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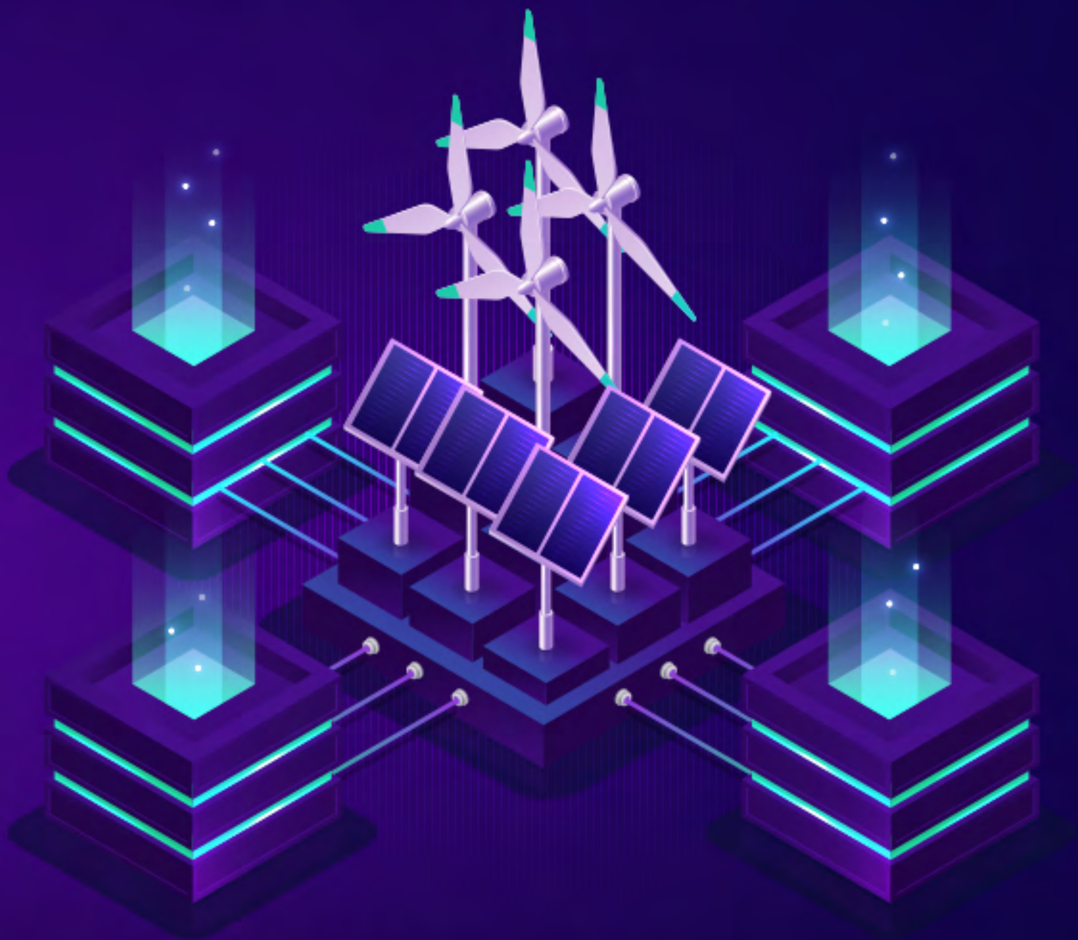

Sustainability in Advertising — JAPAC 2023

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In association with

OpenX

Contents

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Nearly half of all marketing budgets across the JAPAC region are set to be allocated to carbon-neutral partners.

Executive summary

The need for regional and global action on climate change has never been more apparent. This year alone, the Japan and Asia-Pacific (JAPAC) region has seen record temperatures, in conjunction with severe rainfall and heavy flooding.

The latest annual report from the World Meteorological Organisation suggests there is a strong likelihood that global temperatures will climb beyond the critical warming threshold of 1.5 degrees celsius above those recorded pre-industrialisation, reinforcing the necessity for global supply chains — including the programmatic advertising ecosystem — to drive down carbon emissions in a timely fashion. While programmatic advertising continues to grow globally, so too does its associated emissions, with findings from Scope3 suggesting that digital advertising emissions amount to 7.2 million tonnes annually.

In our annual examination of the JAPAC advertising and marketing industry, produced in collaboration with **OpenX**, we again return to our tested markets of Australia, India, Indonesia, and Japan, with an increased focus on sustainability within the sector. Three of these markets, specifically India, Indonesia, and Japan, have been identified by the Economic and Social Commission for Asia and the Pacific as being among those projected to suffer the greatest absolute monetary losses under the worst-case climate scenario.

> The overriding majority of those surveyed deemed sustainability metrics to be important to their business

Combining original quantitative data with insight from JAPAC advertising and marketing practitioners, this study examines the following:

- → Measurement of carbon emissions across the JAPAC advertising industry
- → Implementation of Science-Based Targets Initiative (SBTi) goals
- → Budget allocation for carbon-neutral partners
- → Factors inhibiting the reduction of carbon emissions
- → The current state of programmatic advertising in JAPAC, including,
- → Change in programmatic spend and associated publisher revenue
- → Combating fraud and MFA (made-for-advertising) sites
- → Reciprocity to working directly with demand-side and supply-side platforms (DSPs and SSPs), without intermediaries

As detailed within this report, sustainability is a key focus for professionals within JAPAC, with the overriding majority of those surveyed deeming sustainability metrics to be important to their business. Promisingly, advertising and marketing professionals are converting these theoretical applications into tangible business outcomes, with nearly half (47%) of all marketing budgets across the JAPAC region set to be allocated to carbon-neutral partners (corresponding closely with the proportion observed in our previous study assessing the European market). Moreover, though concerns regarding fraud and MFA sites remain high within the region, these are declining, indicating that action is being taken to reduce this source of both wasted ad spend and needless carbon emissions.

While the findings reflect positively on efforts to reduce carbon emissions and promote sustainability across the region, further cross-industry work needs to take place to drive down operational costs associated with reducing carbon emissions, so that smaller businesses in developing markets can continue to build upon their programmatic advertising capabilities in a sustainable manner.

Key findings

SUSTAINABILITY

- The overriding majority of respondents within the JAPAC market deem sustainability metrics to be important to their businesses within the next 24 months.
- Respondents across the advertising ecosystem in JAPAC indicated that nearly half of all budget (47%) is set to be allocated to carbon-neutral partners in the next 12 months.
- Increased operational costs were cited as the leading factor impeding carbon reduction goals across the JAPAC advertising industry, with over half of respondents citing this as a driver.
- However, all surveyed factors were cited by a minimum of 30% of respondents, indicating that there is no one single silver bullet for reducing carbon across the region.
- Nearly half of respondents across JAPAC stated that they have set Science-Based Target initiative (SBTi) goals to reduce their carbon emissions.
- Positively for efforts to mitigate the environmental impact of the digital advertising industry in the JAPAC region, nearly half of respondents are now mandating that their advertising partners report their carbon emissions.

PROGRAMMATIC

- Despite global economic turbulence, programmatic revenue and spending continues to climb in JAPAC, with 64% of respondents reporting an increase.
- Concern over fraud and quality-related issues, such as the use of MFA sites within advertising remains high across the JAPAC region, encouragingly however this has fallen since last year.
- Despite the market weathering the changes implemented by Apple on its mobile platform, the majority (62%) of the JAPAC programmatic industry is at least somewhat concerned about the upcoming privacy changes that Google is making across display and mobile.
- Across JAPAC, the overriding majority of the region are open to working directly with DSPs or SSPs, without the use of an intermediary partner. This majority is remarkably consistent, with this being the case across all surveyed markets, company types, and company sizes.

47%

of all budget is set to be allocated to carbon-neutral partners

64%

of respondents reported an increase programmatic revenue and spending

62%

of the JAPAC programmatic industry is at least somewhat concerned about the upcoming privacy changes that Google is making

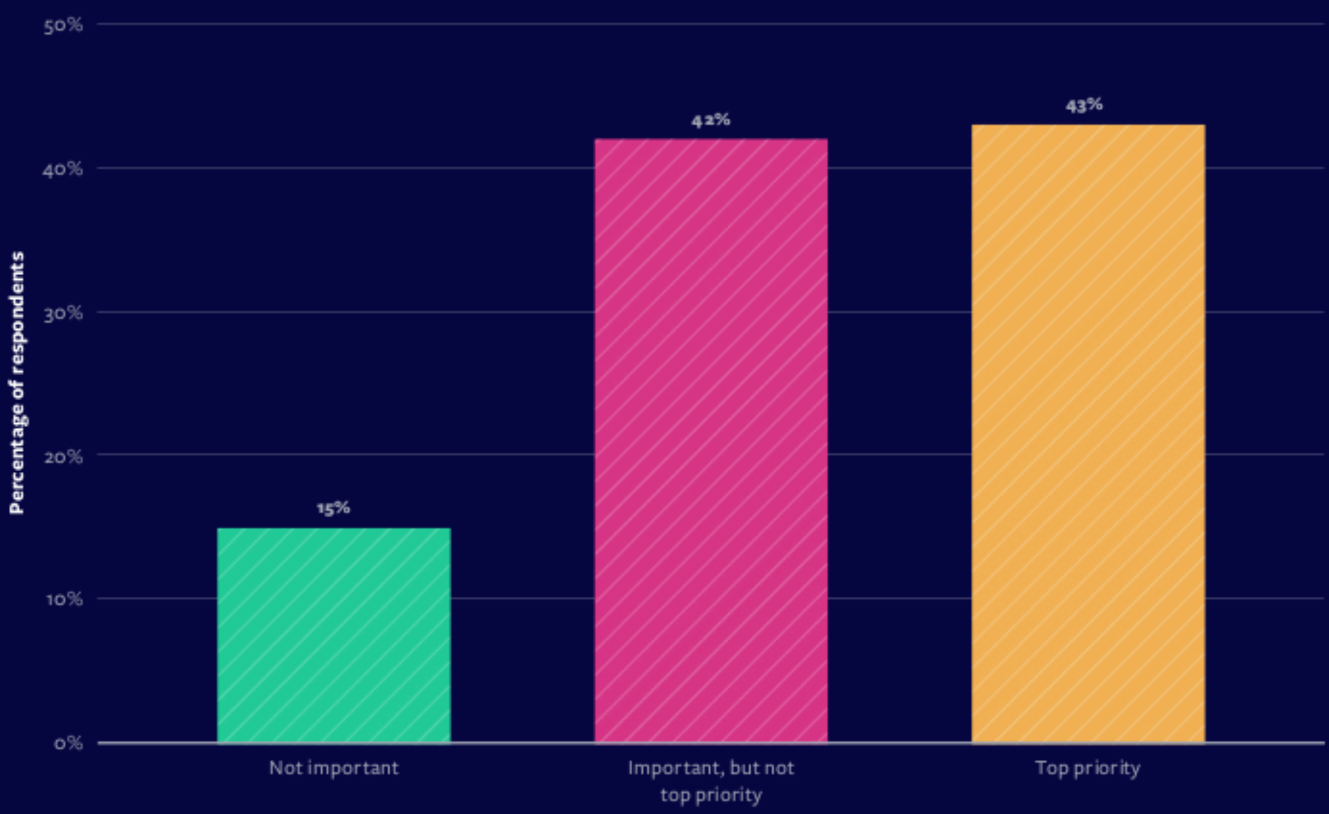
Section 1:
Sustainability

Importance of sustainability metrics

The importance of efforts to mitigate climate change on a global level cannot be overstated. The Intergovernmental Panel on Climate Change (IPCC) has deemed that every region faces more severe and/or frequent compound climate risks, including coastal flooding, drought, sea level rises, and social impacts.

To that end, it is extremely encouraging that the overriding majority (85%) of respondents within the JAPAC market deem sustainability metrics to be important to their businesses within the next 24 months, closely corresponding to the proportion of the European market (92%) which deemed sustainability metrics to be important to businesses when tested in H2 2022.

Figure 1: Importance of sustainability metrics over following 24 months — JAPAC 2023



85% of respondents within the JAPAC market deem sustainability metrics to be important to their businesses within the next 24 months

92% of the European market deemed sustainability metrics to be important to businesses when tested in H2 2022

Respondents in Japan assign a much lower importance to sustainability metrics in the coming 24 months compared to the other surveyed markets, with 52% deeming them not important (compared to just 2% in Indonesia), and only 14% denoting them as a top priority (compared with 61% in India). This coincides with the market being significantly less concerned regarding previous and upcoming identifier deprecation, as well as demonstrating the least concern with costs associated and scarcity of expertise in terms of achieving carbon reduction goals. While this would otherwise suggest a higher threshold for business-related concern here, there are worrying implications for sustainability efforts within the Japanese market with the low importance of sustainability metrics, as evidenced by the finding that less than 10% of those surveyed in Japan are actively measuring their carbon emissions (see *'Measurement of carbon emissions'*).

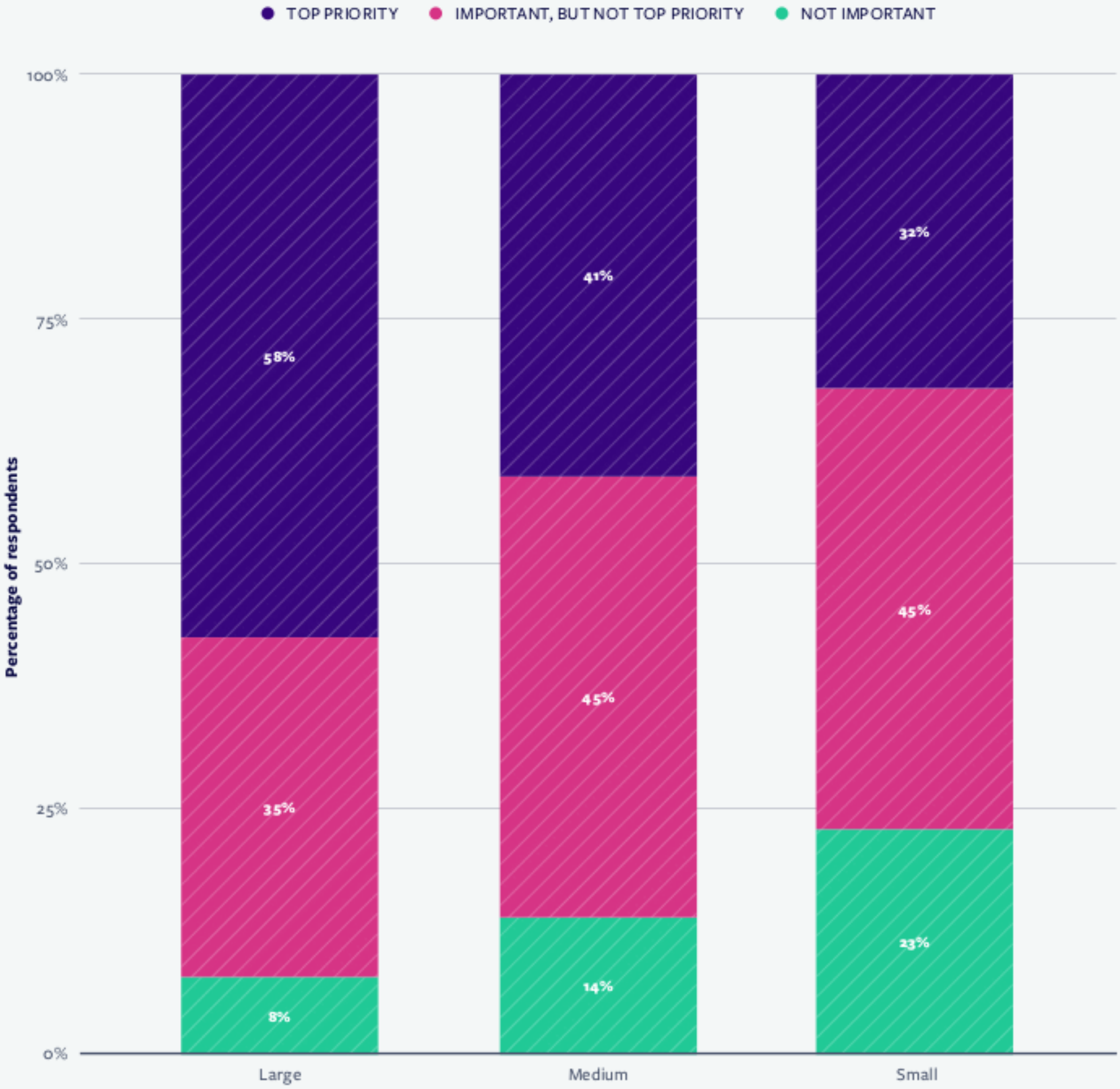
Figure 2: Importance of sustainability metrics over following 24 months (JAPAC 2023) — by market

14% of respondents in Japan deemed sustainability metrics to be top priority in the coming 24 months

61% of respondents in India deemed sustainability metrics to be top priority in the coming 24 months

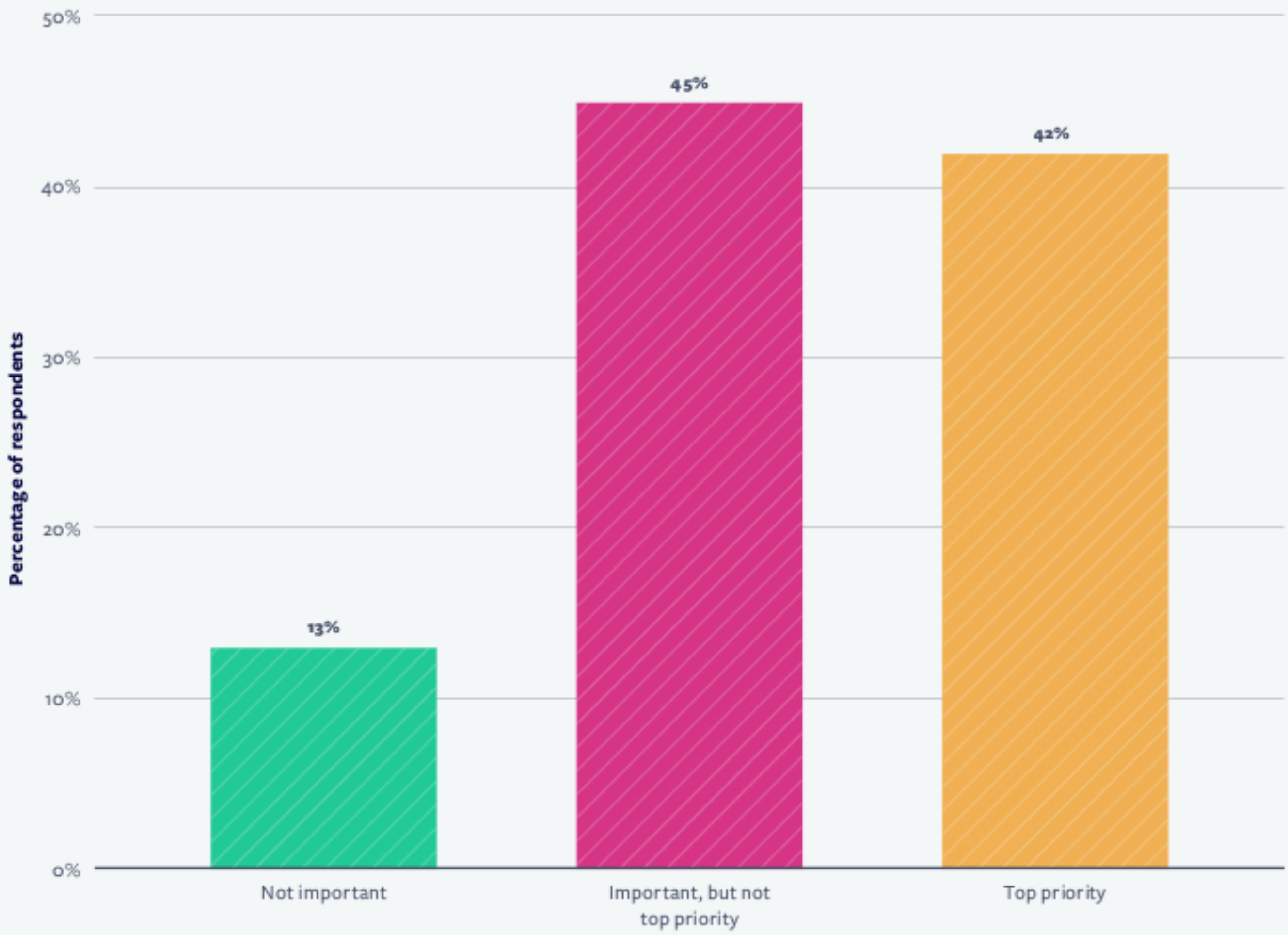
Importance of sustainability metrics for JAPAC respondents scales relatively consistently according to company size, with respondents based at large companies assigning the highest level of importance for these. Many public companies are now incorporating environmental, social, and governance (ESG) reporting into their public financial statements and/or dedicated reports, with many markets moving towards mandating this. However, it is important to support smaller companies in tracking their own sustainability efforts in order to minimise emissions across the industry.

