

INMOBI™

HEADER BIDDING RESEARCH REPORT 2018

The Current State of Mediation
and In-App Header Bidding



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THE PRESENT STATE OF APP MONETIZATION

Apps, and the app economy, are bigger than ever, with global app revenues on pace to reach \$189 billion by 2020. So why, then, do so many app publishers struggle with monetization?

In-app advertising is one of the most popular monetization methods, with mobile ad spending expected to exceed \$40 billion in the U.S. by the end of 2018. But, while the number of apps people use – approximately 30 per month, on average – is on rise, too many app publishers struggle to crack the monetization code.

In this environment, many app publishers are looking harder at existing monetization schemes and considering alternatives. As such, ad mediation and in-app header bidding have become increasingly popular. But does it live up to the hype?

SURVEY METHODOLOGY

To answer that question, we recently surveyed scores of top app publishers and other top mobile advertiser players in North America to see if mediation and in-app header bidding were working for them and improving their monetization efforts. We also looked at our historical supply-side data, stretching back to January 2017, to see how our mediation technology was helping.

In the end, we found both mediation and in-app header bidding help publishers of all stripes increase revenue, improve fill rates and provide a better user experience.

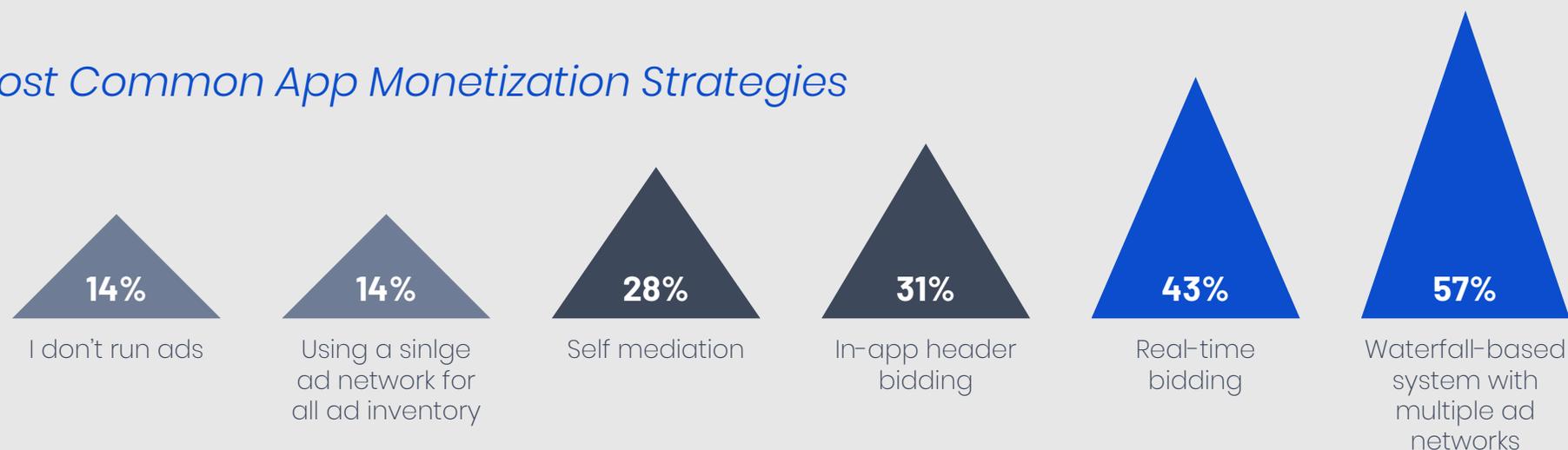
THE CURRENT STATE OF MEDIATION AND IN-APP HEADER BIDDING

Right now, legacy monetization methodologies reign supreme. According to the survey, 57 percent of respondents said they use waterfalls, in which ad opportunities are presented to ad networks, demand-side partners (DSPs) and advertisers in a pre-determined order. This means that the vast majority of publishers are utilizing inefficient methods, as waterfalls are often plagued with issues relating to latency, opportunity cost and inventory yield.

But, many app publishers are not yet at the point where in-app header bidding and mediation are even necessary. Fourteen percent of survey respondents said they only rely on one ad network, and another 14 percent said they don't run ads at all.

