

Looking Ahead

to Programmatic Advertising in 2015

A Digital Advertising Guide from *Kantar Media*

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Programmatic advertising—using technology to automate the buying and selling of digital ads—is the newest area of growth in advertising, and many studies have shown it will only increase in importance and reach. More than 90% of surveyed buyers use programmatic in some way, according to an AOL survey of senior executives at 25 major U.S. brands, 96 agencies and 56 publishers. eMarketer found that in 2013, marketers spent \$3.37 billion through programmatic RTB ad buying. eMarketer also estimates that programmatic buying will skyrocket to \$9 billion by 2017.

Despite the projections and rapid adoption by some advertisers, confusion remains about the different programmatic deal types, how to do it and why to choose different providers. A study conducted by the Association of National Advertisers and Forrester revealed that only 23% of marketers said they understood programmatic buying and used it to execute campaigns. Slightly more than a fourth (26%) said they understood programmatic as a concept, but needed to learn more about how to apply it to campaigns. Almost a third (29%) of marketers said they’ve heard the term programmatic but don’t have a clear understanding of it.

Much of the misunderstanding is due to the fact that the broad definition of programmatic ad buying is “using technology to automate digital media buys,” there are four distinct types of deals, according to the Interactive Advertising Bureau (IAB).

Open auction real-time bidding entered the market first, and it’s often erroneously considered the sole definition of programmatic. In an open RTB auction, buyers (through technology) bid on impressions based on audiences, not specific media brands, and generally don’t know where their ads will run. Publishers typically offload inventory they haven’t been able to sell into these exchanges for extra revenue. Since there isn’t a direct relationship between buyer and seller, there is a major lack of transparency, but buyers are able to get volume, reach and targeted audiences.

Invitation-only auctions, also called private marketplaces, are a different deal type. In these marketplaces or exchanges, a publisher determines which buyers and brands can bid on impressions on their site(s). Private marketplaces offer publishers more security around the brands that can advertise, while allowing publishers to sell more inventory. For advertisers, the main benefit is that they have much more clarity around the media brand, its audience and data.

Unreserved fixed rate deals are another distinct type of programmatic buying. These buys occur when a publisher makes its inventory available at a set price for a single buyer. These deals leverage RTB infrastructure, but allow the publisher to give preference and better rates to specific advertisers. These transactions are also known as preferred deals or private access.



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In **automated guaranteed deals**, the buyer and seller directly negotiate about reserved inventory. The publisher puts aside inventory for a buyer at a prearranged price. The campaign typically runs at the same priority as other direct deals sold by sales people. During a deal, the IO is digitized and there is automation in the campaign trafficking process, which is why this type of transaction is considered programmatic.

As 2014 closes, it's important to understand the direction for programmatic buying in 2015. It's critical for buyers to be aware of the following research, discussions and issues around programmatic in order to best serve agencies, clients and brands.

Rapid Adoption By Some ¹

There is no doubt that programmatic can be a tricky landscape to navigate, but it's a reality in digital advertising. Several major brands have openly discussed their commitment to programmatic. In May 2014, Ad Age reported that American Express planned to shift 100% of its digital media buys to programmatic. Procter & Gamble also announced that it would spend 70-75% of its digital media budget programmatically by the end of 2014.

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Big agencies are also committing to programmatic. For example, IPG announced it would automate 50% of its media buying over the next several years. According to Forbes, “more than two-thirds of agencies use automated ad buying for at least 20% of their budgets, and more than a third use it for 60%. Nearly half of these agencies expect to use programmatic for 60% of their budgets by 2015.”

For buyers, programmatic can help create more effective digital campaigns because of targeting and optimization. According to a study DoubleClick recently commissioned with Ad Age, advertisers said the ability to more effectively target consumers across digital media platforms is the primary benefit of programmatic buying. Second is increased operational efficiency and third, that it provides relevance in marketing messaging. While automation is a huge benefit of programmatic, targeting is extremely important as well.

Top publishers are onboard with programmatic. After all, it offers an additional way to sell their inventory without getting their sales team directly involved—new revenue coupled with operational efficiencies. More than 98% of

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major online publishers in the U.S. have some form of programmatic ad sales strategy in place for the U.S. market, according to research by the IAB and Winterberry Group. Conde Nast, Hearst Magazine Group and The Wall Street Journal all have their own private marketplaces. It isn't just large national media brands either. According to a study by Forrester Consulting, almost two-thirds (62%) of local publishers are selling inventory programmatically.

