

Programmatic Is a Bright Spot for China's Advertisers amid COVID-19

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China's economy, and subsequently its ad market, will face ongoing challenges this year due to the effects of the coronavirus pandemic. However, history shows that programmatic advertising—the use of automation in the buying, selling or fulfillment of ads—is in a strong position to withstand such downturns.

Marketers' tendency to place more focus on business performance and return on investment (ROI) during difficult times, coupled with programmatic's efficient audience-targeting capabilities, give the ad-buying method an advantage. And leading digital platforms—including short-form video apps Kuaishou and Douyin (known as TikTok internationally)—have been rapidly automating their ad-selling processes. Both platforms saw a surge in time spent during the pandemic, as quarantined audiences in China leaned on them for entertainment.

Furthermore, social distancing will be an impetus for China's programmatic advertising industry, as companies mitigate business disruptions during the crisis through automation.

In November, we estimated that programmatic digital display ad spend in China would reach \$31.35 billion (RMB207.43 billion) in 2019. For

2020, we had previously expected growth of 25.2% to \$39.25 billion (RMB259.70 billion), though obviously this will change in light of the pandemic. Updated forecasts for programmatic ad spending in China will be published later this year, taking into account the effects of the pandemic during H1.

When we spoke to industry experts for our November 2019 [report on programmatic advertising in China](#), many had expressed general optimism for programmatic advertising, despite a slowing economy.

“While overall ad spending growth is slowing down, marketers allocate more programmatic dollars to improve efficiency,” said Fang Cai, chief operating officer of programmatic buying platform Yoyi Digital. “We are still seeing strong growth in the sector.”

Programmatic ad spending growth in China was driven by Baidu, Alibaba and Tencent (also known as the “BAT” companies), and they will continue to make up a significant share of the programmatic display market. But newcomers like ByteDance (owner of short-form video app Douyin, known as TikTok outside of China), and shopping platform Xiaohongshu (also known as RED or Little Red Book) have increased their share of the pie.

Our November forecast showed that less than 30% of digital display ad spending in China remained outside of programmatic pipes. This mainly consisted of inventory that could be found on some of the top-tier apps, such as over-the-top video ads and other custom ad types like takeover ads (also commonly called “splash-screen ads”), according to Andy Fan, CEO of ad verification company RTBAsia.

Calvin Chan, general manager for The Trade Desk China, also noted that premium vertical apps in sectors such as auto (including Autohome and Yiche), parenting and baby care (like Babytree), and online travel agencies (such as Ctrip) were still largely nonprogrammatic. Their ads are typically 5-second full-page takeover ads or native ads.

According to Chan, such ad units could take longer than one or two years to move into programmatic. This is due to existing advertiser demand, regardless of programmatic enablement, and app publishers’ common practice of offering integrated marketing solutions—which

include content marketing as a package and have been historically difficult to automate.

Arndt Groth, CEO of real-time advertising platform Smaato, said that China's share of nonprogrammatic ad networks was larger than most of the major markets worldwide for two reasons.

“First, programmatic advertising, especially real-time bidding, requires ad tech players to conform to a global standard via the IAB’s OpenRTB protocols,” he said. “Until recently, there hasn’t been a need for Chinese ad networks to follow these global standards.

“Second, traditional media buying through insertion orders is still a common practice within China. But the market is shifting. Programmatic is the most effective way to make campaigns that scale. And in a country the size of China, scale is essential. Advertisers realize this and are shifting more of their campaign spend to programmatic.”

Such a realization, and a willingness to invest programmatically, dovetails with rising adoption of data management platforms among advertisers in China. As uptake of these tools continues, advertisers will inevitably look to deploy data and insights via programmatic channels, including private marketplaces and programmatic direct deals.

While China and the US have signed Phase 1 of their trade deal, the pandemic has thrown both economies into uncertainty. The whirlwind of challenges has dimmed marketers’ confidence in spending on advertising overall. But programmatic remains a bright spot for struggling ad markets at this time, which stand to benefit from the streamlined, nonhuman processes inherent to automated ad buying.

Finally, programmatic advertising is an undeniable trend in the age of technology and will be furthered by the advancements in AI and 5G for the coming years.

For more insight on programmatic advertising in China, eMarketer PRO subscribers can read our report:

Report by Man-Chung Cheung Nov 21, 2019

China Programmatic Digital Display Ad Spending



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