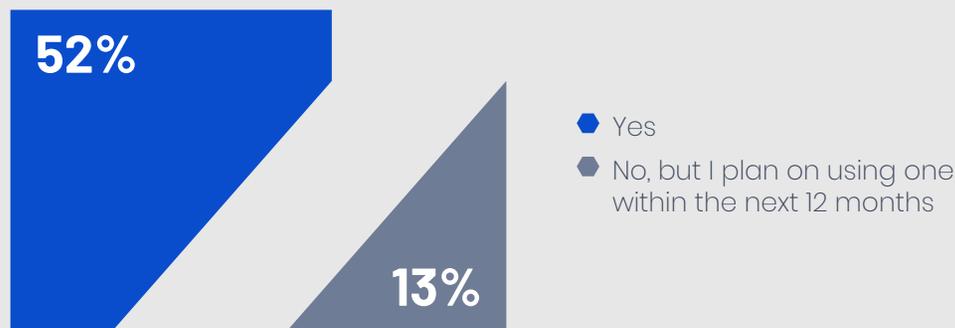
There is hope on the horizon though. Over 30 percent of those polled said they use in-app header bidding already, and 43 percent said they utilize real-time bidding.

Most Common App Monetization Strategies



So what about mediation? A mediation platform consolidates management of all of an app's ad sources, making it easier for publishers to track and manage their ad monetization efforts. According to our survey, 52 percent of respondents are already using a mediation platform. An additional 15 percent said they are not using a mediation solution right now, but plan on doing so over the next 12 months.

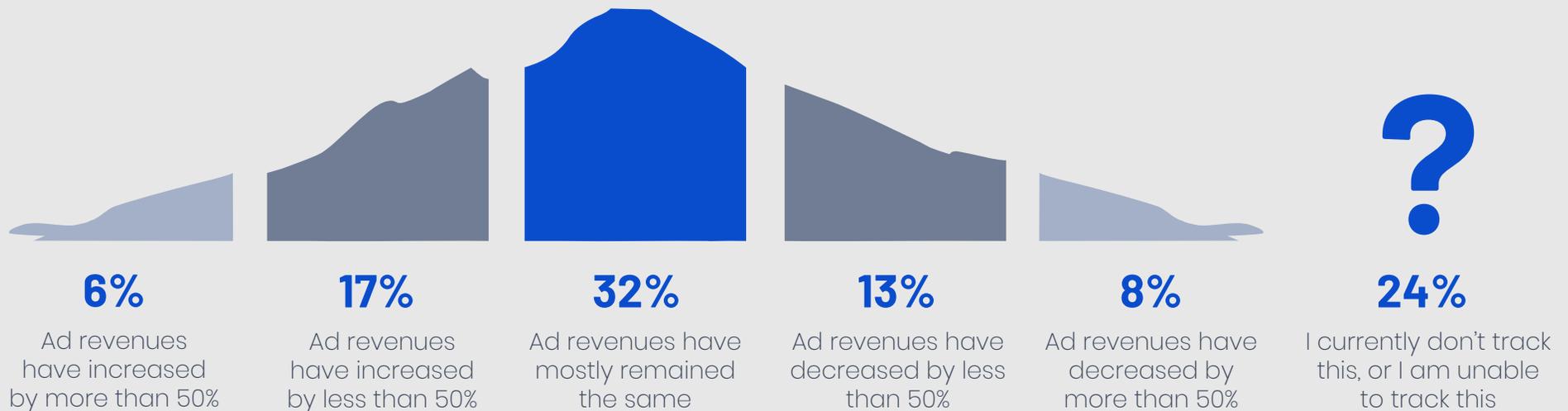
Do You Currently Have a Mediation Partner?



HOW ARE WATERFALLS WORKING OUT?

If so many publishers are still using legacy waterfall monetization models, then do they continue to do so because waterfalls are effective? According to our data, that's not quite the case.

