

# What's Holding Programmatic Audio Back?

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**Ross Benes**

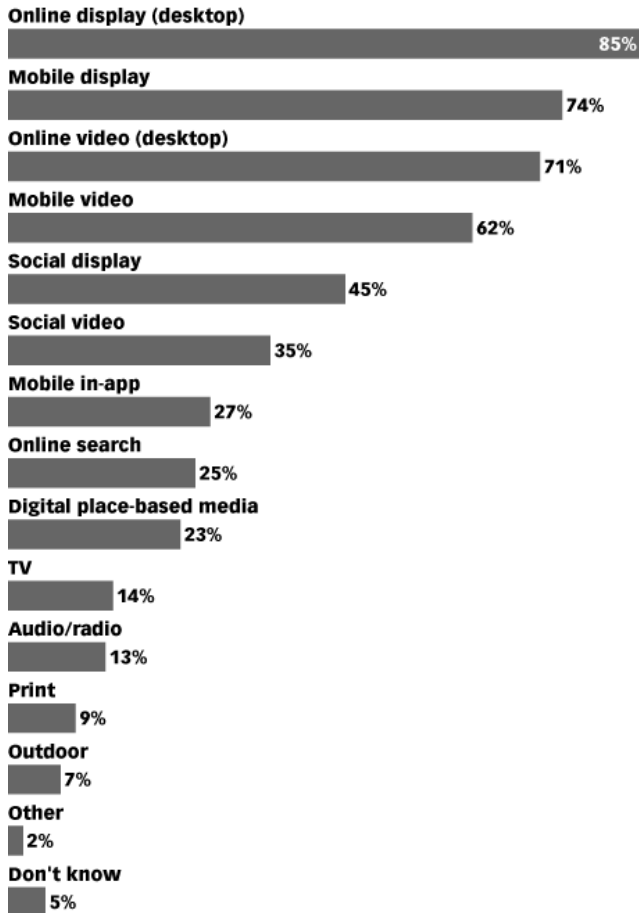
**C**ompared with other ad formats sold through automation, programmatic audio has been slow to catch on.

A host of factors have held back programmatic audio, some associated with audience and spending patterns, but many tied to technical issues.

According to eMarketer forecasts, more than 80% of digital display ads **will be bought programmatically** in 2018. But programmatic audio's piece of that pie is so small that advertising trade bodies and research intelligence firms don't publish estimates about it. In a survey of 102 US client-side marketers, conducted by the **Association of National Advertisers** (ANA) last year, just 13% of respondents said they buy audio ads programmatically.

## Media Channels in Which US Client-Side Marketers Buy Programmatically, July 2017

% of respondents



Note: n=102; in the past year

Source: Association of National Advertisers (ANA), "The State of Programmatic Media Buying," Dec 18, 2017

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www.eMarketer.com

According to eMarketer, radio ad spending will total \$14.41 billion in 2018, essentially flat with the previous year.

Digital audio ad spending, meanwhile, is rising rapidly. According to the Interactive Advertising Bureau's (IAB) [most recent revenue report](#), digital audio advertising reached \$1.6 billion in 2017, up from \$1.1 billion in 2016. The report doesn't break out programmatic audio specifically, but recent news suggests that automated audio ad selling is making some inroads.

- In May, Google's demand-side platform (DSP) began accessing the inventory of [several audio streaming services](#).
- Pandora [completed its acquisition](#) of ad tech platform AdsWizz in May.

- Prior to its last earnings call, Pandora **made its inventory available to all programmatic buyers** in July.
- Spotify **reported in July** that its self-serve programmatic platform accounts for 20% of its total ad revenues.
- Other audio streaming services, including Soundcloud, iHeartRadio, Panoply and TuneIn, are also selling inventory programmatically.

Despite this progress, spend on programmatic audio is minuscule compared to programmatic display, video and native.

What has limited programmatic audio's growth thus far is that digital audio advertising as a whole, whether it is sold directly or programmatically, hasn't grown at a commensurate rate with the amount of time users spend with digital audio content, according to Scott Walker, senior vice president of ad strategy at Pandora. Users in the US spend 18% of their time on mobile apps listening to music, according to **comScore's 2017 app report**. Meanwhile, eMarketer forecasts show that US in-app ad spend will top \$56 billion dollars this year. If 18% of those dollars went to audio, then digital audio would reap in \$10 billion through apps alone, yet the IAB states that digital audio made just \$1.6 billion last year.

Keep in mind this isn't an apples-to-apples comparison since many digital audio listeners rely on ad-free subscription services and others avoid ads by purchasing the music they listen to through online stores like iTunes. But Walker's point is still salient in that a small chunk of digital ad spend goes to audio even though users spend much of their time with digital media listening to music. This discrepancy can be pleasant to users since they get access to quality content without getting bombarded by intrusive ads. But for advertisers, the numbers indicate that there's an opportunity here that they're not taking full advantage of.

The tech infrastructure that underlies much of digital ad buying wasn't really made for audio. The ad industry's most popular ad servers and ad exchanges were originally designed for display. To ensure that their ad insertions aren't too clunky, audio streaming platforms have had to build a lot of their ad tech themselves.

For podcasts, which are crucial to digital audio's growth, the technological limitations are more dire. Podcasts' rudimentary analytics and measurements **have restricted the amount of ad spend** that flows their way.

The biggest impediment to programmatic audio's growth is its scale, according to David Lee, programmatic lead at the ad agency The Richards Group. Compared with display or video, there's just not nearly as much programmatic audio inventory out there. Ad buyers who want to target specific audiences have trouble finding enough inventory that fits their criteria to fulfill their campaigns. Lee tested programmatic audio campaigns a few years ago at his last agency job, but ultimately scrapped the effort. "The limited scale was discouraging," said Lee, noting that The Richards Group is reviewing programmatic audio to see whether the industry's recent developments make it a better fit for clients now.

Ad buyers have historically nudged their DSPs to build features for ad formats that are in high demand like video and native, according to Lee. Because the amount of money and the number of developers DSPs have is finite, DSP execs may feel that creating audio capabilities isn't a good trade off if ad buyers aren't demanding it. But to get more scale, audio streaming services need to break this cycle and work with more programmatic platforms that ad buyers rely on to secure inventory.

"The DSPs need to adopt audio," Walker said. "And not just pay lip service to the omnichannel, omniformat idea and stick it on a pitch deck and say that they're doing it. They need to really embrace it and understand how audio is different."

Another issue is that there is less consensus in the ad industry about the specs for digital audio ads than there is for the specs for display, native and video, according to Walker. Agreement on specs helps everyone speak the same language by standardizing ad units.

"There still needs to be some work done before the entire industry rallies behind a set of standards with respect to formats," Walker said.