Programmatic Advertising

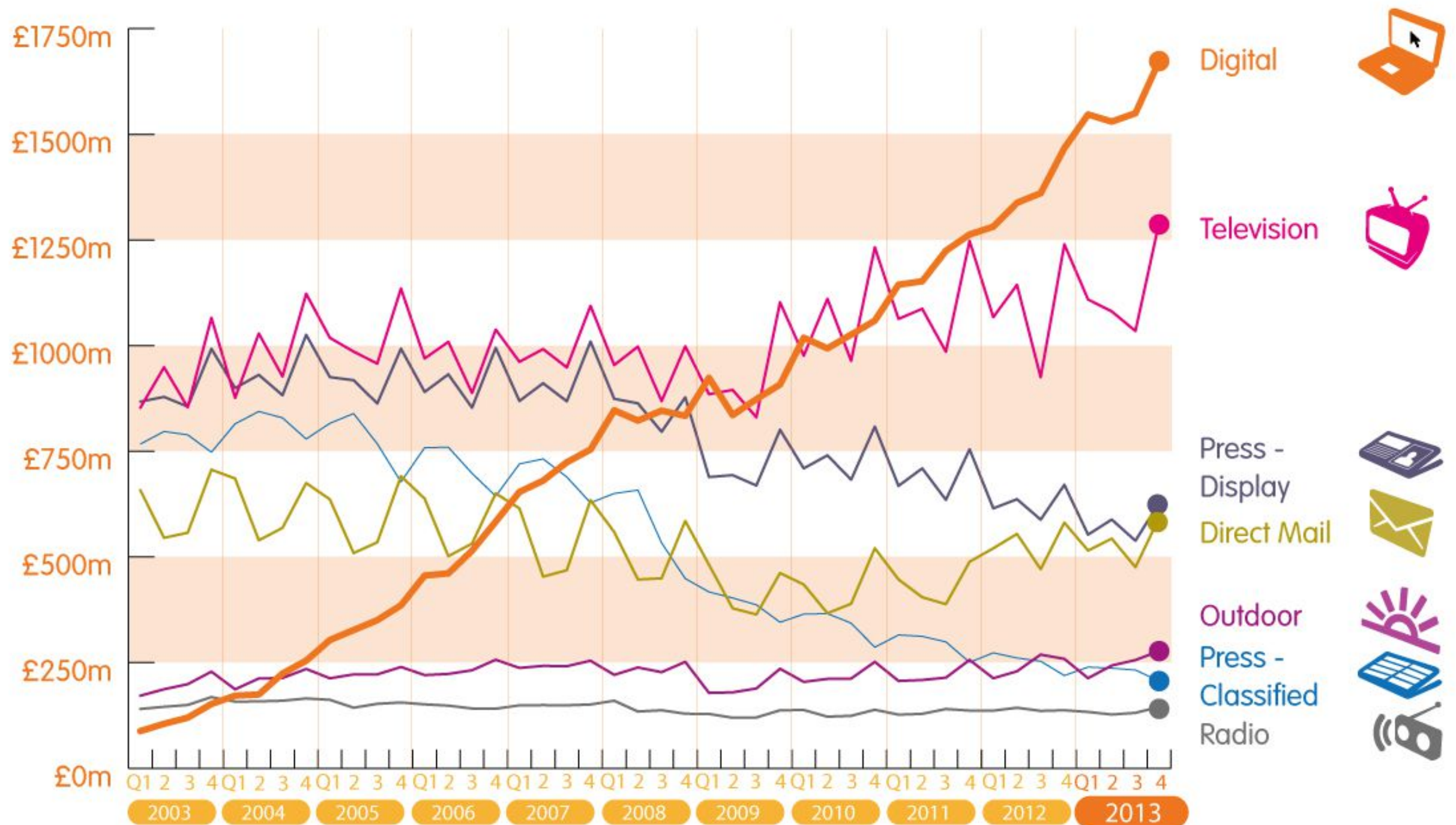Steve Thompson
Digital Media Consultant
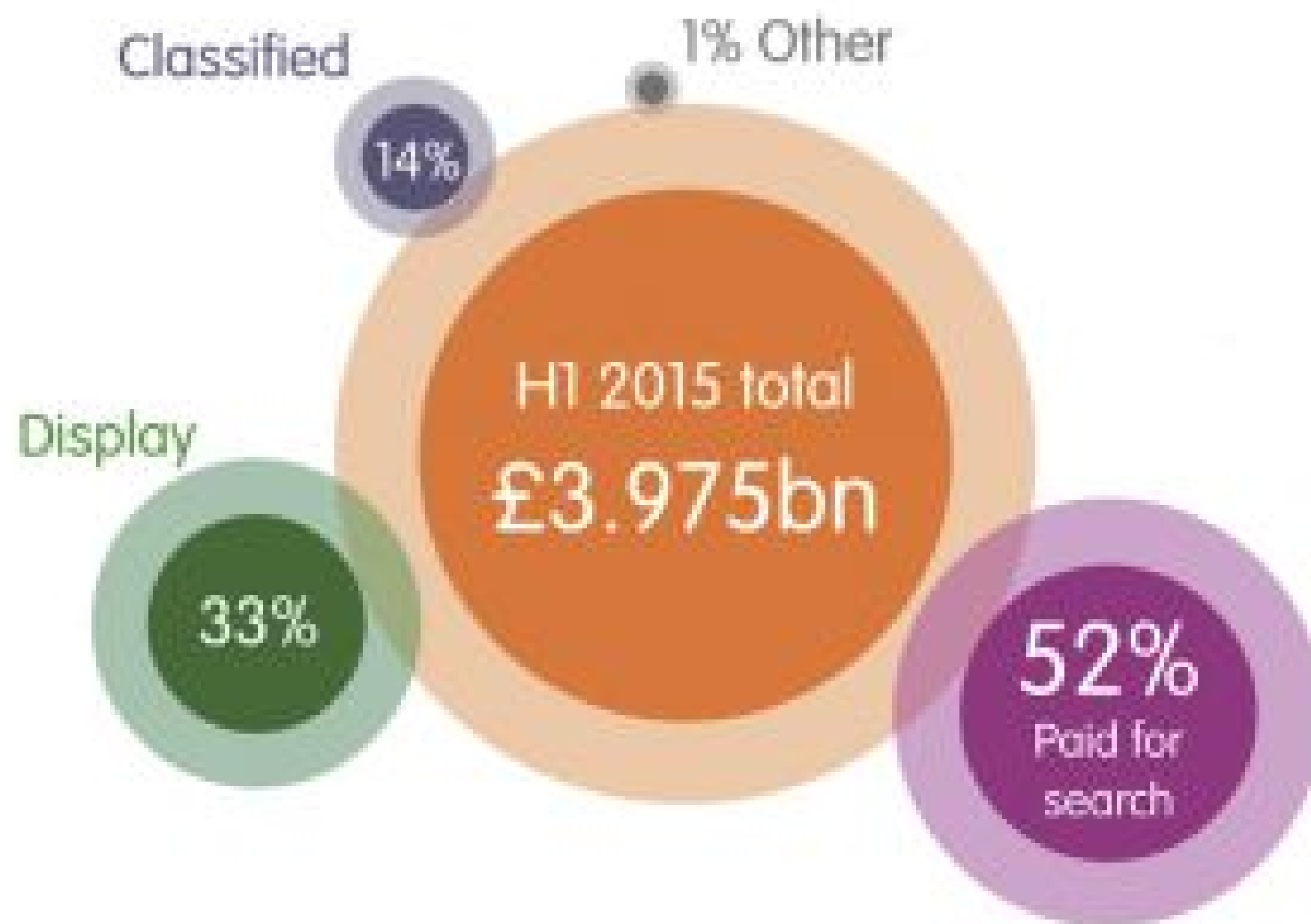
@thompsondigital

Agenda

1. Evolution of programmatic advertising
2. Principles of programmatic
3. Targeting audiences
4. Development of programmatic
5. Q&A

Evolution of programmatic advertising

Classified

1% Other

Display

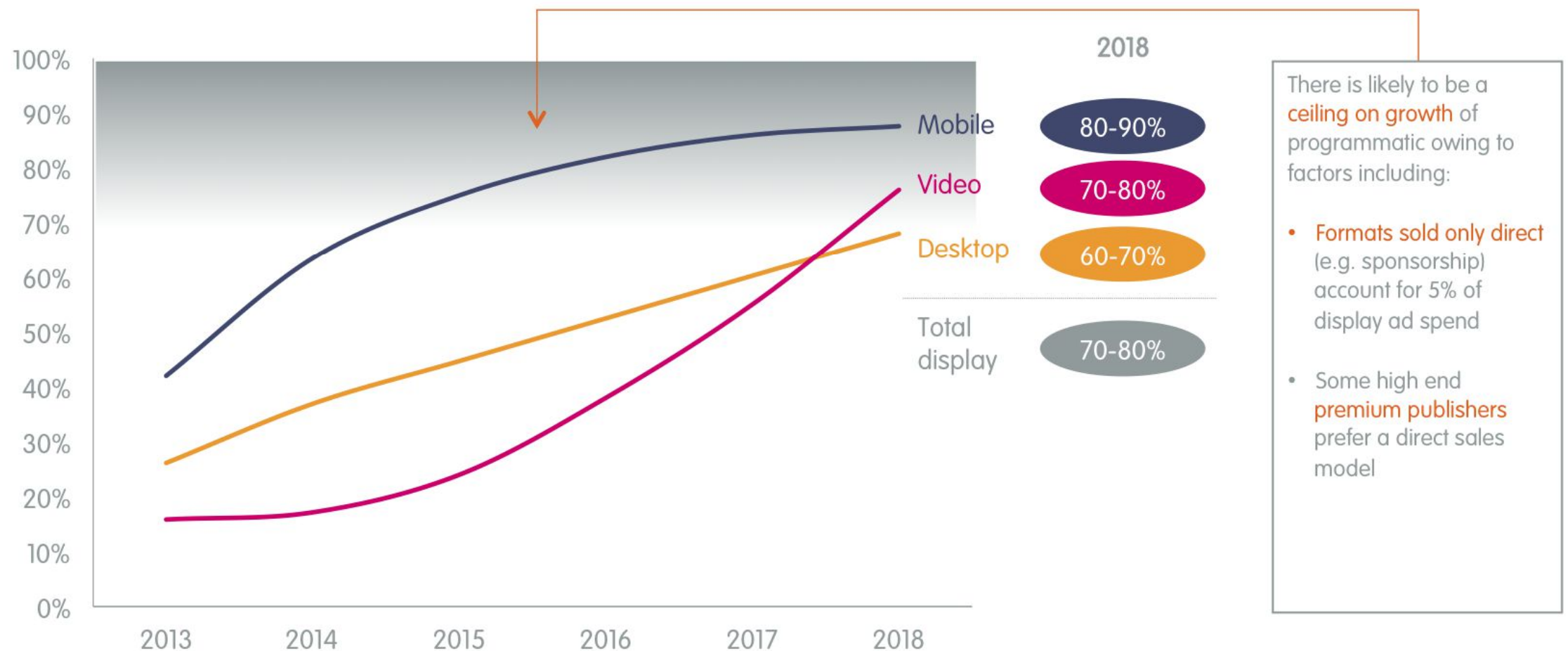14%

H1 2015 total
£3.975bn

33%

52%
Paid for
search

Projections

Programmatic is expected to grow rapidly, accounting for 70-80% of display ad spend in 2018

	2018
Mobile	80-90%
Video	70-80%
Desktop	60-70%
Total display	70-80%

There is likely to be a **ceiling on growth** of programmatic owing to factors including:

- **Formats sold only direct** (e.g. sponsorship) account for 5% of display ad spend

- Some high end **premium publishers** prefer a direct sales model

What is programmatic advertising?