Waterfall's Effect On YoY Ad Revenue

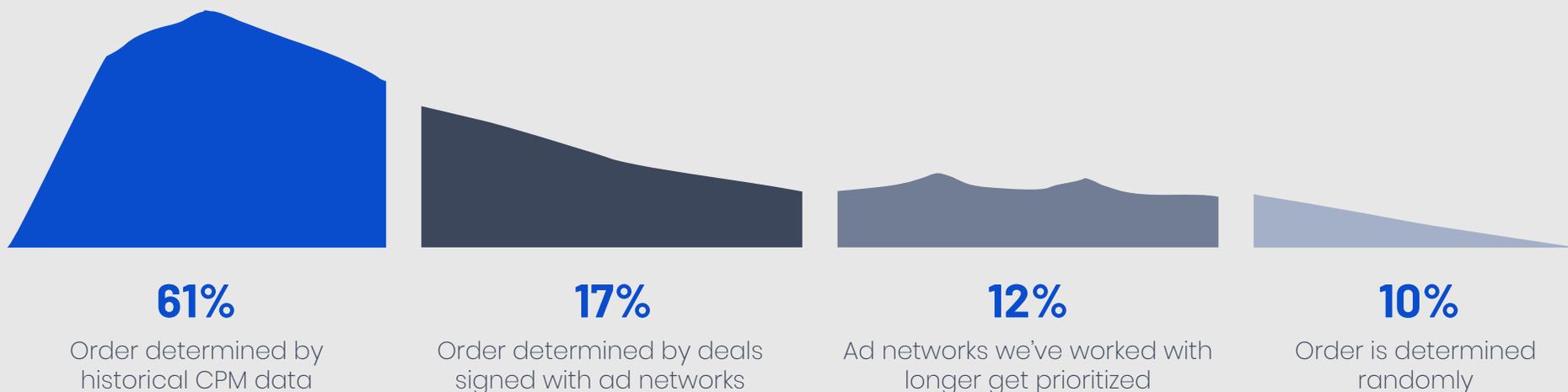


Among those not using in-app header bidding, 21 percent said ad revenues have decreased over the past 12 months and 32 percent said ad revenues have remained static during that time frame. Only 6 percent indicated that ad revenues rose more than 50 percent year-over-year.

ISSUES WITH WATERFALLS

These revenue projections are not too surprising considering that among survey respondents using waterfalls, 61 percent of them structure their ad daisy chains based on historical - as opposed to real-time - prices.

How Are Your Waterfalls Structured?



To top it all off, waterfall-based systems may be contributing to latency. Due to the passbacks inherent in waterfalls, it can sometimes take multiple seconds for an ad to load after an initial call goes out. Forty percent of survey respondents said it typically takes a second or more for an ad to appear once a call goes out. That may not seem like much, but to increasingly impatient users it can seem like a lifetime. In the world of mobile, a few seconds is a big difference.



40%

of survey respondents said it takes a second or more for an ad to appear

Further compounding the issue on ad revenue is the impression loss due to hops in the waterfall. In a waterfall system, the first ad network to meet a publisher's criteria for a particular impression has the chance to serve an ad.

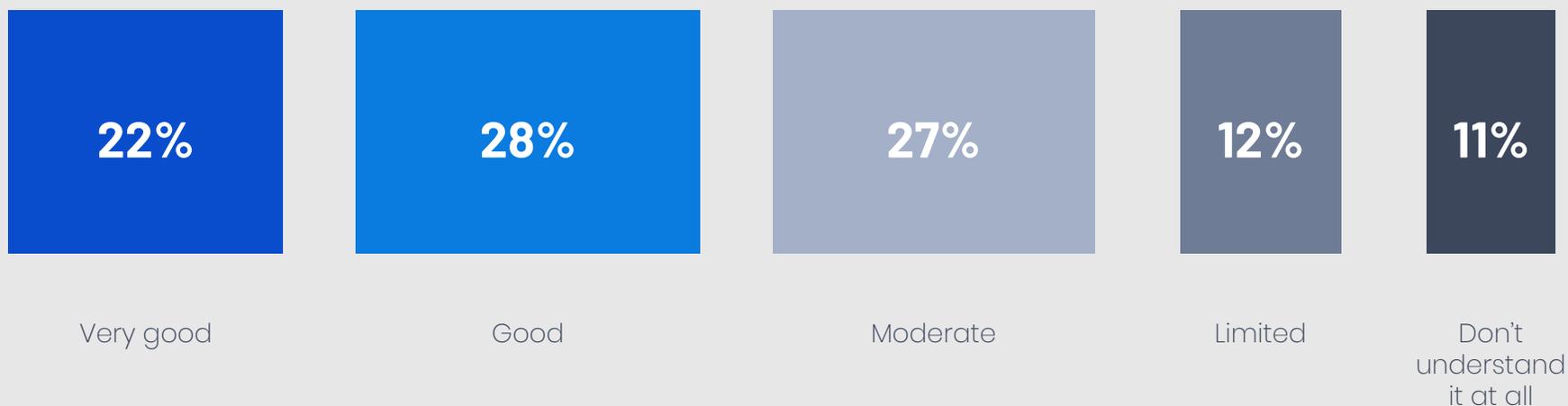
But, in the time it takes for multiple ad networks to be offered an opportunity to bid before one meets the criteria, that impression opportunity may have come and gone. After all, users can easily swipe through an app in mere milliseconds.

