The Fundamentals of Programmatic Buying

A Digital Advertising Guide from Kantar Media

Programmatic is changing the face of online advertising, and it's also the cause of much confusion. Many agencies and marketers understand that they should explore programmatic buying for its efficiencies, but it's extremely challenging to explore it for campaigns without a clear understanding of what it really means. Plus, everyone seems to have their own definition of "programmatic." Is the buying done in real-time? Is the inventory guaranteed? Is the buyer bidding on impressions? The answer always depends. **At its heart, programmatic simply means using technology to buy and sell digital ads, which equates to more efficient advertising.** And due to the inherent benefits that automation brings, it's important for buyers to have the necessary information in order to make the best advertising decisions for clients and brands.

Digital advertising continues to evolve rapidly as new technologies emerge. In just the last few years there have been significant changes in buying and selling. **And while it's true that the digital ad ecosystem is complex, there's no doubt that it has made media buying more efficient.** Buyers aren't required to go directly to the publisher anymore. Of course they still can, but third-party technologies may offer more expedient ways to access inventory or impressions. From networks and exchanges to demand- and supply-side platforms, there are numerous ways to access, bid and buy.

But programmatic buying is still a mystery to most marketers as well as agencies. A study conducted by the Association of National Advertisers and Forrester revealed that only 23% of marketers 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%) said they've heard the term programmatic but don't have a clear understanding of it. And there is even a small percent of marketers (12%) who said they were completely unaware of programmatic ad buying. **Essentially, less than one-quarter of marketers "get it" when it comes to the use of programmatic technology for buying.**

There are a few early adopters of programmatic, especially within the financial market. American Express recently announced its plans to shift 100% of its online ad budget to programmatic channels, according to Ad Age. Ad Age also reported that Procter & Gamble wants to buy 70-75% of its U.S. digital media programmatically by the end of 2014. These cases aren't isolated. The Journal of Financial Advertising

"American Express plans to *shift* **100%** of its online budget **to programmatic channels."**

and Marketing reported that 33% of financial online ads are going through programmatic channels. Other studies support the claim that programmatic has a promising future. For example, **AdExchanger found that nearly half of agency respondents plan on managing at least 60% of their total digital budget programmatically in the next twelve months.**

In order to really get a handle on programmatic buying, it's helpful to understand the other methods for purchasing online ads, and why programmatic is yet the next evolution designed to address present inefficiencies. **This guide provides an overview of the current digital advertising landscape, the fundamentals of programmatic buying, the benefits of guaranteed direct and private marketplace deals and how to use SRDS.com to research and initiate programmatic buys.**

"Procter & Gamble wants to **buy 70-75%** of its U.S. digital media **programmatically** by the end of 2014."

Direct-to-Publisher Buying

Buying directly from the publisher may be the oldest form of online ad buying, but it continues to be relevant to agencies and marketers. Most buyers are probably already familiar with the process of contacting online media brands to discuss rates, availability and finalize a buy. It can be manual and potentially time-consuming because of the back-and-forth negotiations that undoubtedly occur. **But there are many reasons buyers continue to go direct.**

For one, it's likely the best way to find all available ad space a publisher has to offer across its channels – both digital and traditional. **It may also be the only way to access unique or premium programs, native advertising and sponsorship opportunities**, which are currently not made available through networks or exchanges. Transparency is another big selling point of going direct. **There is complete clarity over the price** as well as control over where the ad will run. This way, the buyer can be reasonably sure that the publisher's editorial doesn't conflict with brand image, ad creative or messaging. There are also many long-tail and niche sites that only sell their inventory directly to buyers because they don't have experience working with a network. **Going direct may be the buyer's only option if the client has requested to have the ad running on a small or very tightly targeted site.**

But there are some challenges with going direct, namely that the process is manual. **There's a tremendous amount of back-and-forth** on the phone or via email, which can lead to inefficiencies. Managing several relationships with each publisher can take up a tremendous amount of

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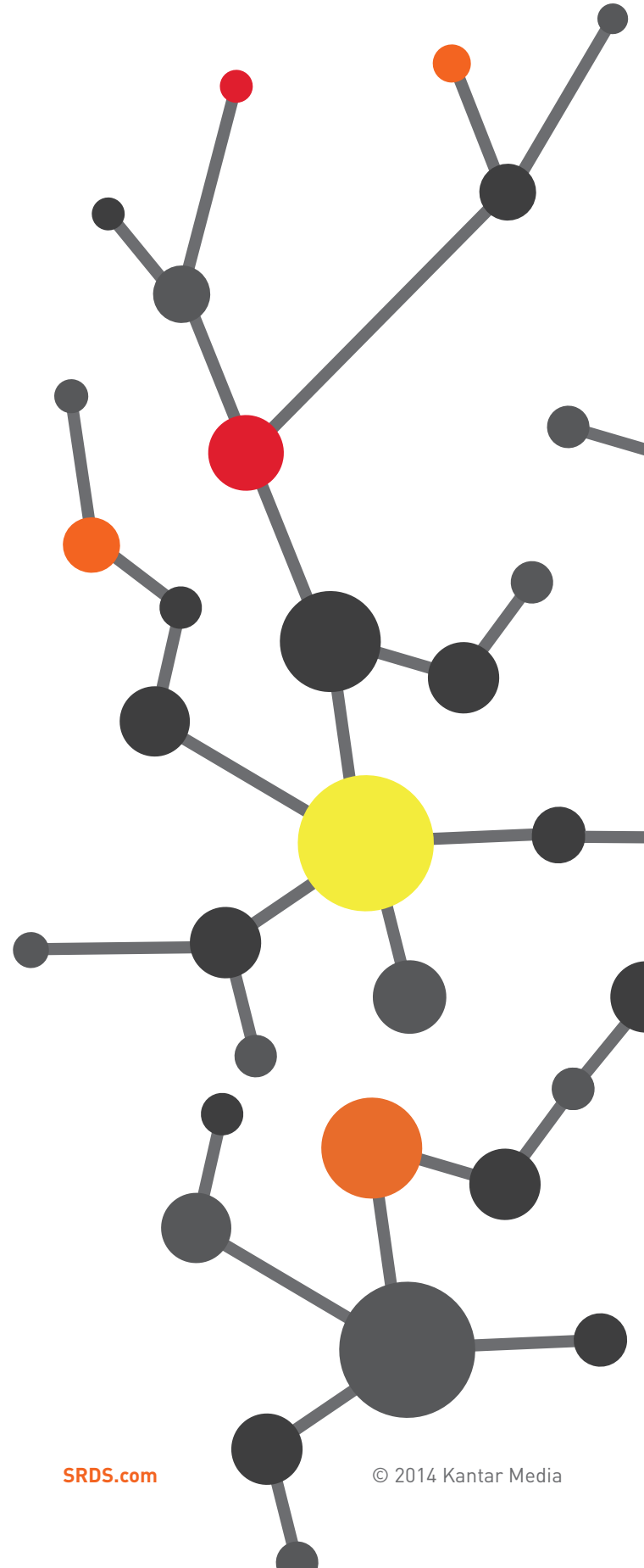
> **Remnant inventory** is ad space on a site that a publisher has been unable to sell directly to buyers, so it's typically offloaded to ad networks or exchanges to be sold at a lower price.
>
> **Premium inventory** is ad space on a site that a publisher has deemed higher-quality, and subsequently attempts to sell at a higher price. Inventory could be deemed premium because it's above-the-fold, on a popular section of the site or for other reasons.

