The AdTech Revolution: Decoding the AI-driven Advertising Landscape

September 2024

Market Report
Interactive Experience (IX) Services

Everest Group®

Our research offerings

This report is included in the following research program(s):

Interactive Experience (IX) Services

- ▸ Advanced SciTech
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- ▸ Application Services
- ▸ Artificial Intelligence (AI)
- ▸ Asset and Wealth Management
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- ▸ CXM Technology
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- ▸ Digital Services
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- ▸ Enterprise Platform Services
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- ▸ Financial Services Technology (FinTech)
- ▸ Forces & Foresight
- ▸ GBS Talent Excellence
- ▸ Global Business Services
- ▸ Google Cloud
- ▸ HealthTech
- ▸ Human Resources
- ▸ Insurance Business Process
- ▸ Insurance Information Technology
- ▸ Insurance Technology (InsurTech)
- ▸ Insurance Third-Party Administration (TPA) Services
- ▸ Intelligent Document Processing
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- ▸ Life Sciences Business Process
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- ▸ Life Sciences Information Technology
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- ▸ Marketing Services
- ▸ Market Vista™
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- ▸ Microsoft Business Application Services
- ▸ Modern Application Development (MAD)

- ▸ Mortgage Operations
- ▸ Multi-country Payroll
- ▸ Network Services and 5G
- ▸ Oracle Services
- ▸ Outsourcing Excellence
- ▸ Payer and Provider Business Process
- ▸ Payer and Provider Information Technology
- ▸ Price Genius – AMS Solution and Pricing Tool
- ▸ Pricing Analytics as a Service
- ▸ Process Intelligence
- ▸ Process Orchestration
- ▸ Procurement and Supply Chain
- ▸ Recruitment
- ▸ Retail and CPG
- ▸ Retirement Technologies
- ▸ Revenue Cycle Management
- ▸ Rewards and Recognition
- ▸ SAP Services
- ▸ Service Optimization Technologies
- ▸ Software Product Engineering Services
- ▸ Supply Chain Management (SCM) Services
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Scope and definition of research

Our research methodology is based on four pillars of strength to produce actionable and insightful research for the industry

01 Robust definitions and frameworks

Function-specific pyramid, Total Value Equation (TVE), PEAK Matrix®, and market maturity

02 Primary sources of information

Annual contractual and operational RFIs, provider briefings and buyer interviews, web-based surveys

03 Diverse set of market touchpoints

Ongoing interactions across key stakeholders, input from a mix of perspectives and interests

04 Fact-based research

Data-driven analysis with expert perspectives, trend-analysis across market adoption, contracting, and providers

Proprietary contractual database of over 700 experience-focused IT contracts (updated annually)

Year-round tracking of 50+ IT service providers and design agencies

Large repository of existing research in Interactive Experience (IX) services

Over 30 years of experience advising clients on strategic IT, business services, engineering services, and sourcing

Executive-level relationships with buyers, providers, technology providers, and industry associations

Background of the research

Advertising Technology (AdTech) plays a key role in how advertisers connect with their audiences in a digital-first world. AdTech encompasses the tools and technologies to deliver, manage, and analyze digital advertising campaigns. These technologies include Demand-side Platforms (DSPs), Supply-side Platforms (SSPs), Data Collaboration Platforms (DCPs), and various other tools designed to optimize ad placement and performance. AdTech has transformed the advertising industry by enabling precise targeting, real-time bidding, and comprehensive analytics, ensuring that the right ads reach the intended audience.

Artificial Intelligence (AI) is transforming how enterprises reach and engage their audiences. This powerful combination drives innovation, efficiency, and effectiveness in marketing strategies, offering unprecedented opportunities for advertisers and consumers alike.

In this report, we delve into the AdTech segment covering:

- The definition, methods, and strategies for adopting AdTech
- Challenges faced by enterprises in their AdTech journey
- Global market spend on advertising
- Factors driving growth and trends governing the advertising space
- Implications for enterprises and media agencies

Scope of this report

Geography: Global

Industry: Advertising Technology (AdTech)

Services: Media planning and buying

Everest Group's definition of the typical AdTech supply chain

Data collaboration platform

/LiveRamp   ⚙LOTAME™

Demand side ▶

◀ Supply side

DMP/CDP[1]

First/third- party data

Advertiser	Agency	DSP[1]	Ad exchange	SSP[1]	Ad network	Publisher	Customer
Brands intend to publish ads to consumers	Manages media budget for advertiser	Automates buying of ad inventory	Marketplace to connect DSP and SSP for buying and selling ads	Automates selling digital ad inventory	Aggregator of digital ad inventory	Has availability of ad inventory	Consumes ads across preferred channels

Example

Burger King	Dentsu	Demand base	Google Ad Exchange (AdX)	Magnite	AdCash	The New York Times
Coca-Cola	OMG	Epom		Microsoft Monetize	Google Display Network	IMDb
Nike	Publicis Media	Google Ads		Pub Matic	Microsoft Advertising	Meta
	WPP	Google Display & Video 360			OpenX	Snapchat
		Media Math				YouTube
		Meta Ads Manager				
		Microsoft Invest				

🔒 Security and privacy   ⚙ Technology constructs (AI, Automation), data & and analytics   ☁ Cloud infrastructure

Introduction to AdTech strategies and methodologies

Research methodology

Background of research

Scope and definition of research

Programmatic advertising is becoming the de-facto method of digital advertising
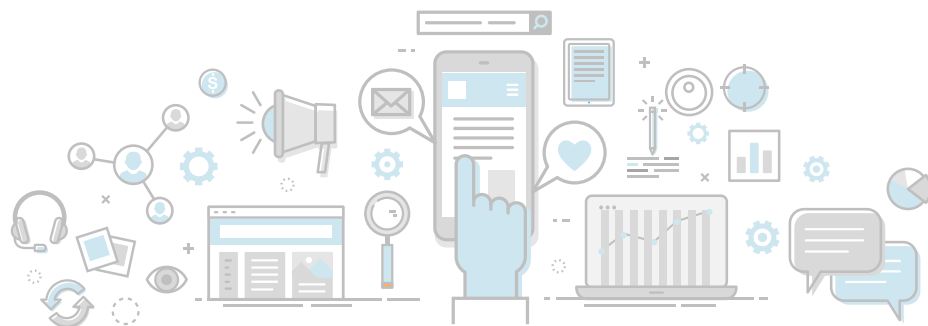
Digital advertising methods

1 **Non-programmatic**
Manual, direct deals with publishers

2 **Programmatic**
Use of advertising technology to automate buy and sell of digital ads

Adtech Powers programmatic advertising processes

Auction-based (real-time bidding)
- Open auction
- Private marketplace

Non-auction-based
- Preferred deals
- Programmatic guaranteed

Digital advertising spend across methods[1] (CY22-23)