Programmatic advertising (also known as programmatic buying, or, programmatic trading) is the use of automated systems and processes to buy, sell and fulfill advertising inventory

This includes, but is not limited to, trading that uses real-time bidding auctions

From the buyers perspective

Q: Is the inventory being auctioned?

YES

NO

Real-Time Bidding

Programmatic Direct

Q: Is it a public auction?

Q: Is the inventory guaranteed?

YES

NO

YES

NO

Open
Exchange

Private
Exchange

Programmatic
Guaranteed

Preferred
Deal
/ Unreserved
fixed rate
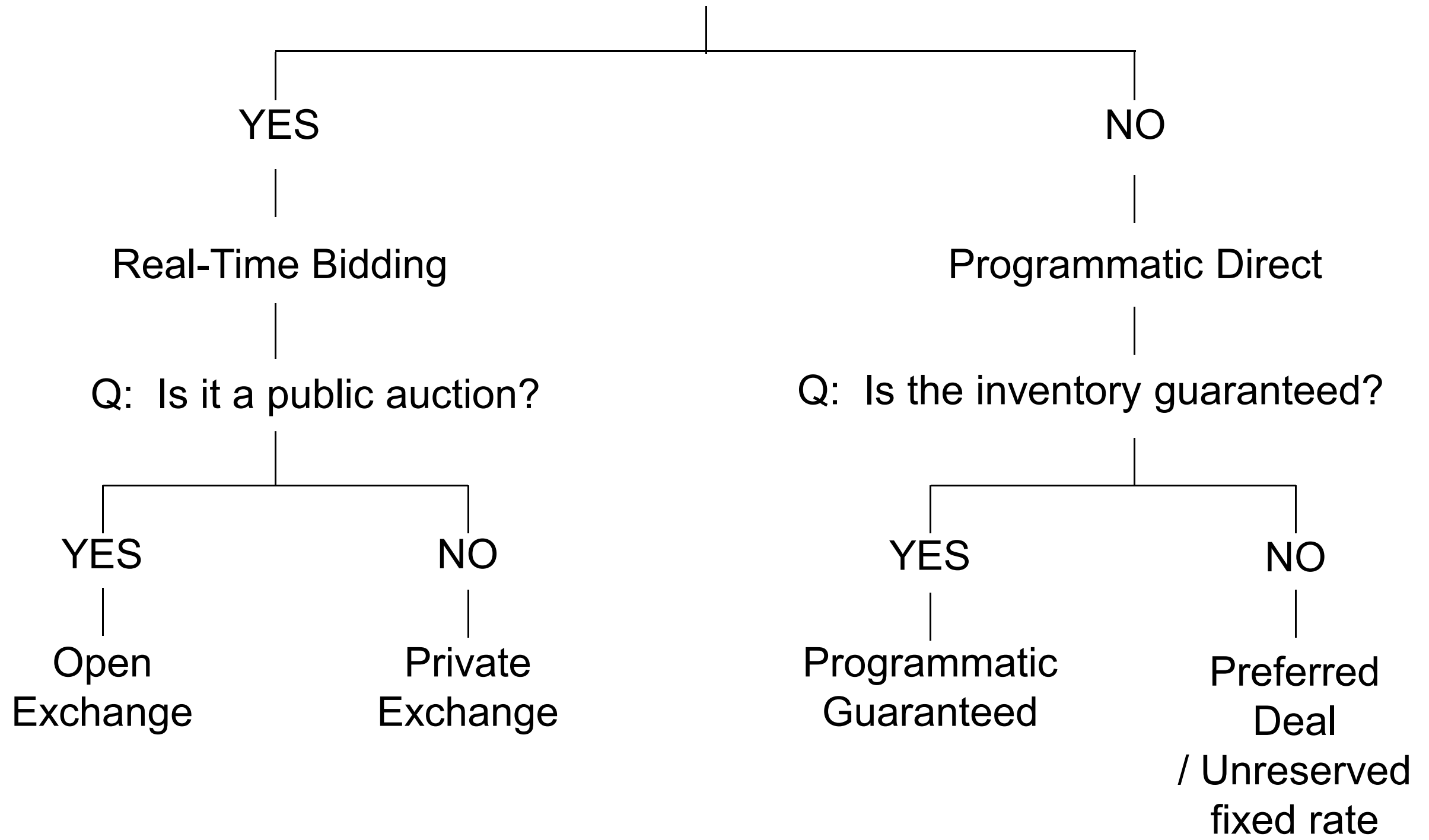
From the media owners perspective

	Traditional	Programmatic
Direct	**Direct sales** Inventory bought at fixed prices directly from media owners through in-house or external sales teams, using insertion orders and manual processes to book and run the campaign	**Programmatic direct (e.g. private marketplaces)** Inventory bought from a particular media owner using automated processes, where a direct relationship exists between the buyer and media owner in the form of pre-existing deal terms (e.g. exclusive access and price floors)
Indirect	**Networks** Inventory bought at fixed prices from a third-party offering packages which aggregate supply across multiple media owners	**Programmatic indirect (e.g. open RTB exchanges)** Inventory bought on an impression-by-impression basis in real-time through an open, unreserved auction

Channel (vertical axis: Direct, Indirect)

Technique (horizontal axis: Traditional, Programmatic)

> It is increasingly hard to draw firm boundaries between different types of media sales. Following feedback from industry participants, we have made refinements to our allocation of some types of media sales to these four categories. Therefore, comparisons with 2013 data should be treated as indicative.

Source: IAB, MOST

The programmatic marketplace

Online video
£0.28bn

Mobile display and video
£0.86bn*

Desktop display
£1.0bn*

45%
programmatic

* - Display affiliate advertising is excluded from the totals

Source: IAB, MOST
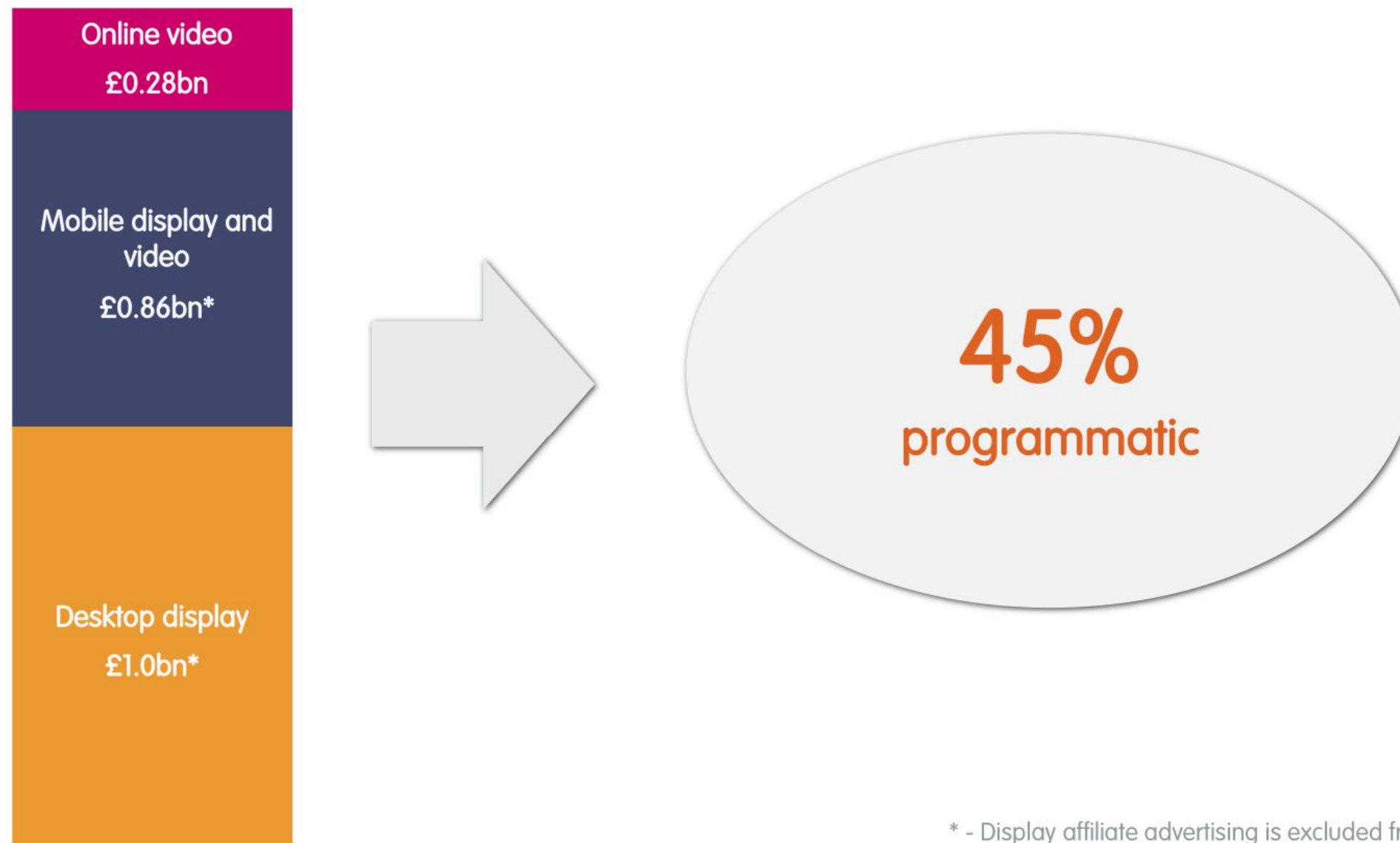
The programmatic marketplace