Plus, waterfalls present publishers with issues relating to opportunity cost. For starters, those towards the top of the waterfall are not always paying premium prices for that key inventory. And, those further down are only able to bid on remnant inventory, which means their potential bids are never registered in the historical pricing model.

CURRENT USAGE OF WATERFALL METHODOLOGY

One reason why waterfalls remain popular, though, is because many publishers don't know about alternatives. Under 40 percent of survey respondents said they had a moderate or limited amount of knowledge on in-app header bidding, while 11 percent admitted to not understanding it at all.

App Publisher Understanding of In-App Header Bidding

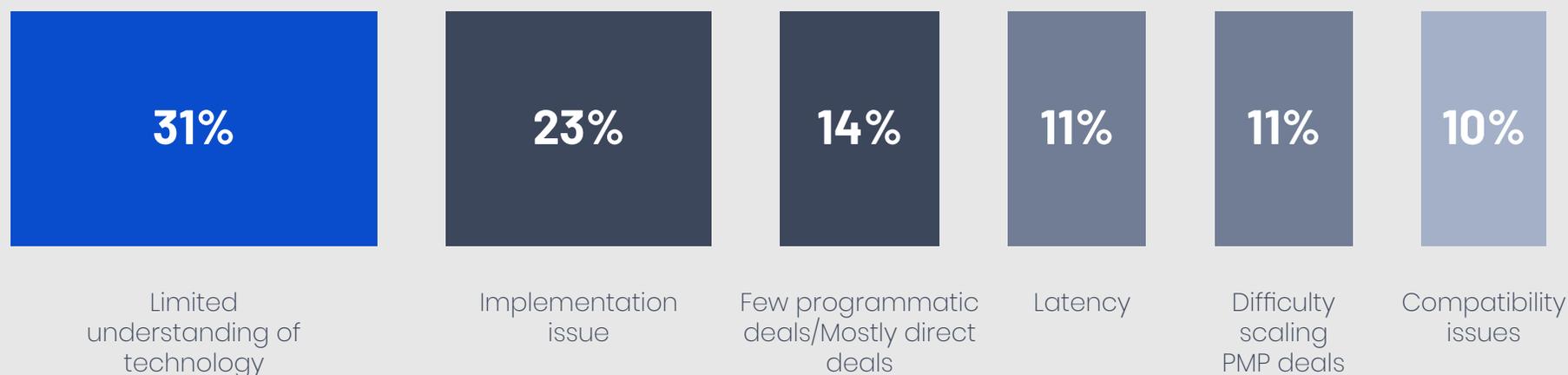


Further, while in-app header bidding has the potential to dramatically improve ad monetization, 59 percent of those polled didn't think in-app header bidding can resolve waterfalling-related issues just yet.

Among survey respondents not presently utilizing in-app header bidding, 31 percent said they don't understand the technology, 23 percent have experienced implementation issues, 13 percent said they don't have enough programmatic deals to justify such an investment, and 11 percent were worried about it introducing latency.

This lack of understanding on the downsides of the app monetization status quo across the entire industry is seriously undermining app publishers' ability to maximize revenue.