Programmatic	Non-programmatic
80%	**20%**
Growth (2023): 8-10%	4-5%
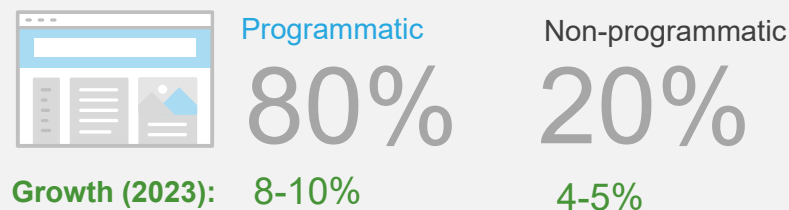
Digital advertising spend across programmatic methods[1] (CY22-23)

Open auction	Private marketplace, preferred deals, programmatic guaranteed
63%	**37%**

1 IAB Internet Ad Revenue Report 2024
Source: Everest Group (2024)
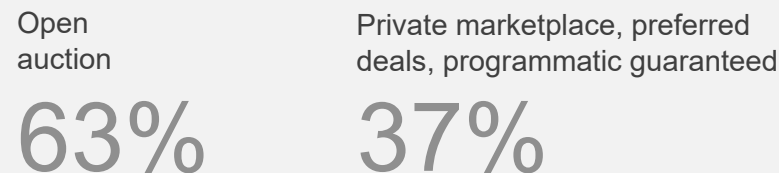
Real-time bidding-powered auction is the widely used approach of programmatic advertising

● Low   ● Medium   ● High

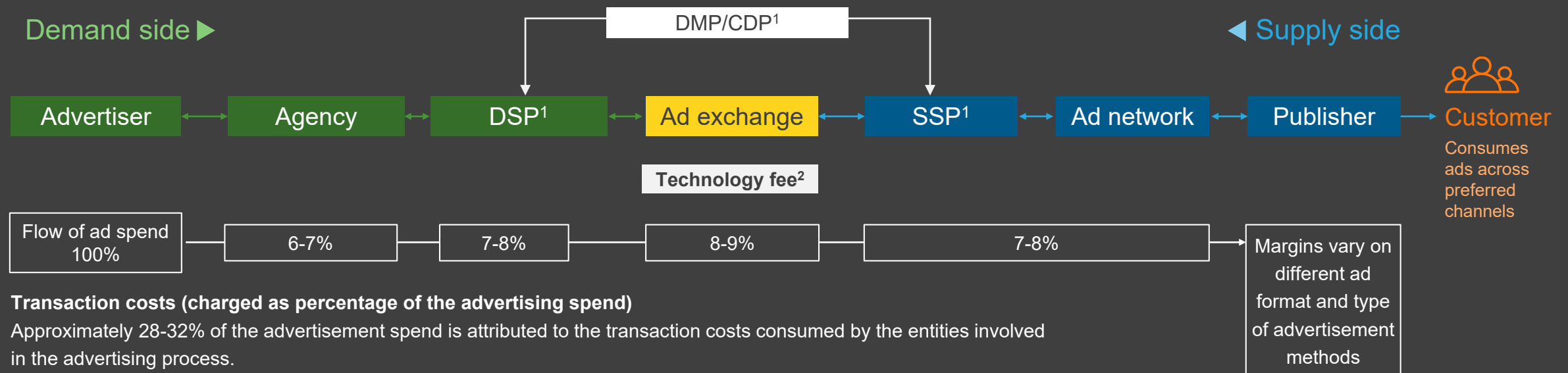| Characteristics	Programmatic				Non-programmatic
	Auction-based		**Non-auction-based**		
	Open auction	**Private marketplace**	**Preferred deals**	**Programmatic guaranteed**	**Direct**
Characteristics	• Open to all advertisers • Auction process through real-time bidding • Bids are placed for ad space and impressions	• Open for selected advertisers on an invite-only basis • Bids are placed for ad space and impressions • Typically involves premium inventory auction	• Advertisers select ad spots before the auction • Publishers offer premium inventory at a pre-negotiated fixed price	• Programmatic ecosystem without bidding • Inventory is reserved for a particular advertiser	Advertisers engage in direct manual deals with publishers for ad inventory
Advantages	• Suitable for advertisers of all sizes • Cost-effective for advertisers; provides a larger reach	• High transparency of pricing and purchase inventory and fewer fraud possibilities • More profitable due to premium inventory auction	• Enables highly targeted ads for advertisers • Priority access to premium inventory for advertisers	• High transparency of pricing and purchase inventory and fewer fraud possibilities • Increased revenue for publishers due to premium inventory • Guaranteed inventory volume	• Offers advertisers more control over advertisements • Suitable for display ads and small advertisers
Limitations	• No guarantee of deal completion • Low transparency and more fraud possibilities • Premium inventory may not be offered	• Not suitable for small advertisers due to high rates of premium inventory • Total costs involved including platform fees are high	• Higher risk of unsold inventory • Not suitable for small advertisers due to high rates of premium inventory	• Risk of overpaying by advertisers for premium inventory • Less flexibility due to negotiations involved	• Longer time to publish ads due to manual negotiations • Lack of real-time optimization of ads • Scalability issues
Relative adoption	● (High)	● (Medium)	● (Low)	● (Low)	● (Medium)

Everest Group's definition of the typical AdTech supply chain

◀ Demand side ▶

◀ Supply side

DMP/CDP[1]

| Advertiser | ⟷ | Agency | ⟷ | DSP[1] | ⟷ | Ad exchange | ⟷ | SSP[1] | ⟷ | Ad network | ⟷ | Publisher | → | Customer |

Customer
Consumes ads across preferred channels

Technology fee[2]

| Flow of ad spend 100% | 6-7% | 7-8% | 8-9% | 7-8% | Margins vary on different ad format and type of advertisement methods |

Transaction costs (charged as percentage of the advertising spend)
Approximately 28-32% of the advertisement spend is attributed to the transaction costs consumed by the entities involved in the advertising process.