Overall, direct sales still account for 49% of the market – programmatic direct has grown strongly to 24%

Online video
£0.28bn

Mobile display and video
£0.86bn

Desktop display
£1.0bn

Direct sales

49%   -2pp ⬇

Programmatic direct (e.g. private marketplaces)

24%   +9pp ⬆

Networks

6%   -15pp ⬇

Programmatic indirect (e.g. open RTB exchanges)

21%   +8pp ⬆
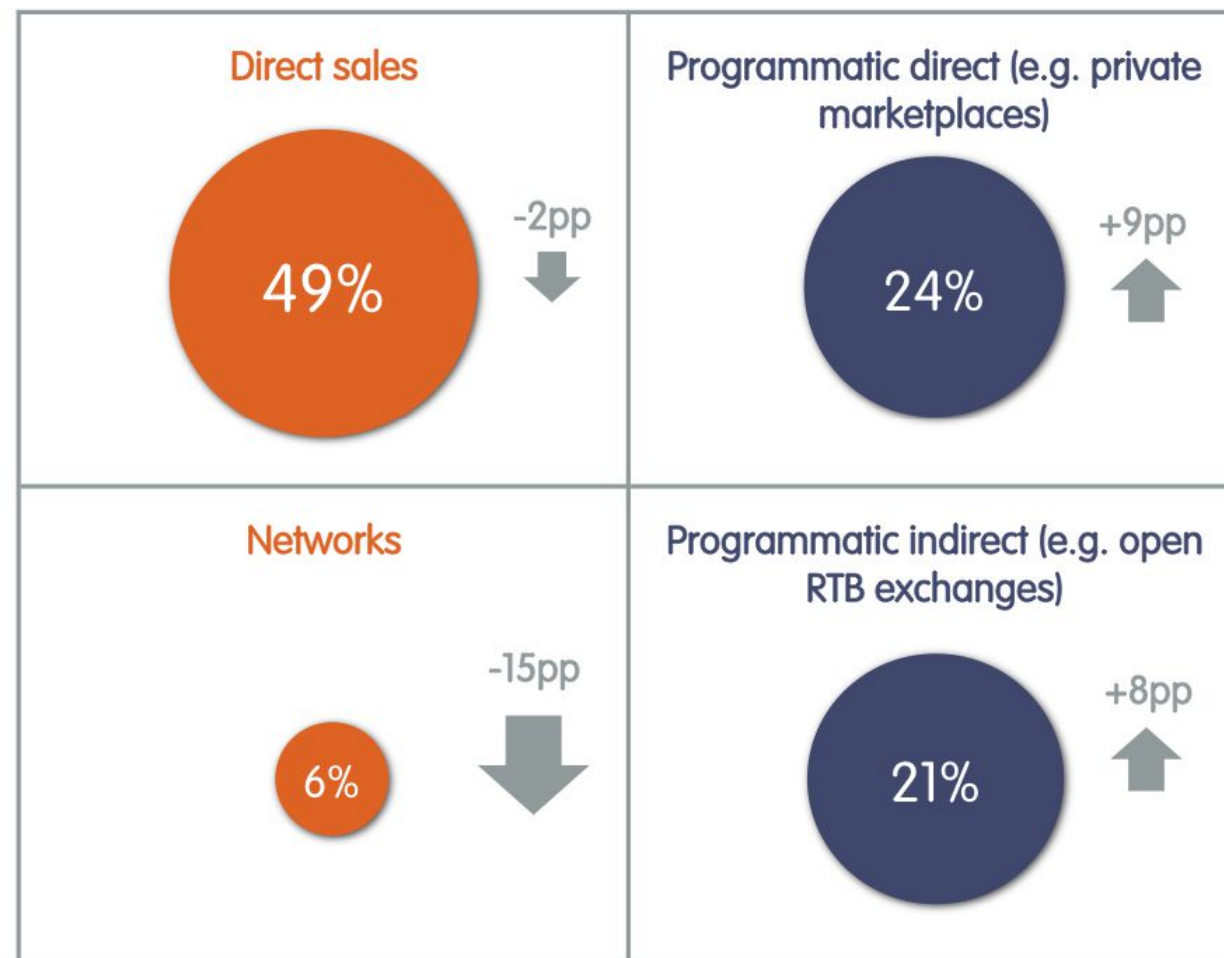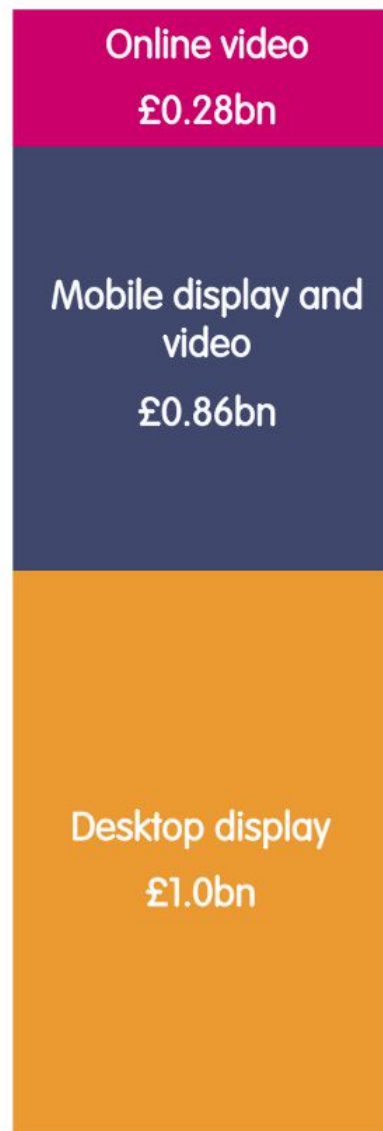
⬆ +2pp = percentage point change

The programmatic marketplace

Online video sales remain largely direct and non-programmatic

Online video
£0.28bn

Direct sales	Programmatic direct (e.g. private marketplaces)
79%	4% +2pp ⬆
Networks	**Programmatic indirect (e.g. open RTB exchanges)**
4%	14% ▬

⬆ +2pp = percentage point change

Source: IAB, MOST
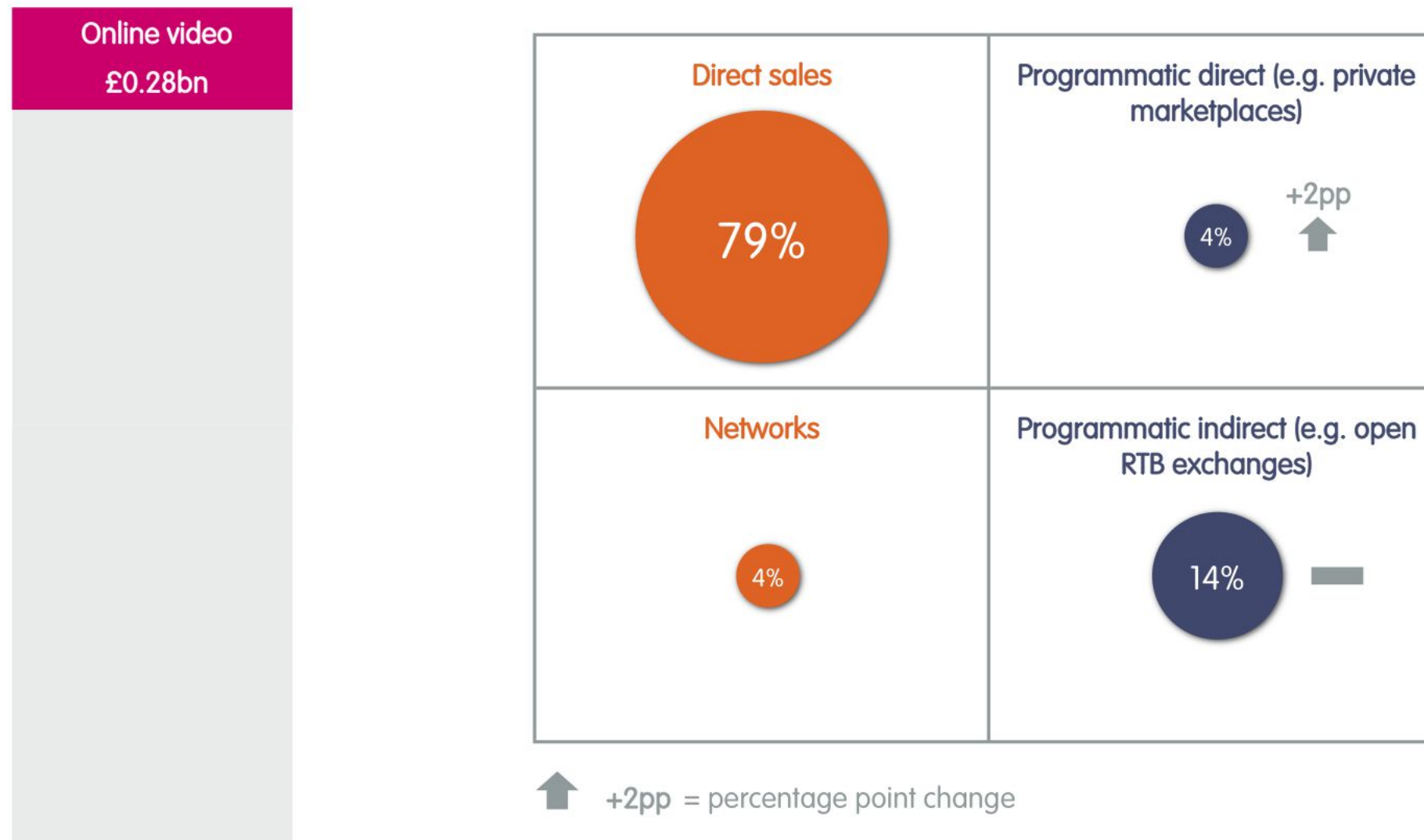
The programmatic marketplace

