DMP (a platform for data storiage, analysis and usage), tBH (The Big History – a proprietary supplier of third-party data).

http://www.auditorius.ru/

Begun online ad service is one of the largest advertising networks in Russia. Company gained extensive experience in contextual and behavioral technologies and now develops products for RTB-sites and advertisers. Since 2014 it acts as a solution provider for Rambler-SSP, which exclusively sells programmatic inventory of Rambler&Co assets.

www.begun.ru

Criteo is the global leader in high-performance advertising, providing its solutions to more than 5,000 companies around the world. The company has about 800 employees in the US, Europe and Asia who serve customers in more than forty countries. In 2014 Criteo opened its first office in Moscow, Russia.

http://www.criteo.com

Exebid.DCA is a programmatic platform (DSP), a subsidiary of D.C.A. Data-Centric Alliance. Exebid.DCA technology implements highly performing digital campaings on the basis of data about Runet audience. More that 2,000 audience segments are available through the proprietary DMP. Exebid.DCA is a part of a whole DCA programmatic ecosystem together with one of the biggest DMP in Russia and a proprietary SSP.

www.exebid.ru

GetIntent is an international tech company that provides a transparent and fast access to programmatic infrastructure. It has proprietary technologies and machine learning algorithms. GetIntent DSP works as a self-service platform and helps advertisers create campaigns, manage them and optimize ad budgets. Core technologiy is licensed to other ad companies as RTBSuite product. GetIntent works with all ad formats: desktop, video, mobile, native.

http://getintent.com/

DoubleClick Bid Manager

DoubleClick Bid Manager is DSP by Google, which provides a real-time control of media purchasing and video advertising on RTB model. Google DBM works with major RTB-exchanges in the world (DoubleClick Ad Exchange, AppNexus, FBX, MoPub, etc.). The platform is a part of Google's global infrastructure and is fully integrated with DoubleClick Digital Marketing.

https://www.thinkwithgoogle.com/products/doubleclick-bid-manager.html

hybrid

Russian company that works with its own stack of programmatic technologies: DSP, SSP, DMP, Trading Desk. Hybrid offers efficient products for small and middle businesses, major international brands and ad agencies.

http://hybrid.ru/

imarker
интернет маркер

iMarker company offers targeted advertising based on user behavior on the Internet, entered the RTB market in 2014. To obtain data on the behavior, iMarker collaborates with leading ISPs in Russia. The company has also its own DMP.

http://imarker.ru

Kavanga

Kavanga DSP comprises ad inventory of more than 100 niche sites and ad exchanges. Kavanga DSP provides useful tools for fast launch and ad campaigns managements. The core feature is display ad placements on digital media sites.

http://kavanga.ru/

Mail.Ru Group is the leading Internet company in Europe and is the 1st largest Internet business globally, based on the average minutes per visitor. It develops a unified integrated platform of communication and entertainment online services. The company owns Russia's leading email service and one of Russia's largest internet portals, Mail.Ru. The company operates Russian language social networks VKontakte (VK), Odnoklassniki (OK) and Moi Mir (My World), and Russia's largest online games. The company's portfolio also includes Agent Mail.Ru and ICQ – two instant messaging services popular in Russia and CIS.

https://corp.mail.ru

RealWeb has worked in the digital marketing field since 1998 and has managed to gain vast experience and deep understanding of Internet technologies. RealWeb is one of the oldest and most skilled digital marketing agencies in Russia. For the moment it partners with the main players of Russian RTB-ecosystem. For its clients the company also provides a proprietary DSP platform and is now working on its own ATD.

http://www.realweb.ru

RTB House is one of few companies in the world that managed to develop and implement its own technology for purchasing advertisements in the RTB model and one of the most dynamically developing European tech companies. Over the last 3 years it has launched its operations in tens of different countries of Europe, with most recent kick-offs in the Asia and Pacific region and Latin America. The team is made up of over 100 people: performance marketing experts, analysts, sales and customer care specialists, programmers and others.

https://www.rtbhouse.com

RTB-Media is a service for ad agencies and direct advertisers that helps to manage mediabuying with the use of modern programmatic technologies. The company was founded in 2014 with the support of Impulce VC and Moscow Seed Fund. For the beginning of 2016 the offices are opened in Moscow, Odessa and San-Francisco.