1 DSP – Demand-side Platform, CDP – Customer Data Platform, DMP – Data Management Platform, SSP – Supply-side Platform
2 Technology fee constitutes of ad serving, verification tools and data, and exchange bidding costs
Source: Everest Group (2024)

While outsourced AdTech is still the most widely adopted strategy, hybrid in-house strategy is experiencing high growth

● Low   ● Medium   ● High

Adtech strategy	In-house		Outsourced
	Full stack	**Hybrid**	
Characteristics	In-house DSP[1] along with an in-house media buying team.	In-house media buying team, third-party DSP, and/or consultants from tech vendors or agencies.	Fully outsourced to an external media planning and buying agency.
Media buying team	Internal team comprised of media buyer, creative designer, programmatic strategist, ad ops specialist, etc.	Internal team comprised of media buyer, creative designer, programmatic strategist, ad ops specialist, etc.	External agency
DSP enablement	In-house custom DSP	Through third-party vendor	Through agency involved
Advantages	• Full control and flexibility over advertising campaigns • High transparency of media buying and increased operational efficiencies	• Enhanced control and flexibility over advertising campaigns • Eliminates massive upfront cost investments such as custom DSP	• Higher efficiency, speed, and quality of campaigns • Eliminates massive upfront cost investments, hiring and upskilling internal talent, and vendor negotiations • Flexibility in scaling media teams appropriately as per budget
Limitations	• High upfront costs and long setup time (12-18 months) • Requires strong expertise in programmatic strategies and ad operations • Hiring talent for specialized roles for creatives and programmatic buying	• Limited control over customer data • Hiring talent for specialized roles for creatives and programmatic buying	• Limited transparency of media buying process • Limited control over customer data
Whom is it for?	Suitable for large advertisers	Suitable for midsize advertisers	Suitable for all types of advertisers
Relative adoption	●	●	●

1 DSP – Demand-Side Platform
Source: Everest Group (2024)

Social, website, and mobile still draw a large advertising spend with advanced TV, retail media network, and audio channels poised for sharp growth

● Low <5%   ● Medium 5-10%   ● High >10%

Channel	Description	% share of advertising spend in 2023	Growth (CY24-26)	Everest Group's Point of View (PoV)
Social	Ads targeted through social media platforms and social messaging apps such as Instagram, Twitter, and Snapchat	20-22%	● (yellow)	Growth will be driven by social commerce, creator economy, and the popularity of short-form video content
Advanced TV	Encompass all non-traditional television such as connected TV and OTT platforms	9-11%	● (green)	Poised for significant growth for the next two-three years as channel attribution and measurement capabilities improve
Digital-out-of-home	Any internet-connected out-of-home advertising media such as digital billboards	6-8%	● (yellow)	Better data usage for contextual targeting and advanced measurement capabilities are making Digital Out of Home (DOOH) an attractive advertising option
Website and mobile	Advertising tailored and delivered to desktops, mobiles, mobile applications, etc.	26-28%	● (red)	Stagnant growth as advertisers prefer channels such as social and connected TV
Retail media network	Retailer-owned advertising platform that runs on their website or app	5-7%	● (green)	Poised to grow at a steady rate driven by enhanced data collaboration between retailers and brands and integration into overall advertising strategy
Audio	Audio streaming platforms such as podcasts, music streaming apps, and talk shows	4-6%	● (green)	Growth is fueled by demand for digital audio content, relatively stronger brand recall, and avenues for personalization
Search	Optimizing website to appear in search engines	23-25%	● (yellow)	Slower growth but generative AI-powered search can unlock more opportunities for advertisers

Source: Everest Group (2024)

Video and audio ad formats are experiencing greater traction by advertisers and are poised for significant growth

● Low <5%   ● Medium 5-10%   ● High >10%

Ad format	Description	% share of advertising spend in 2023	Growth (CY24-26)	Everest Group's POV
Display	• Advertisements that deploy visual elements including static (image and text) or animated (GIF) • Typically embedded within website content or displayed alongside it	65-70%	●	• Suitable for campaigns focused on brand awareness, product launches, or generating direct response • Responsive display ads can be personalized using dynamic remarketing
Native	Advertisements in static (image and text) form that blend with the content and user interface on the channel where it is displayed			Expected to see higher growth than display ads due to non-disruptive nature, higher engagement rates, and increased likelihood of purchase intent
Video	Video promoting a brand, product, or service	22-24%	●	Expected to see higher adoption rates through deployment in social and advanced TV channels and the ability to induce strong brand recall and attention through storytelling
Audio	Advertising that is served within a digital audio environment such as audio streaming platform or website	7-9%	●	Emerging as a fast-growing format powered by growth in podcast listeners and on-demand music

Source: Everest Group (2024)

The digital advertising landscape is divided among walled gardens and open internet

	Walled garden	Open internet
Description	Organization that maintains exclusive control over its information, data, and technology, operating as a closed ecosystem without any external involvement	• Any digital estate not owned by major technology companies constitutes 'open internet' • Offers a more decentralized and diverse environment, providing a vast and diverse reach
Provider examples	Google, Meta, Amazon, and Microsoft	TradeDesk and Pubmatic
Channel examples	Video – YouTube, Social – Facebook	Connected TV, websites, mobile apps, and OTT
Data ownership and sharing	• Access to data and functionality is limited to the specific platform alone • High use of first-party data	• Limited restrictions for data-sharing among entities in the supply chain • Transitioning from third-party data to first-party data
Transparency of the advertising process	Low as most of the advertising tracking and targeting happens in a black box	Relatively higher transparency

A sophisticated advertising strategy should be a blend of both a walled garden and an open internet leveraging the respective strengths. Open internet should be used to increase brand awareness and brand discovery through organic engagement while walled gardens should be deployed for personalized campaigns for specific user segments.

Source: Everest Group (2024)

Everest Group®

Challenges in the AdTech landscape

Lack of transparency and depreciation of third-party party cookies are the topmost challenges in the AdTech ecosystem

Degree of impact ■ Low ■ Medium ■ High

	Description	Relative impact on AdTech ecosystem players
Privacy regulations	Stricter data privacy regulations across regions such as Europe and increasing privacy concerns from consumers	■
Ad fraud	• Use of bot traffic and automated systems to register fake impressions and simulate ad clicks • Advertisers face larger ad spend with smaller reach and reduced Return on Investment (RoI)	■
Phasing out of third-party cookies	• Significant impact on the way programmatic ad data is collected and used • Focus shifting to harnessing first-party data for precise ad targeting	■
Lack of transparency	• Lack of openness on the handling of consumer data by the different entities involved in the supply chain such as DSP and SSP • Transparency on advertisement placement and consumption data	■
Ad attribution	Measuring the effectiveness of ads and attributing conversions to specific ads	■

Source: Everest Group (2024)

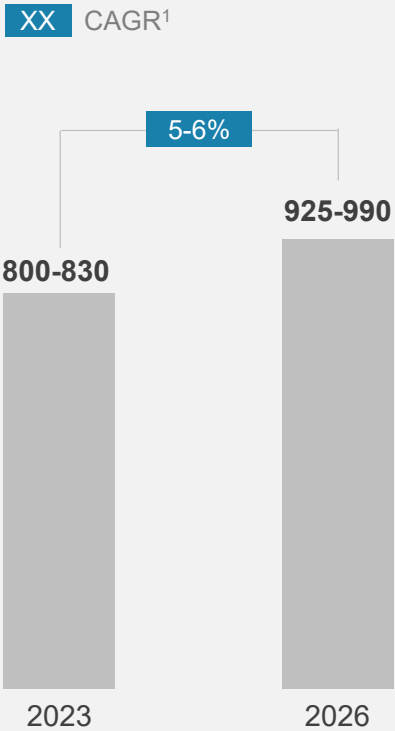# Advertising market size and growth

Global advertising spend

Advertising spend across regions and industries

Dominance of walled gardens in advertising spend

Digital advertising continues to expand amidst cautionary spend by advertisers

Global advertising market spend

2023, market size in US$ billion

| XX | CAGR[1]