Mobile programmatic sales are driven by major US internet companies – programmatic direct has grown to 40%

Mobile display and video
£0.86bn

Direct sales	Programmatic direct (e.g. private marketplaces)
30% −6pp	40% +17pp
Networks	Programmatic indirect (e.g. open RTB exchanges)
6% −21pp	24% +12pp

+2% = percentage point change
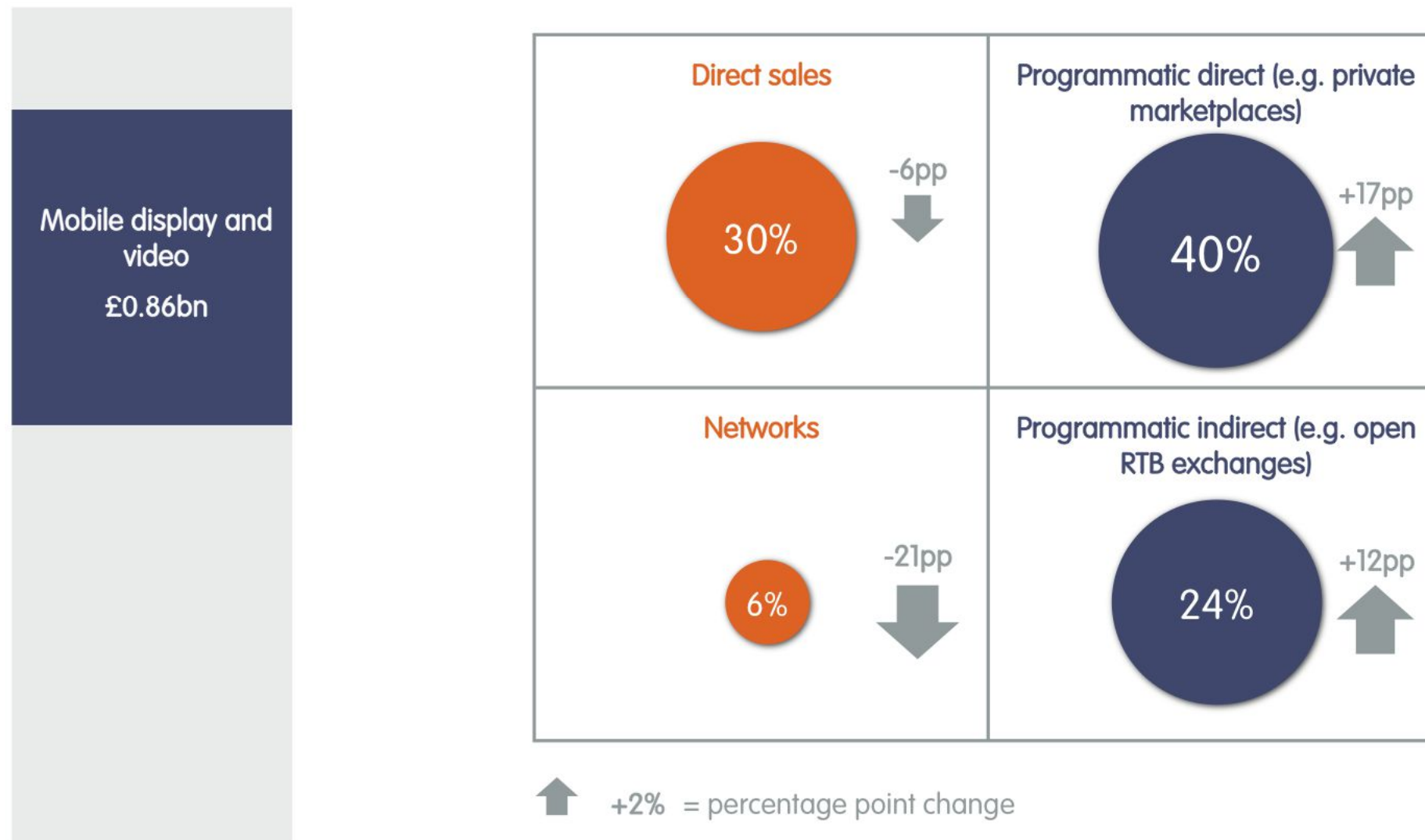
The programmatic marketplace

In desktop display, growth in programmatic has been driven by smaller media owners moving to exchanges

Desktop display
£1.0bn

Direct sales
56% —

Programmatic direct (e.g. private marketplaces)
16% +2pp ↑

Networks
7% -12pp ↓

Programmatic indirect (e.g. open RTB exchanges)
21% +9pp ↑

↑ +2pp = percentage point change
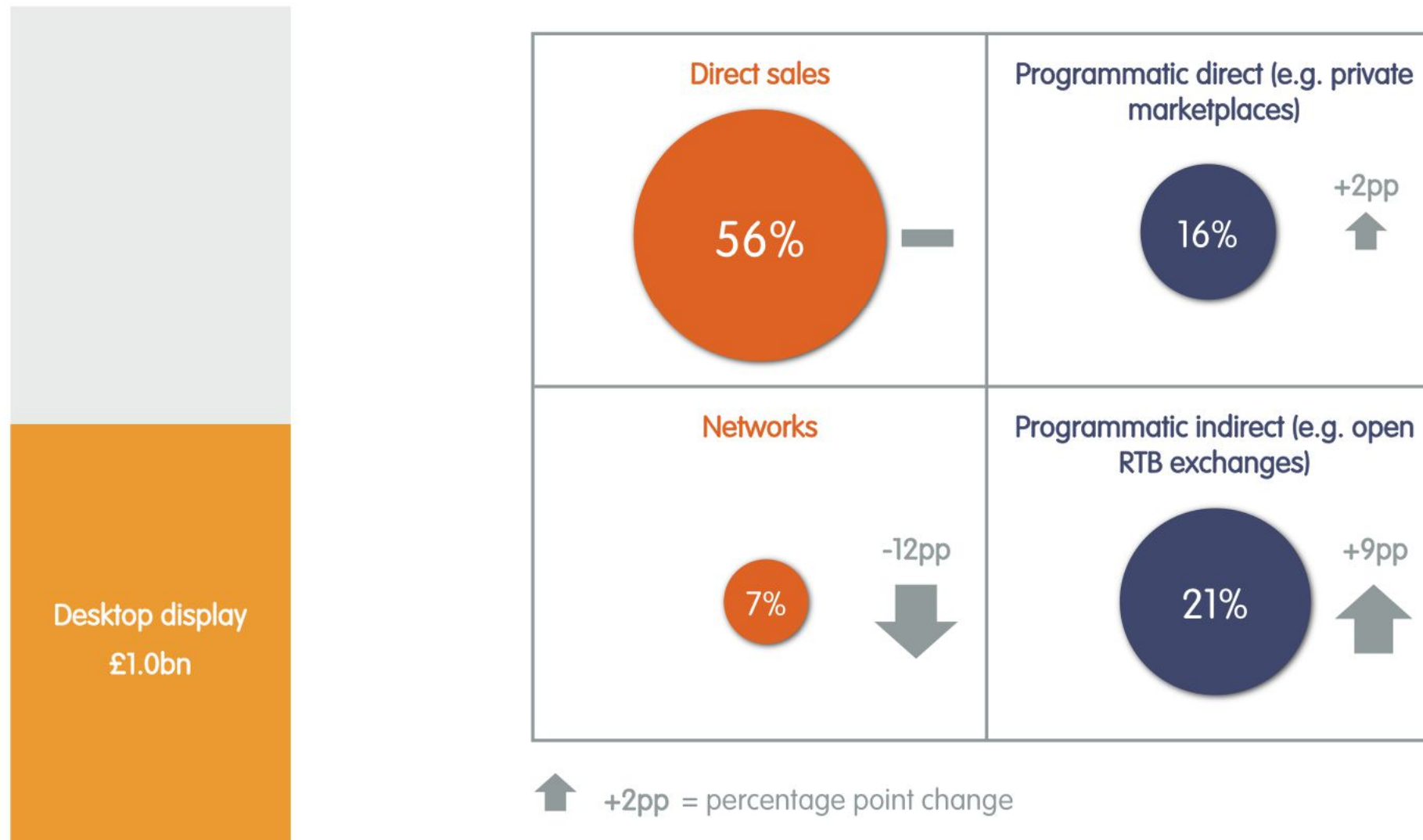
Principles of programmatic advertising