http://rtb-media.ru/

Segmento is a platform that uses artificial intellect and Big Data processing technologies for the extra precise ad targeting. Among the clients are major brands (Hyundai, S7, PayPal etc.), ad agencies and online-retailers. The platform manages advertising on all main channels: banners, video and mobile. Since 2015 it is a part of the Sberbank Group.

www.segmento.ru

Sociomantic Labs, a dunnhumby company, provides programmatic solutions for online, mobile web and in-app display advertising. The company's proprietary technology enables the world's leading advertisers to harness the value of first-party data assets to deliver individually personalized, dynamic ads for the full customer journey. This results in broader reach, more new customers and increased loyalty of existing customers. Sociomantic has been profitable since its founding in Berlin in 2009 and has grown organically to more than 250 employees serving over 70 countries across six continents today.

https://www.sociomantic.com/

Soloway is a system for programmatic display campaigns. Unlike other companies, Soloway optimizes campaigns immediately, on the end-customer's KPIs: targeted actions, orders, sales. High ad performance is provided by proprietary algorithms.

www.soloway.ru

Sputnyx is a programmatic ad platform that started operating in 2013. The company develops solutions for external clients and also works on its own DSP and DMP. The main advertiser category is ecommerce; the clients are the largest online-retailers in Russia. Sputnyx specialists have also participated in developing Lamoda DSP.

http://www.sputnyx.ru/

Yandex. Display is a tool for planning display ad placements on Yandex services and across Yandex Advertising Network (YAN). It is designed for ad agencies who can without Yandex's manager check the availability of inventory, create ad campaign plan, evaluate the cost, sent an ad placement request, upload banners, track ad impressions and adspend.

https://display.yandex.ru/

SSP (Sell Side Platform)

ADFOX was founded in 2005 by experts with years of experience in marketing, advertising, customer service and programming. ADFOX offers services to all participants of the online ad market: publishers, advertisers, ad networkss, selling and buying agencies in terms of providing infrastructural services for planning, carrying out and analyzing advertising, BTL and PR campaigns. ADFOX technologies are integrated with Yandex Advertising Network, that unites through RTB auction banners from DSPs, Yandex.Direct listings and Yandex display ads, which guarantees a high income for publishers.

http://adfox.ru/

AdRiver started working in 2011 and over this time has become a recognized leader in the Russian market of technological solutions in the field of online advertising. AdRiver software provides more than 4 billion hits daily. Today AdRiver has the possibility of selling advertising inventory via AdRiver SSP through any auction model (open, private, direct deal).

http://www.adriver.ru/

Between Digital, commercially launched in the end of 2012, is an integrated platform for managing advertising on the websites, which operates with the usage of RTB technology. In December 2013 the company launched its own DSP Intency and in 2014 – programmatic premium solutions for Russian ad market.

http://betweendigital.ru/

DoubleClick Ad Exchange (AdX) lets publishers get the maximum revenue from every ad impression thoroughout all channels. This is the only ad auction where all main demand sources are available in real-time, in particular, Google's Context-Display Network. Besides this, AdX is integrated with DFP ad platform.

https://www.doubleclickbygoogle.com/solutions/revenue-management/dfp/

Rambler & Co was formed in 2013 following the merger of two important Internet groups, Rambler-Afisha and SUP media. The group controls a number of online media outlets, including Afisha.ru, Lenta.ru and Motor.ru, as well as contextual advertising service Begun. Rambler.ru used to be Russia's leading search engine in the 1990s but now, with around 1% of the search market, Rambler positions itself as a media tech platform, aggregating content from 2,000 publishers across the country. Programmatic inventory is sold through Rambler-SSP platform, created and implemented by "Begun". Also Rambler&Co develops its proprietary DMP "User Model".

http://www.rambler-co.ru

REPUBLER

Republer is the successor of “Kavanga”, a real time trading platform specifically for publishers. It increases revenues of online sites by placing and optimizing display ads. The company serves 1,500 publishers, who used to be in “Kavanga” ad network.