5-6%

925-990

800-830

2023

2026

Market spend contribution by digital and non-digital channels

2023; percentage contribution

Digital

60-65%

Non-digital[2]

35-40%

CAGR[1] **7-8%**
2024-2026   **2-3%**
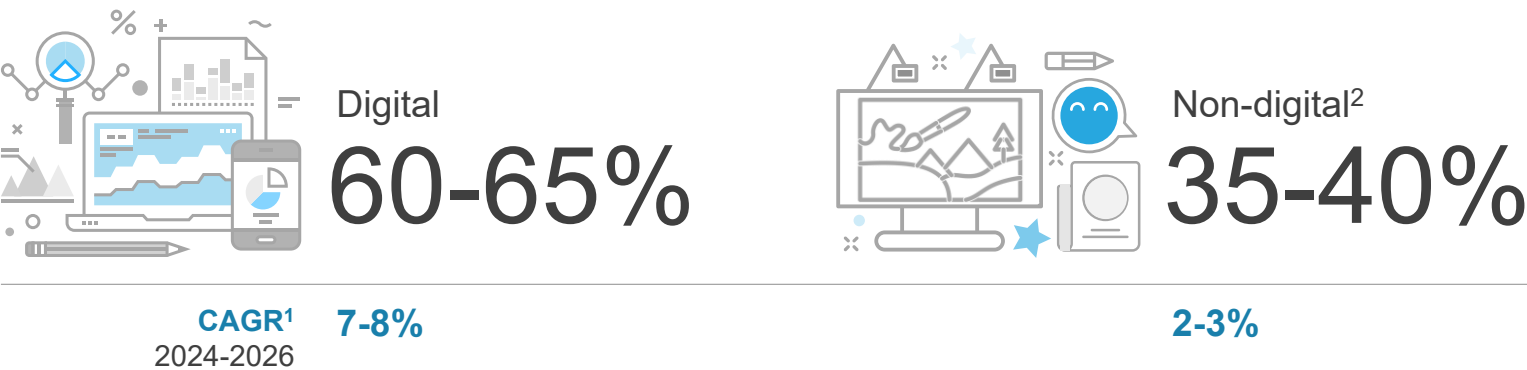
Share of digital advertising is expected to grow further fueled by the shift of customers to digital channels. Traditional advertisements will spiral down a low growth trajectory; however, they will continue to garner a small spend from overall advertising budgets.

1 Growth is forecasted for 2024-2026
2 Non-digital channels include traditional media such as linear TV, print, radio, and non-digital out-of-home
Source: Everest Group (2024)

North America remains the highest spending region, and retail and CPG advertisers lead the way in industry spend
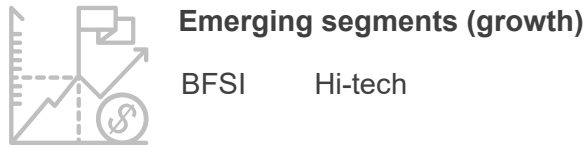
Global advertising spend by regions
2023, market size in US$ billion

Region	Global advertising spend by regions	% growth[1]	Most significant country by ad spend
North America	40-42%	5-6%	US: ~38% of global ad spend
EMEA	22-24%	4-5%	UK: ~8% of global ad spend
APAC	27-29%	7-8%	China: ~18% of global ad spend
ROW	2-4%	9-10%	Brazil: ~1% of global ad spend

Fastest growing countries

APAC	ROW	EMEA
India	Brazil	Spain, France

Global advertising spend by top industries
2023, market size in US$ billion

- Food and beverage — 13%
- Travel and transport — 12%
- Pharmaceutical — 10%
- Cosmetics and personal care — 5%
- Automotive — 4%

Fastest growing

Emerging segments (growth)

BFSI   Hi-tech
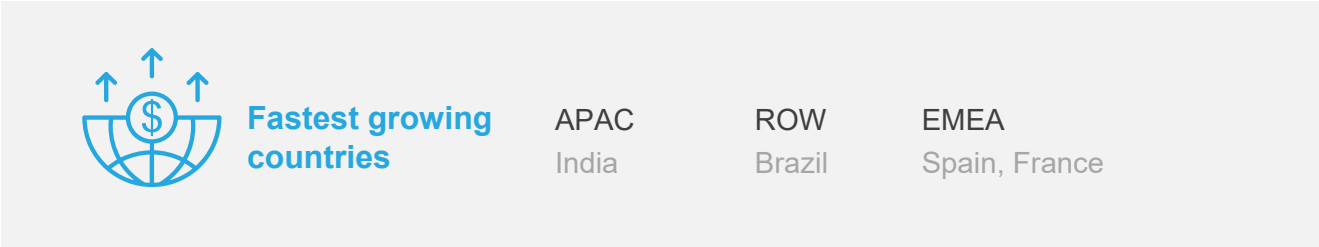
1 Growth is forecasted for 2024-2026
Source: Everest Group (2024)
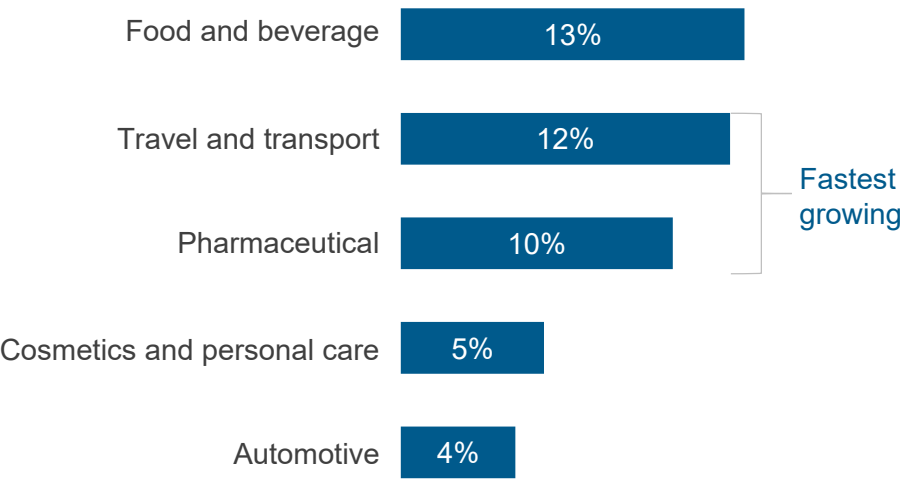
The dominance of walled gardens in advertising spend and ad inventory will taper off in near future