time as well. So, **while there are clear reasons to go direct, the inefficiencies spurred new advertising technology players to emerge.**

Ad Networks

Ad networks were the first third parties to make their name in digital advertising. **They serve as added-value intermediaries between buyers and sellers and arose because many buyers don't have the time or resources to find all the right sites to run their ads.** Similarly, some publishers don't have time to market themselves widely. Online ad networks make it easier for both sides to connect. For example, a publisher's sales team passes its unsold inventory to a network and in turn, the network offers advertisers access to that inventory. The network buys remnant inventory up-front for $X and sells it for $Y.

There are many advantages to using a network. **Networks offer access to inventory across many publishers with much less effort than buying direct.** Using a network, buyers can coordinate more efficient campaigns across a multitude of sites, aggregate inventory from publishers and segment audiences. But it's important to remember that **although a network probably offers lower rates than buying direct, it's typically because the inventory is often remnant**. Publishers often use networks to sell inventory their sales team has had trouble selling.

There are different categories of digital ad networks, each of which has a specific purpose.
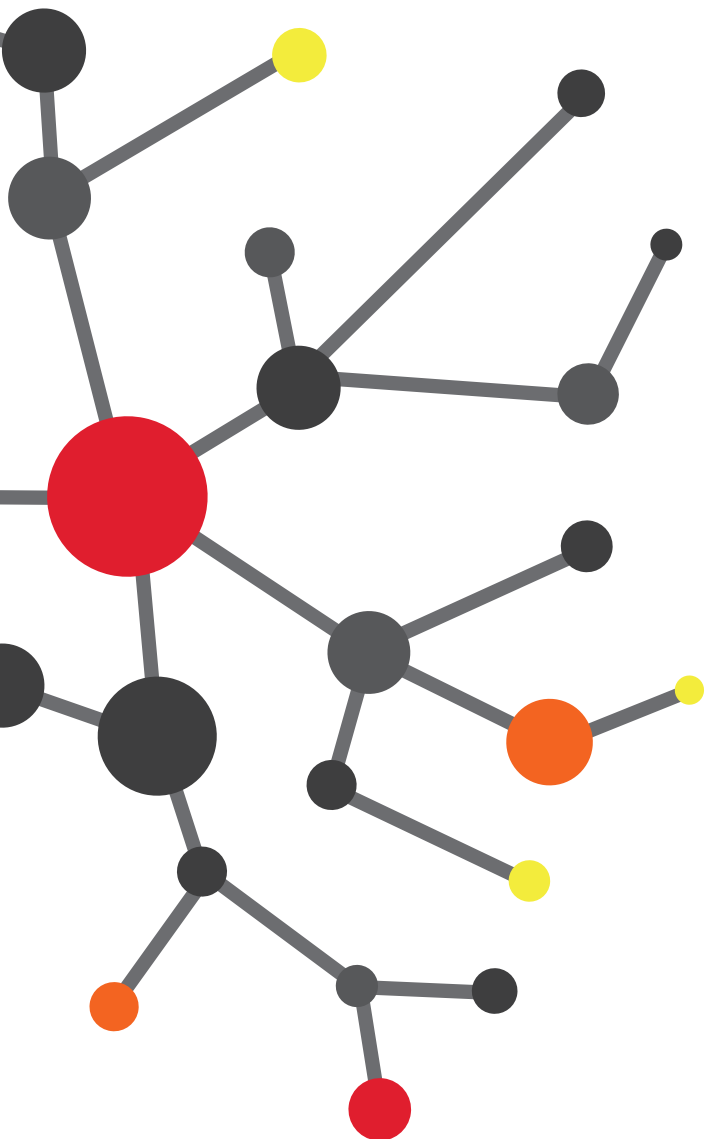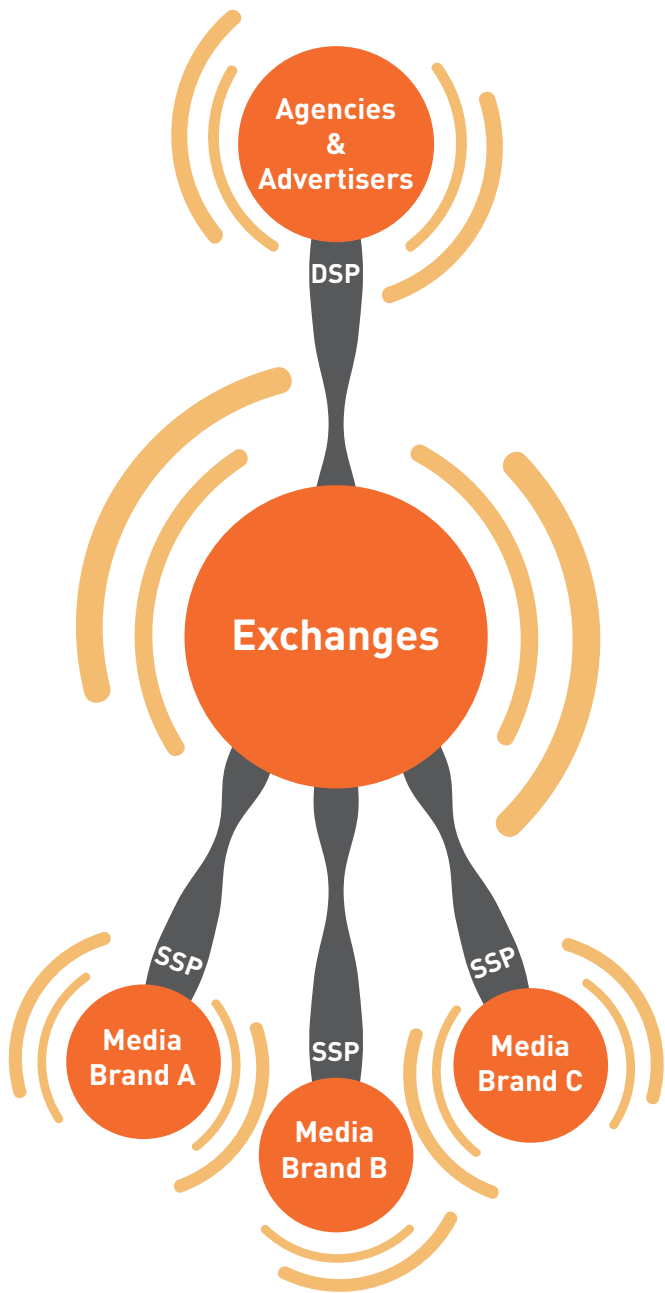
Here are a few examples.