Figure 3: Importance of sustainability metrics over following 24 months (JAPAC 2023) —by company size



Promisingly, respondents have generally assigned a similar or higher level of importance to addressing impact on climate change as they did to sustainability metrics across all surveyed company types and sizes, indicating that firms in the JAPAC region are looking beyond merely tracking emissions towards actively reducing their carbon footprint.

Figure 4: Importance of addressing impact on climate change — JAPAC 2023



Though respondents in Japan have assigned a significantly lower importance to addressing their impact upon climate change, the majority (56%) are at least factoring this in as a priority. Therefore, solutions for the Japanese market have to move beyond tracking emissions, and incorporate goals around efficiencies and reductions. The findings for Japan contrast with those for both Indonesia and India, where over half of respondents, 56% and 58% respectively, deemed addressing their businesses' impact on climate change to be critically important.

Meanwhile, only 2% of respondents within Australia deemed addressing their impact on climate change to be unimportant. Though a lower proportion of respondents assigned this as a top priority, this is a highly promising finding for sustainability efforts within the JAPAC region, as it demonstrates that those within both developing and developed markets are actively looking into how to address issues around climate change, bolstering global efforts to drive down emissions. Moreover, emerging and developing nations, which include India and Indonesia as per the country composition of World Economic Outlook groups (April 2022), will be disproportionately affected by the impacts of climate change (IPCC), thus developed markets will need to actively reduce emissions to avoid global harms.

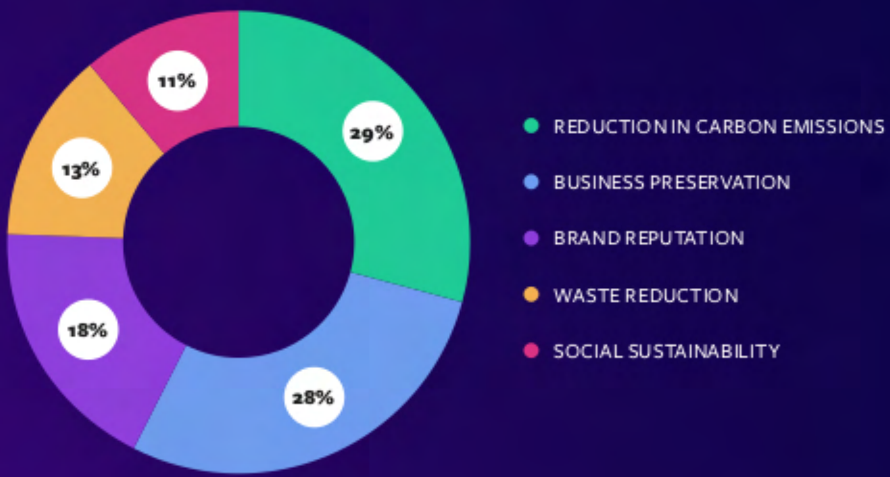
Leading sustainability goals

As per our European study of H2 2022, respondents across the JAPAC region cited a wide array of top sustainability goals for their businesses. These typically revolved around five key themes.

Four of these, specifically brand reputation; business preservation and enhancing sales; reduction of carbon emissions; and waste reduction, featured across JAPAC as well as Europe. The fifth, social sustainability, was unique to JAPAC, indicating the potential need for technology solutions focusing towards sustainability within the region to be multifaceted, addressing factors such as poverty and gender equality alongside the reduction of carbon emissions.

Overall, reduction of carbon emissions was cited as the leading sustainability goal across the JAPAC region at 29% of respondents, closely followed by promoting business preservation and increasing sales via sustainability practices at 28% of those surveyed.

Figure 5: Leading sustainability goals — JAPAC 2023



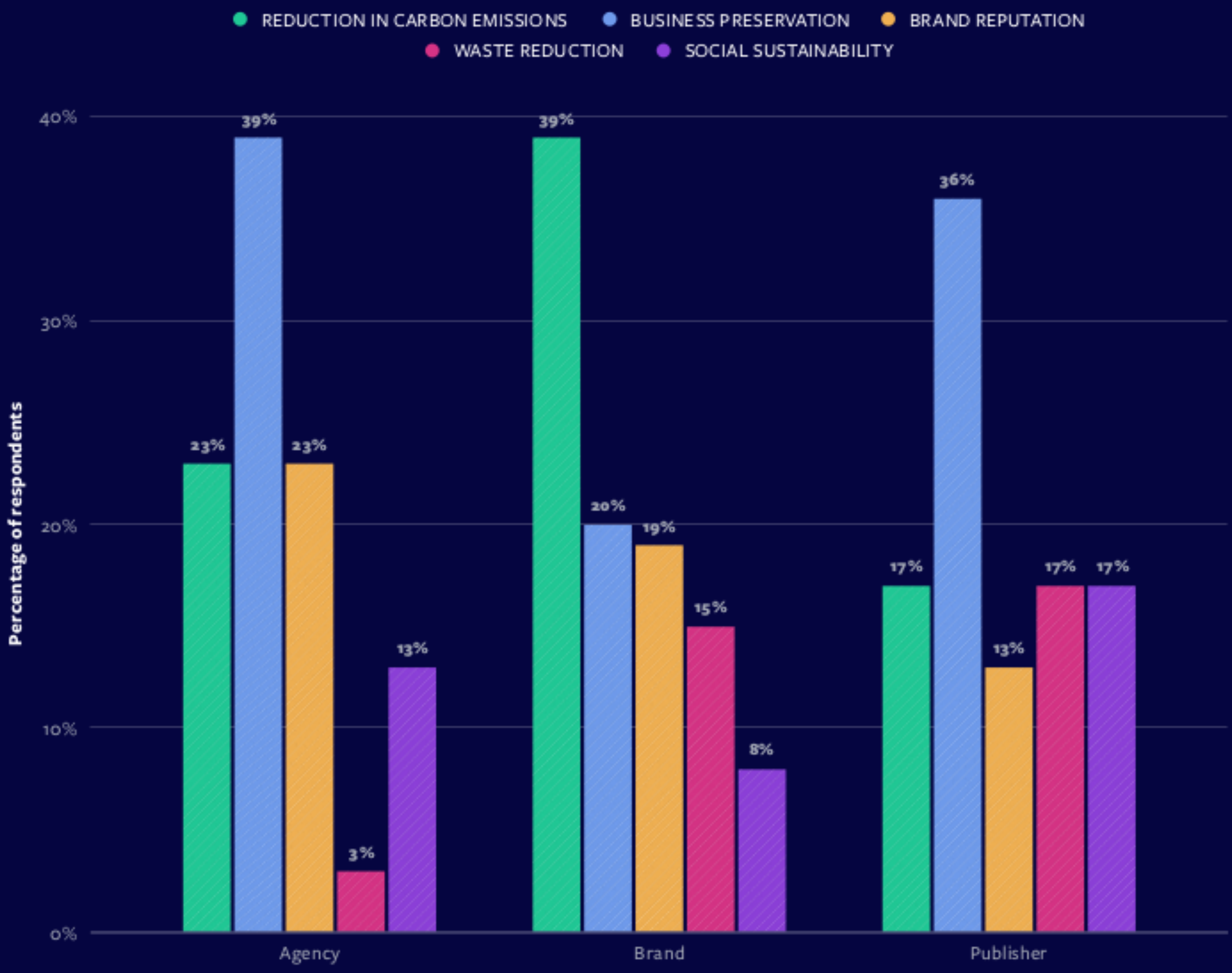
> We should consider incentivising publishers when consistently delivering on initiatives to reduce carbon emissions

29%

of respondents cited reduction of carbon emissions as their leading sustainability goal

However, the importance of these goals varied significantly according to market, company type, and company size. Firstly, across the surveyed company types, reduction of carbon emissions was more commonly cited as a leading sustainability goal for brand respondents (39%) than their agency (23%) and publisher (17%) counterparts. For these, business preservation and bolstering sales via sustainability efforts was a more important driver, at 39% and 36% of respondents across agencies and publishers respectively.

Figure 6: Leading sustainability goals (JAPAC 2023) — by company type



Reduction of carbon emissions was a consistently important goal across the surveyed markets, though this was a particularly prevalent goal within Australia (36% of respondents). Meanwhile, waste reduction was the leading sustainability goal for respondents within Japan, which is a potential explanatory factor for the lower importance assigned to sustainability metrics across the markets. Additionally, social sustainability, such as promoting gender equality and quality education, was assigned a much greater level of importance in India (24%) compared to other markets.

Supporting previous findings on sustainability metrics, respondents at large companies generally assigned reducing carbon emissions as their leading sustainability goal. This was also the leading goal for those surveyed at medium-sized companies, though respondents at smaller firms lended a greater importance towards working towards sustainability for its specific benefits for business preservation, increased sales, and brand reputation.

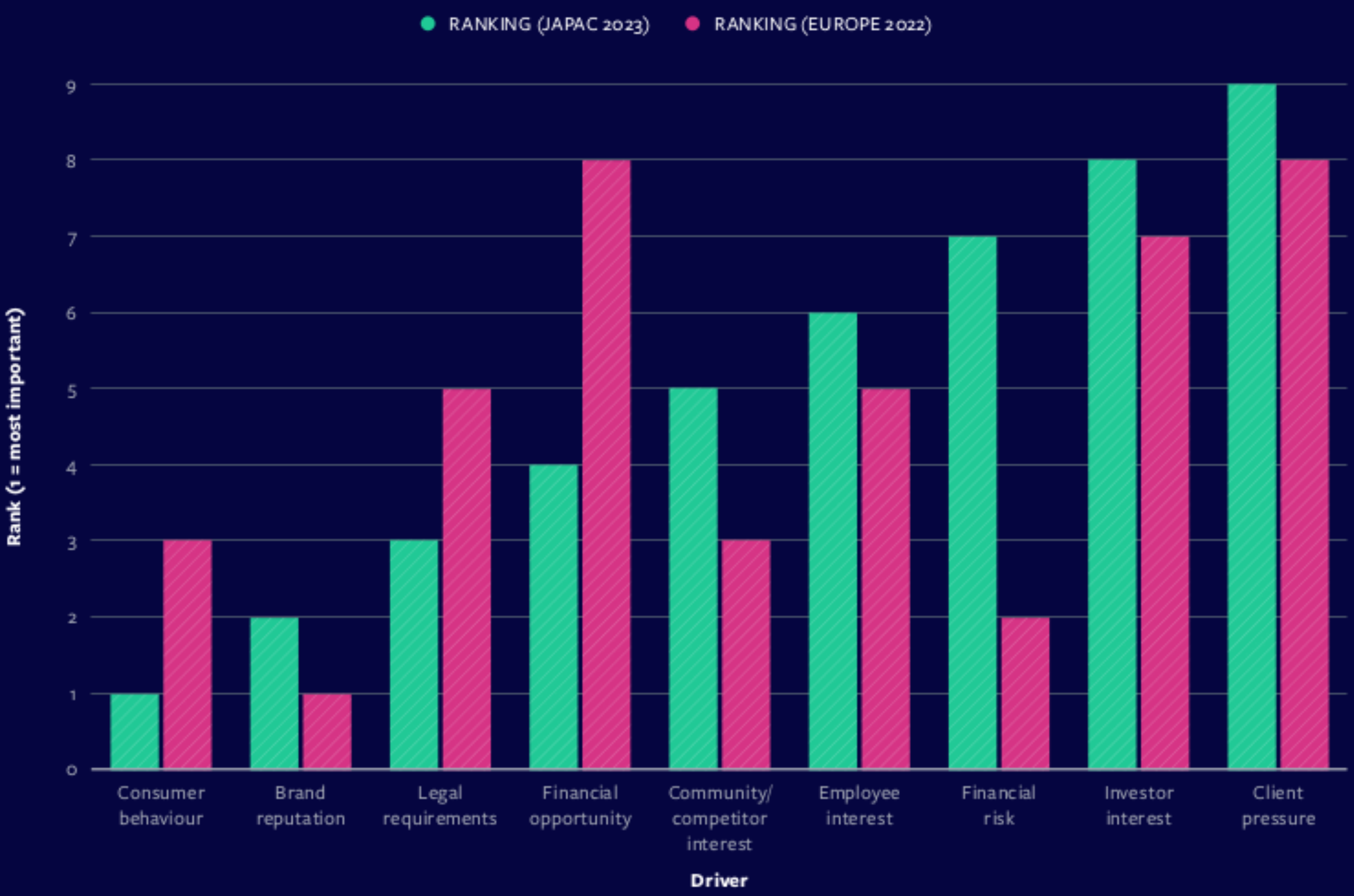
Drivers for sustainability goals

Across the JAPAC advertising and marketing ecosystem, consumer behaviour was cited as the leading driver for sustainability goals, with a ranking score of 175, closely followed by brand reputation (174).

However, this again varied markedly according to company size, type, and location. These results also differ markedly from drivers towards sustainability goals recorded in Europe through November 2022, with financial risk being a leading driver in Europe but a relatively minor driver within JAPAC.

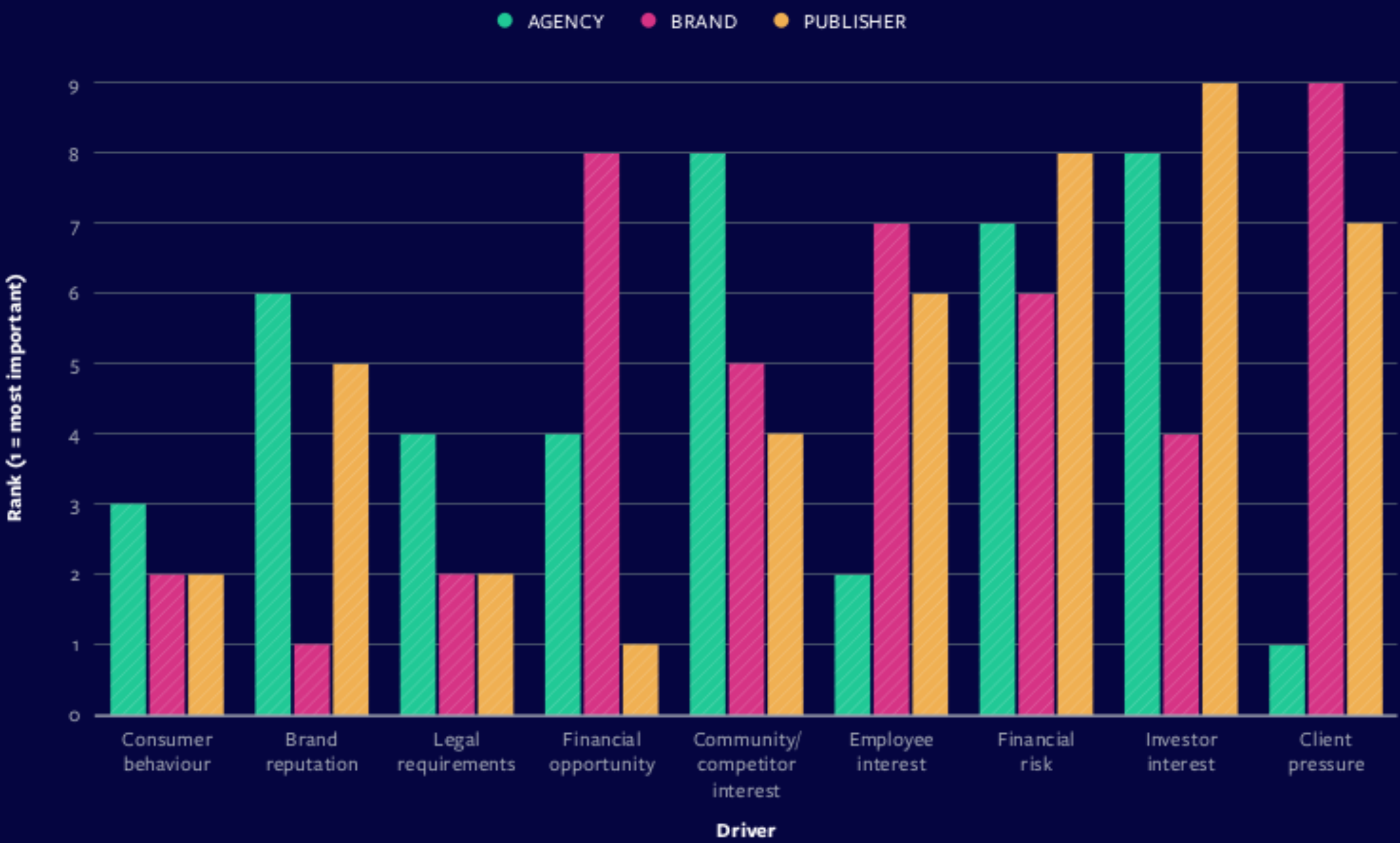
Driver	Ranking	Ranking Score
Consumer behaviour	1st (most important)	175
Brand reputation	2nd	174
Legal requirements	3rd	153
Financial opportunity	4th	150
Community/competitor interest	5th	145
Employee interest	6th	144
Financial risk	7th	132
Investor interest	8th	125
Client pressure	9th	122

Figure 7: Drivers for sustainability goals — JAPAC 2023 vs. Europe 2022



Drivers for sustainability goals varied dramatically according to company type. Though consumer behaviour was an important driver for agencies, brands, and publishers alike, the most important driver for each company type tracks closely with their fundamental business models, especially on the buy-side. Specifically, brand reputation was the leading driver for brands, financial opportunity the leading driver for publishers, and client pressure for agencies.