Owned, Paid and Earned media
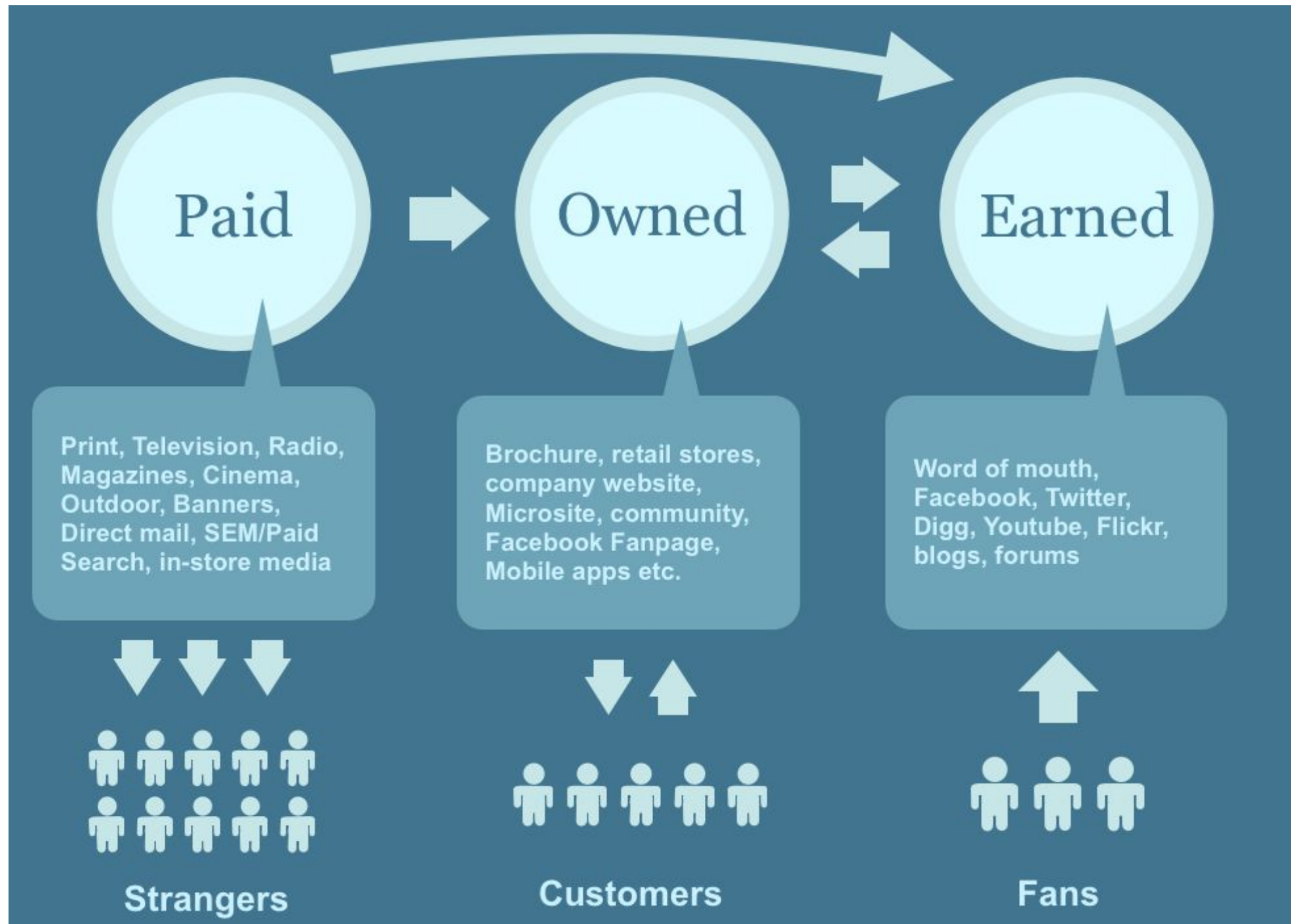
The purchasing funnel
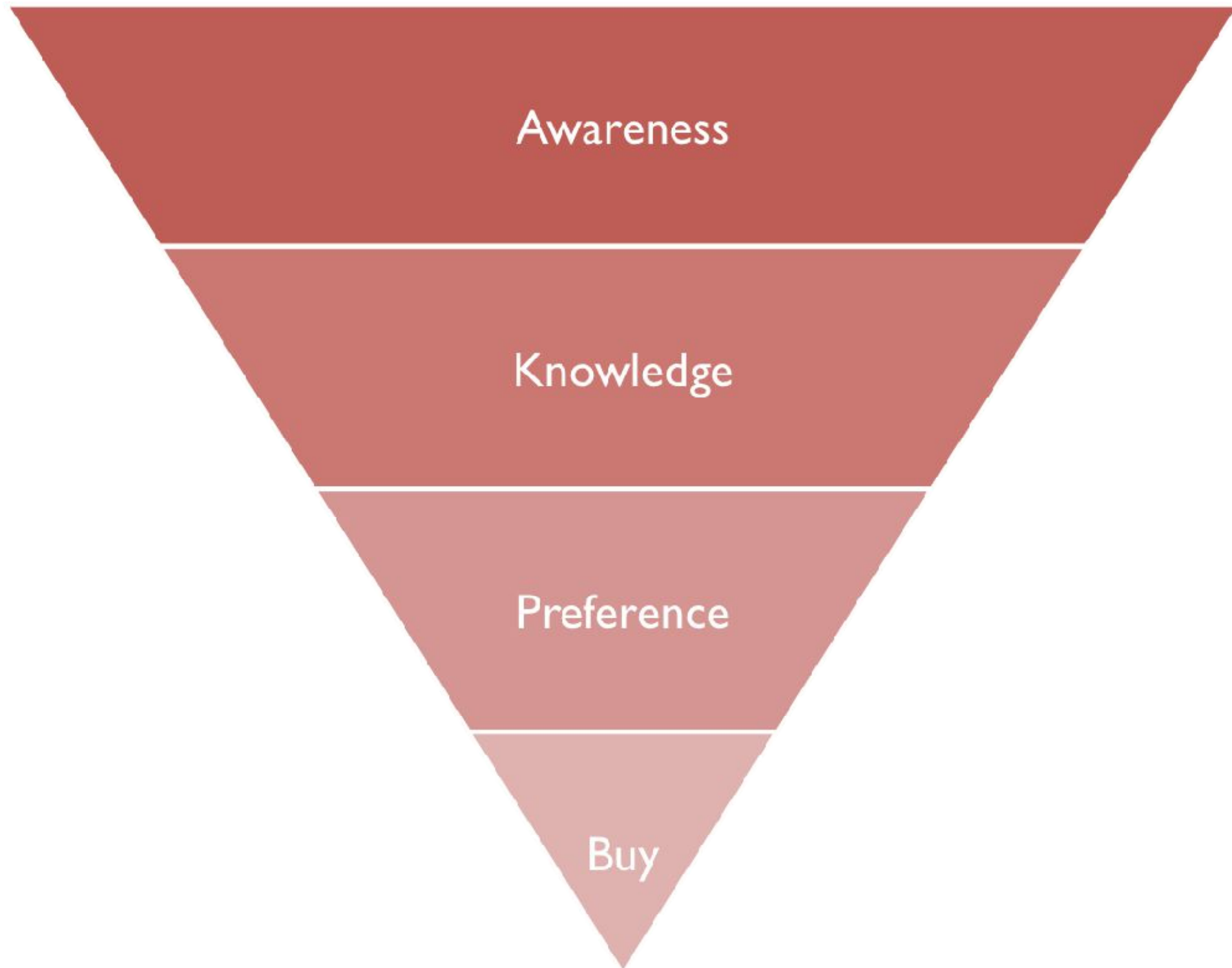
Old way of buying advertising

The target consumer

Old way of buying advertising

The target consumer
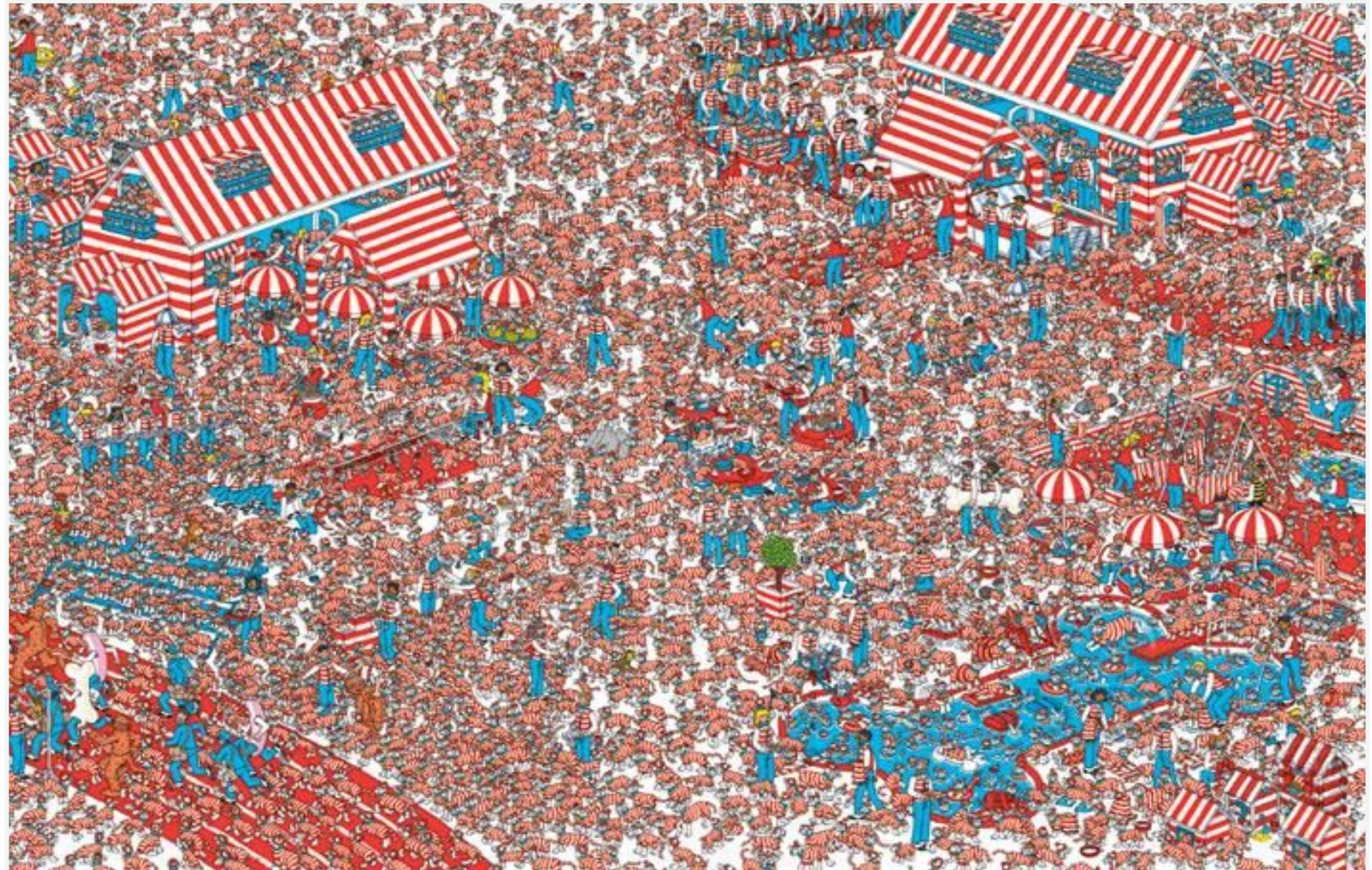
The audience we are shooting at

Buying advertising

Direct sales...