- Targeted networks serve ads based on the context of a publisher's content, audience segments, user behavior, etc.

- Vertical networks often represent a group of publishers within a specific sector or industry, like a network dedicated to food and recipes.

- Performance networks are more likely composed of a variety of sites and content, so they offer a more general audience. Their advertisers are typically more focused on getting clicks from a broad audience rather than display targeted ads to a specific niche.

There are many instances when using a network makes sense based on your client or brand's objectives. Let's say your client is a fishing tackle company. The company has just manufactured a new fishing rod and would like to advertise it online to raise brand awareness and drive direct response. The client would like to market the product on a variety of fishing enthusiast sites. Researching sites, sending out RFPs, negotiating rates and ultimately managing each publisher relationship is labor-intensive. In this case, you could seek out an ad network like First Light Net, which is a vertical network of over 250 fishing, hunting, sports and outdoor-related websites that reach the outdoor demographic. This way, you save time while still accomplishing your client's goals.

Although networks offer flexible options to provide reach on many sites at lower costs while using one contact, **there are some drawbacks**. The main one is that the buyer is spending

RTB vs. Direct-to-Publisher Buying: Buying ad inventory directly from publishers is like buying a bag of apples. The buyer pays a set price for each bag, and the quality of each apple varies. With RTB, the buyer is bidding on each apple (impression) based on its distinct qualities. Even though with both processes the buyer ends up with the same amount of apples, the total cost of the second situation is based on how much the buyer paid for each apple.

A Demand Side Platform (DSP) is a technology platform that allows buyers to manage several exchanges and networks through one centralized interface.

A Supply Side Platform (SSP) is a technology platform that offers outsourced media selling and ad network management services. Publishers use SSPs to automate and optimize the selling of their inventory.

money without specifically knowing the exact site on which the ad will run. It's possible that the ad will end up on a site with conflicting editorial. Further, there is a lack of transparency on cost and ROI. And so, exchanges were created.

Exchanges and Other Third Parties

As time went on, agencies and advertisers wanted to take advantage of all the data that was being collected about web users and their digital footprints, in order to target their ads. They also demanded a way to purchase impressions, not just ad space, in a real-time bidding, auction environment. In short, **buyers wanted to get the most bang for their buck**. Digital ad exchanges attempt to do just that.

Online ad exchanges are real-time bidding (RTB) technology platforms that expedite, facilitate and simplify the buying and selling of inventory from publishers and ad networks to buyers. A publisher's sales team passes its remnant inventory through an SSP or directly to an exchange. **Agencies, advertisers and DSPs then bid on impressions in real-time**. When an individual visits a media brand's site, data that has been collected about that individual (possibly by a data management platform) is sent to the publisher's ad server, which is then presented to the exchange. The exchange sends a bid request to its buyers, networks and DSPs, who have rules in place for the bid. The bidders overlay this bid request with other data they may have available as well as the client's budget and targeting rules. Based on that information, a bid is made. The exchange then selects the highest bidder and sends the winning ad creative, URL and price to the publisher's server.

That buyer's creative is instantly presented to the visitor. **Amazingly, this entire process occurs in just one-third of a second.**

As mentioned, advertisers put specifications or rules in place in order to conduct buying in real-time. **Impressions are tagged so they can target individuals based on a number of data-points that have been collected by cookies or data management platforms**, including demographic information, buying behavior or recent browsing history. The decision to bid is based on that information.

Exchanges allow buyers to purchase impressions from a variety of publishers without middle men inflating costs. **They deliver efficiency, inexpensive impressions and the ability to purchase very specific audiences.**

Many large web publishers use an SSP to automate and optimize the selling of their inventory. They offer a way for publishers to stave off the price dilution that occurs as buyers increasingly allocate spend to DSPs and other third parties.