Figure 8: Drivers for sustainability goals (JAPAC 2023) — by company type



Significant variation for drivers towards sustainability goals was also observed between the different surveyed markets within the JAPAC region. While consumer behaviour was the leading driver overall, this was the least important driver within the Australian market, with financial risk instead cited as the most prominent driver here.

John Harvey Faurholt, director, advertising & retail media partnerships – JAPAC, China, Microsoft, suggests that market maturity is the key explanatory factor behind this finding, writing, "Sustainability is an incredibly important initiative for not just the digital industry in Australia, but for the market as a whole. As a result, we've seen earlier adoption of sustainability measures and actions across both buy-and-sell-sides, with clear expectations and timeframes for when these are to be implemented. This has also been reinforced through legislation and policy changes, in addition to industry groups like the IAB, establishing clear guidelines, best practices, and framework. This holistic response has created a greater sense of urgency (and collaboration) to address an important initiative while minimising revenue impact or disruption. This doesn't mean that consumer behaviour isn't an important factor for Australian businesses – I actually believe it's been at the forefront of what's driven an accelerated response, but we're now at a stage slightly downstream of that particular consideration."

Similarly, brand reputation was the least-cited driver for sustainability within the Japanese market, despite this being the second-most important driver overall, with client pressure scoring highly here.

For respondents at large companies, community/competitor interest and investor interest both scored higher on average than other drivers towards sustainability. Concurrently, financial factors and client pressure were more important drivers for medium-sized companies.

Factors impeding carbon reduction goals

Increased operational costs were cited as the leading factor impeding carbon reduction goals across the JAPAC advertising industry, with over half (53%) of respondents citing this as a driver.

However, all surveyed factors were cited by a minimum of 30% of respondents, indicating that there is no one single silver bullet for reducing carbon across the region, with solutions, training, and legislative support needing to be multifaceted.

Notably, the responses for JAPAC on this matter are closely aligned with the earlier ExchangeWire/OpenX study undertaken in 2022 on the European market. Most significantly, increased operational costs are the leading factor impeding the reduction of carbon emissions across both JAPAC and Europe. However scarcity of expertise is the second-most important factor impeding CO_2 reduction across JAPAC, while the direct cost of reducing carbon emissions on campaigns, for instance via increased CPMs, is a more prominent factor in Europe.

Figure 9: Factors impeding carbon reduction goals — JAPAC 2023

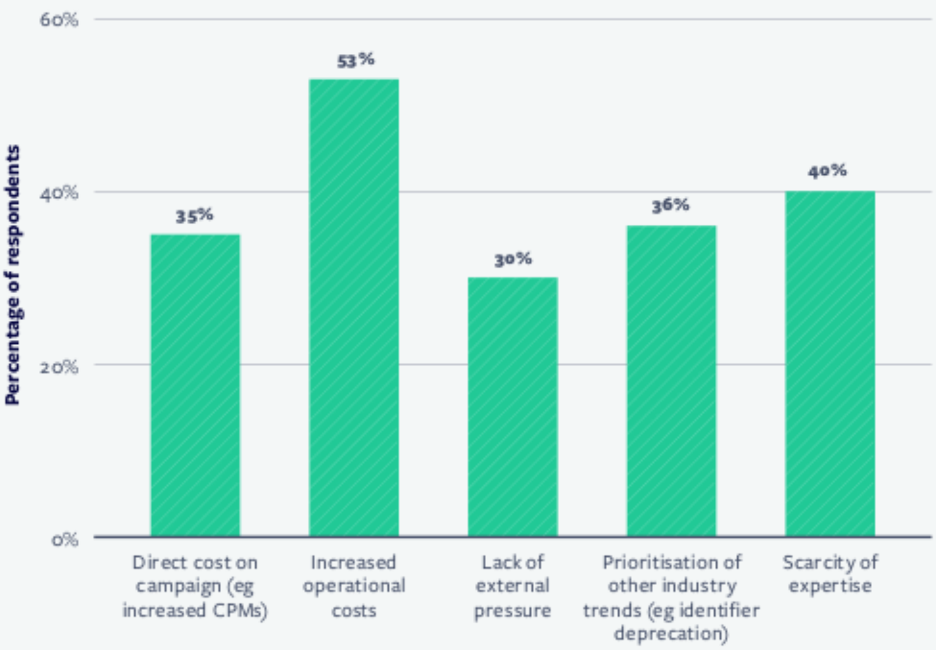


Figure 10: Factors impeding carbon reduction goals — JAPAC 2023 vs Europe 2022

Increased operational costs were consistently the most prominent factor impeding carbon reduction goals across JAPAC for agencies, brands, and publishers alike, with all three company types also consistently citing scarcity of expertise. However, direct cost on campaigns, lack of external pressure, and the prioritisation of other industry trends such as deprecation of identifiers were all more cited by the buy side compared with publishers.

Across all the surveyed markets, increased operational costs were again the most prominent factor, however there was substantial variation in the importance of other impeding factors. Firstly, lack of external pressure was a much more important factor impeding carbon reduction goals within India (48% of respondents) versus the other markets. Prioritisation of other leading trends within the advertising industry was the joint-most prevalent factor preventing the reduction of CO_2 emissions within Australia at 41% of respondents, while this was the least cited factor within the Japanese market.

Figure 11: Factors impeding carbon reduction goals (JAPAC 2023) — by market

For large companies, increased operational costs were the most prominent factor impeding carbon reduction goals by a significant margin, though direct campaign costs, prioritisation of other industry trends, and scarcity of expertise were all heavily cited. The profile of carbon reduction goals for small- and medium-sized companies was broadly similar, with scarcity of expertise a more prominent factor for medium-sized firms and prioritisation of other industry trends more prevalent for small companies within JAPAC.

48% of respondents in India cited lack of external pressure as a factor impeding carbon reduction goals

41% of respondents cited prioritisation of other industry trends as a factor impreding carbon reduction goals

Setting of SBTi goals

Nearly half (48%) of respondents across JAPAC stated that they have set Science-Based Target initiative (SBTi) goals to reduce their carbon emissions.

This movement towards consistent and best practice targets is hugely positive for the region, and for global efforts to reduce the impact of digital advertising on the environment as a whole. However, over one-fifth of respondents are unsure as to whether their business has set a goal or not, which is a concerningly high proportion.

Brands are leading the way across the advertising supply chain in terms of setting SBTi goals, with the majority (54%) having done so, followed by publishers (45%) and agencies (40%). The finding that at least two-fifths of respondents across the full supply chain are setting SBTi goals is again highly encouraging, as efforts to drive down carbon emissions in programmatic advertising cannot be confined solely to the buy side nor the sell side.

Figure 12: Setting of SBTi goals — JAPAC 2023

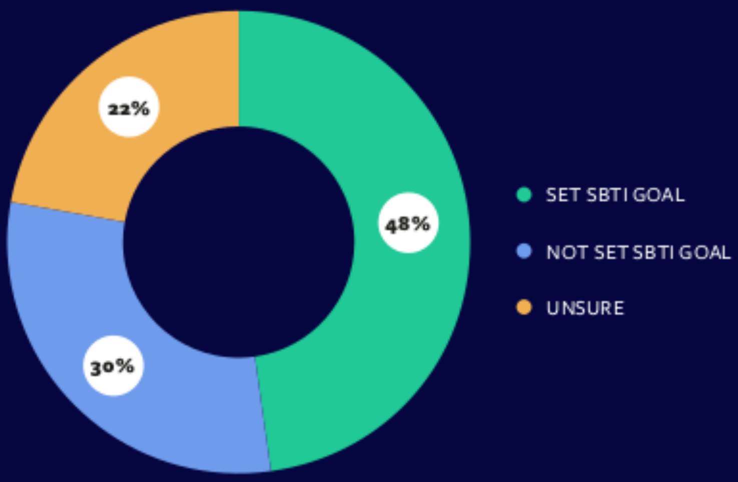
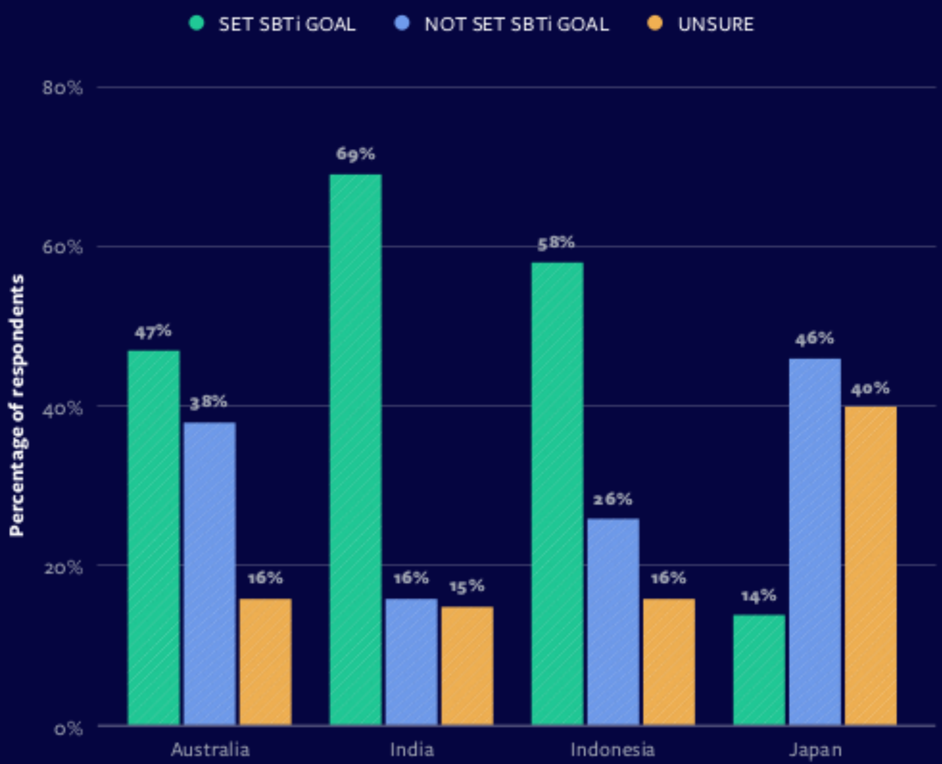


Figure 13: Setting of SBTi goals (JAPAC 2023) — by market



Given the relatively low priority respondents in Japan have generally assigned to sustainability metrics and the importance of reducing carbon emissions, the finding that this market has the highest proportion of respondents that either have not set an SBTi goal (46%), or are unsure on whether their business has set such science-based goals (40%) is not unexpected. India is the leading market for setting SBTi goals according to this study, with 69% of respondents here stating that their business has these targets in place.

In line with large companies assigning the greatest importance to sustainability metrics, respondents at these companies are more certain as to whether they have set SBTi goals by a substantial margin (71% versus 44% for medium-sized companies), as well as the lowest proportion of those surveyed (17%) stating definitively that they have not implemented these targets.

Measurement of carbon emissions

Despite the high proportion of respondents stating that they have implemented SBTi goals, there is a concerning drop-off in terms of the proportion of those surveyed actively measuring their carbon emissions, at 31% overall.

This is also substantially lower than the proportion of respondents in Europe that are measuring carbon emissions (60%) as recorded in 2022. Given that the SBTi organisation is highly explicit that companies must commit to measuring and setting targets covering scope 1, 2, and 3 emissions, this discrepancy is of concern.

The most likely explanation for this is that, despite positive intentions, the investment required to measure carbon emissions remains a barrier, as evidenced by our earlier finding that operational costs were the most prominent factor inhibiting targets for carbon reduction. The IPCC additionally cites missing or weaker regulatory environments, unattractive risk-return profiles, and lack of standardisation as additional factors impacting the measurement of emissions and other forms of climate action. The challenge of accurately measuring emissions associated with digital advertising is demonstrated by the gulf in estimates for total emissions within the sector. For instance, in their most recent quarterly study, Scope3 estimated the annual figure at 7.2 million metric tonnes annually, while an earlier study, conducted by Pärssinen *et al.*, estimated total online advertising emissions at 60.3 million metric tonnes (range of 11.5–160 million metric tonnes) over the course of 2016.

A further potential explanation for this is that the bulk of companies that have committed to SBTi goals have done so within the last year, with firms given a window of 24 months to submit their business-specific targets, and are therefore spinning up their measurement and/or reporting capabilities.

Furthermore, this drop-off is observed across all company types, particularly so across brand respondents, with only 34% stating that they are measuring carbon emissions, despite 54% claiming that they had implemented science-based targets for measuring and reducing emissions.

Figure 14: Measurement of carbon emissions — JAPAC 2023

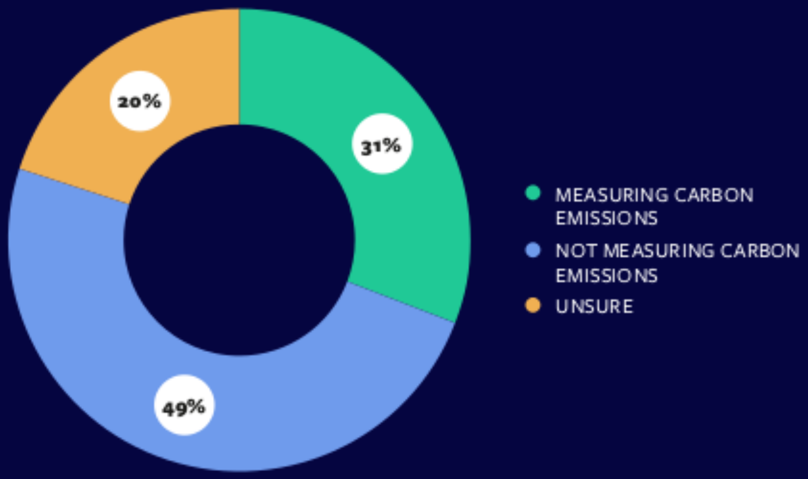


Figure 15: Measurement of carbon emissions (JAPAC 2023) — by company type

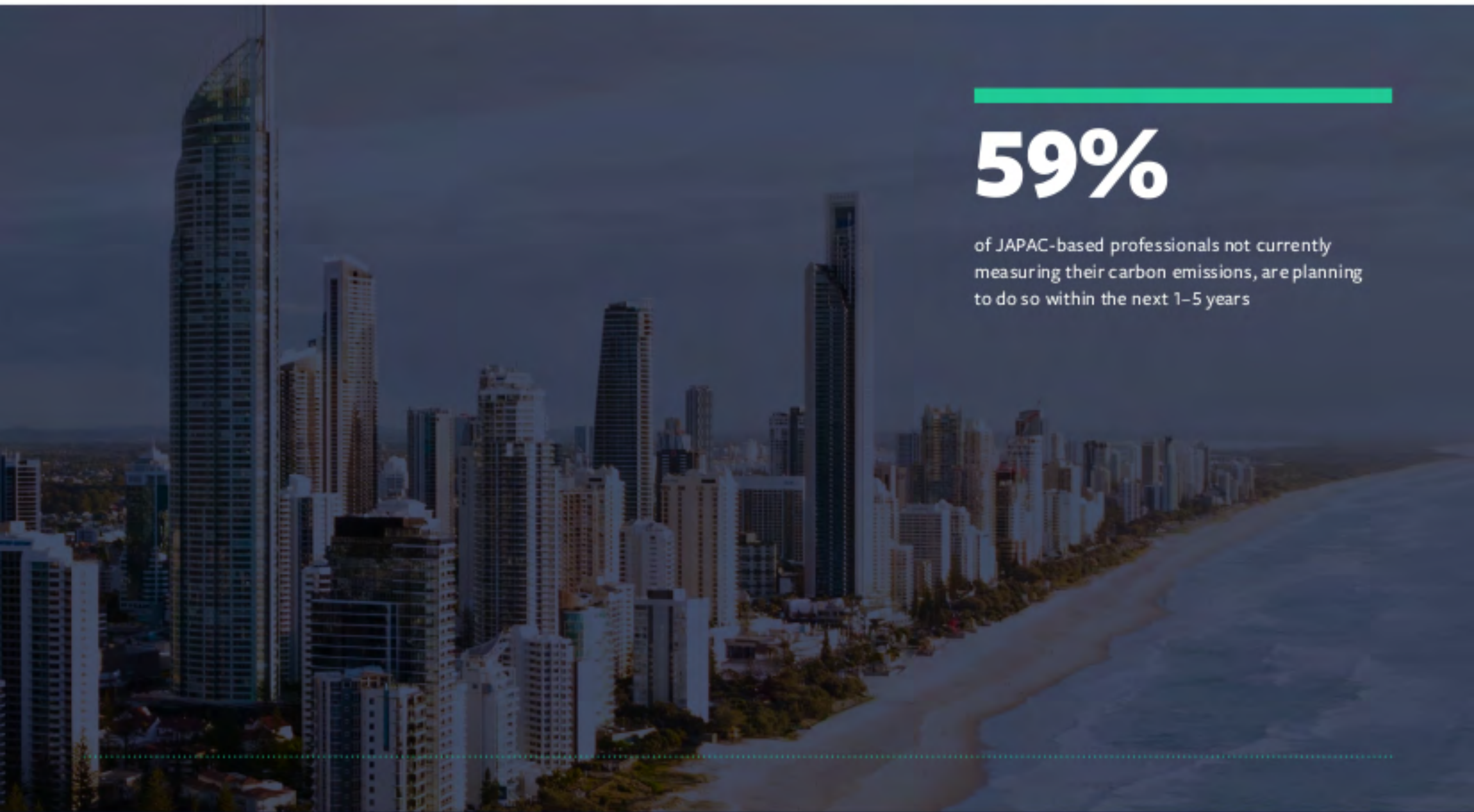
> Concerningly, however, nearly one-third of respondents that are not currently measuring their carbon emissions do not plan on ever doing so

Despite the majority of respondents in India and Indonesia stating that they have implemented SBTi goals, less than half of those surveyed in these markets are actively measuring their carbon emissions. Concerningly, the Japanese market is not aligned with other nations in this study in the measurement of their carbon footprint, with only 6% actively measuring their emissions.