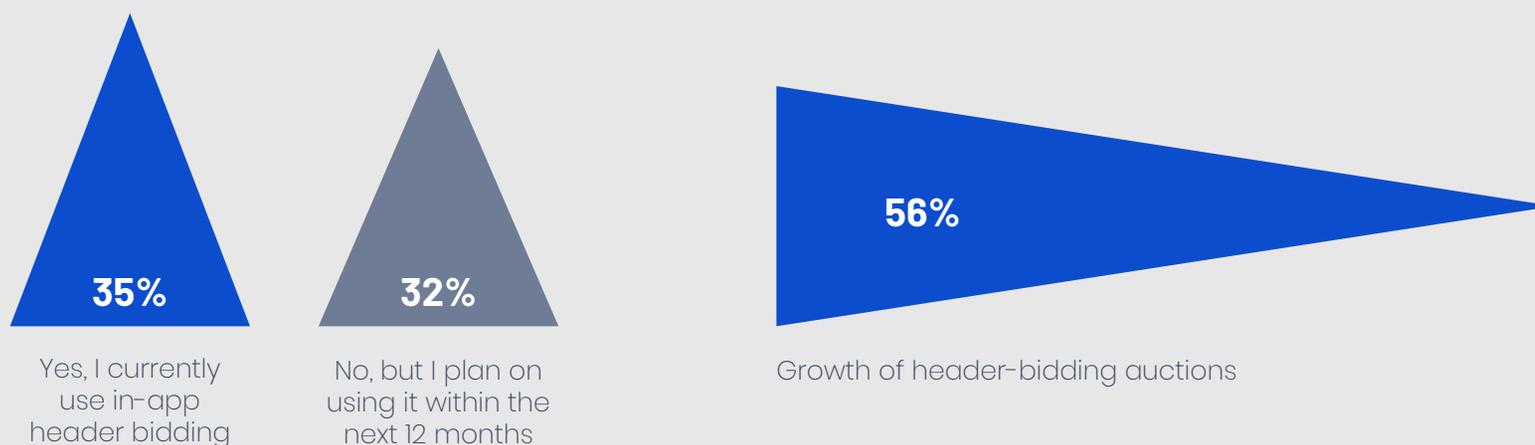
What Prevents Publishers From Adopting In-App Header Bidding



HEADER BIDDING: BREAK ON THROUGH TO THE PROGRAMMATIC SIDE

Nevertheless, mediation and in-app header bidding are gaining traction. According to the survey, 35 percent of respondents are currently utilizing in-app header bidding, and 32 percent said they will be in the next 12 months. And, between the second quarter and fourth quarter of 2017, the number of header bidding auctions that were run on our network rose 56 percent in the U.S.