For example, let's say your newest client is a high-end organic food manufacturer. The company would like to advertise its new gluten-free baking ingredients to affluent moms who cook. The client is not as concerned about specific sites but wants to focus on reaching its target audience. Using a DSP, you can plug into several ad exchanges, set up rules for the client and purchase less-expensive impressions to reach that specific audience. That way, you don't have to deal with each publisher or even each network, but rather focus on the audience strategy and any necessary optimizations.

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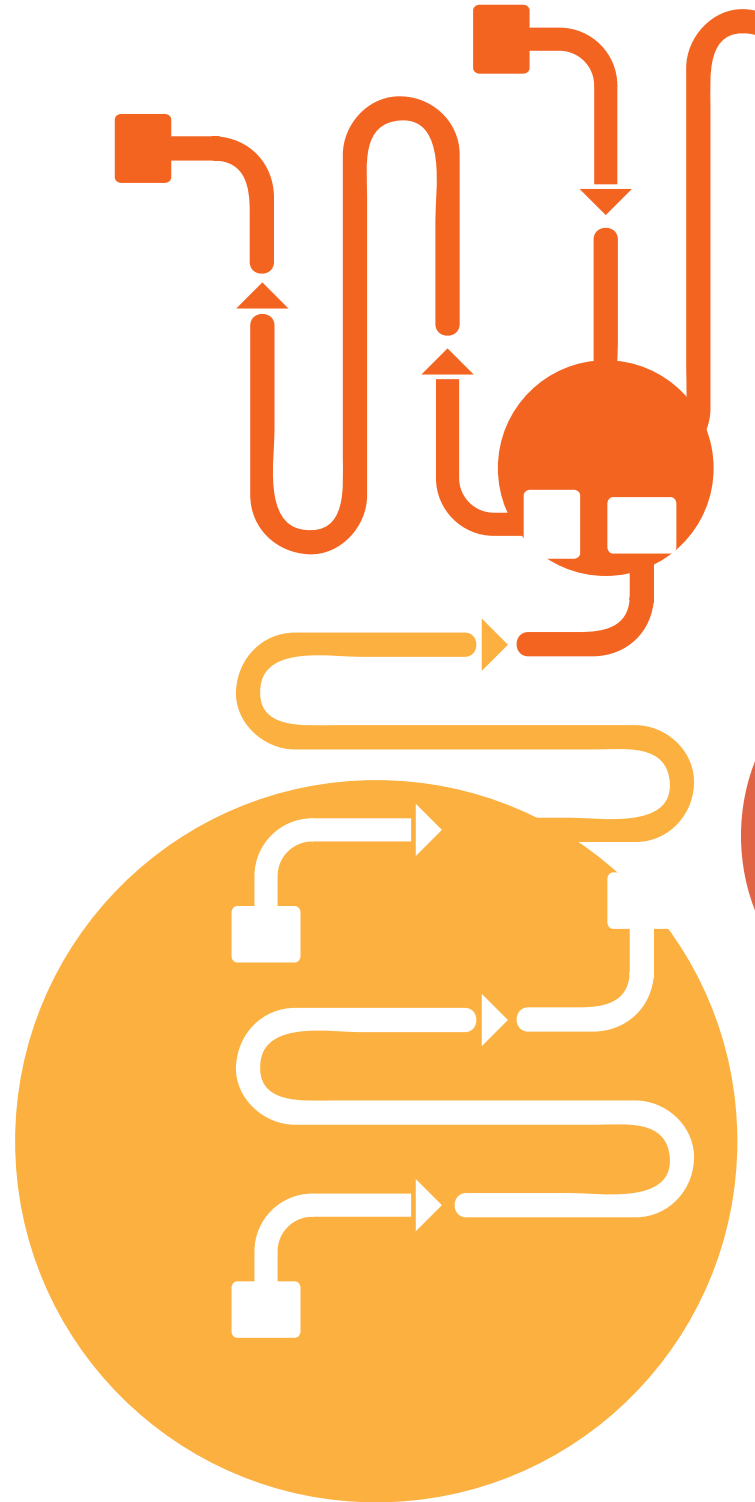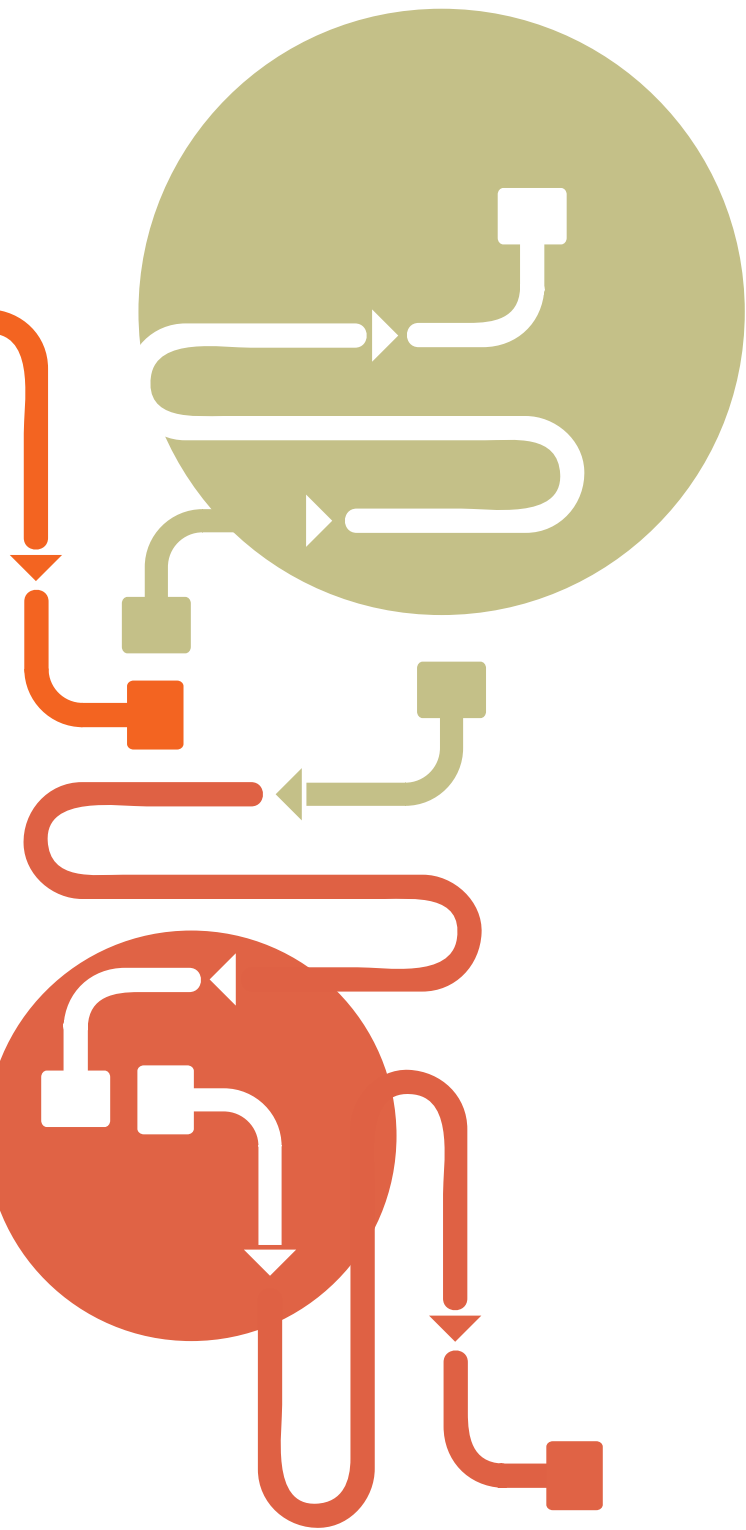
Though there are benefits to using this buying channel, **open ad exchanges offer less transparency than a buyer would optimally desire.** The buyer has minimal control over the site or position where an ad will appear because publishers may be transacting through an SSP.