The finding that companies within the two most developed markets in this study, Australia and Japan, are less likely to be measuring their carbon emissions is notable as both countries have mandatory greenhouse gas (GHG) reporting programs implemented as of 2015 (per World Resources Institute). This is likely as a result of high thresholds for firms that are required to report their direct (ie Scope 1 and Scope 2 emissions) GHG output.

For example, under the Australian National Greenhouse and Energy Reporting Act 2007, firms are only mandated to report their direct emissions if their controlling corporation group GHG emissions surpass 50 kilotonnes, energy consumed/produced is equal or greater than 200 terajoules (or any individual subsidiary emits 25 kilotonnes of GHGs or consumes/produces 100 terajoules). However, this is set to change in the coming years. In June this year, the Australian government released its Climate-Related Financial Disclosure consultation paper, amending the thresholds for reporting entities to be 100 employees or revenue of AUD$50m (£25.5m) by FY 2027–2028. Moreover, firms would be required to estimate their Scope 3 emissions, i.e. where the majority of the carbon output of the digital advertising ecosystem is derived, in their second reporting year, which could affect companies from 2027 onwards should the legislation be passed. Though the measurement of Scope 3 emissions is currently a more complex process than calculating direct GHG output, efforts within the industry are underway to build frameworks and calculators to help facilitate this.

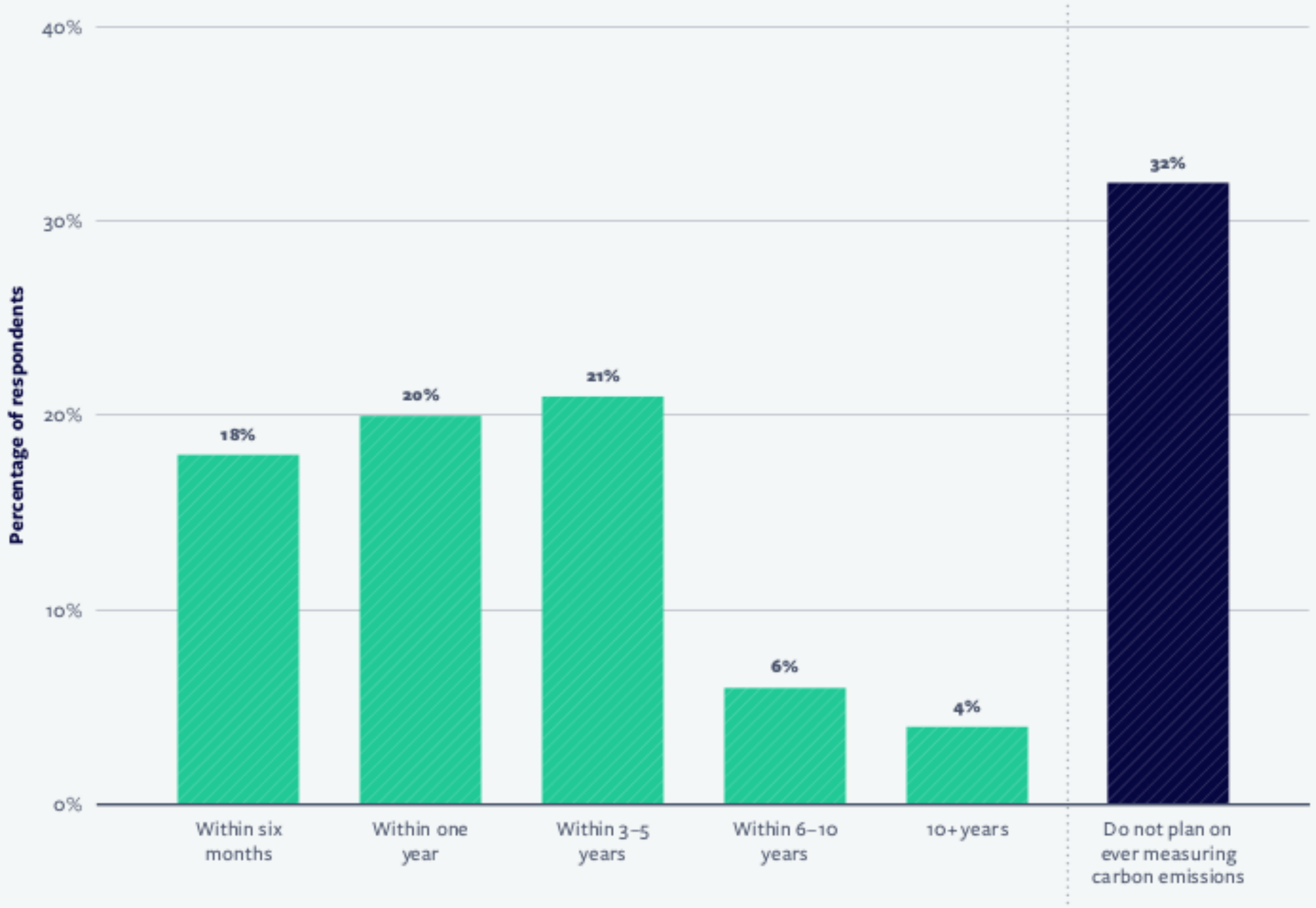
In a more positive finding, where JAPAC-based professionals are not currently measuring their carbon emissions, the majority (59%) are planning to do so within the next 1–5 years, with 38% planning on doing so by the close of 2024. Concerningly, however, nearly one-third (32%) of respondents that are not currently measuring their carbon emissions do not plan on ever doing so.



59%

of JAPAC-based professionals not currently measuring their carbon emissions, are planning to do so within the next 1–5 years

Figure 16: Timeline for measuring carbon emissions where not doing so currently — JAPAC 2023



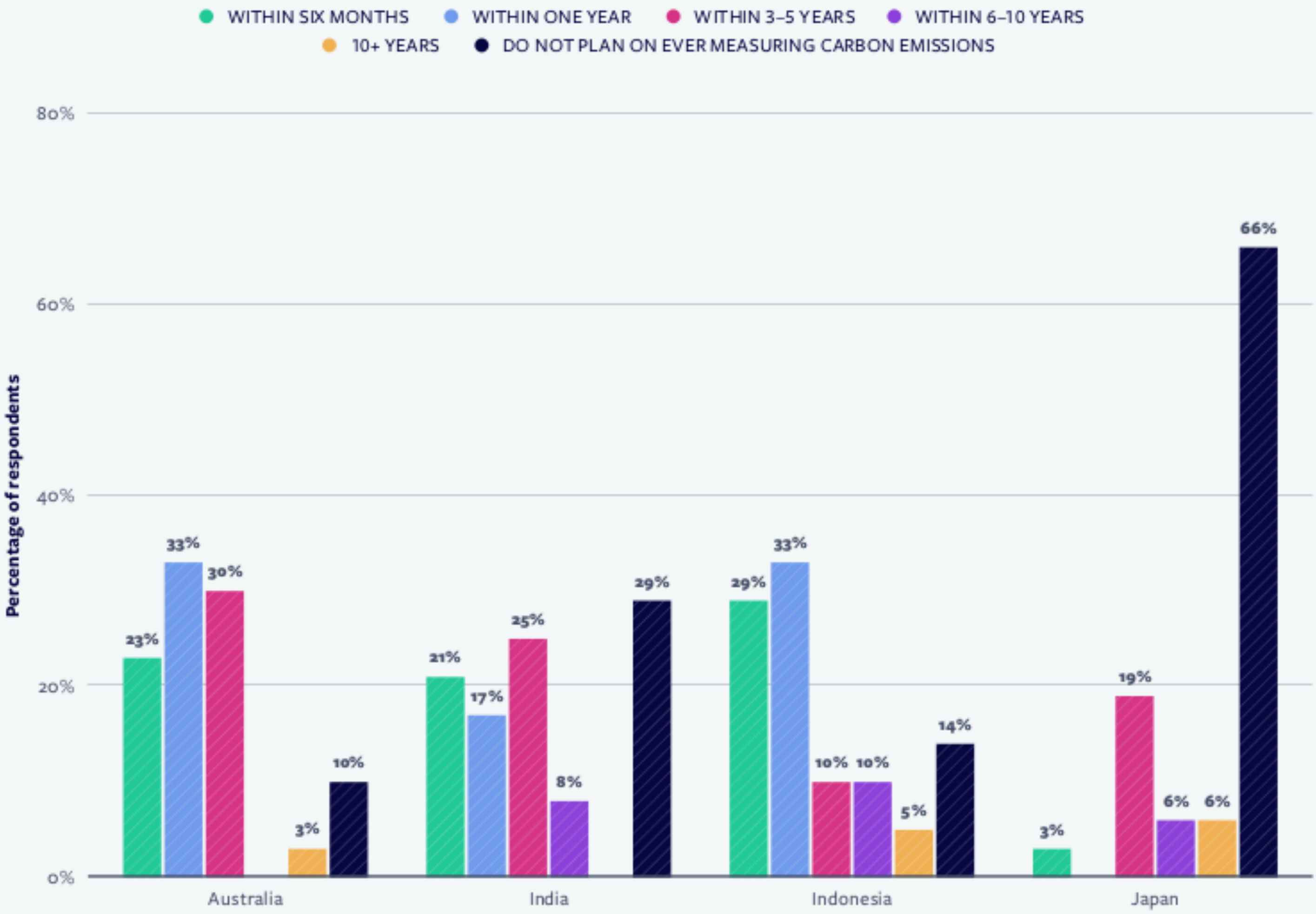
By company type, brands are implementing a more expedited timeline for measuring carbon emissions where not doing so currently, compared with their agency and publisher counterparts, with 24% planning on doing so within six months and 42% within the next year. By contrast, almost half (49%) of JAPAC publishers that are not currently measuring their carbon emissions do not plan on ever doing so.

Given that much of the onus on reducing carbon emissions, particularly within the scope 3 category, has been directed towards reducing low-quality publishers and eliminating MFA sites from programmatic buys, it is in publishers' best commercial interests here to measure their carbon impact and demonstrate the low emissions of their online publications to sell-side partners where possible. Anushrav Gulati, head of indirect revenue at Times Internet, suggests that more can be done to contractually encourage publishers to measure their carbon impact, writing, **"We should consider incentivising publishers when consistently delivering on initiatives to reduce carbon emissions. Secondly, we should also be defining obligatory, or good faith, clauses within contracts."**

Faurholt adds, "Historically, regulatory or legislative measures have been great motivators for change across the industry. I think we can all agree that the awareness surrounding the importance of measuring carbon emissions has grown exponentially across the industry in the last year, however the mandate and urgency to implement these measures varies greatly across JAPAC markets. We've learned from past experiences (such as with data and privacy for example), that proactively engaging with local governments at an industry level can result in a more collaborative and transparent approach in creating effective policies. Additionally, we should continue to evangelise the progress we're making as an industry, beyond just measurement. There is real value and impact that many companies are driving, and sharing these use-cases, tactics, and results will remain important elements to driving broader adoption."

Across the surveyed markets, respondents in Australia are operating towards the most expeditious timeline for measuring carbon emissions where not doing so already, with 86% planning on doing so within five years, and only 10% not planning on measuring their emissions in future. This corresponds with the earlier finding that reduction of carbon emissions is the leading goal within the market, and directly contrasts with responses from Japan, where 66% of those surveyed are not planning on ever measuring their carbon impact.

Figure 17: Timeline for measuring carbon emissions where not doing so currently (JAPAC 2023) — by market



Where firms are not currently measuring their carbon emissions, JAPAC advertising professionals at large companies are planning on implementing measurement systems at the fastest rate, with over three-quarters (76%) aiming to do so within the next five years. However, this contrasts with respondents at small companies, with 43% stating they do not plan on ever measuring their carbon emissions. While it is highly positive that the largest companies, likely the most significant contributors to emissions, are broadly starting to measure their carbon footprint, it is important that smaller firms are provided the training and resources to be able to measure their impact as they scale.

76% of JAPAC advertising professionals at large companies are planning on implementing measurement systems within the next five years

43% of respondents at small companies stated they do not plan on ever measuring their carbon emissions

Carbon impact of advertising partners — reporting

Positively for efforts to mitigate the environmental impact of the digital advertising industry in the JAPAC region, nearly half (47%) of respondents are now mandating that their advertising partners report their carbon emissions, tracking closely to the proportion (51%) doing so in Europe.

According to this study, brands are more actively mandating that their partners across the advertising supply chain report their carbon emissions than their agency and publisher partners, with 58% doing so compared to 43% of agencies and 36% of publishers. This finding strongly correlates with the findings for Europe (60% brands; 47% agencies; 38% publishers), further emphasising the need for publishers to start measuring their emissions where not currently doing so.

Requirements for participants across the advertising supply chain to report their carbon emissions to their partners in the JAPAC region scale according to company size, with 68% of large companies mandating that their partners report their emissions, while only 30% of small companies are electing to do so.

Figure 18: Requirement for advertising partners to report carbon emissions — JAPAC 2023

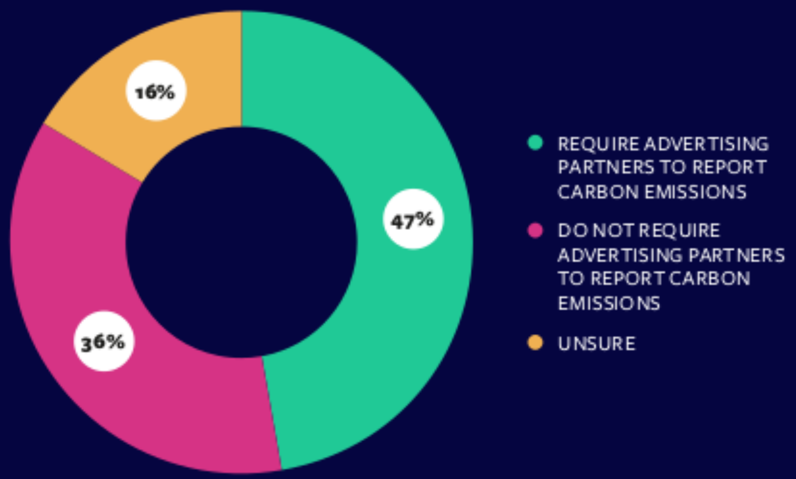
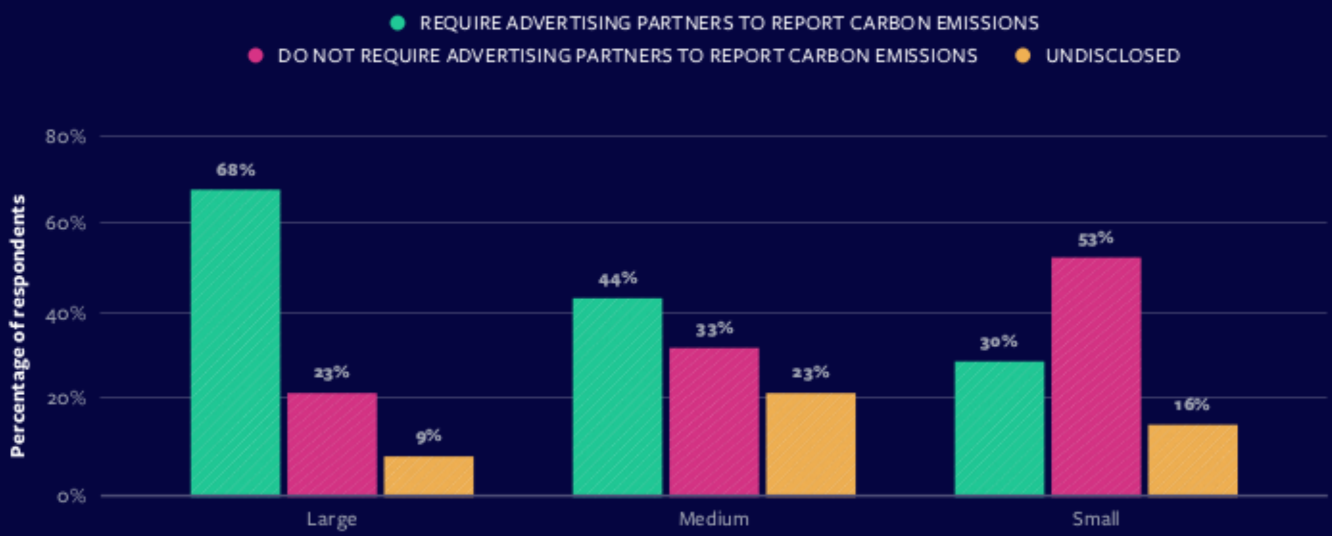