Majority of Publishers Embrace In-App Header Bidding

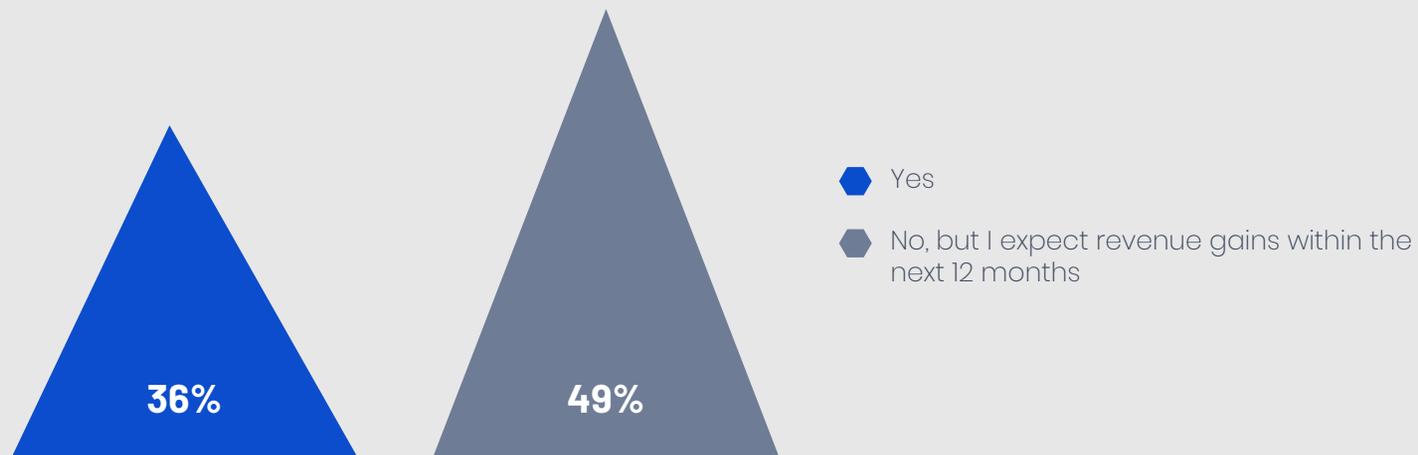


This is coming on the heels of programmatic's global growth as well. For example, [InMobi's State of Mobile Video Report 2018](#) found that programmatic mobile video ad spending grew 136 percent worldwide between 2016 and 2017, and 220 percent in the U.S. during the first three months of 2018 compared to the first quarter of 2017. As programmatic usage rises across all geographies and ad formats, the need for app developers and publishers to utilize better advertising technology like in-app header bidding becomes more and more apparent.

BENEFITS OF MEDIATION AND IN-APP HEADER BIDDING

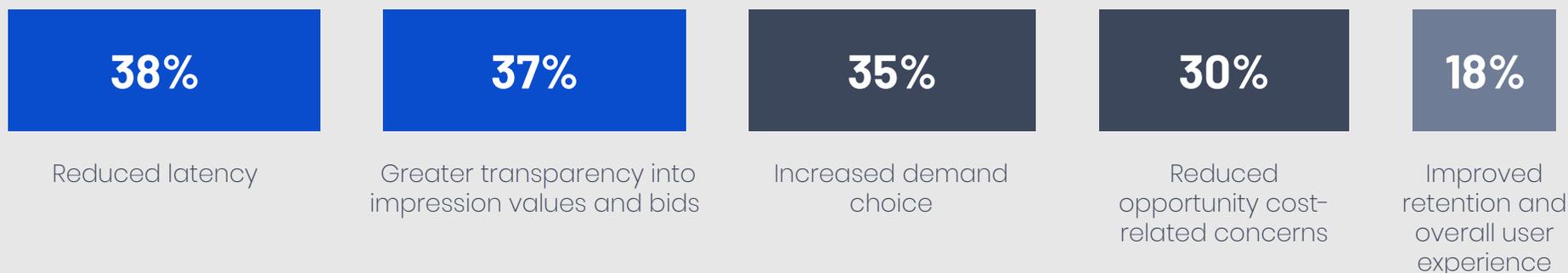
Those that have embraced mediation and in-app header bidding are seeing incredible results from their decision. Among survey respondents who currently utilize in-app header bidding, 36 percent said their revenue has gone up as a result, and 49 percent expect to see revenue gains over the next 12 months.

Has Header Bidding Increased Your App Revenue?



Better yield management and increased revenue was the top-cited benefit of in-app header bidding, noted by 54 percent of the survey respondents that are already using this methodology. But, it's not the only benefit.

Benefits of In-App Header Bidding



HOW OUR CUSTOMERS BENEFIT FROM MEDIATION

Our own data highlights the benefits of in-app header bidding and mediation. Apps on our network using mediation saw 44 percent higher value for ad impressions and 48 percent more revenue than their non-mediating peers. Some apps even saw their revenues rise by 97 percent or more thanks to mediation.