Clearly, there have been major technological advances in digital advertising. All these systems and players allow buyers to access ad space more easily. Publishers can now better monetize more of their available inventory as well. **But the limitations, like transparency and less than optimum inventory, required further evolutions in the digital advertising marketplace.**

Programmatic Means What?

Programmatic advertising simply refers to using technology to automate the buying and selling of digital media. **Advertisers use programmatic technologies to more efficiently buy ad inventory or impressions, with less (and sometimes no) direct communication with people**. It's a broad term, and encompasses RTB, private marketplaces and guaranteed direct. The main benefit to programmatic is that **it reduces much of the manual back-and-forth that comes in the middle steps of advertising.** Some of the confusion around the term likely stems from the fact that RTB is usually associated with remnant inventory, while the newer forms of programmatic access a broader range of inventory across publishers.

Programmatic has made major headlines recently. Magna Global estimates U.S. digital display ad dollars spent via both real-time and

direct programmatic methods will total $9.8 billion by the end of 2014 and it's expected to grow to $16.9 billion by 2017. Though there hasn't been complete industry adoption of programmatic methods yet, the interest is clearly there. After all, programmatic can yield huge efficiencies. And time is money. **Both private exchanges and guaranteed direct buying can save hours for a buyer.**

Private Exchanges

Private exchanges (or private marketplaces) are a subset of ad exchanges. They give publishers the ability to control which buyers can access and bid on their inventory. **These exchanges are invitation-only, RTB auctions owned by a specific publisher and managed by an SSP.** They offer stronger transparency with the ease of an exchange. Agency professionals, agency trading desks or DSPs can all request invitations to specific exchanges, but **only publisher-authorized and approved buyers can bid on inventory through the exchange**. In a private exchange, inventory is bought and sold in real-time at an impression level. Because it's real-time bidding, the inventory is not necessarily guaranteed even though the deals are one-on-one between publisher and buyer.

Rubicon Project, PubMatic and OpenX are all SSPs that run private exchanges for publishers. For example, Hearst opened its exchange in 2012 through PubMatic. PubMatic also manages the U.S marketplace of eBay, Business Insider, Rodale and Scripps. Rubicon Project manages The Wall Street Journal's marketplace. Most of the time, publishers with private exchanges are very large media companies that have much more inventory and dollars than a smaller site.