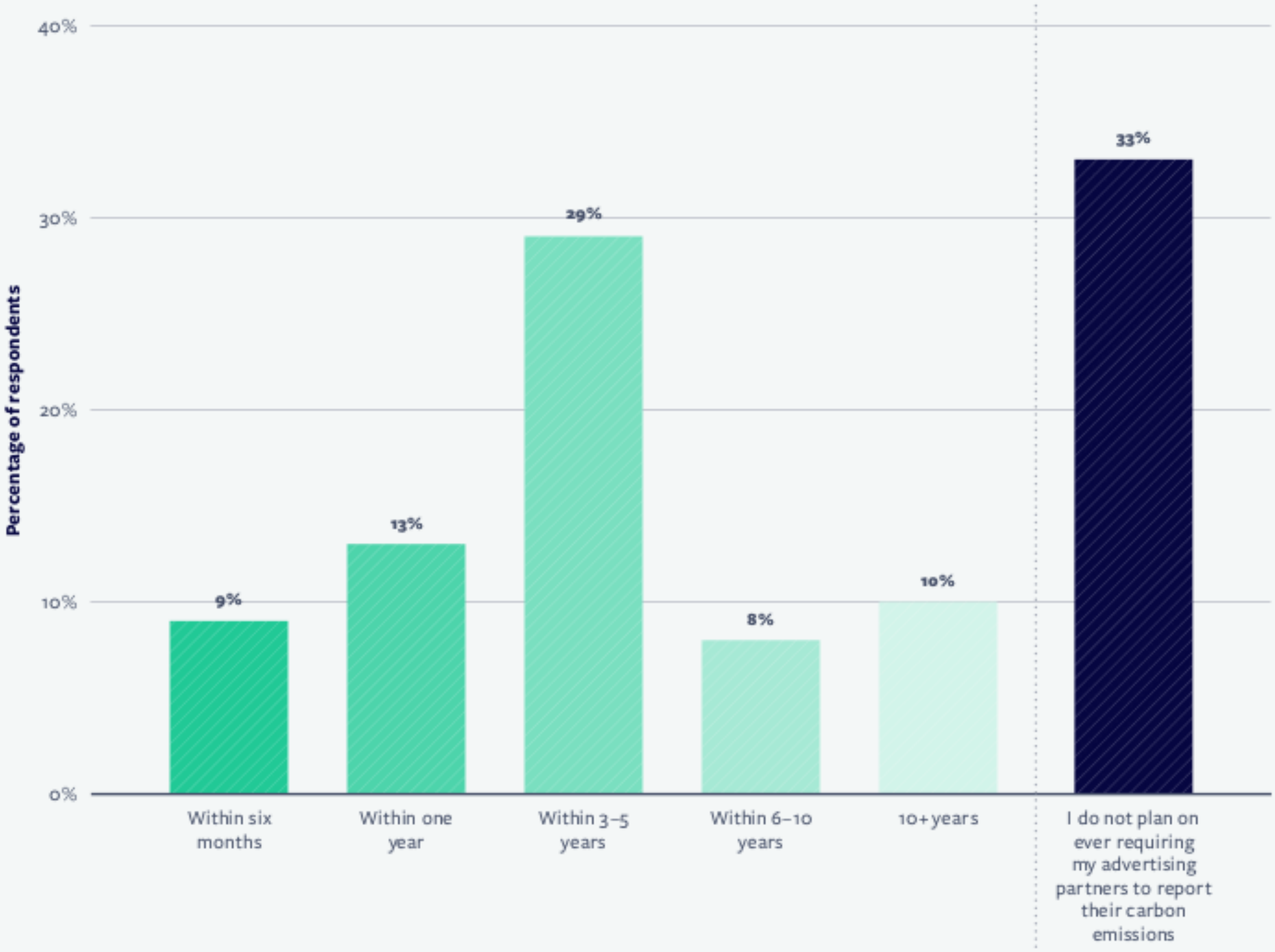
Figure 19: Requirement for advertising partners to report carbon emissions (JAPAC 2023) — by company size



By market, India and Indonesia are leading in terms of requiring advertising partners to report their carbon emissions, at 65% and 64% of respondents respectively. Australia trails slightly, with nearly half (47%) mandating that their partners report their emissions, whereas in Japan only 10% are requiring them to do so.

Overall, where JAPAC advertising professionals are not currently mandating that their partners report their carbon emissions to them, just over half (51%) are aiming for this to be a requirement within the next five years. However, as with the reporting of own emissions, one-third (33%) of respondents that are not currently mandating their partners report their emissions are not planning on ever making this a requirement.

Figure 20: Timeline for measuring carbon emissions where not doing so currently — JAPAC 2023

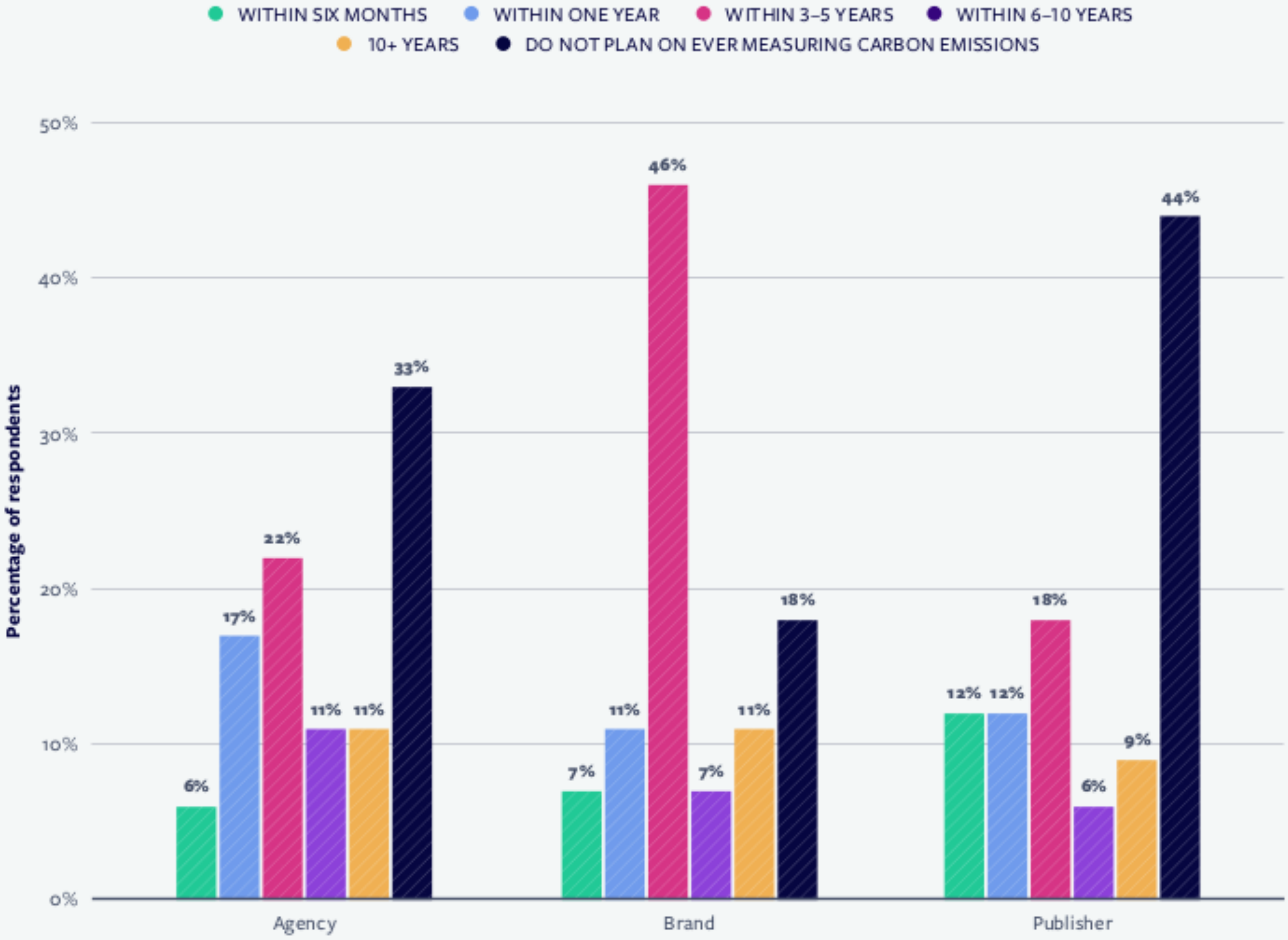


51% of JAPAC advertising professionals are aiming to mandate their partners report their carbon emissions within the next five years, where they are not doing so already

33% of respondents do not plan on ever requiring their advertising partners to report their carbon emissions

As with measuring their own carbon output, brands are leading the way in terms of mandating that their advertising partners report their emissions, where not currently doing so, with only 18% not planning on requiring partners to report their emissions. By contrast, where publishers are not currently mandating that their partners report their emissions, 44% are not planning on ever asking them to.

Figure 21: Timeline for mandating advertising partners to report carbon emissions where not presently doing so (JAPAC 2023) — by market



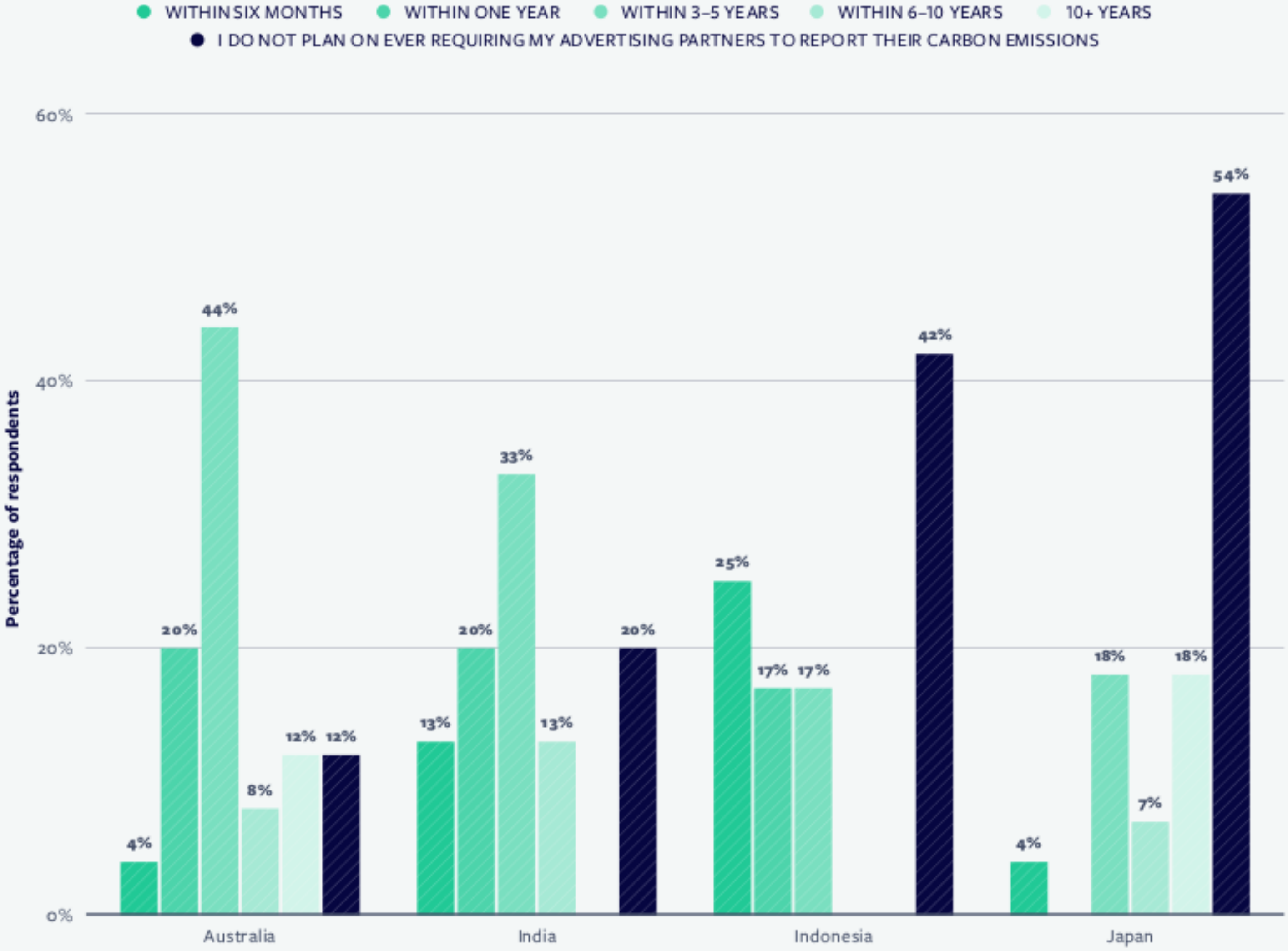
64% of JAPAC brand marketers will mandate their partners to report their carbon emissions within five years, where not doing so presently

44% of JAPAC publishers do not plan on ever requiring their partners to report their carbon emissions

While respondents in India and Indonesia tracked similarly in terms of requiring advertising partners to report their carbon emissions, the two markets differ markedly in terms of timeline for mandating their partners to report their carbon impact where not presently doing so. Twenty percent of respondents in India are not planning on ever requiring their partners to report their emissions, however this proportion more than doubles within Indonesia, at 42%.

Encouragingly, only 12% of respondents in Australia are not planning on having their partners report their carbon emissions, with 66% planning on doing so within the next five years. This contrasts sharply with Japan, where 54% are not planning to require partners to report emissions, with only 29% planning on doing so by 2028.

Figure 22: Timeline for mandating advertising partners to report carbon emissions where not presently doing so (JAPAC 2023) — by market

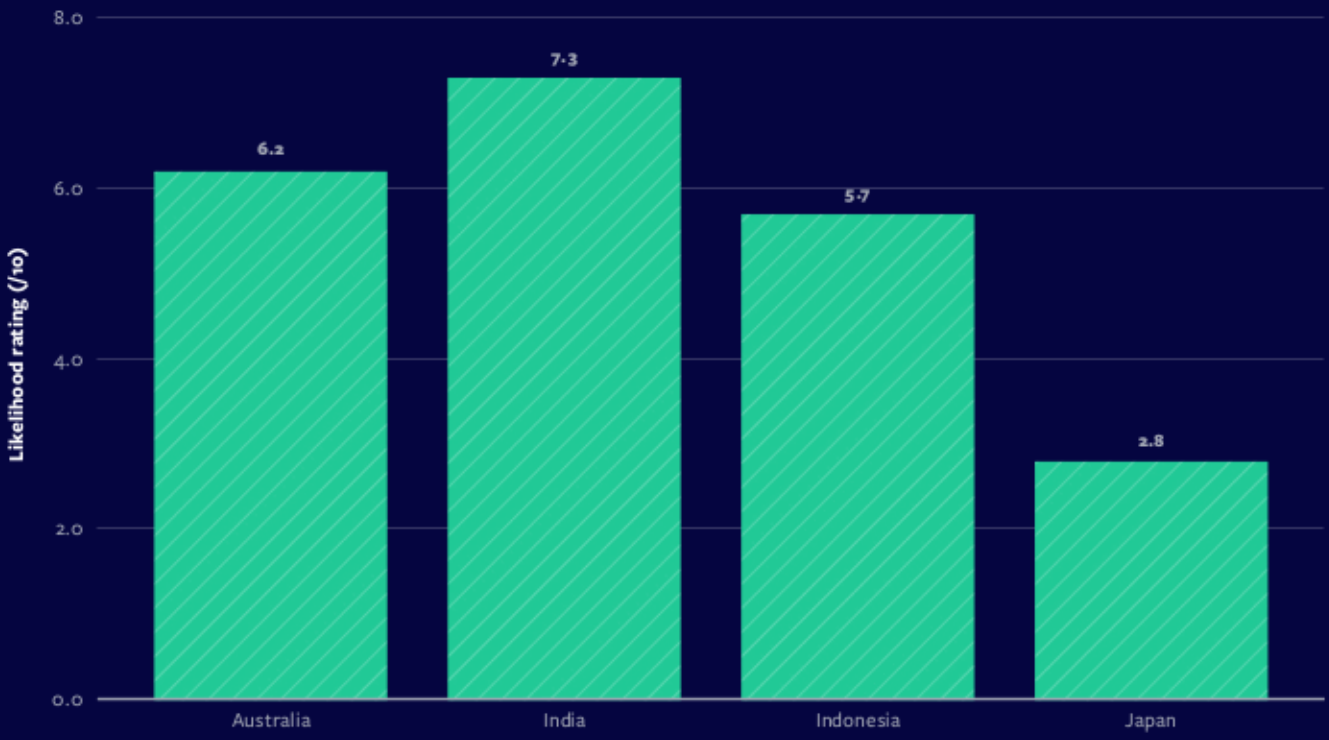


Carbon impact of advertising partners — spend

In a positive finding for reducing carbon emissions across JAPAC, market participants are more likely than not to increase their spend with partners that are carbon-neutral, with an overall likelihood rating of 5.6 out of 10.

Moreover, this is consistent across agencies (5.9), brands (5.9), and publishers (5.1). However, consistent with previous findings, Japan proves a noticeable exception when compared to the other surveyed markets, with a likelihood rating of only 2.8 when compared with Australia (6.2), India (7.3), and Indonesia (5.7).