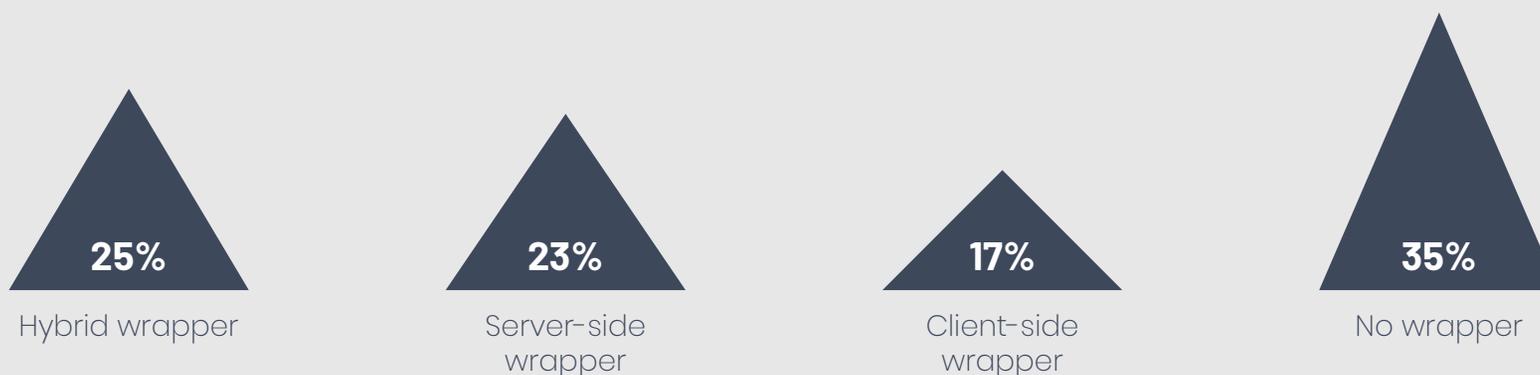
Apps using mediation had higher ad fill rates across just about all ad formats too, in part because mediation helped them see 7.4 percent more demand than other publishers. Plus, we found that mediation reduced ad load times by 28 percent, and unified auctions have the potential to reduce latency 200 percent.

HOW MEDIATION AND IN-APP HEADER BIDDING ARE WORKING IN REAL WORLD

While mediation and in-app header bidding are increasingly being seen as beneficial, how app publishers are embracing, implementing and utilizing these platforms can vary dramatically.

For example, consider how publishers integrate in-app header bidding. Our survey found that, among those using in-app header bidding, 25 percent use hybrid wrappers, 24 percent only use server-side wrappers, 17 percent utilize client-side wrappers and 35 percent don't use any wrappers whatsoever.

How Publishers Integrate In-App Header Bidding



USING IN-APP HEADER BIDDING FOR DIFFERENT AD FORMATS

Publishers also use in-app header bidding for different ad types. Two-thirds of those using in-app header bidding said they utilize it for banner ads, according to our survey. Just over half use it for interstitial ads, 32 percent use it for fullscreen ads and 47 percent use it for video ads.

Ad Formats Offered Through In-App Header Bidding



Close to a quarter of those polled said they had used header bidding for video ads in the past, but another 24 percent indicated that they would be in the next 12 months.

Do You Use In-App Header Bidding For Video Ads?



Ultimately, what do publishers look for in an in-app header bidding partner? The survey found that 39 percent of respondents listed brand safety as their most important factor, while over 19 percent said transparent auction dynamics was their top factor. Other factors cited as key included server-to-server integrations, a full range of ad formats available, deep analytics reporting and capabilities, competitive and stable technology, and best-in-class service and support.

WHAT IS THE FUTURE OF IN-APP HEADER BIDDING AND MEDIATION?

Even though both in-app header bidding and mediation hold a lot of promise and are already yielding real results for many app publishers, it may be a while before either technology catches on en masse.

Not only do too many publishers not know enough about the technology, but there is already a lot of misinformation out there about its supposed limitations and how it works.

But, as pressures mount on app publishers to boost revenue, waterfall-based approaches will fall by the wayside. It's entirely possible that other monetization options like paid app subscriptions, paid downloads or in-app payments will become more prevalent, but that seems unlikely.

In all likelihood, once app publishers take closer looks at their ad monetization efforts, the benefits of mediation and in-app header bidding will become more apparent.

Will mediation and in-app header bidding become dominant by the end of 2018? Our data says that's unlikely. Will mediation and in-app header bidding become dominant by the end of 2019? That's a far more likely scenario.

RESEARCH METHODOLOGY

Section 6

We conducted an online survey in June and July 2018 to better understand the opportunities and hurdles that header bidding technology brings to the mobile in-app ecosystem. The qualitative survey was disseminated to InMobi and AerServ publisher partners in North America. We received over 130 responses to the survey.

Additional data was pulled from AerServ's 2017 network data. InMobi acquired AerServ in January 2018.

ABOUT INMOBI

InMobi is a global provider of enterprise platforms for marketers. As a leading technology company, InMobi has been recognized as a 2018 CNBC Disruptor 50 company and as one of Fast Company's 2018 Most Innovative Companies.

For more information, visit [inmobi.com](https://www.inmobi.com).