Manually buy and sell

Ad networks packaged with unsold inventory with little or no transparency

Process involved people, RFPs, I/O forms, and human error

Process ineffective and unreliable

Effective advertising

Right message / creative

Right time

Right place

Right context

Right person

Programmatic advertising

How does this all work? Example: Real-time bidding – Open Exchange
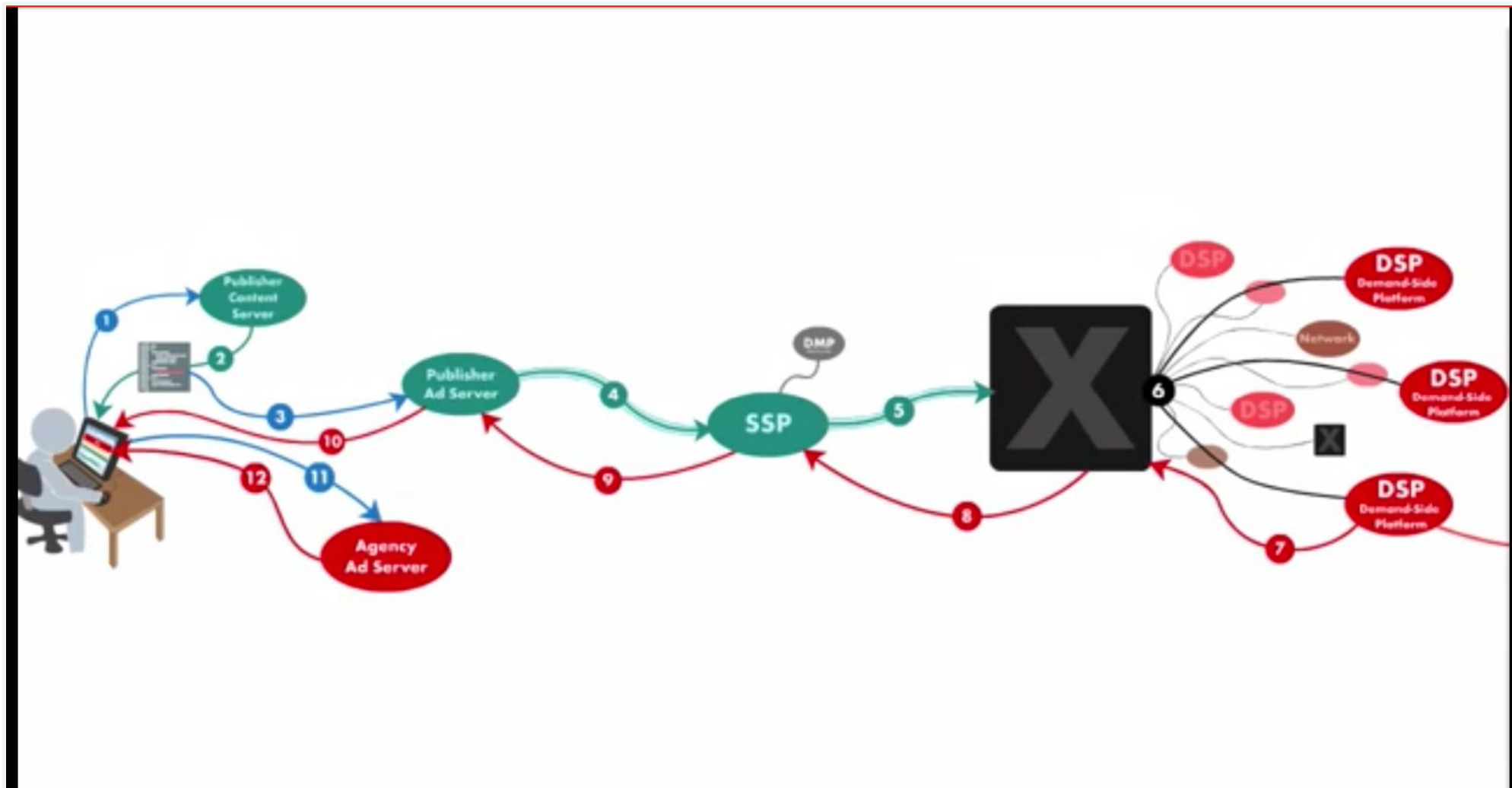
Buying advertising

Now...

Faster, more efficient

Impressions bought and sold individually

Sellers have more stock control

Buyers can buy from multiple sources efficiently

Buyers use dashboards to manage and optimise campaigns tactically in real-time

Marketplaces allow for supply/demand forces to apply

Programmatic advertising

How does this all work in practice?

Targeting audiences

Effective advertising

Right message / creative
Right time
Right place
Right context
Right person

Consumers are more complex

Multiple devices
Own and personally use at least 2 connected devices

Frequent access
Go online several times per day

Multiple locations
Go online from multiple physical locations, including on-the-go

The NOW consumer

MOBILE SHOPPER

Channel: Organic
Only uses phone

BRAND ADVOCATE

Channel: Social Media
Newsletter subscriber

LIKES FREE SHIPPING

Target campaign
Responded to campaign

PROSPECT

Keyword: Premium
Watches videos

HIGH SPENDER

Redeems coupons

DATA

Content has a shelf-life, eg views, shares, comments

Impressions have a shelf-life, eg viewability, engagement, relationship to consumer behaviour

Buying the attention of consumers is difficult

Collection of data improves targeting and effectiveness of programmatic

A comparison

New York Stock Exchange

5 billion shares traded daily

50 terabytes of data processed daily

AppNexus

100 billion impressions served daily

100 terabytes of data processed daily

DMP - Data Management Platforms

Data collection - in real-time across multipledata streams

Revert users to a single anonymous ID from multiple online and offline sources

Provide tools to turn raw data into valuable insights and targetable audiences

Deterministic and Probablistic insights

Maintain links to live channels for message delivery in real-time

360 degree view of the consumer

Think person, not device

First party data – realising assets

First party cookie-based data - ads, content, search

Device ids

IP location

CRM – online - email marketing, registration, e-commerce, affliate, etc

CRM – offline – DM, events, loyalty scheme, etc

B2C and B2B
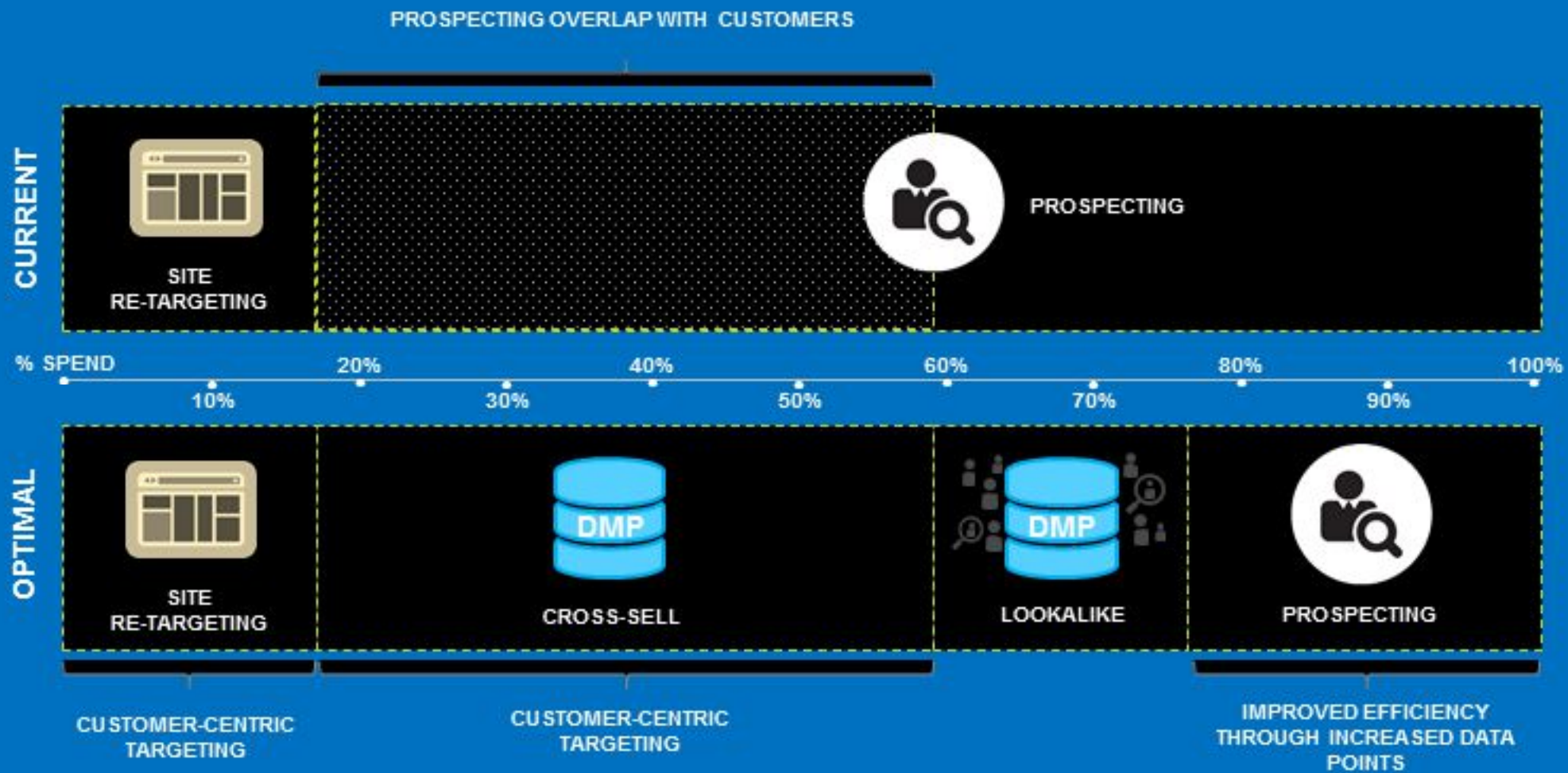
Second party data partnerships