Figure 23: Likelihood of increasing spend with carbon-neutral partners (JAPAC 2023) — by market



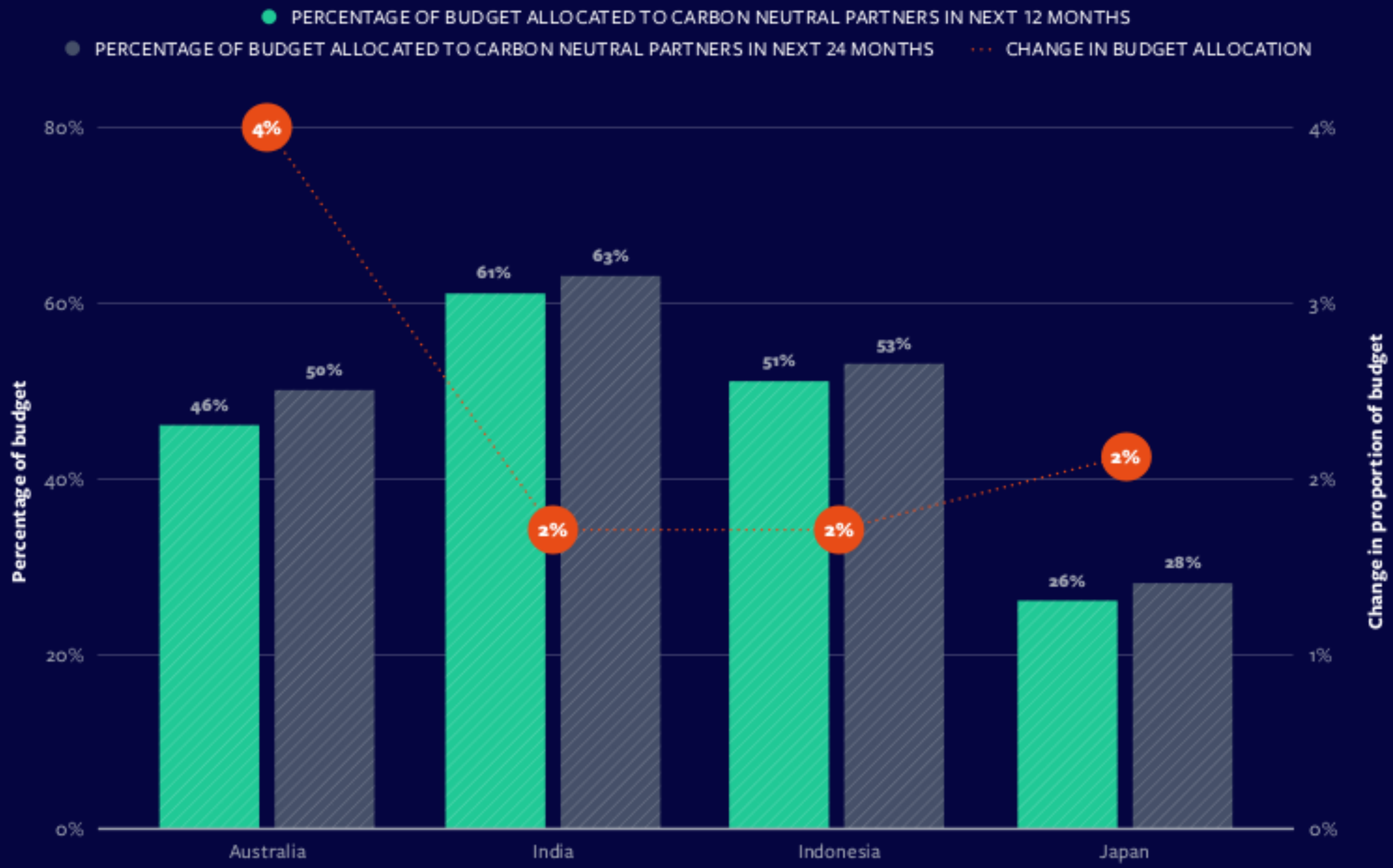
In one of the most prominent findings within this study, respondents across the advertising ecosystem in JAPAC indicated that nearly half of all budget (47%) is set to be allocated to carbon-neutral partners in the next 12 months. However, the pace of this change over the course of the next year to the following 12 months is likely to be slow, with only a 1.5% increase from the next 12 months to 24 months.

Gulati suggests a communication deficit across the supply chain may be hampering efforts to further increase the proportion of budget allocated to carbon neutral partners, stating, "Publishers need to be aware, or informed, of how they are contributing to the overall carbon footprint of the industry, and how initiatives taken by suppliers to contribute to carbon neutral initiatives will help in terms of revenue. While not everything can be measured in terms of revenue gains, long-term value creation should be made the focus of conversations. As of now, we see very limited conversations with publishers about their role, and how they can contribute towards the environment in the context of ad revenues.

JAPAC advertising professionals operating within India and Indonesia have reported that the majority of their budgets will be allocated to carbon-neutral partners within the next 12 months, at 61% and 51% of budgets respectively.

These are closely followed by Australia, which reported the most significant increase between budgets from 12–24 months of 4%. However, Japan lags behind the other surveyed markets, at 28% of budgets set to be allocated to carbon-neutral partners by the end of the following 24 months.

Figure 24: Percentage of budget allocated to carbon neutral partners in next 12–24 months (JAPAC 2023) — by market



According to the findings, the buy-side of the industry is currently leading in terms of proportion of budget allocated to carbon-neutral partners, with 53% and 51% of brand and agency budgets respectively set to be allocated to carbon-neutral partners by the close of 2025, compared to 42% of publisher budgets.

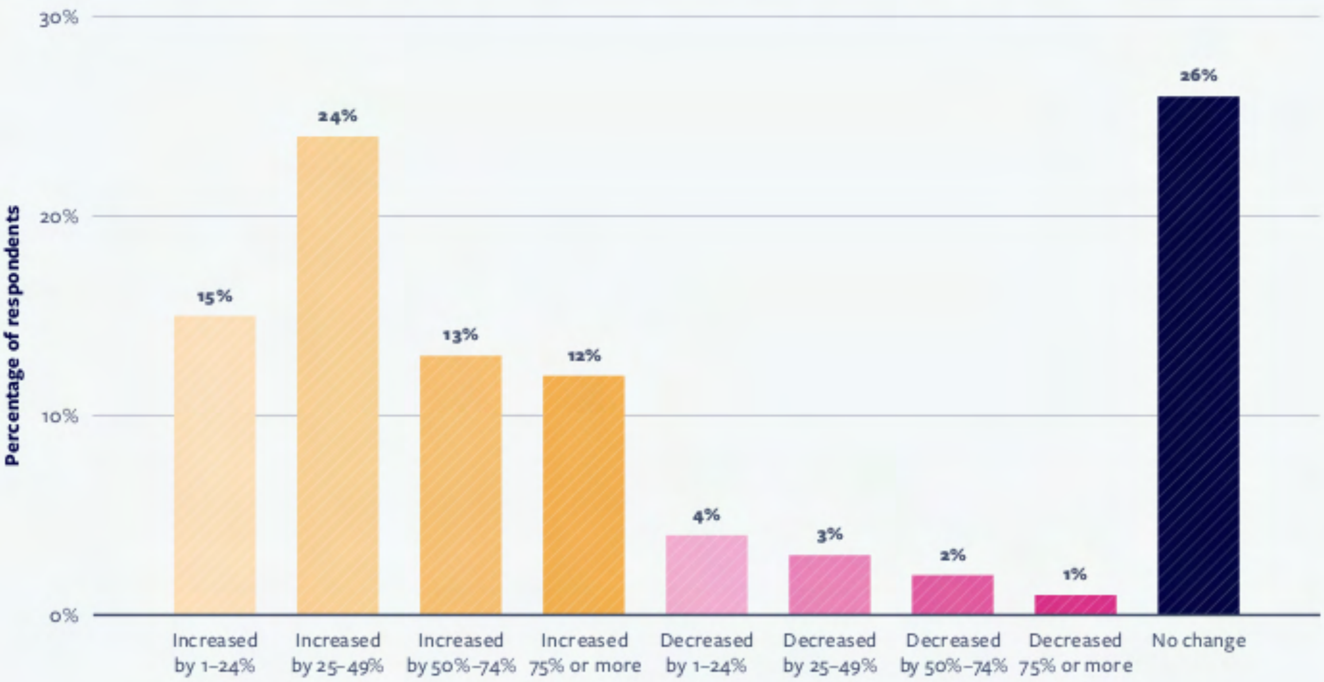
Corresponding with our earlier finding on likelihood of increasing spend with carbon-neutral partners, respondents based at large companies will allocate the greatest proportion of budget to carbon-neutral partners in the next 12 months at 58%, however this proportion is not set to increase over the subsequent 12-month period. By contrast, there will be an average 2–3% increase in the proportion of budget allocated to carbon-neutral partners from 12–24 months across medium- and small-sized companies.

Section 2:
Programmatic in JAPAC

Change in programmatic revenue/spend

Despite global economic turbulence, programmatic revenue and spend continues to climb in JAPAC, with 64% of respondents reporting an increase. Moreover, while a greater proportion of respondents are reporting a decrease in programmatic revenue or investment compared to 2022 (10% versus 6%), where respondents are growing their investment/revenue, they are doing so at a faster rate, with 12% reporting an increase of 75% or more (versus 9% in 2022).

Figure 25: Change in programmatic revenue/spend over the previous 12 months — JAPAC 2023



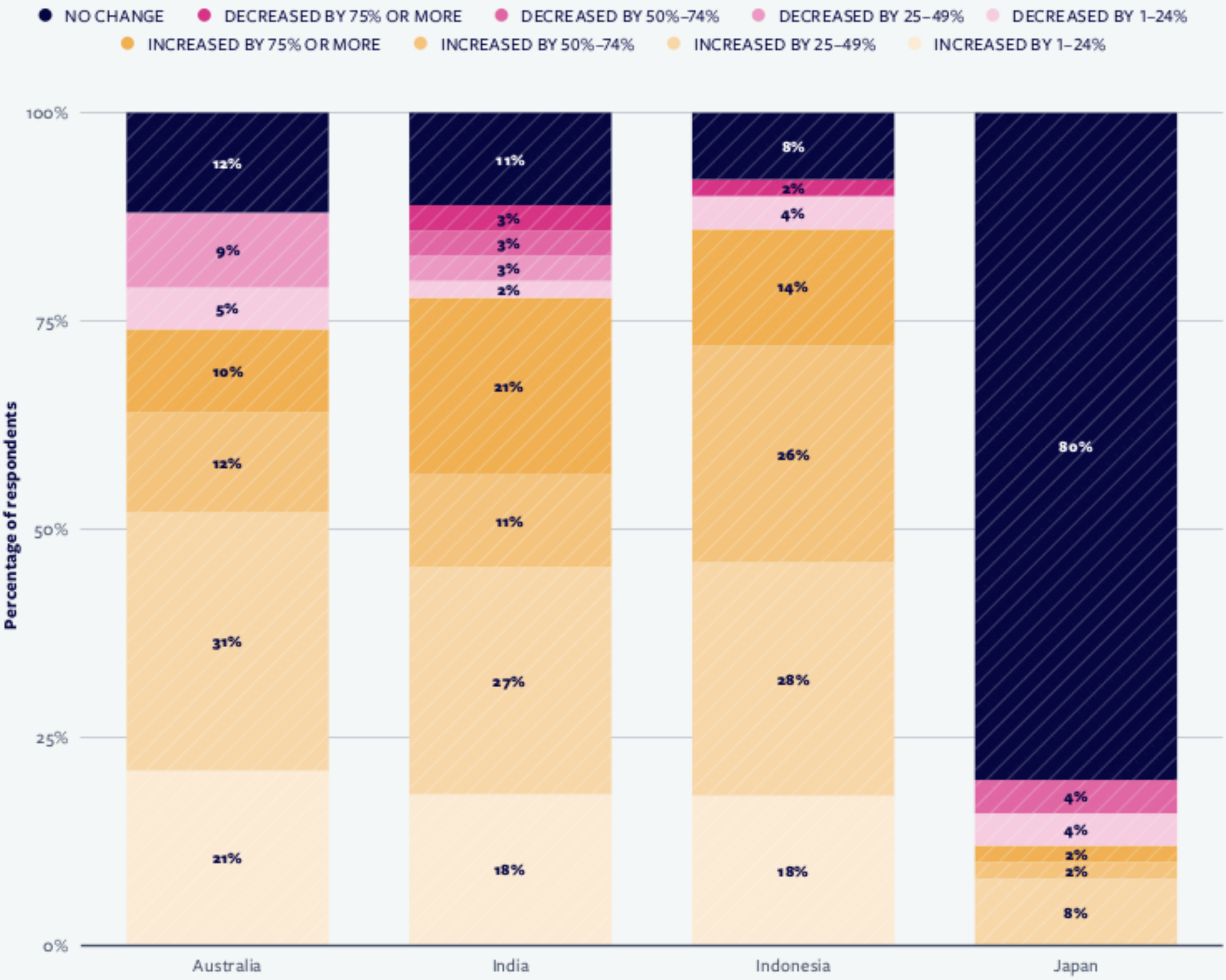
> Despite global economic turbulence, programmatic revenue and spend continues to climb in JAPAC

12%

of respondents are growing their investment/revenue by 75% or more

By market, programmatic investment and revenue in Indonesia continues to climb sharply, with 40% of respondents reporting an increase of 50% or more in programmatic revenue/spend. Contrastingly, there has been a sharp slowdown in programmatic revenue/spend growth in Japan, with only 12% of respondents reporting an increase (down from 48% in 2022), with the overriding majority (80%) reporting no change.

Figure 26: Importance of sustainability metrics over following 24 months (JAPAC 2023) —by company size



By company type, brands are more actively increasing their programmatic spend than their agency counterparts, with 75% reporting an increase compared to 54% of agency professionals. This marks a reversal from 2022, where agencies were significantly more bullish on increasing their programmatic spend, with 74% reporting an increase and only 2% reporting an decrease (versus 14% in 2023).

Perhaps unsurprisingly given the current economic climate, small companies (50 employees or less) are the most hesitant when it comes to increasing their programmatic investment, with 37% reporting no change in investment. However, professionals at scaled companies are leaning more heavily into the channel, with 34% reporting an increase of programmatic spend/revenue of 50% or more.

Impact of IDFA deprecation on business

Encouragingly, the majority (68%) of respondents have deemed that the deprecation of Apple's Identifier for Advertisers (IDFA) and implementation of "Do Not Track", which took place upon the release of its mobile operating system iOS 14.5 in April 2021, has had a zero or minor effect on their businesses. This supports previous findings from ExchangeWire and OpenX, in which programmatic revenue and spend have continued to grow for the majority of respondents since 2020.

Figure 27: Impact of IDFA deprecation on business — JAPAC 2023

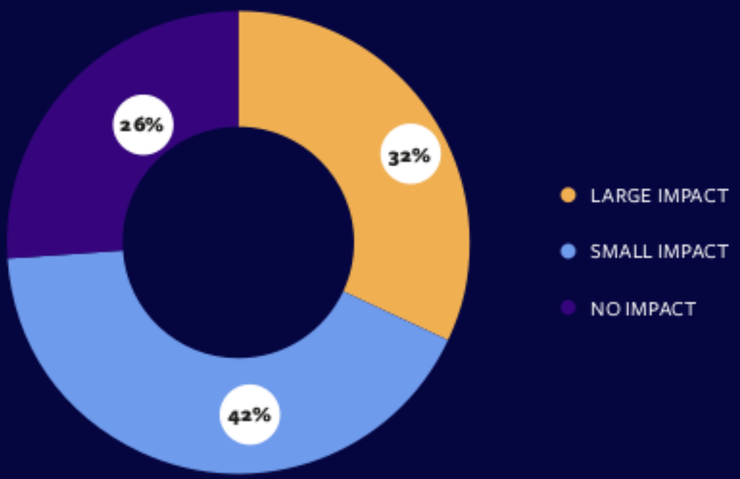
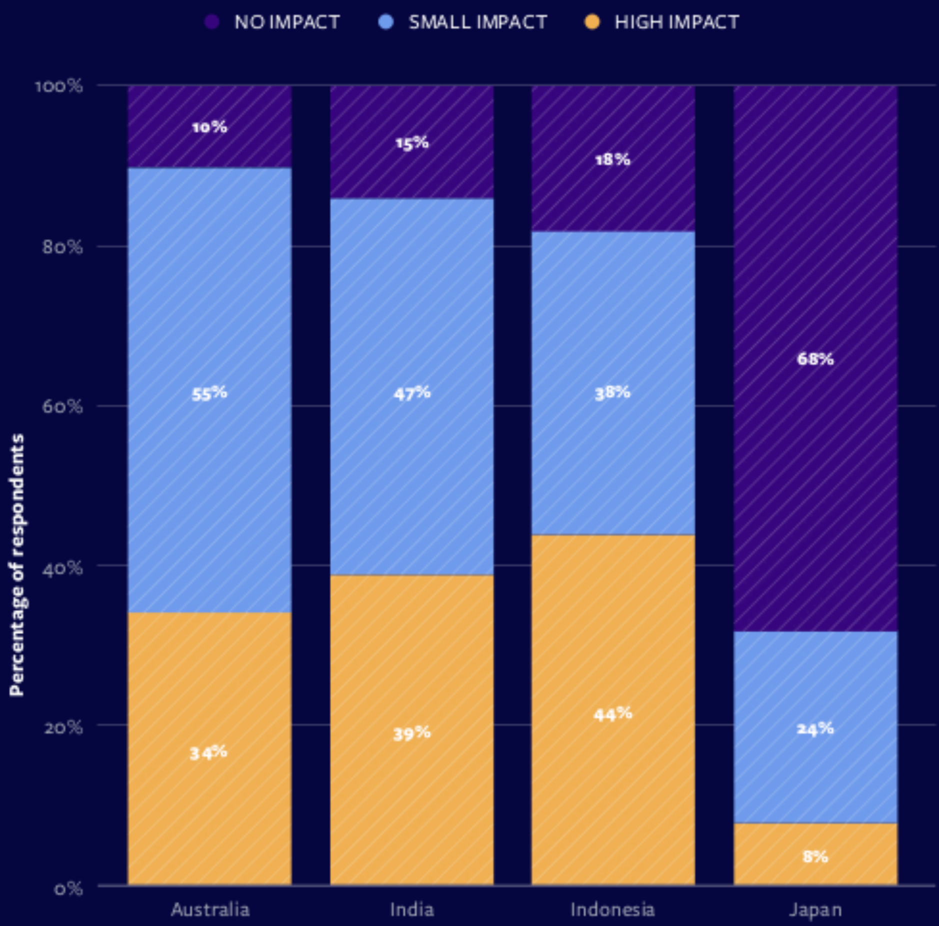


Figure 28: Setting of SBTi goals (JAPAC 2023) - by market



Respondents based in Japan were the most dismissive on the impact of IDFA deprecation upon their businesses by a significant margin, with 68% reporting that it has had zero impact, and only 8% reporting a large impact. This contrasts with Indonesia where 44% of respondents stated that the deprecation of IDFA has had a major impact upon their business.