The real question mark is whether this commitment is toward a specific type of programmatic. **Are agencies, brands and publishers moving toward open RTB, private marketplace or a combination of programmatic methods?** For each, it depends.

Still in the Early Days ¹

Digital advertising is relatively young. Even for buyers who already use open RTB, automated guaranteed or private marketplaces, many are still in test-drive mode. Buyers using their agency trading desk or an approved DSP are trying to determine how to improve their targeting, save money or optimize their buys for clients.

Despite the lack of clarity around programmatic “best practices,” buyers are allocating resources to these channels. According to AdExchanger, the majority of marketers are managing at least 20% of their digital ad spend program-

matically. More telling though, is that almost two-thirds of marketers plan to double their programmatic ad spend over the next 12 months.

The last few years have definitely seen some growing pains in the industry. In 2015, there will probably still be mistakes, broken campaigns and some fear around programmatic. But what's important to remember is that the so-called early days of programmatic will not last long. The way the industry is evolving, programmatic will become commonplace. Magna forecasts that digital programmatic ad buying will reach \$53 billion by 2018.

Brands and agencies must embrace the fundamentals of programmatic now as well as the different providers and capabilities. Agility, nimbleness and flexibility are key qualities for buyers in 2015. It's time to try and test new technologies, platforms and buying methods. That may be the only way to truly understand how programmatic buying fits within an agency or for a client.

Outsmarting the Competition with People & Technology ¹

In traditional advertising, a big budget allows a buyer to outspend the competition to get the best positioning, reach and frequency. The more a buyer spends, the more exclusivity he or she can buy. While dollars are still an important part of the programmatic buying equation, there are several other factors that can provide an edge over the competition.

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By leveraging data, technology and personnel, it’s more likely that the buyer will make the right digital buy and reach the right audience. If the agency or brand team is better equipped than others, it’s in a healthier position to make the right programmatic buying decisions. After all, the most advanced programmatic methods still come down to individuals who understand digital strategy, audience data targeting, and how to evaluate technology platforms. These pros may be responsible for executing and optimizing campaigns within an agency, a trading desk or DSP. They not only are familiar with the media planning and buying process, but also with using first-party data for targeting.

People are still almost always heavily involved in the strategy before a programmatic buy. Someone must be responsible for that relationship and implementing buys within the agency, trading desk or brand. They may also be responsible for executing testing strategies and managing digital campaigns and analytics.

While there are concerns that programmatic replaces people, it will remain just as important for agencies and brands to have the right buying team in place to capitalize on programmatic in 2015. As a rule of thumb, programmatic mostly automates the grunt work in buying and allows decisions to be implemented faster. However, people remain key to the strategy.

Impact on Other Media ⁷

Increasingly, TV, radio and out-of-home media are becoming Internet-connected, forcing the question of how programmatic ad buying might be implemented in these different media to increase efficiencies. Programmatic is so appealing across media due to its ability to replace mass advertising with personalized communications that add value to an individual’s experience. Data-driven targeting allows a message to reach the right person at the right time, and it’s already starting to happen beyond mobile and the web.

Programmatic TV has already made some major headlines this year with a few companies trying to take the lead on this emerging market. In May, marketing software firm Turn launched a programmatic TV offering to give marketers the ability to find and target audiences online and offline, across every device and channel.

Another example of programmatic TV already occurring is through Sky AdSmart, a service that tailors the advertising presented to consumers viewing content on Sky. According to its website, “based on information you have provided to us as a Sky subscriber (such as post code or TV package) some adverts will be substituted with more relevant ones, so you should see more of the products and services you’re interested in and less of the things you’re not.” For example, the viewer may see more ads for local businesses in



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their area. On the surface, it sounds extremely enterprising. As programmatic expands in digital next year, stay tuned on the impact it will have on broadcast.

Solutions from Private Marketplaces

Barry Lowenthal, President of The Media Kitchen, announced in a recent AdExchanger article that he believes 2015 will be the year of the digital private marketplace. At face value, it's easy to see why. Marketers can buy impressions from safe brands and target specific audiences. Amid all the concerns of blind RTB, buyers are looking for smarter buys and publishers are allocating higher quality inventory to this channel. Further, private marketplaces provide security and can better guarantee that ads will not appear on fraudulent sites. They also offer one-to-one relationships, and it may raise some interesting discussions about the evolution of open auction RTB in 2015.

Private marketplaces offer major benefits to publishers as well. They can monetize their inventory better and charge higher prices than they can on blind exchanges. In 2015, more publishers may choose to work with technology plat-

forms to fuel their private exchanges. For example, Rubicon Project, operator of one of the industry's largest independent real-time trading platforms, announced in August that it's creating a global advertising exchange for Future plc.