> **A deal identifier (ID)** is a unique string of characters that is used in a private exchange to match up specific buyers and sellers based on a number of rules they have agreed on previously. Deal IDs grant buyer/ATD/DSP access to ad placements or data that a publisher exclusively makes available to them.
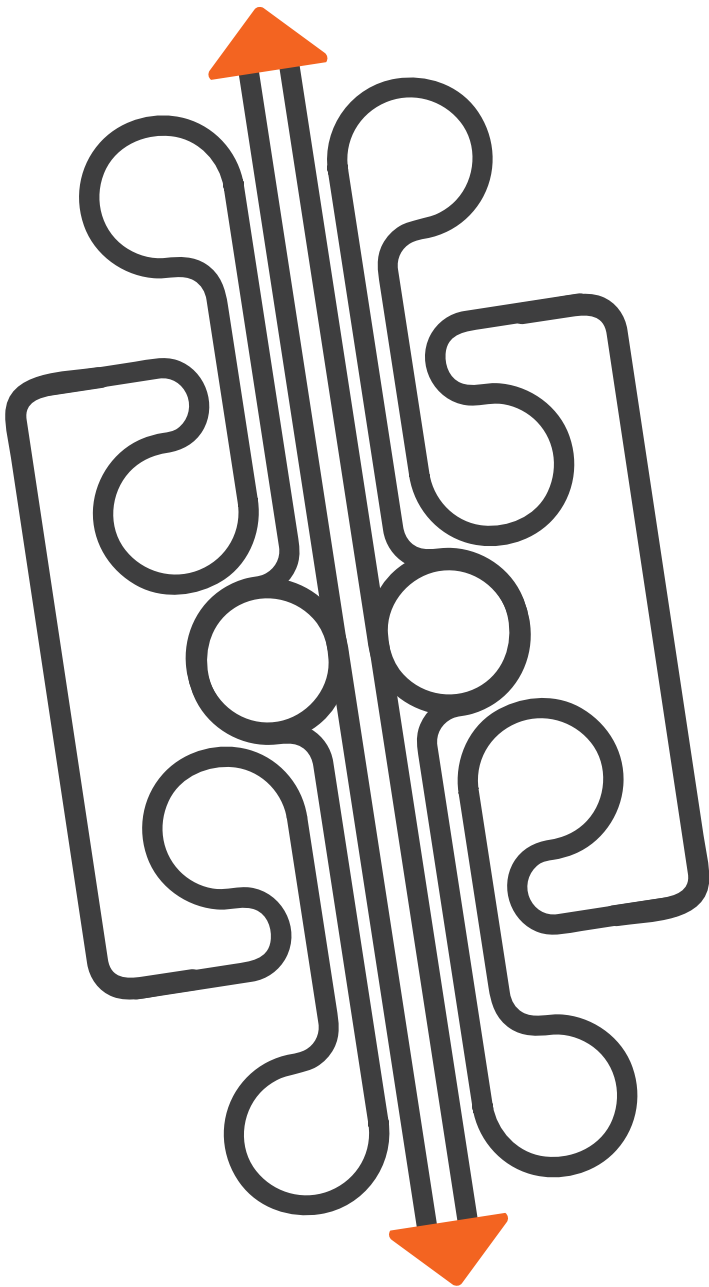
Media brands with private exchanges monitor and have very specific control over the buyers and advertiser brands that have access to its inventory or even particular inventory packages. SSPs that run these exchanges also ask for both agency and advertiser brand name during the RFP process.

Private exchanges offer buyers more control than ad networks and open exchanges. **Buyers know who they are purchasing from and they have more information about the inventory.** Taking part in private exchanges can help buyers develop stronger partnerships with top publishers without the difficulty of direct deals and also allows them to **run campaigns at scale, quickly and cost-effectively.**

For example, let's say a major online media brand has a private exchange managed by PubMatic. The publisher decides to approve your agency, which is representing a luxury carmaker. You will call PubMatic and get your ID from the media brand, giving you the ability to access and bid, in real-time, on impressions that the brand offers. In this case, you can still buy impressions against your client's specific target audience and maintain control over where the ad runs.