DMP + DSP

Multichannel approach across paid and owned media channels

Personalisation - Segment, Individual

Real-time through the purchasing journey

Feeds DMP for future campaigns

Attribution modelling

Development of programmatic advertising

Opportunities

Unsold / remnant inventory

Premium / exclusive content

More private exchanges

Look-a-like audiences

Consolidation in the marketplace

Projections

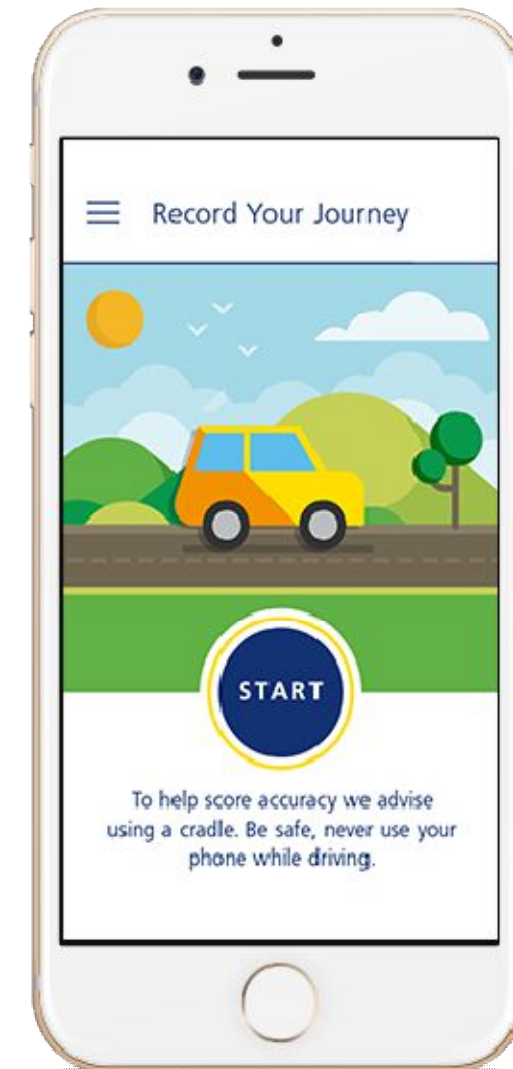Programmatic buying will continue to disrupt media marketplaces:

TV

OOH

Radio

Print
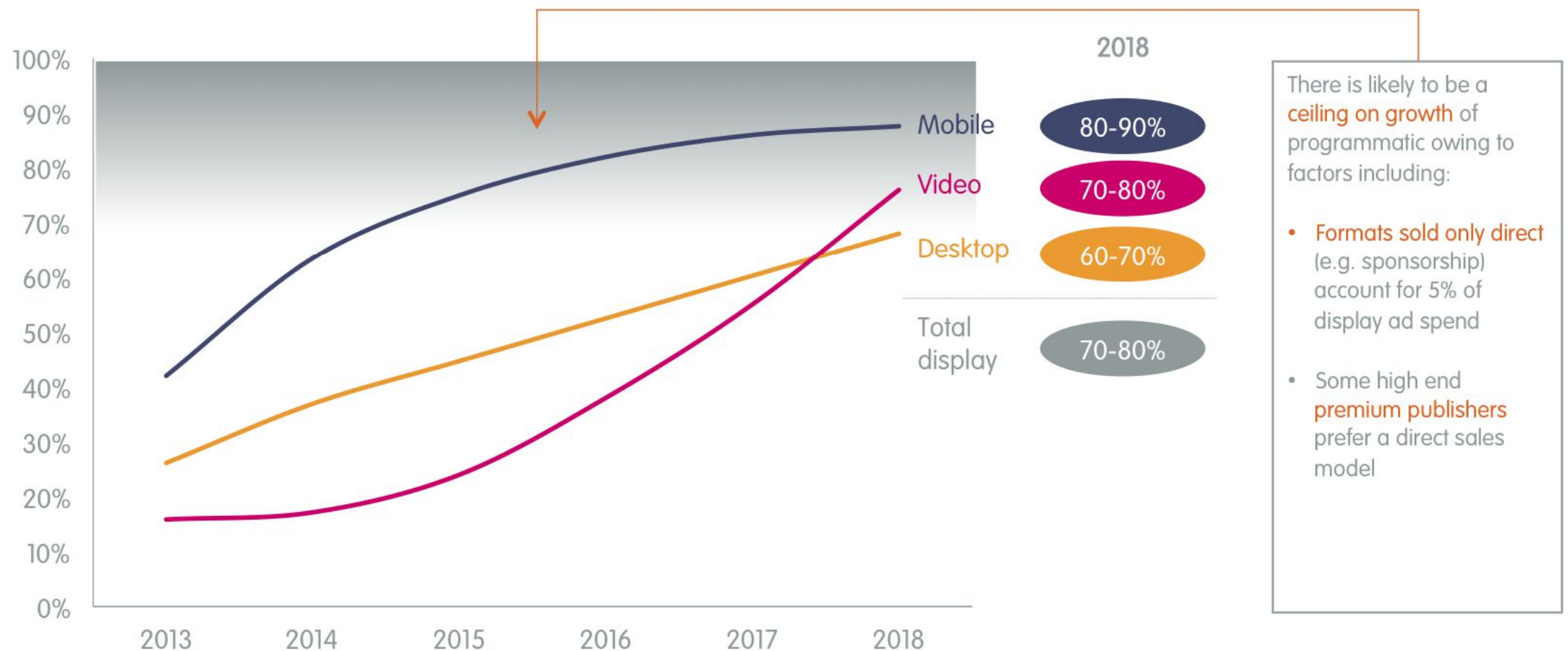
IOT

Your life as a data source

Projections

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2018

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There is likely to be a **ceiling on growth** of programmatic owing to factors including:

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Issues

Banner blindness

Ad collision

Viewability

Ad blocking

Brand security

NHT and fraudulent traffic

Click fraud

Dark social

Viewability - Standards

Display:

50% of advert pixels visible on screen for at least 1 second

Large canvas display:

30% of advert pixels visible on screen for at least 1 second

Video:

50% of advert pixels visible on screen for at least 2 consecutive seconds

Issues

Banner blindness

Ad collision

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Click fraud

Dark social

Does this guy's click effectively measure the branding impact of exposing the other 999 users to the same ad?

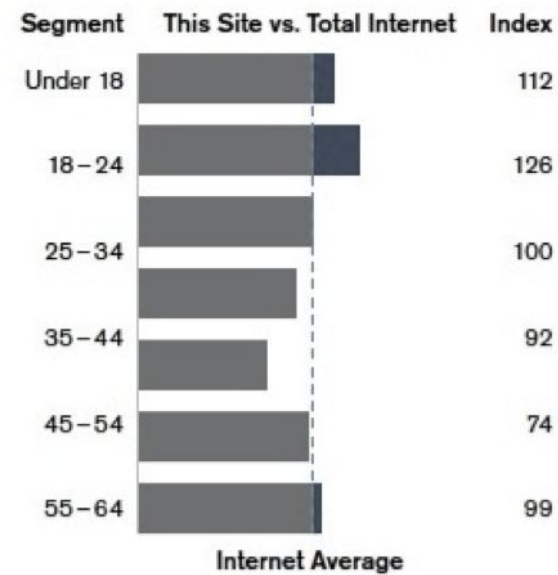# ComScore: Natural Born Clickers
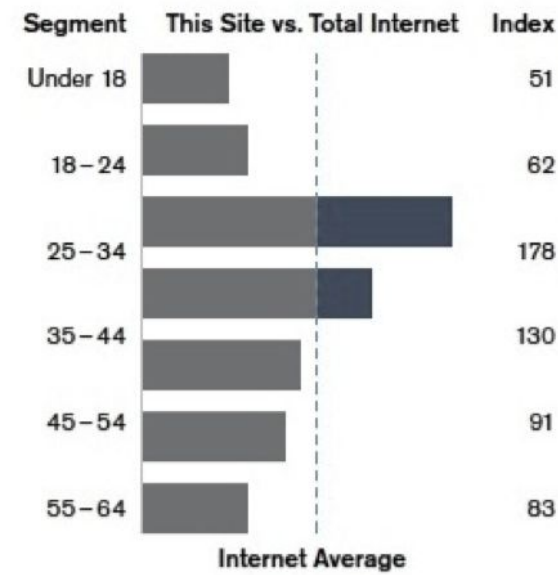
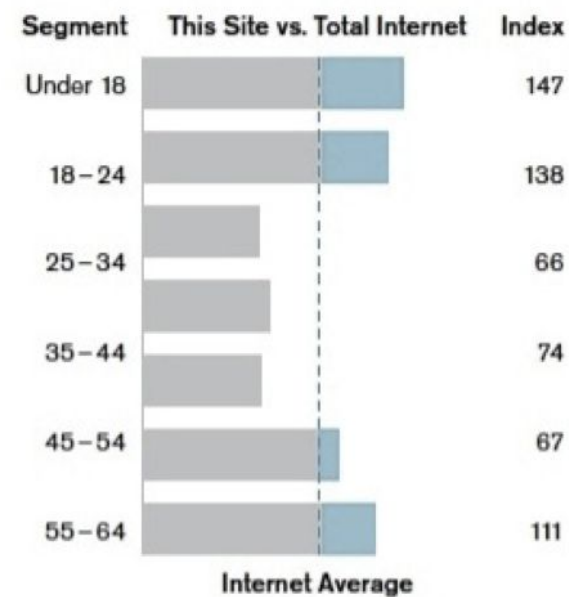8% of internet users account for

85%of clicks
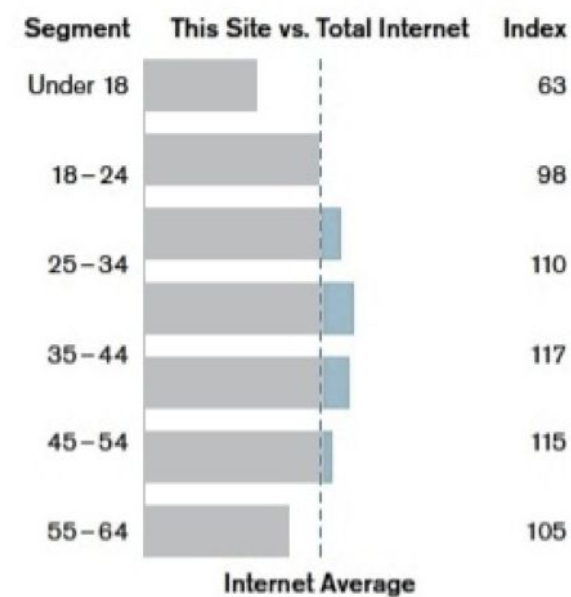
Attribution modelling

Online Retailer – Clickers

Segment	This Site vs. Total Internet	Index
Under 18		112
18 – 24		126
25 – 34		100
35 – 44		92
45 – 54		74
55 – 64		99

Internet Average

Online Retailer – Converters

Segment	This Site vs. Total Internet	Index
Under 18		51
18 – 24		62
25 – 34		178
35 – 44		130
45 – 54		91
55 – 64		83

Internet Average

Insurance – Clickers

Segment	This Site vs. Total Internet	Index
Under 18		147
18 – 24		138
25 – 34		66
35 – 44		74
45 – 54		67
55 – 64		111

Internet Average

Insurance – Converters

Segment	This Site vs. Total Internet	Index
Under 18		63
18 – 24		98
25 – 34		110
35 – 44		117
45 – 54		115
55 – 64		105

Internet Average

Attribution

"Half the money I spend on advertising is wasted; the trouble is I don't know which half."