Split of advertisement inventory by publishers
2023, market size in US$ billion

40-45%
Open internet

55-60%
Walled garden

amazon

Google

∞ Meta

▦ Microsoft
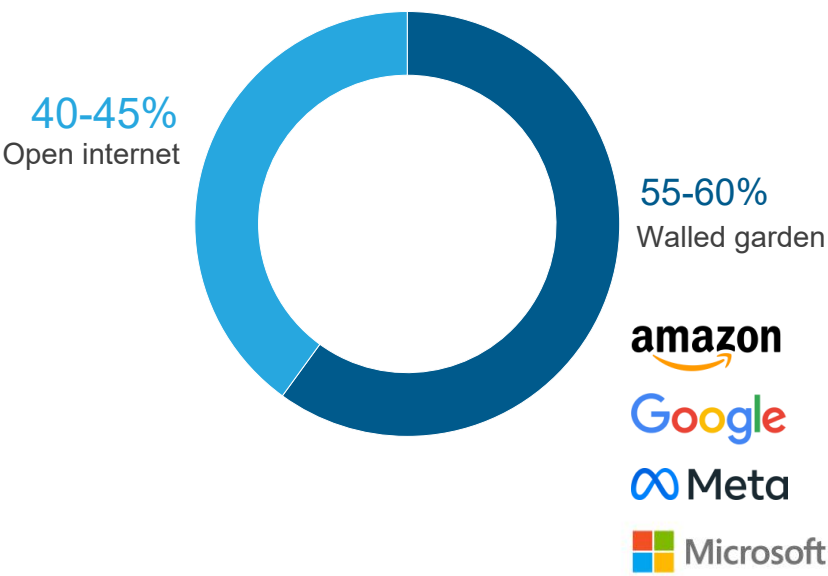
Advertising revenue by top providers
2023, market size in US$ billion

Technology provider	Advertising revenue (2023)	YoY growth (2023)
amazon	US$46.9 billion	24.4%
∞ Meta	US$131 billion	16%
Google	US$237.8 billion	5.9%

Walled gardens constitute 48-50% of the total advertising spend and are expected to see a deceleration in the total market share as consumer preference is tilting toward the open internet.

Source: Everest Group (2024)

Factors driving growth in the advertising landscape and trends governing the ecosystem

Demand-side themes (advertisers) 🔵

AdTech themes 🟡

Supply-side themes (publishers) 🟢

Factors driving growth

Channel growth – retail media, social, and advanced TV

Artificial Intelligence proliferation

Trends governing the AdTech ecosystem

🔵 Influence of digital native customers

🟡 Supply chain optimization and transparency

🔵 Adoption in-house AdTech

🟡 Play of data collaboration platforms

🔵 Contextual and cohort-based advertising

🟡 Sustainable media

🔵 Focus on gaming industry

🟡 Adoption of first-party data 🟢

Source: Everest Group (2024)

Factors driving growth in advertising ecosystem

Artificial Intelligence proliferation

Channel growth – Retail media, social, and advanced TV

AI is poised to form the bedrock of the advertising landscape

AI will revolutionize the below five pillars of the advertisement ecosystem

Media planning and strategy

Create more data-driven sophisticated media plans and campaign-specific strategy

Creative design and deployment

Supercharge creatives for real-time personalization across channels

Attribution and measurement

Precise advertising backed by real-time analytics and campaign optimization

Programmatic buying

Elevate efficiencies in buy and sell of advertisements

Channel strategy and innovation

Drive innovations across channels to improve measurement and personalization

AI's integration in the advertising landscape will primarily impact the 4Ps as below

Performance of advertising process. Reduce latency of advertising process from media planning to display of ads to customers and reduced ad frauds

Penetration of advertisements. Improve the reach of advertisements to right customer cohorts

Personalization for customers. Serve relevant ads based on individual customer preference across channels

Profitability for advertisers and publishers. Improve Return on Ad Spend (ROAS), optimize advertising budgets

Source: Everest Group (2024)

AI game steps up for the media planning and programmatic buying process

Media planning and strategy

Create more data-driven sophisticated media plans and campaign-specific strategy

Creative design and deployment

Supercharge creatives for real-time personalization across channels

Attribution and measurement

Precise advertising backed by real-time analytics and campaign optimization

Programmatic buying

Elevate efficiencies in buy and sell of advertisements

Established use cases

Create media plans for optimized spend across channels

Test initial ideas and articulate creatives concepts

- Identify and target audience segments
- Measure campaign performance across channels

- Automate the bidding process
- Monitor ad auctions and adjust bidding strategies
- Traffic shaping for DSPs

Emerging use cases

- Advanced forecast of media outcomes
- Personalized ad journeys
- Enhanced campaign strategies

Dynamic creatives generation and optimization

- Real-time campaign optimization
- Precision targeting
- Contextual advertising
- Dynamic ads insertion

- Supply path optimization
- Dynamic price optimization
- Fraud detection
- Traffic shaping for SSPs
- Smart bidding

Increase in scale; customer, content, and channel data complexity; analytics and decision power

Deep-dive on the emerging use cases in media planning, creatives, and attribution and measurement services

	Use case	Description
Media planning and strategy	Advanced forecast of media outcomes	Optimize spend on campaigns by identifying the most crucial factors for consideration and forecast the performance of different media plans.
	Enhanced campaign strategies	• Determine which strategies were most successful in past campaigns and propose improvements for future campaigns • Recommend campaign-specific media strategies, based on goals such as awareness, sales, or attracting new customers
	Personalized ad journeys	Deliver ads that are relevant to customers' stage of engagement with advertisers such as new customer vis-à-vis existing one.
Creative design and deployment	Dynamic creatives generation and optimization	• Production of differentiated versions of creatives at scale such as images and videos • Enhanced A/B testing capabilities with a vast array of creative variations, determine and forecast the performance of different creative combinations • Dynamic (real-time) changes in the content of the creative based on individual users
Attribution and measurement	Precision targeting	Refined ad targeting by considering a multi-factor approach including demographics, purchase habits, and omnichannel activities and behaviour.
	Contextual advertising	Target audiences based on their content and context preferences, offering a more relevant and effective approach for advertising message dissemination.
	Real-time campaign optimization	• Real-time monitoring and optimization of campaigns across channels • Refine channel performance to adjust spend allocations in real-time, shifting budgets away from underperforming channels
	Dynamic ads insertion	Create dynamic ads that change based on a user's location, device, or behavior, leading to better engagement and conversions.

AI has been deployed in media planning services for a while, the next wave of AI promises huge cost savings and efficiencies especially in the creative creation and deployment across channels, ushering in the true potential of hyper-personalization at scale.