http://republer.ru/

SPICY DCA

Spicy.DCA is an SSP-platform for ad management of sites and apps on desktop, mobile and in Smart TV. It is based on DCA’s own solutions and allows to maximize the revenue from selling ad inventory.

http://sspicy.ru/

Yandex

Yandex is one of the largest European internet companies, providing a wide variety of search and other online services. Yandex's mission is to help users solve their everyday problems by building people-centric products and services. Yandex announced the launch of its proprietary RTB-platform in March 2012. For the moment it already has several DSPs connected, including the company’s own Yandex. Direct and display ad system Yandex. Display.

http://www.yandex.ru/

Trading Desks

accuen

Accuen is Omnicom Media Group’s programmatic specialist division, which is designed as an open, integrated, neutral partner. With more than 400 specialists in over 45 countries, Accuen’s experts and the programmatic platform help clients reach their consumers with the most effective advertising experiences.

http://www.accuenmedia.com/

AMNET is the programmatic expert for the Dentsu Aegis Network, specializing not only in programmatic buying, but also in the planning, analysis and activation of audience data. AMNET was established in 2011 and now operates in the US, Germany, France, the Netherlands, the UK, Russia (in 2013 through Aegis Media) and other countries.

http://www.amnetgroup.com/

VivaKi Russia is the largest media buying group in Russia according to RACA and Sostav.ru ratings. It comprises four operationally independent parts: Mediavest, Starcom, Zenith and Optimedia agencies, as well as two affiliated agencies, namely, Medialink and Starlink. The agencies specialize in media planning, ad placement, media consulting.

http://www.vivaki.ru/

Xaxis is the world's largest technology platform, working in the field of programmatic buying and ad buying in digital media. Xaxis Russia is part of GroupM Russia, the leading global mediaholding.

http://www.xaxis.com/

DMP (Data Management Platform)

Aidata.me offers to all players of RTB market its DMP solutions for smarter audience buying. Aidata.me aggregates, processes, segments and delivers data about age, gender, interests and intents of more than 1,000,000,000 unique cookies per month.

http://www.aidata.me/

AMBER DATA

AmberData is a high-tech data management platform for aggregation of depersonified information about online users and constructing segments out of this data. With AmberData data suppliers can monetize data, and advertisers and ad agencies can build the most effective communication with target audience.

https://amberdata.ru/

CleverDATA make your data clever

CleverDATA is concentrated on developing its proprietary product – data management platform 1DMP. The platform is designed for collecting, processing, enrichment and analysis of customer data, formation of clients' 3D-profiles and micro-segmentation for targeted marketing purposes and improvement of customer experience. In addition, CleverDATA has created and develops cloud service Data Marketing Cloud (Data Exchange), which serves as a platform for interaction between suppliers and consumers of audience profiles and customer knowledge.

http://cleverdata.ru/

FACETZ DCA

Facetz.DCA is a DMP, an integrated solution fy DCA (Data-Centric Alliance), that allows to aggregate audience data from various online and offline data sources, produce a synthesis of consumer and behavioral profiles for accurate segmentation and audience targeting. Facetz.DCA has more than 400 ready-made segments. In addition, the self-service platform toolkit allows customers to create and upload audience segments for different business needs.

http://facetz.ru/

tBh (The Big History) is a DMP from the company Auditorius, which entered the market in 2014. The platform collects and analyzes user browsing history without tying it up to personal information.

http://www.tbighistory.com/

Weborama is a kingfish of European audience data market. It has the full stack of tech solutions and expertise for using data in marketing: its own DMP, ad server and display audit system, interactive technologies. In Russia the company operates since 2012 and collaborates with leading advertisers, agency groups and publishers.

http://www.weborama.com/

About IAB Russia

The Interactive Advertising Bureau (IAB) Russia

A non-commercial partnership for interactive advertising promotion, a part of an international IAB association. The main objective is to grow and develop interactive advertising market. IAB successfully operates in 41 countries on 5 continents.

Priority areas of The Interactive Advertising Bureau (IAB) Russia are the following:

- Educational activities;
- Formation of industry standards, guidelines and glossaries;
- Organizing industrial events, including MIXX Conference and MIXX Awards;
- Conducting research in the field of online advertising, taking into account international methodologies and best practices

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