John Wanamaker

View throughs
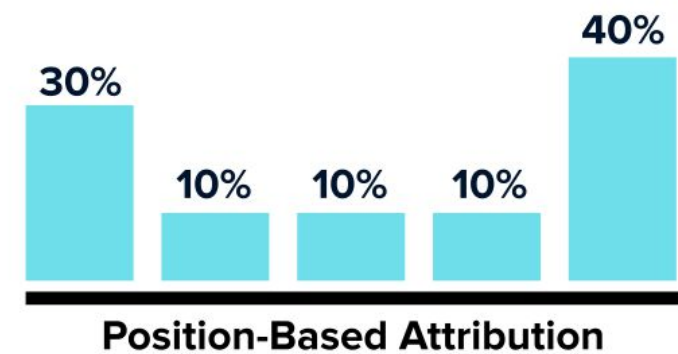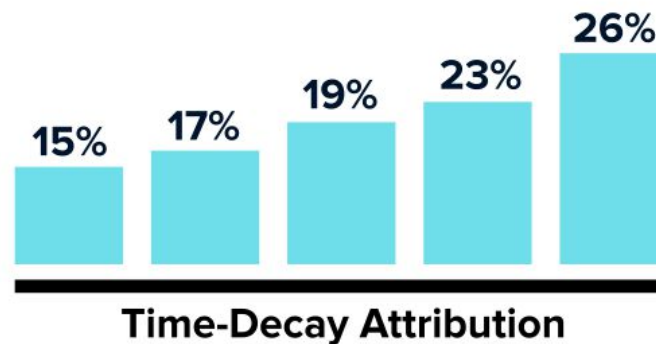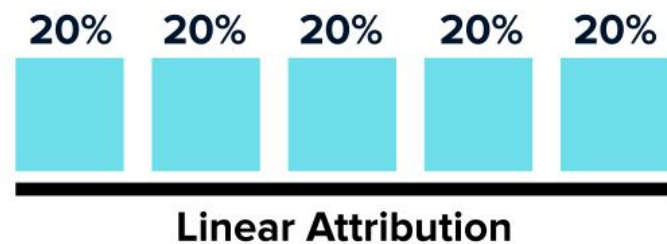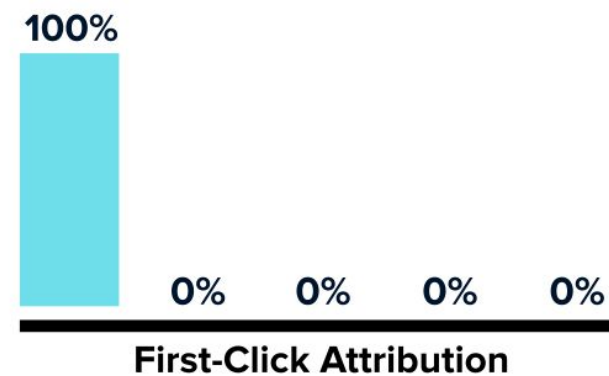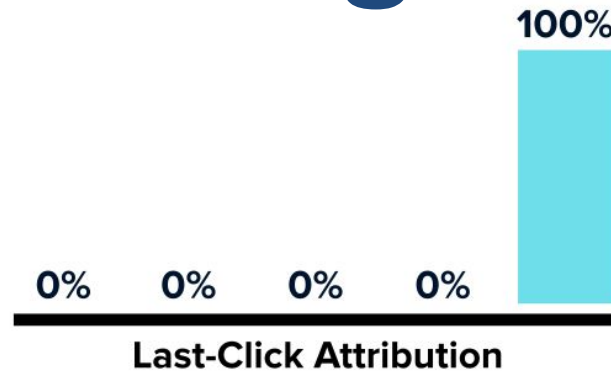
"The number of online conversions that happened within 30 days after a user saw, but did not click, a display ad"
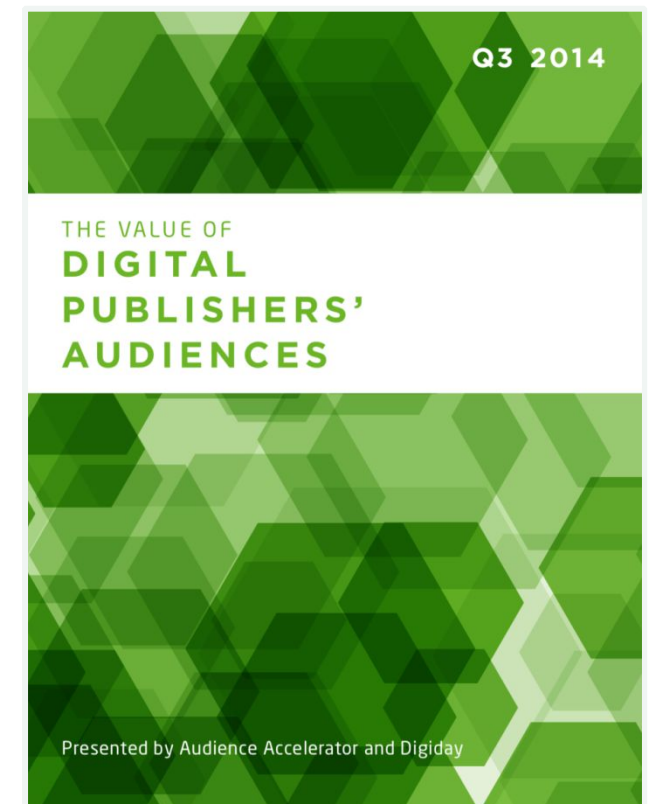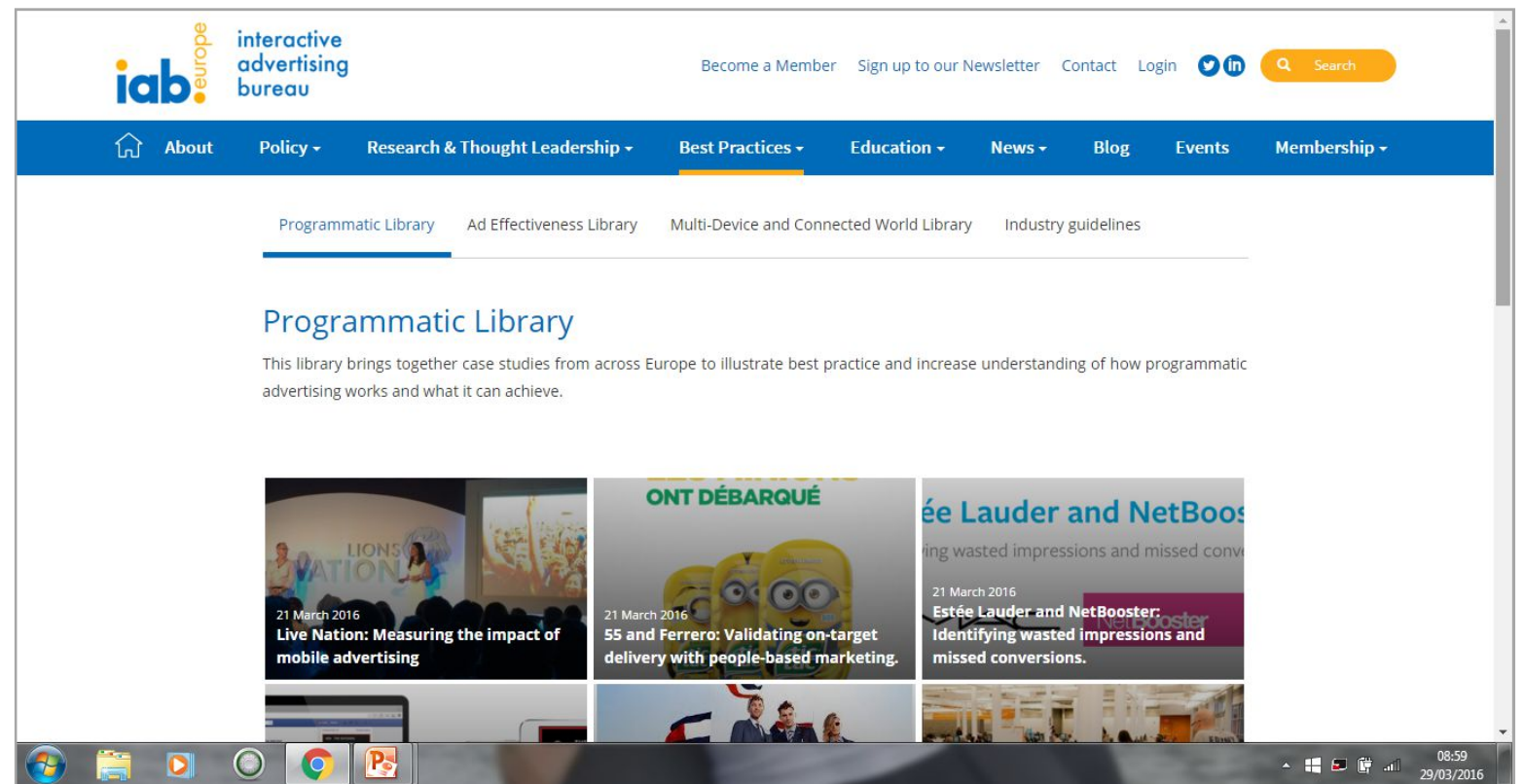
Lift in brand metrics occurs throughout a campaign, often irrespective of the volume of clicks

Number of clicks is not an accurate predictor of the effectiveness of an advert on brand metrics

Attribution modelling

Further reading

Questions

Steve Thompson
Digital Media Consultant

@thompsondigital