The challenge for buyers is that exchanges are invitation-only so there's a good chance they may not be approved. The prices may also be higher via a private exchange due to the increase in transparency.
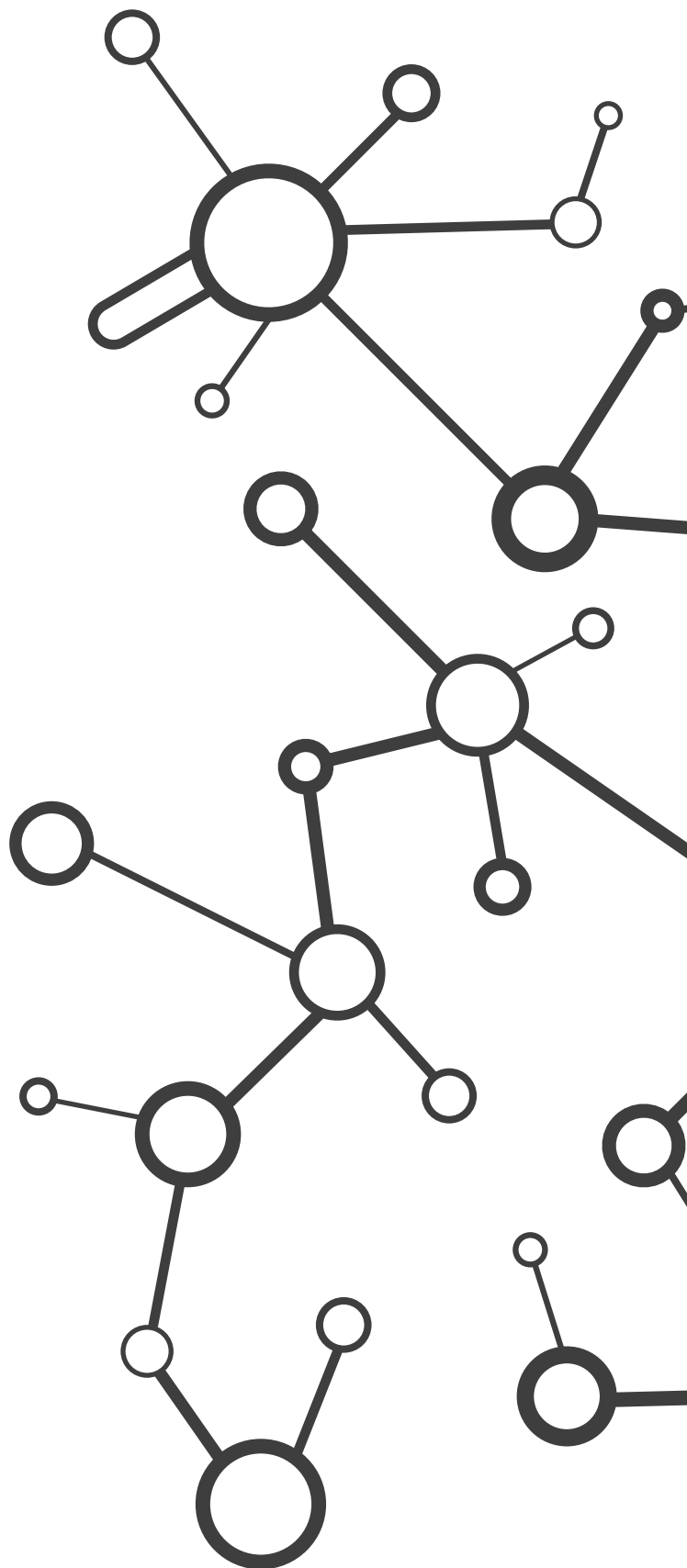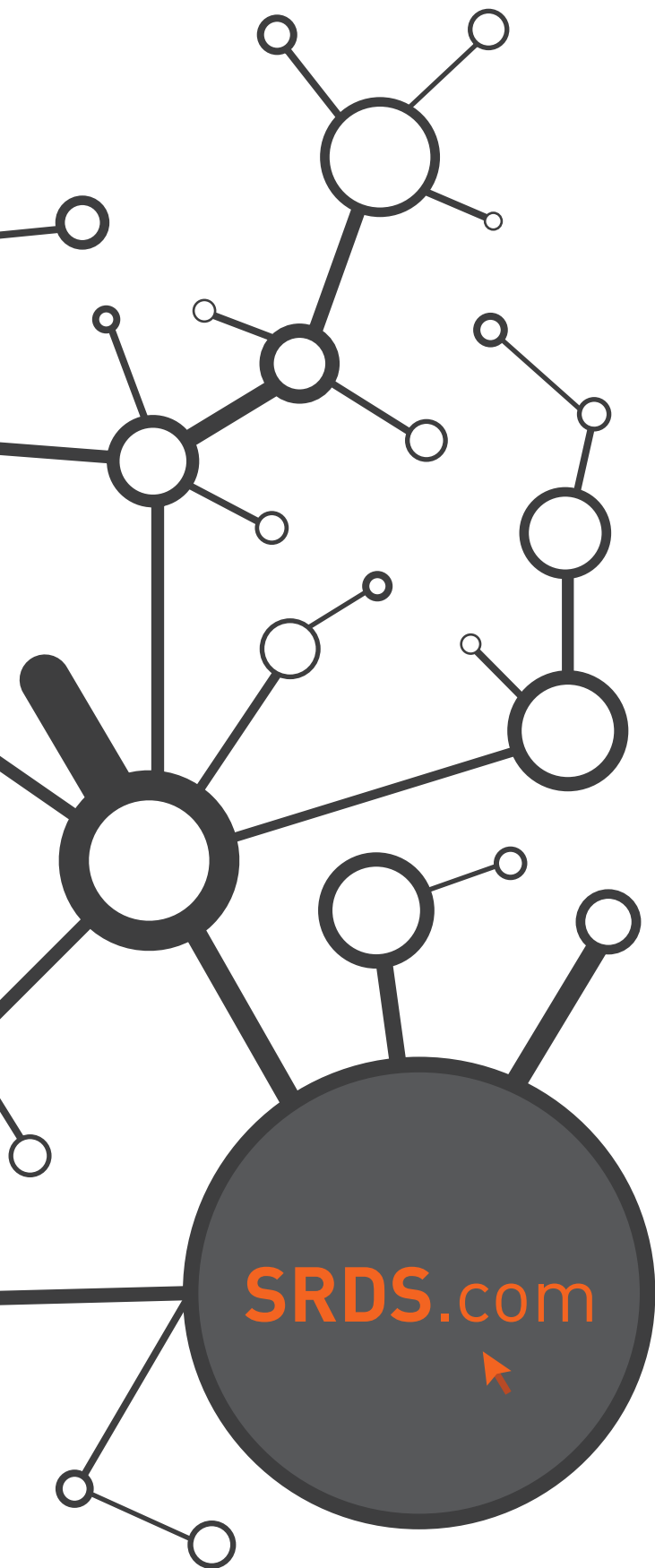
Guaranteed Direct

Guaranteed direct is another form of programmatic buying. It refers to **the automated direct**

sale of reserved ad inventory between a buyer and seller. Essentially, it's a more technological and streamlined version of the direct sales process. Buyers can purchase inventory that is "reserved" by a publisher within its ad server. **Through guaranteed direct, the publisher places and sets the price of its ad inventory on a platform where buyers go in and purchase it directly.** This means that the publisher sets aside specific inventory to sell via a third-party platform versus it being sold through networks or the direct sales team. Media buyers and sellers connect and transact in this manner via guaranteed direct platforms, such as Shiny Ads, BuySellAds, Adslot and iSocket.

Through these platforms, buyers can purchase inventory from several publishers, much more transparently. These direct ad buys don't involve an auction or bidding. Typically, a third-party guaranteed direct platform will integrate directly with the publisher's ad server so that the publisher can secure impressions and maintain control over pricing. It's important to note that there usually is a higher cost for guaranteed direct inventory compared to inventory purchased via a network or open exchange.

There are obvious benefits to this form of programmatic buying, the first being **transparency**. Unlike ad exchanges and networks that are blind, **buyers have much more control.** They can select what inventory to purchase from which publisher, the ad position, the campaign dates and any targeting options offered by the publisher. Of course, the publisher must still decide whether to approve or reject the proposal, but the buyer has more options than in a blind exchange. Buyers can often go through the guaranteed direct platform for reports and

then optimize as needed. Guaranteed direct platforms provide more automation, especially by digitizing the manual processes around IOs, saving the buyer time. Buying inventory on a guaranteed direct platform is also an equalizer. **Many of these platforms permit all buyers access to their systems as long as the buyer signs up for an account.**

For example, let's say your client is a bridal supplier looking for high-quality inventory on The Knot. You don't have a relationship with this publisher and would prefer to buy inventory quickly. You sign into your guaranteed direct platform of choice, let's say iSocket. Then you could type in your search term or browse publishers. The Knot is one of the publishers that come up and you can click to add that inventory to your cart. Or, you can even negotiate rates with the publisher through the guaranteed direct platform. You then set specific parameters, including the number of impressions and campaign dates, and then add targeting if the publisher has enabled it. Then upload your client's creative and send the digital IO to the publisher. They respond and approve it, and then you can check out and pay. When the campaign runs, you can also manage and optimize it from iSocket.