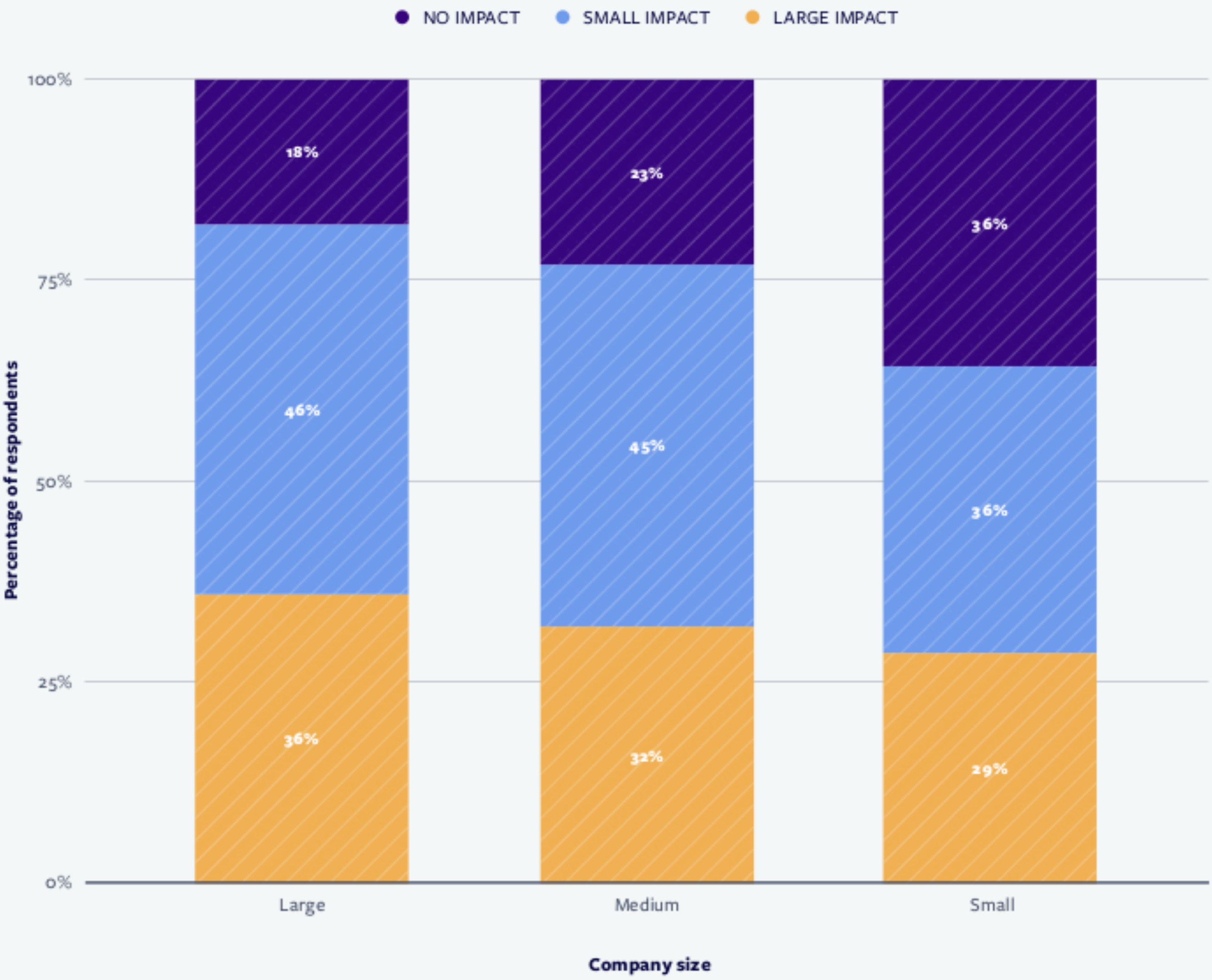
Despite Apple holding a relatively low market share in the Indonesian smartphone market, the market is dominated by devices in the low-end price range (less than USD$200/£157), thus consumers with the spending power to afford such high-end devices in the market are disproportionately targeted by advertisers. While respondents in Indonesia have been hit hardest by the deprecation of IDFA, the effects are most widespread within Australia, where only 10% of respondents stated that the rollout of iOS14.5 has not had an effect on their business.

Publishers were found to be significantly less exposed to the deprecation of IDFA than their buy-side counterparts, with 40% of respondents reporting zero impact. This is likely due to the greater volume of first-party data assets held by publishers as a result of logged-in users, coupled with many brands actively targeting iPhone users in their programmatic buys due to higher user income compared to Android users, estimated to be as much as 40% greater.

The impact of IDFA deprecation has been more keenly felt by senior-level respondents in JAPAC compared with their more junior counterparts, with 40% reporting a large impact on their business, double that of tactical-level respondents. While it is of no surprise that any loss of ability to target more affluent consumers is going to be of greater concern to strategic professionals with budgetary oversight, the extent of this gap is somewhat concerning as it implies that multiple businesses have yet to prepare for further deprecation across Google-owned properties, as evidenced by our subsequent findings.

Notably, despite ostensibly having greater resources to adapt to identifier deprecation, as well as access to the most sophisticated technology tools, the impact of IDFA has been more keenly felt by JAPAC respondents based at large companies versus medium- and small-sized firms. This indicates that these firms were more greatly exposed to targeting-based advertising across Apple environments than their smaller counterparts.

Figure 29: Impact of IDFA deprecation on business (JAPAC 2023) — by company size

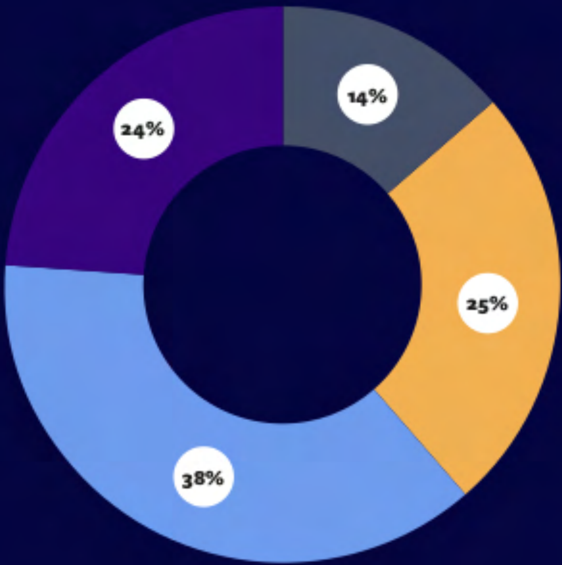


Concern over third-party cookie deprecation and rollout of Privacy Sandbox on Android

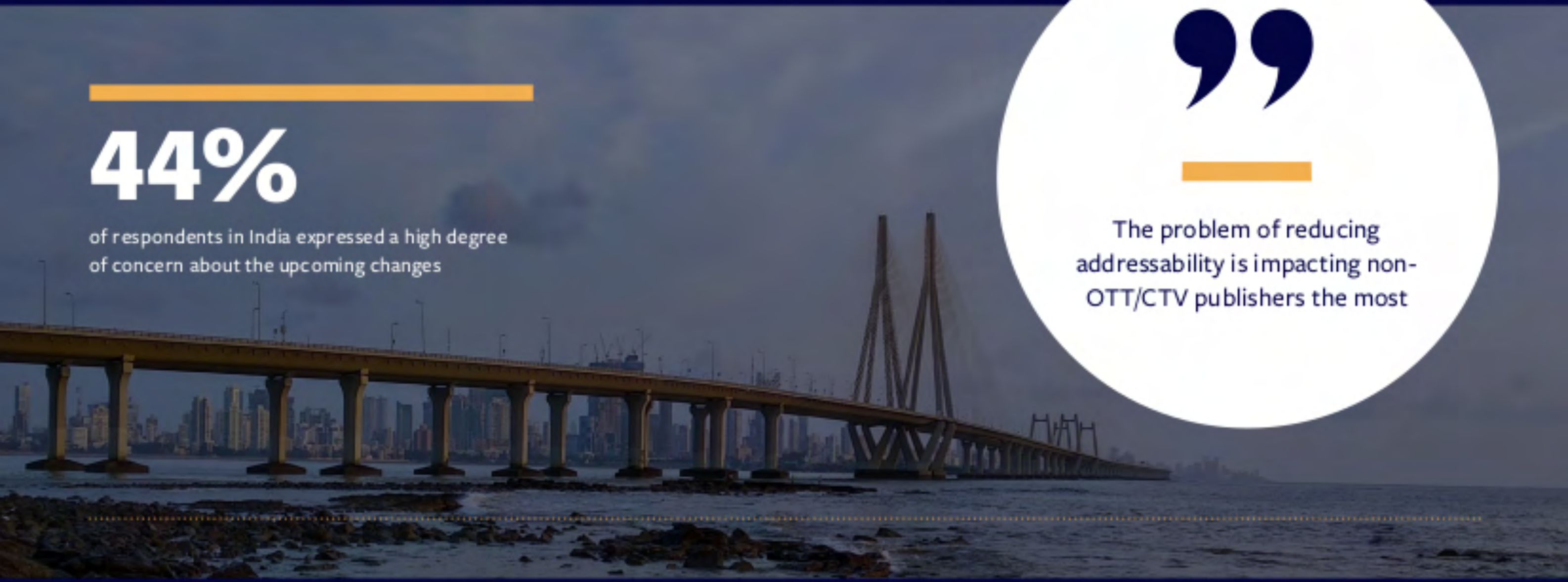
Despite the market weathering the changes implemented by Apple on its mobile platform, the majority (62%) of the JAPAC programmatic industry is at least somewhat concerned about the upcoming privacy changes that Google is making across display and mobile, with 24% very concerned.

By market, respondents in Japan continue to be highly optimistic regarding identifier deprecation, with 56% expressing little or no concern regarding upcoming changes across Google's Chrome browser and its Android mobile ecosystem. Meanwhile, respondents in India expressed the greatest concern about the upcoming changes, with nearly half (44%) of those surveyed expressing a high degree of concern about the changes. Gulati suggests that more can be done across the industry to address the upcoming issues, as opposed to transitioning to other sources of inventory, writing, "In my personal opinion, the industry isn't taking publishers along with them on the matter, at least not in India. Cookie alternatives have been more or less 'told' to the publishers. Google is doing a better better job than the rest of the industry when it comes to involving publishers in these efforts. The problem of reducing addressability is impacting non-OTT/CTV publishers the most, while the industry has moved to less information-dense ecosystems like OTT, or more engaging but more loosely tracked systems such as Smart TVs rather than solving the issues.

Figure 30: Concern over third-party cookie deprecation and rollout of Privacy Sandbox on Android — JAPAC 2023



- NOT CONCERNED AT ALL
- NOT PARTICULARLY CONCERNED
- SOMEWHAT CONCERNED
- VERY CONCERNED



44%

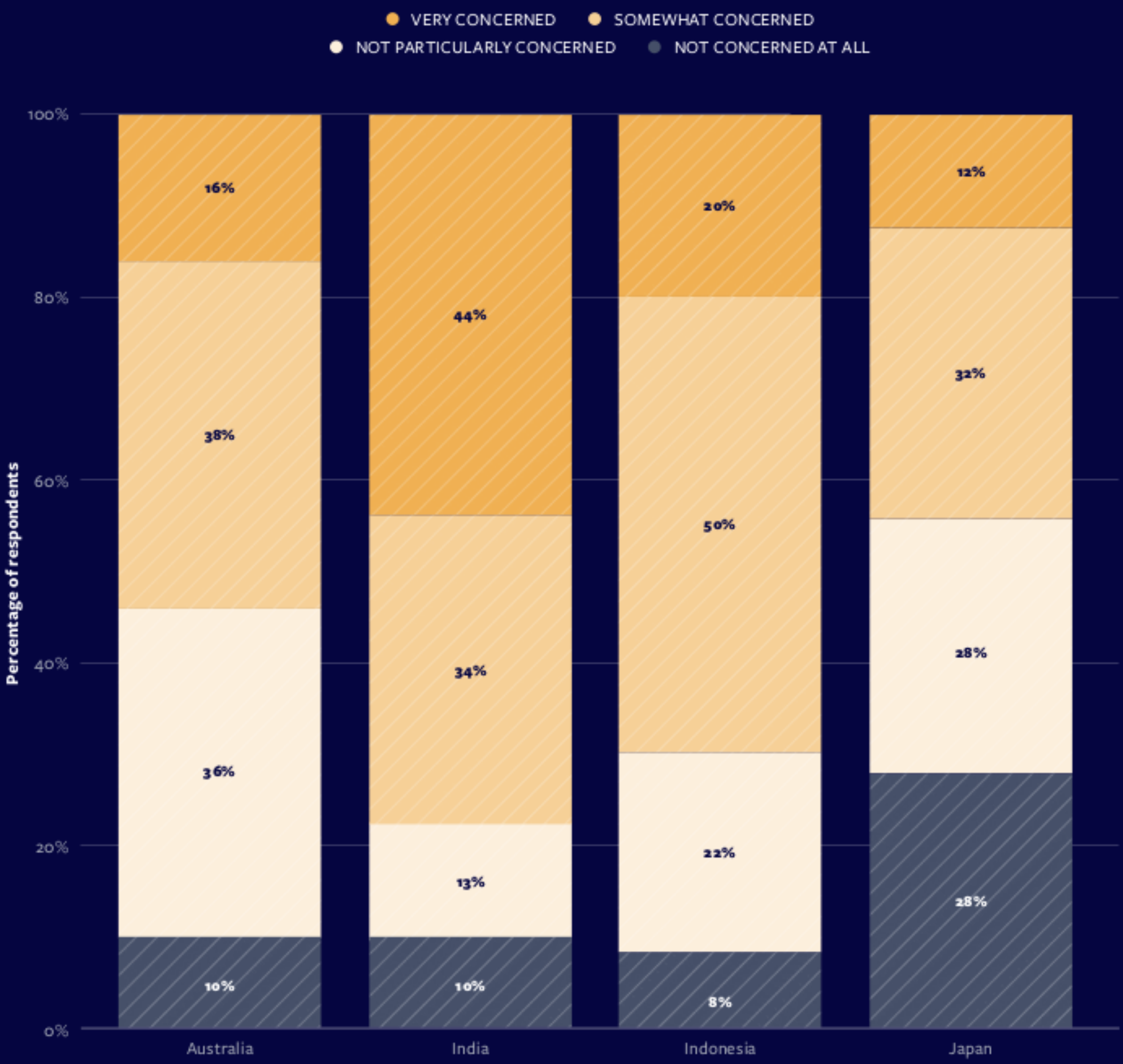
of respondents in India expressed a high degree of concern about the upcoming changes

> The problem of reducing addressability is impacting non-OTT/CTV publishers the most

Publishers are marginally less concerned about the upcoming deprecation of identifiers on Google-owned platforms than their brand and agency counterparts, likely due to their first-party data assets; however there is still a high level of concern across the entirety of the JAPAC market. With third-party cookies set to be fully sunset during a two-month window through Q3 2024 at the time of writing, it is vital that the global advertising industry collaborates and helps educate partners across the supply chain to ensure marketer ad spend and publisher revenue alike are not unduly impacted.

Given that they were more severely affected by the deprecation of IDFA and the rollout of "Do Not Track", it is perhaps no surprise that JAPAC-based marketing professionals at large companies are more concerned about the deprecation of the third-party cookie and the rollout of Privacy Sandbox on Android than their counterparts at medium- and small-sized firms.

Figure 31: Concern over third-party cookie deprecation and rollout of Privacy Sandbox on Android (JAPAC 2023) — by market

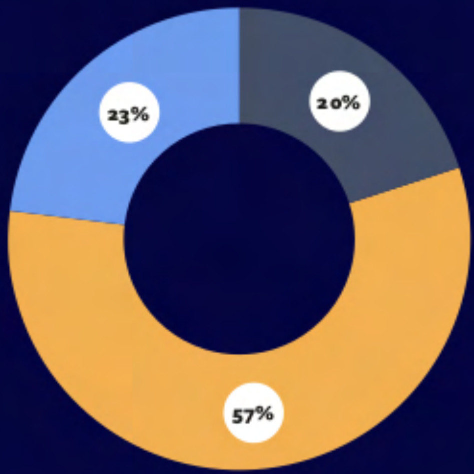


Direct approaches from DSPs and SSPs

The concept of brands or publishers working directly across the programmatic supply chain without a demand-side or supply-side technology partner has gained prevalence recently. The launch of products which allow advertisers to buy directly from publishers without the use of an SSP, has triggered a cascading effect on the opposite side of the supply chain, with traditionally publisher-focused firms Magnite and PubMatic launching products targeted towards advertisers in April and May this year respectively.

Across JAPAC, the overriding majority (77%) of the region are open to working directly with DSPs or SSPs, without the use of an intermediary partner or an exchange, with 20% stating that they are already working this way. This majority is remarkably consistent, with this being the case across all surveyed markets, company types, and company sizes.

Figure 32: Receptivity to working directly with DSPs/SSPs (without an intermediary or exchange) — JAPAC 2023



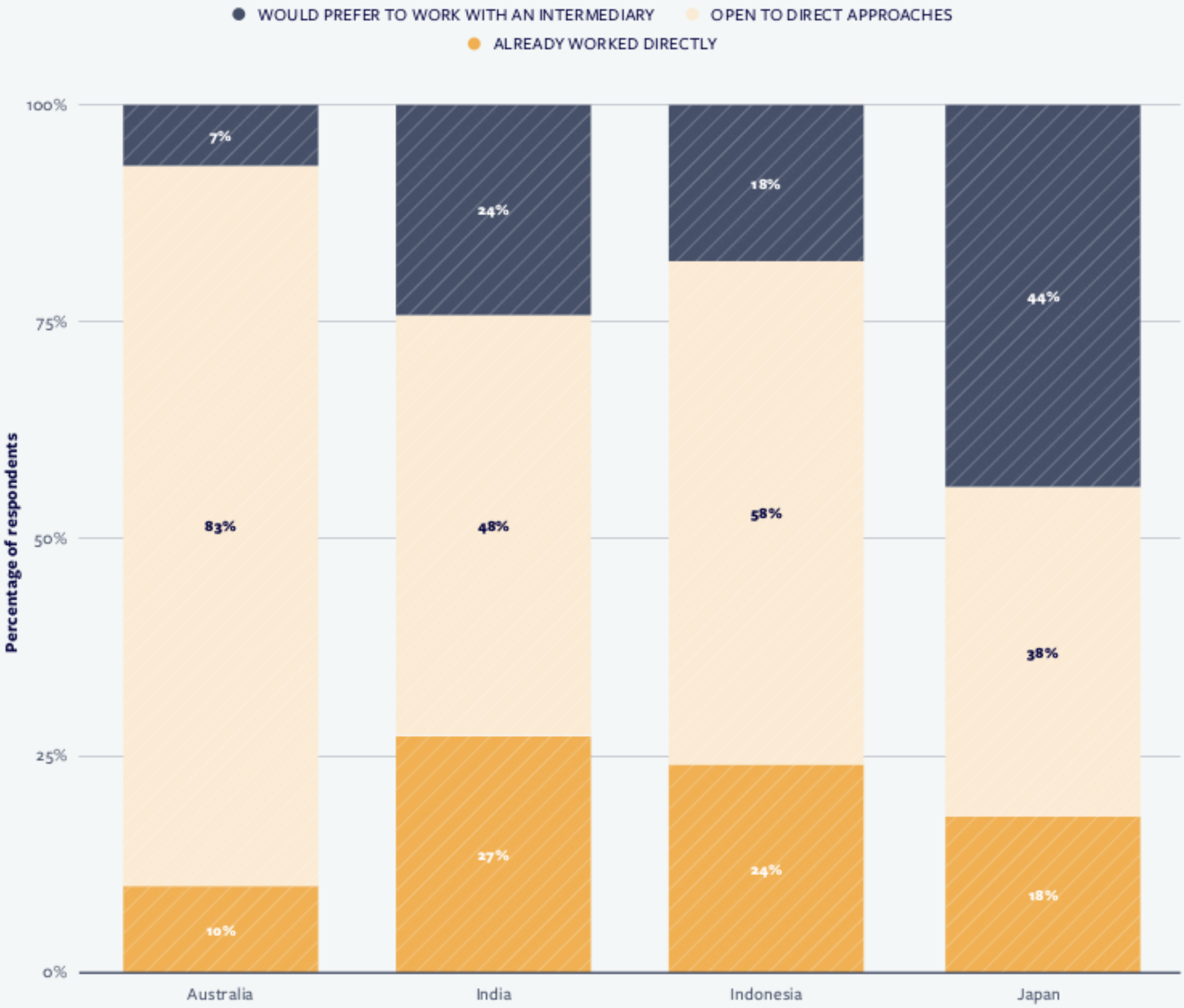
Across the four surveyed markets, advertising professionals within Australia are the most open to working directly with DSPs/SSPs without the use of an intermediary or exchange, with only 7% stating they would prefer to work with an intermediary. However, all other surveyed markets had a higher proportion of respondents already working directly with DSPs/SSPs without intermediaries. Finally, respondents in Japan were least receptive to direct approaches, with 44% stating that they preferred working with intermediaries.