This global exchange will include inventory from the group's media brands, including Tech Radar, PC Gamer, and Total Film. Centro also just launched a private marketplace within its ad exchange and plans to enable one-to-one transactions between publishers and buyers by the end of 2014.

Will more publishers opt for this model in 2015? It's likely. Earlier this year, Tod Sacerdoti, BrightRoll founder and CEO, said the company has seen 50% of the top 50 publishers engage in private marketplace deals.

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The Move to Automated Guaranteed

While some industry experts herald private marketplaces as a way to combat the lack of transparency with open exchanges, it's also interesting that many of the technology platforms are creating automated guaranteed marketplaces. Rubicon Project released a direct order automation platform, 49bc, that aims to provide buyers and sellers with an interface that brings packaging, discovery, negotiation, execution and insights into a single unified platform. 49bc will

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accommodate automated guaranteed orders from initiation to execution. Which publishers will offer their inventory to Rubicon Project in 2015?

Earlier this year, PubMatic announced they are building out an automated guaranteed team, beginning with the newly created position of Vice President of Programmatic Direct, Engineering. The firm aims to move into automated guaranteed to complement the company's focus on the automation of advertising transactions via RTB.

There are already several major tech players with automated guaranteed marketplaces, including Adslot, iSocket, BuySellAds and Shiny Ads. With so many tech providers investing in this already crowded programmatic space, it begs the question if 2015 will also be the year of automated guaranteed.

Concerns around Inventory Quality

There's a common misconception that all programmatic buying is limited to remnant inventory, but that isn't always the case. This perception may finally change in 2015. While it's not advisable to make broad characterizations about what renders inventory "premium," it's safe to say that many large publishers are making their inventory available programmatically, specifically through private marketplaces. That inventory most likely will not be of the exact quality as that sold by the sales team, but that doesn't make it remnant or poor quality.

In a recent white paper, Rubicon Project reported they are using smart technology to combat their buyers' exposure to subpar inventory. Technology lets them banish high-offending inventory categories and review every new seller property that wants to sell on the platform. That's just one example of how tech providers are attacking inventory quality concerns.

There are also some publishers that only sell their inventory through programmatic buying channels. Some smaller, niche publishers don't have dedicated sales teams, so they are likely to feed all available inventory to their automated guaranteed platforms.

Concerns around Fraud & Transparency

Fraud is another major issue in digital advertising that will stay in the headlines in 2015. About 36% of website traffic is considered fake, according to estimates cited by the IAB. This is a scary truth for buyers allocating so much of their budget to display and specifically open RTB. In fact, a major criticism of open ad exchanges is that they deliver fraudulent impressions. These blind-buying models are complicated and buyers often feel like they're transacting within a black box.

The solution so far? Private marketplaces and automated guaranteed platforms offer transparency at a much higher level than open ad exchanges. Within a private marketplace, the buyer has clarity around the site or group of sites that



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their ad will run on, the audience and other data. Similarly with automated guaranteed the buyer has even more transparency and data around the buy, including ad unit, where the ad appears on the site and more. More dollars may move to private exchanges and guaranteed direct platforms in 2015, but it's clear that fraud will remain top of mind with buyers.

The IAB is also working hard to combat fraud. To address concerns regarding the unlawful spread of fraudulent traffic, the IAB released its series of three Anti-Fraud Principles:

- **Fraud Detection:** Suppliers must implement technological and business practices to identify ad bots and illegitimate human activity, and prevent the sale of such traffic.
- **Source Identification:** Suppliers should provide assurances to buyers that inventory is from a legitimate source; one way to achieve this is by providing the specific URL of an ad placement.
- **Process Transparency:** Suppliers must provide details of the business and technical processes they have employed to meet the first two principles.

Fraud may still be a major concern and deterrent for programmatic buying in 2015, but different players in the industry are implementing safeguards to help ease buyer anxieties.

Cross-Platform Targeting

As more adults shift from the TV to the smartphone to tablet, and back again, the ability to use data (not just cookies) to create a cross-platform campaign could be real very soon.

Facebook recently re-launched Atlas, the ad server the company acquired from Microsoft last year. Atlas allows brands to track users (through Facebook data) across multiple devices and set up targeted ad campaigns. It can also determine if a product was purchased on a desktop after viewing an ad on a mobile device. That's a huge deal to buyers. Programmatic is about using technology to get the right message to the right person at the right time—and cross-platform campaigns have the ability to benefit brand interactions significantly.