Source: Everest Group (2024)

AI will transform the **black box** image of the programmatic advertising process unlocking value for advertisers and publishers

	Use case	Description
Programmatic buying	Supply path optimization	• Evaluate and optimize the programmatic supply chain to identify the most efficient and cost-effective paths for ad delivery • Streamlines the connection between advertisers and premium inventory through a transparent bidding process • Advertisers can select the top preferred SSPs
	Fraud detection	Analyze patterns and behaviors indicative of fraudulent activities, such as click fraud or fake impressions, ensuring advertisement budgets are spent effectively and reach genuine audiences.
Advertisers	Smart bidding	• Adjust bids in real-time based on the likelihood of achieving the advertiser's specified outcomes, such as clicks or conversions • Ensures ad spend is allocated to the most effective keywords for search advertising
	Optimum inventory selection	Identify the optimum quantity of inventory such as the number of websites to be targeted for each campaign.
Publishers	Dynamic floor pricing	Enable publishers to adjust the minimum bid for each ad impression based on audience, URLs, browser, device, and geo-location.
	Traffic shaping	Identify high-value inventory requests and strategically filter out low-quality requests from advertisers for optimum inventory utilization.

While the AdTech ecosystem has been plagued with transparency of the process and ad fraud issues for quite some time, AI holds immense potential to reduce the black box image of the advertising process and foster deeper trust between entities involved, especially the advertisers and publishers. Reduced ad fraud will unlock further cost savings for advertisers.

Source: Everest Group (2024)

Hyper-personalization remains at the core of leveraging AI across different advertising channels
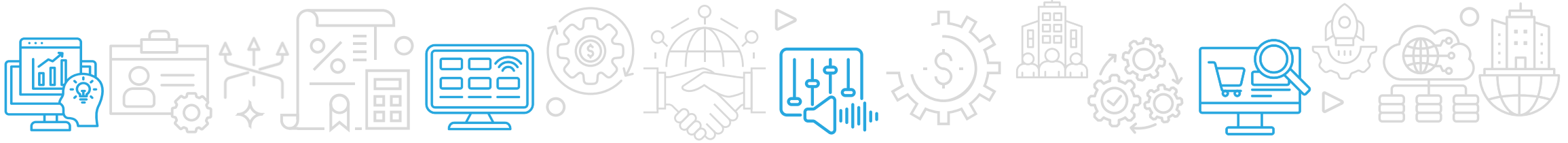
DOOH

- Improve measurability and attention metrics
- Real-time optimization of advertisements based on factors such as time and weather
- Sentiment analysis to contextualize ads based on the emotions of the audience
- Facial recognition to adapt ads based on audience demographics such as gender and age

Advanced TV

- Determine the optimal placement of ads within the connected TV platform, ensuring maximum visibility and impact
- Identify and tag products shown in TV programs or ads, making them easily accessible for viewers to purchase

Audio

- Provide listeners with a specific call-to-action after hearing an ad
- Contextual advertising based on the type of audio being listened
- Beta test ads using synthetic voice combined with dynamic creative optimization

Retail media

- In-store retail media advertising is the next frontier to be led by AI, managing online and offline customer data
- Real-time optimization of ads based on inventory levels

AI will drive innovations for channel-specific attributes across the above channels to improve measurability and personalization, unlocking cost efficiencies for advertisers, and driving greater spend from advertisers.

Source: Everest Group (2024)

AI investments are being done by tech providers across the spectrum of various pillars of the advertisement ecosystem

|	Category	Provider	Description
Media strategy and planning	Tool	Demandbase	AI-powered **Campaign Outcomes** allows advertisers to choose their ideal outcome for every advertising campaign and uses AI to optimize each impression and campaign strategy to maximize the goals selected.
		Google	**Performance Planner** create plans for advertising spend and assess the impact of changes to campaigns on metrics and overall performance.
Creatives development	Tool	TikTok	AI-powered ad tools and automation capabilities to help advertisers with centralizing ad creative and measurement.
		Meta	Embedded generative AI features such as image and text generators that speed up creative production; creates image variations based on assets that the advertiser submits rather than working on text prompts alone.
	Partnership	PubMatic	Partnered with creative AI firm Nova to allow brands and agencies to repurpose any social post into an ad for any digital channel.
Programmatic buying	Platform	TradeDesk	Developed Kokai, an AI-powered media buying platform; serves as a co-pilot to help advertisers buy the right ad inventory and reach the target audience at a suitable time.
Attribution and measurement	Tool	Amazon	Developed Ad Relevance, an AI-powered tool within its demand-side platform, designed to help advertisers target online audiences more accurately without relying on third-party cookies.
	Tool	Google	Introduced AI features for its **Performance Max** platform aimed to improve campaign performance and RoI.

The next couple of years will unleash the full potential of AI in the AdTech ecosystem as AI investments will shift from siloed parts of the advertising process to strategically embedding it in advertising process.

Source: Everest Group (2024)

Social, retail media networks, and advanced TV are experiencing strong growth and higher traction from advertisers

Social

Retail Media Networks

Advanced TV
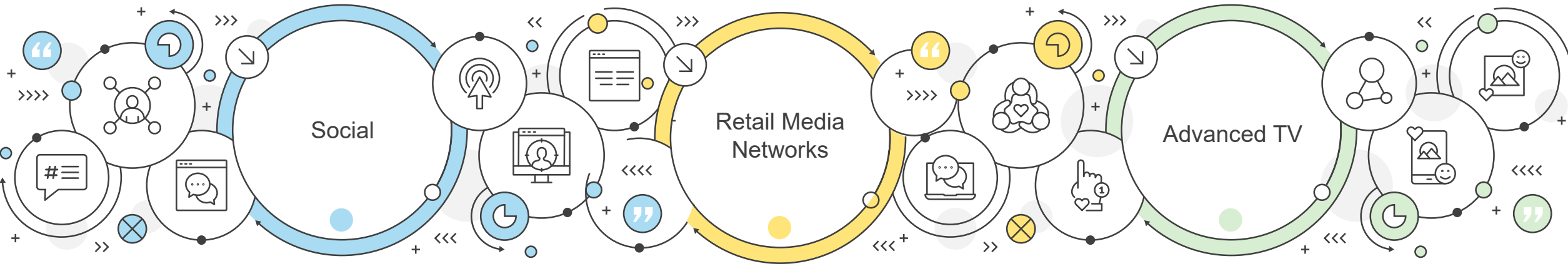
Growth drivers

Social commerce	Enhanced data collaboration	Shoppable TV opportunity
Popularity of short-form video content	Self-serve programmatic platforms	Data-driven precise advertising
Penetration in emerging markets	Integration into overall advertising strategy	Cross-screen advertising

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Newer social media engagement formats and infusion of commerce in social media is driving the spend on social channel

Growth drivers

Popularity of short-form video content

Bite-size videos are more engaging, and consumers value the more authentic feel of shorter content, providing opportunities to place video advertisements

Penetration in emerging markets

- Strong growth from emerging markets, especially in APAC regions such as India and the Philippines
- Proliferation of mobile devices and increased time spent on social media platforms
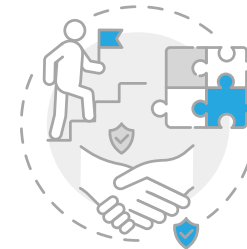
Social commerce

- GenZ customers prefer to purchase from social media
- Influencer marketing and live commerce offer avenues for advertising and capture the high attention moments to trigger purchases

Advertising on social media platforms will continue to experience an uptick owing to the goldmine of first-party data housed by walled gardens and other social media platforms, enabling precise advertising and strong brand recall.