Faurholt suggests that the composition of the Australian publisher landscape explains why so many in the market are open to working without intermediaries, writing, "The publisher landscape in Australia is much more dense than other JAPAC markets, led by a few large broadcast-led companies with complex advertising strategies, supported by sophisticated and well-resourced in-house teams. This scale and complexity has helped these companies forge close relationships with not only SSP's/DSP's in-market, but also with their agency counterparts. This has resulted in accelerated innovation in areas like multi-channel support (CTV, programmatic, retail/commerce, etc.), which wouldn't necessarily be possible (or as expeditious) through an intermediary. It's not to say that other markets are not innovating, but scale and resources may be more of a factor into their decision-making between an intermediary or direct-relationship.

77%

of the region are open to working directly with DSPs or SSPs

Figure 33: Receptivity to working directly with DSPs/SSPs (without an intermediary or exchange) — JAPAC 2023 — by market



On the buy-side, brands are more receptive to working directly with SSPs without the use of a DSP or other intermediary than their agency counterparts, at 87% of respondents versus 72% respectively. Meanwhile, the majority (67%) of publishers are open to working directly with DSPs without an intermediary. This high level of receptivity across the supply chain indicates that consolidation, or at least the rise of platforms offering consolidated DSP/SSP functionality, is likely to occur across the region.

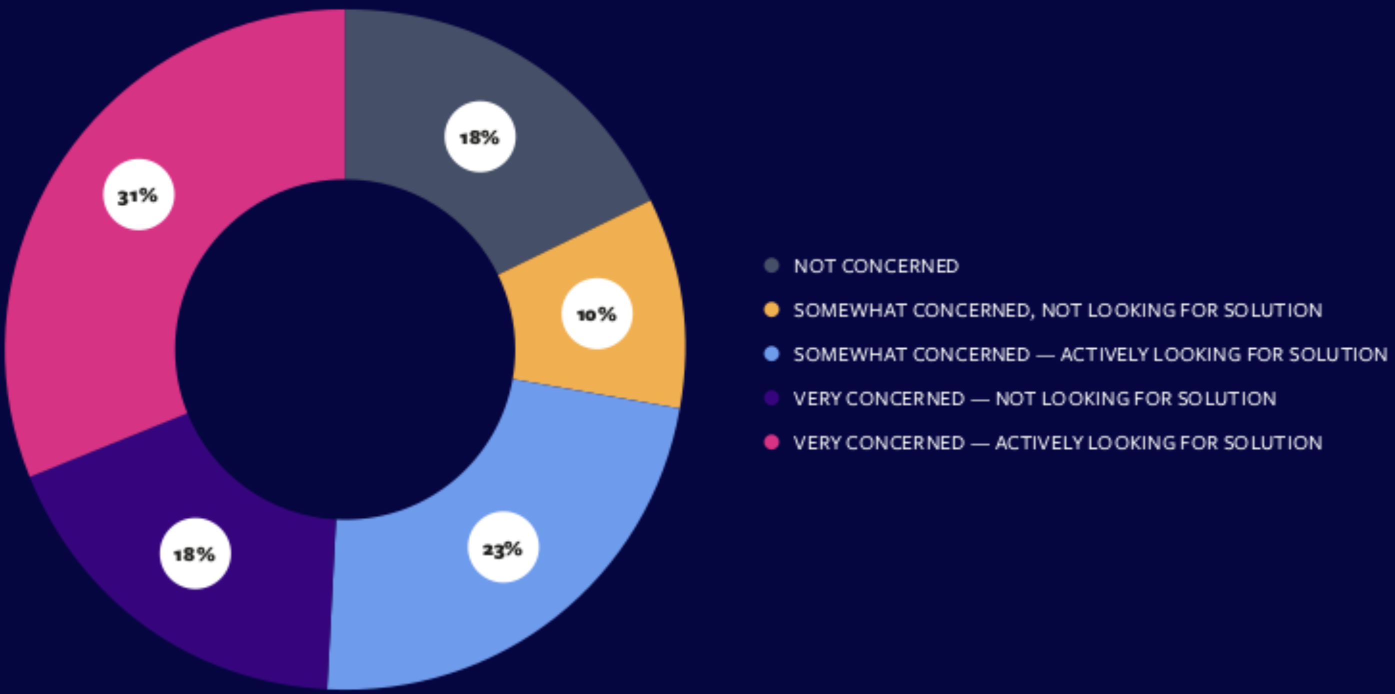
While the majority of respondents in JAPAC are open to working directly with DSPs/SSPs directly without an intermediary, the total proportion scales according to company size. Nearly one-third (32%) of respondents in small companies stated that they would prefer to buy/sell media via an intermediary, more than double the 15% recorded for surveyed professionals at large companies.

Concern over fraud and quality-related issues

Though concern over fraud and quality-related issues, including but not limited to advertising fraud, invalid traffic, MFA sites, brand-unsafe environments, non-viewable inventory, and lack of compliance with ads.txt, within advertising remains across the JAPAC region, encouragingly this has fallen since last year.

Eighty-two percent of respondents are concerned about fraud and quality issues to some extent, down 7% from 2022, with 49% very concerned, down 6% from 2022. This finding is highly encouraging given both the economic, with some projections estimating the impact of ad fraud in the US alone at USD$120bn, and environmental impact of advertising fraud. The potential extent of this was revealed in a study conducted in 2018, which estimated that as much as 36.78 million tonnes of carbon dioxide equivalent is produced as a result of ad fraud.

Figure 34: Concern over third-party cookie deprecation and rollout of Privacy Sandbox on Android — JAPAC 2023

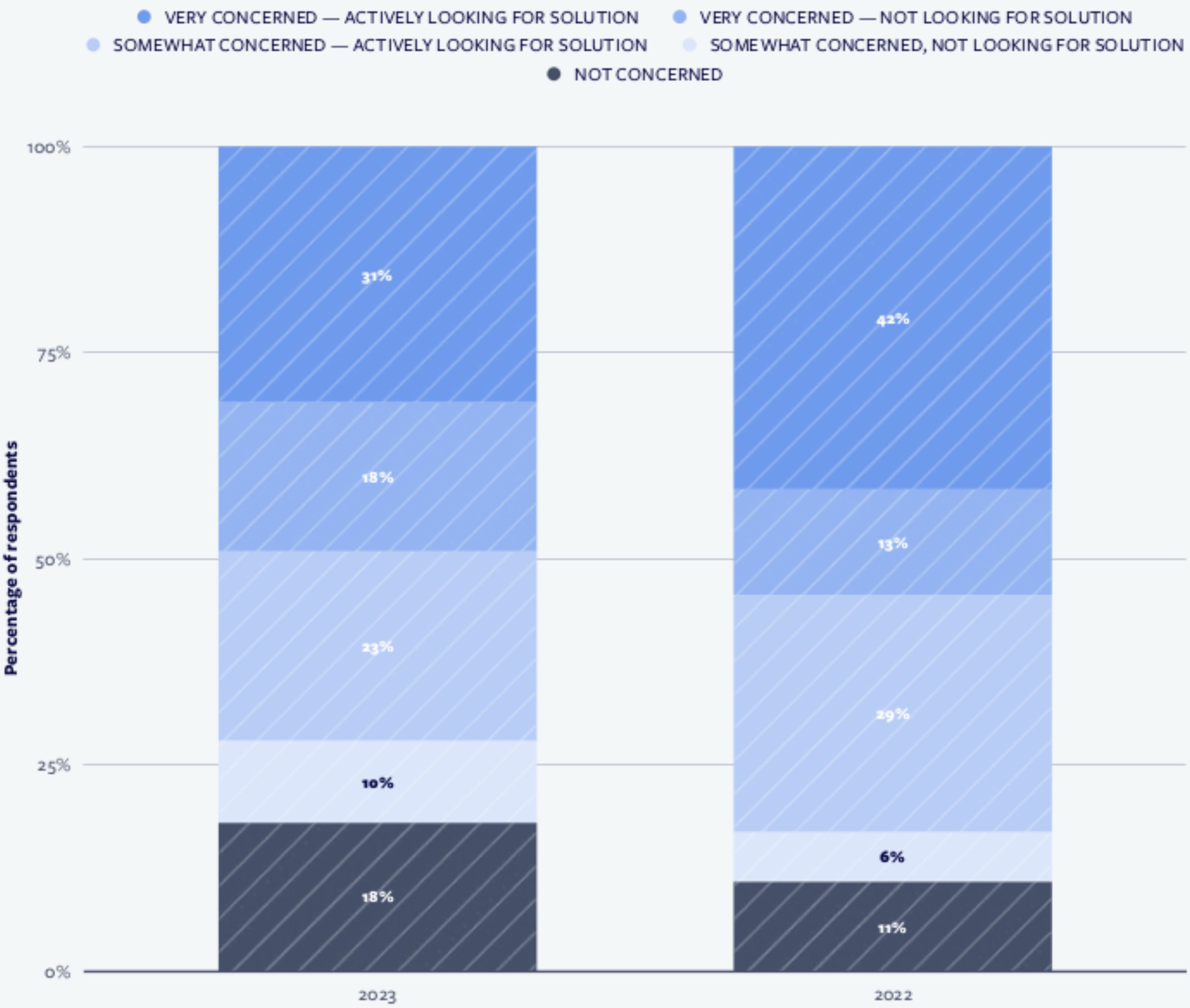


82% of respondents in JAPAC are concerned about fraud and quality issues to some extent in 2023

89% of respondents in JAPAC were concerned about fraud and quality related issues to some extent in 2022

The role of made-for-advertising (MFA) sites in the programmatic ecosystem has fallen under the spotlight in recent months, driven by the Association of National Advertisers (ANA) finding that as much as 21% of advertising impressions are directed towards MFAs, which typically feature low-quality content, link spam, and intrusive units such as pop-up and autoplay ads. As part of the same study, the ANA additionally found that the average advertising campaign runs on 44,000 websites, amounting to colossal levels of inefficient ad spend and, critically, a proliferation of unnecessary carbon emissions.

Figure 35: Concern over fraud & quality-related issues — JAPAC 2023 vs. JAPAC 2022



44,000 websites on which the average digital advertising campaign runs (ANA)

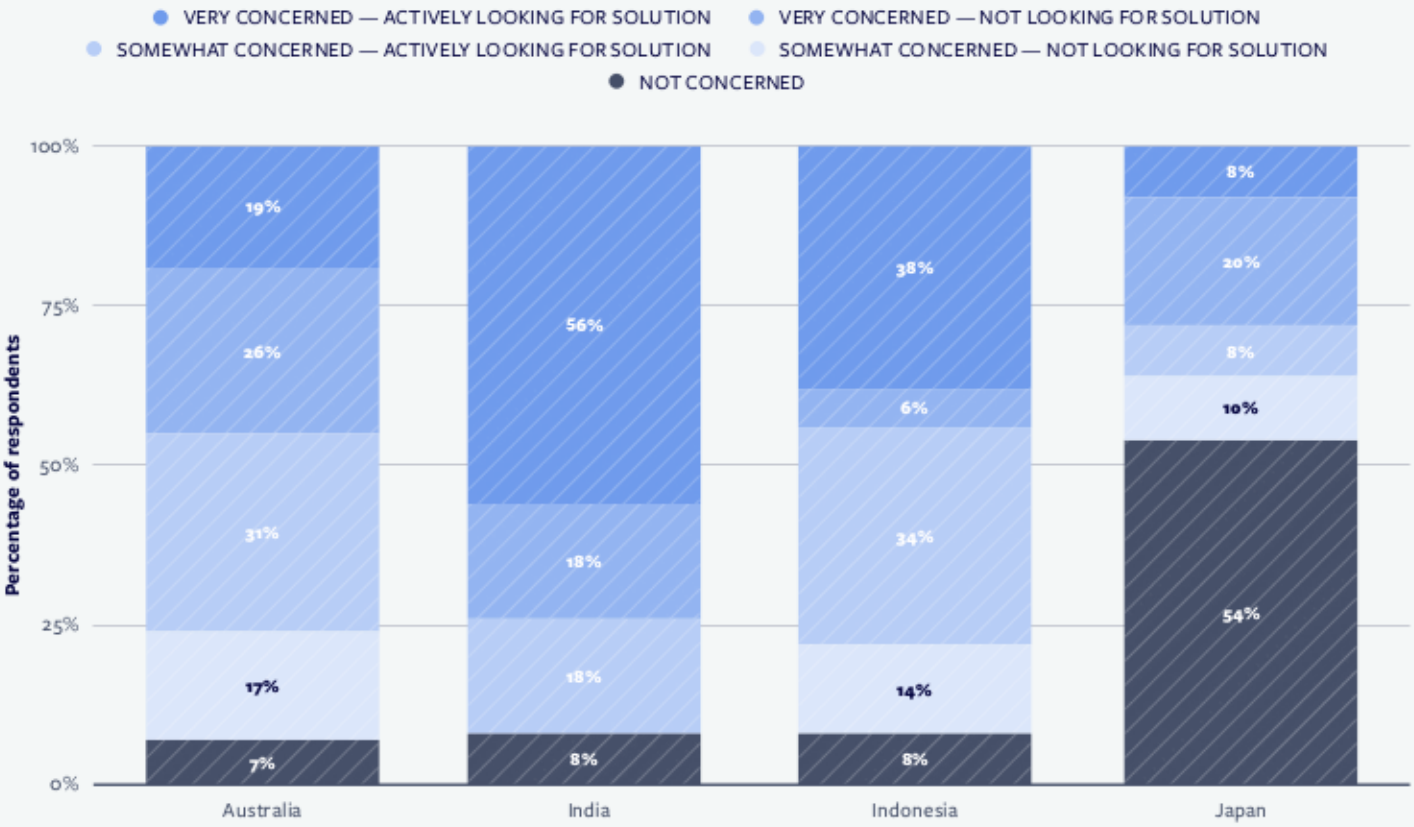
21% of advertising impressions are directed towards MFAs (ANA)

Across the JAPAC region, fraud remains a leading concern for the Indian market. Seventy-four percent of respondents are very concerned, while only a small minority (8%) expressed no concern. However progress has been made since last year, where 1% of respondents in India were not concerned about fraud and quality-related issues, and 84% very concerned. Concern over fraud and quality-related issues has also fallen in Australia, and dramatically so within Japan, where 54% of respondents are not concerned about these issues, more than double the 20% recorded in 2022. However, this is tempered by the finding that concerns regarding fraud are rising within Indonesia, where 44% are very concerned, versus 30% in 2022. Combatting fraud and quality-related issues within the Indian market, and indeed globally, will

require a number of solutions. Gulati proposes the following multi-pronged strategy:

1. "Education on the overall impact on buyers' perception of supplier inventory, and how that shifts media buying behavior
2. Implementation of penalty clauses linked to media sales over and above standard chargebacks for repeat offenders, since reduced buying on such publishers doesn't address the volume of IVT / SIVT impressions being pumped through the pipes
3. Educating publishers on baseline standards, with regular account reviews and the deleterious effects of pushing low-quality supply to buyers."

Figure 36: Concern over fraud & quality-related issues (JAPAC 2023) — by market



Concerns around fraud and quality-related issues are more prevalent among buy-side respondents, with the majority of agency (53%) and brand (56%) respondents stating that they are very concerned, versus 38% of publishers. Moreover, these concerns were found to scale according to company size, with 60% of respondents reporting that they were very worried about these issues compared to medium- (49%) and small-sized (38%) companies.

Acknowledgements

ExchangeWire and OpenX would like to take this opportunity to thank the surveyed JAPAC media industry professionals, alongside our thought leaders who contributed to the report for their time and insight which proved invaluable throughout this research, namely:

- **Anushrav Gulati,** head of indirect revenue, Times Internet
- **John Harvey Faurholt,** director, advertising and retail media partnerships — JAPAC, China, Microsoft Advertising

SAMPLE & METHODOLOGY

The original quantitative research outlined in this report is derived from a survey of 220 media professionals working within an agency, brand, or publisher within the Japan and Asia-Pacific (JAPAC) region. The surveyed countries were Australia, India, Indonesia, and Japan. Data was collected from 19th July 2023 to 2nd August 2023.

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OpenX is a supply-side platform that is a leader in advertising technology, and is helping to create a world where the open web thrives. The company powers advertising on web, mobile, and connected TV formats, enabling marketers to reach their target audience across OpenX's global network of publishers. OpenX works with more than 130,000 premium publisher domains and receives more than 300 billion ad requests every day. OpenX is a certified CarbonNeutral® company and is verified for having fulfilled their SBTi Net-Zero targets.

Visit the company's website at www.openx.com

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