Omnicom is Facebook's first major Atlas partner, and two of the company's clients—Pepsi and Intel—will be testing Atlas immediately. Keep an eye on Atlas in 2015 and what Google does in response.

In-House vs. Agency

Another discussion point making headlines that is likely to stay in the limelight concerns whether brands should keep their programmatic buying in-house or work with an agency/trading desk. Many global brands have made announcements that they're opting for the in-house model, including Unilever and P&G.

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“**SRDS.com** is becoming a **centralized platform** for agencies to get **started** with **programmatic buying**.”

To help understand this topic and offer recommendations, AdExchanger created a new research report, “How to Pick the Right Programmatic Media Management Model.” The report suggests that there are more than a handful of reasons why brands are questioning the role of agencies and opting to bring this function in-house. Key issues include the lack of transparency around pricing from the agency, data ownership concerns, the emergence of self-serve platforms, the availability of independent trading desks, agency staffing concerns, the rise of self-service buying tools and in-house pressures.

But agencies still contend that they bring a tremendous amount of expertise and value. In an interview with The Wall Street Journal, WPP CEO Sir Martin Sorrell said he believes this trend is a temporary phenomenon. [Full disclosure: Kantar Media is held by WPP.] In 2015, we may begin to see the results of major brands keeping programmatic buys in-house and how agency trading desks evolve to combat this.

Programmatic Isn't Just for Big Players¹

While many of the names that are associated with programmatic are million-dollar brands, agencies and publishers, as the year turns, it's likely that more mid-sized agencies and publishers will get into the programmatic mix. Currently they remain ambivalent.

According to a Strata survey of 75 smaller and mid-tier agencies, 94% say they either don't trust or are undecided about the legitimacy of programmatic buying through ad exchanges. Many also feel like programmatic lacks a unified definition. But as the IAB has clarified, there are pieces of programmatic that go beyond blind RTB.

It's possible that in 2015, more small and mid-sized agencies will be drawn in by the efficiencies that programmatic is bringing through private marketplaces and automated guaranteed. In an AdExchanger survey, marketers said they expect to spend almost half their programmatic budgets in private marketplaces and guaranteed buys in the next year. This might have to do with control over inventory quality and increased transparency.

On the publisher end of the spectrum, programmatic may offer a way for small sites without a sales force to monetize their ad space. Within automated guaranteed, there are hundreds of niche, indie publishers that use BuySellAds to promote their ad space. The platform offers high-quality advertisers, transparency and it doesn't require as much up-front work as you might think.

Through SRDS.com, buyers can also access both automated guaranteed and private marketplace inventory from hundreds of publishers through our partners Rubicon Project, iSocket, BuySellAds and Shiny Ads. Data and publisher



inventory from tech partners continuously roll in. SRDS.com is becoming a centralized platform for agencies to get started with programmatic buying.

Takeaways ¹

2014 saw major changes in programmatic with more brands and publishers adopting private marketplace and automated guaranteed methods. New technologies emerged, and agencies developed expertise around programmatic buying and delivered their recommendations to clients.

Understandably, there has been a tremendous amount of fear and confusion. What really happens to the ad? Will it be viewed? It's OK for buyers to be a little apprehensive. This is a shift in advertising and in the mindsets of agencies, brands and publishers. But while it's OK to be hesitant, confusion won't be as permissible in 2015. Whether or not the industry is ready for it, the statistics have shown programmatic is here to stay. It won't replace people and it won't replace direct-to-site buying, but it's a way of buying that offers unique efficiencies. 2015 will see more exciting evolutions in programmatic.

Top things to watch:

- How agency roles will adapt to encompass programmatic buying responsibilities.
- The impact of programmatic on other media types, like TV and OOH.

- Private marketplaces becoming more popular among publishers.
- SSPs adding automated guaranteed to their solutions.
- Higher quality inventory offered through programmatic channels.
- The IAB and other companies are creating initiatives to combat fraud.
- How smaller agencies and brands experiment with programmatic.

Users can sign in to **SRDS.com** now to browse and click to purchase programmatic inventory from hundreds of publishers.

For more information about getting access to SRDS.com, please call **800.851.7737x2** or email next@srds.com.

SRDS.com is the place for discovering all media, and starting the buying process for including programmatic inventory. To learn more about how you can access and purchase guaranteed direct and private marketplace inventory through SRDS.com visit www.srds.com/programmatic.

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We collect every bit of data we can organize about U.S. advertising opportunities, no matter the media type, and standardize it to help you find, consider and understand the best media for your plans and campaigns. Best of all, we make it easy for you to connect with the media brands you find in SRDS.com.

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