First-party data will remain the foundational pillar of growth for retail media networks

Growth drivers

Enhanced data collaboration
Exploration of data-as-a-service to monetize first-party data of retailers

Self-serve programmatic platforms
Enable advertisers to create their own campaigns and run cross-channel campaigns enablement by integration of first-party data of retailers

Integration into overall advertising strategy
Evolve as an integral part of advertising strategies including programmatic media buying for organizations rather than a siloed channel

Challenges that need to be resolved

- Demand for transparency from major advertisers necessitating fostering trust between brands, retailers, and agencies
- Standardizing measurement has proven to be a challenge for advertisers and agencies. Retail media networks often employ their own unique methods for creating audiences, conducting tests, managing control groups, and measuring incremental results

Retail media will evolve into a foundational infrastructure supporting the advertising industry, rather than merely functioning as an individual channel.

Advanced TV is becoming a popular channel for the open internet advertisements

Growth drivers

Opportunities for **Shoppable TV**

- Integrated shopping platforms allowing viewers to shop products displayed in shows, advertisements, or live broadcasts instantly

- Direct purchasing capabilities can shorten the conversion funnel and path to purchase such as embedding QR codes into content

Data-driven precise advertising

Addressable advertising enabling advertisers to deliver personalized ads to individual households or even specific users

Cross-screen advertising

Cross-device tracking and advanced analytics to provide advertisers with more comprehensive insights into campaign performance

Challenges that need to be resolved

No universal **measurement currency** and the comparative lack of addressability compared to other programmatic channels

Advanced TV is emerging as the most lucrative and promising channel for advertisers outside the walled gardens given its potential for advanced personalization. Lack of standardized measurement across different platforms will be the most crucial roadblock to be worked upon.

Trends governing the advertising ecosystem

Sustainable media

In-house AdTech

Adoption of first-party data

Focus on the gaming industry

Data collaboration platforms

Contextual advertising

The narrative for sustainability in advertising is intensifying

What is sustainability in advertising?

Methods and approaches in media production, distribution, and consumption that minimize environmental impact, foster equity and inclusivity, and maintain economic sustainability

Segment	Use cases
Media planning services	• Optimize the carbon impact of media plans • Sustainable marketplaces enabling media purchase through the purchase of inventory from high-quality and curated publishers • Cross-channel content optimization to reduce unique content creation for each channel • Incorporation of sustainability as a Key Performance Indicator (KPI) for advertisers and agencies
AdTech	• Supply path optimization - shifting ad spend away from high carbon supply paths to ones that provide fewer carbon emissions by minimizing the intermediaries between advertiser and publisher such as direct purchases from publishers • Streamlining the number of parallel bid requests for the same impression along the supply path automatically cuts the total carbon emissions generated by programmatic ad buys • Avoiding Made for Advertising (MFA) inventory due to its high energy consumption nature • Use of more private marketplaces vis-à-vis open auctions

Incremental approaches for establishing industry standards

IAB Europe has constituted a sustainability standards committee bringing the industry together to create best practices and new standards for the delivery of digital advertising.

The narrative for sustainable media is still in the early stages of the hype cycle. However, Supply Path Optimization (SPO) is gaining traction as it promises tangible benefits for advertisers and publishers apart from reducing the carbon footprint of the typical programmatic process.

Source: Everest Group (2024)

In-house AdTech strategy is gaining momentum as advertisers seek more control over the programmatic supply chain

Why in-house AdTech is becoming popular for advertisers?

Increased transparency — In-house strategy alleviates the issue of the black box image of programmatic media buying, providing more transparency and control over the process

Strengthen customer relationships — Opportunities of fostering direct relationships with customers through build and leverage own first-party data

Greater profitability — Offers cost reduction by avoiding third-party expenses and yielding a better ROAS

Full stack in-house strategy is best suited for large enterprises as exemplified below

Walmart Developed its own DSP in partnership with The Trade Desk.

Netflix Plans to launch an in-house advertising technology platform by 2025.

Bayer Switched to in-house programmatic buying in 2018 and realized ~US$10 million cost savings.

Hybrid in-house AdTech is becoming a popular among advertisers promising greater control over the process and increased transparency. However, the setup requires highly specialized and in-demand skill sets, which most advertisers struggle to sustain in the long run.

Source: Everest Group (2024)

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Adoption of first-party data has been on the rise as the AdTech industry transitions to **privacy-by-design ecosystem** for advertising

Why first-party data is touted as goldmine for AdTech ecosystem players?

Hyper-personalization of campaigns	Enables tailored digital campaigns aligned to individual customer preferences
Improved return on ad spend	Hyper-personalization of campaigns opens avenues for higher engagement and conversion rates
Deeper audience insights	Comprehensive insights on target audiences and their stage of journey with advertisers

Investments in identity resolution solutions are garnering significant traction as sunset of third-party cookies looms near

The Trade Desk UID 2.0, a platform to connect with the commercial ID solutions of a publisher's or advertiser's choice

Lotame Panorama ID, an identity solution for open internet

Pub Matic Identity Hub, an ID management tool for publishers to centralize, implement, test, and optimize alternative identity approaches

In a post-cookie world, audience targeting will depend more on first-party data. The AdTech ecosystem providers are adapting to the new privacy-by-design ecosystem, where the deprecation of third-party cookies and other privacy-protective measures are anticipated to cause challenges in targeting, personalization, and measurement. Leveraging the currently limited first-party data available on the open internet into scalable marketing campaigns needs to be resolved in the near future.

Source: Everest Group (2024)

Gaming industry is emerging as a lucrative segment for advertisers and publishers

Why gaming industry has huge potential for advertisers and publishers?

In-game advertisement proliferation	• AI-based placement of in-game ads, which are non-intrusive and blend with gameplay • Newer ad formats such as reward ads to better engage the audience
Influence of Gen Z audience	Hyper-personalization of campaigns opens avenues for higher engagement and conversion rates
Precise advertisement capabilities	In-game programmatic advertising is driven by individual customer data rather than customer cohorts, allowing greater personalization and placement of ads

Major players in the gaming ecosystem are marking entry into adtech

Roblox Partnered with ad tech firm PubMatic to facilitate advertisers buy ads programmatically

Zynga Acquired Chartboost, a mobile advertising platform, having full stack AdTech capabilities to leverage in Zynga games portfolio

Industry adoption

Nearly 65-70% of advertisements in games are now purchased through a programmatic framework, including programmatic guaranteed, private marketplaces, and open auctions.

In-game advertising is evolving quickly with more game publishers seeking to implement advanced technological solutions and unlock the full potential of programmatic in-game advertising, making it a more profitable and appealing medium for advertisers. Issues such as ease of buying and selling ad inventory, tailoring ad formats and creatives for gaming need to be resolved.

The emergence of data collaboration platforms

Data collaboration platforms facilitate the integration of both internal and external data sources, thereby improving the depth, quality, and usefulness of data for advertisers.

Why data collaboration platforms are becoming important in advertising landscape?

Centralizing data	In-house strategy alleviates the issue of the black box image of programmatic media buying, providing more transparency and control over the process
Enrich first-party data	Offers an opportunity to enrich first-party data to gain deeper customer insights

Fostering fruitful partnerships across the AdTech ecosystem for interoperability of <u>data</u> will define the success of data collaboration platforms

Live Ramp Partnered with TripleLift, an AdTech platform to integrate its RampID with TripleLift Audiences offering addressability across the open internet without relying on cookies, IP addresses, or other device IDs

Data collaboration platforms are emerging as the main primary data collaboration solution for advertisers, publishers, and agencies across the advertising landscape owing to their interoperability across various solutions by providers involved in the advertising process.

Source: Everest Group (2024)

Contextual advertising is the buzzword again as the shift toward cookie-less advertising continues

Contextual advertising targets viewers with ads that are relevant to the content or page they are currently viewing.

Prioritizes the environment of the ad placement over audience data to ensure ad relevance to the content being consumed in real-time.

Why contextual advertising is gaining traction?

Depreciation of third-party cookies	• Delivers relevant ads to users without violating privacy rights and reliance on third-party cookies • Bypasses the uncertainties of personal data matching, providing a robust alternative to traditional advertising placement techniques
Potential of AI in uplifting contextual advertising play	AI algorithms can identify patterns in content and consumption customer behavior for more precise ad placement, thus increasing the relevance and effectiveness of ads, and fostering less intrusive user experience.

Leading publishers are foraying into contextual advertising solutions investments

Disney Star Launched an advanced contextual advertising solution for its movie channels in India to deliver a targeted and engaging experience by strategically placing ads that are contextually relevant to the content being watched.

Warner Bros Launched an advanced contextual targeting solution for its Max streaming platform that aligns ads with the emotional tone of content.

As the digital advertising industry grapples with the transition to first-party data and stricter privacy standards, AI-led contextual advertising emerges as a beacon of innovation, leading the way to more effective and responsible advertising.

Source: Everest Group (2024)

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Implications for enterprises and media agencies

Implications for enterprises

Combine the strengths of walled gardens and open advertising to carve a robust campaign strategy leveraging walled gardens for personalized campaigns for targeted user segments and open internet to **increase brand awareness and brand discovery through organic engagements**

Invest in its own robust first-party data capabilities and techniques to expand it to take true command over the digital advertising process, reach the right audience, and forge a competitive edge

Focus should be on achieving quantifiable productivity gains from AI in aspects of time, cost, and accuracy, give the basics of AI have been nailed in the advertising landscape

Shift the advertising spend toward high-growth channels such as social and advanced TV and high-growth formats such as video to increase the likelihood of engagement and conversion

Partner with media agencies that understand their brand values, excel in crafting integrated omnichannel strategies that provide consistent brand messaging and enable a seamless customer experience across all channels

Incorporate purpose-driven messaging into media strategies to improve brand perception, build customer loyalty, and foster long-term business growth

Implications for media agencies

Develop AI-led offerings and solutions aimed at specific use cases of the advertising value chain such as customer insights, campaign attribution and measurement, scaled creatives development and optimization, and advertising channel-specific innovations such as attribution for advanced TV and DOOH; invest in market evangelization of AI narrative to gain mindshare
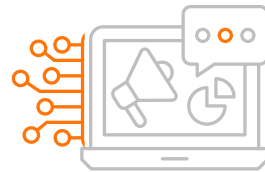
Articulate the productivity gains and efficiencies that advertisers can unlock through AI to gain a competitive edge

Carve out a refined value proposition and internal workflows as creative-led disruption is poised to be significantly impacted by AI

Focus on providing campaign spend transparency, tracking more relevant business KPIs, improving attribution and measurement capabilities of media planning and buying services to foster advertiser trust

Develop channel-specific capabilities through partnerships, especially for high-growth channels such as advanced TV

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Appendix

Glossary

Research calendar

Glossary of key terms used in this report

AI	AI stands for Artificial Intelligence, which is the simulation of human intelligence processes by machines, especially computer systems.
Ad Exchange	A marketplace where advertisers and publishers buy and sell ad inventory in real-time through automated auctions
Ad Network	Aggregate ad inventory from various publishers and match it with the demands of advertisers
AdTech	AdTech encompasses tools and technologies used to plan, manage, deliver, and analyze digital advertising campaigns.
DSP	DSP stands for Demand-side Platform; used by advertisers to purchase digital advertising inventory.
SSP	SSP stands for Supply-Side Platform; used by publishers to manage, sell, and optimize their ad inventory

Research calendar

Interactive Experience (IX) Services

Published   Current release   Planned

Reports title	Release date
Digital Interactive Experience (IX) Services in Europe – Provider Compendium 2023	December 2023
Digital Experience Platform (DXP) Products PEAK Matrix® Assessment 2023	December 2023
Digital Experience Platform (DXP) Products – Provider Compendium 2023	December 2023
Content Supply Chain – Revolutionizing the Content Development Lifecycle	December 2023
Customer Data Platform (CDP) State of the Market 2024	January 2024
Decoding the Customer: Navigating the Voice of the Customer (VoC) Landscape to Truly Understand Your Customers	March 2024
Demystifying the Rapidly Evolving MarTech Landscape	March 2024
Generative AI – Review of Adobe Summit 2024	May 2024
Adobe Services PEAK Matrix® Assessment 2024	May 2024
CMO 2.0: The AI-powered Marketing Maestro & Growth Orchestrator	July 2024
Cannes Lions 2024: How Technology is Driving Creativity to New Heights	July 2024
AI for CX: Unleashing the power of algorithms for exceptional experiences	July 2024
The AdTech Revolution: Decoding the AI-driven Advertising Landscape	September 2024
Adobe Services State of the Market 2024	Q3 2024
Digital Commerce Services PEAK Matrix® Assessment 2024	Q4 2024
Digital Commerce Platform PEAK Matrix® Assessment 2024	Q4 2024

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