Bringing It All Together in SRDS.com

Buyers are at the center of this tangled network of digital advertising options. **The opportunities are proliferating because many ad tech companies are also adding new capabilities and blending into each other's spaces**. A January 2014 survey from Digiday and The Trade Desk showed that almost half of U.S. digital media and marketing professionals planned to invest

21-50% of their premium display ad dollars programmatically in 2014. That's up from 31% of respondents in 2013.

Publishers are also getting on board with programmatic. Companies like AOL, NBC and The New York Times have all made headlines for their interest or commitment to guaranteed direct selling. In a 2013 survey from Digiday and OpenX, 68% of publishers in North America responded that programmatic has the ability to improve on the cumbersome, drawn-out IO process.

There are several new ways for buyers to access publisher inventory as well as impressions for specific audiences. **SRDS.com is one of them.**

Programmatic Inventory in SRDS

Buyers with access to SRDS.com can find, consider and understand digital media and the various options to access and purchase inventory. From **direct-to-publisher to third-party ad tech companies to these new opportunities in programmatic**,it's all in SRDS.com sign in to explore **over 20,000 websites that accept advertising**, especially in those niche markets. Discover and differentiate **more than 150 ad tech companies**, including networks, exchanges, DSPs and SSPs. Using SRDS.com, it's easy to determine the services these third parties offer, and the database is continuously updated as these companies add capabilities.

SRDS.com users also have the ability to **research and click to purchase available programmatic inventory through a variety of third-party buy-channels** from within the platform. **Website profiles include infor-**
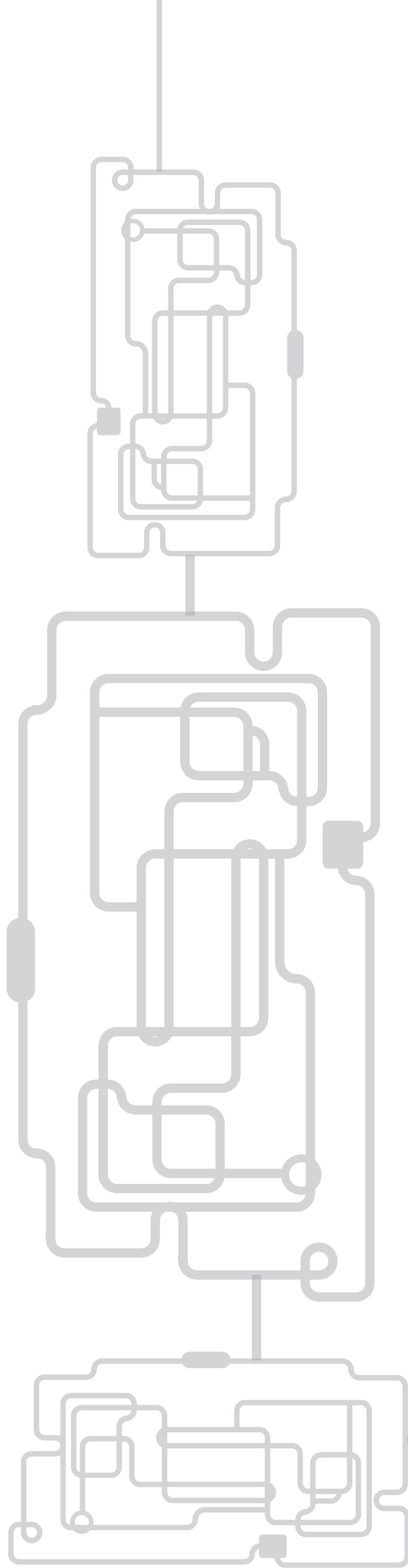
mation on available inventory and pricing, enhancing the ease and transparency of your programmatic buying. A number of leading programmatic companies, including Rubicon Project, PubMatic, OpenX, iSocket, Adslot, BuySellAds and Shiny Ads, will display their publishers' inventory in SRDS.com and users can browse the inventory, compare pricing information and click to transact. **Buyers with an agency trading desk can even export a report of selected inventory so the trading desk can execute the buy.**

This new functionality enables buyers to use SRDS.com as the single interface to determine the programmatic inventory a publisher has available, pricing information and more. It's all in one place. For example, let's say a buyer is signed into SRDS.com and wants to display its client's inventory on bridal sites. The user would select the bridal category and then view all of the bridal publishers that offer programmatic inventory from SRDS.com partners. **The discovery of available programmatic inventory as well as the ability to transact is a major time-saver.** The buyer may decide he or she would like to advertise on the The Knot. Listed in SRDS.com could be a 300x600 homepage unit, with geo-targeting available, at a $28 CPM. From there, the user clicks over to initiate a programmatic buy of this inventory via the programmatic platform. **Buying programmatically can be as easy as that.**

Final Thoughts

It's a busy time in digital advertising, but exciting. Though you may not be active in programmatic buying yet, it's critical to have an understanding of this space. Sooner or later, someone will ask, "Should we be doing programmatic buying?" and you'll need to make your recommendation.

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 visit www.srds.com, call **847.375.5000** or email **next@srds.com**.

For more digital media planning and advertising tips and best practices, visit **blog.srds.com**.

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

About Us

About Kantar Media SRDS

Kantar Media SRDS is obsessed with media, data and the community of planners, buyers, publishers and marketers we serve. The SRDS.com databases give you access to everything you need to know to evaluate media brands and connect with the people behind them. SRDS.com is the best place to quickly find, consider and understand media brands and advertising opportunities.

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.

Our multimedia planning platform puts essential planning data on more than 125,000 media properties at your fingertips, with one integrated online search, and includes over 23,000 advertising-driven websites neatly organized into consumer, B2B and local markets. Access inventory and avails from more than 700 digital publishers and click to purchase that inventory from our programmatic partners.

About Kantar Media

Kantar Media helps clients all around the world master the momentum of media. Kantar Media connects millions of traditional, digital and social data points, and reveals the big picture so clients can find insights to drive their decisions. Other Kantar Media services offer insights that help clients throughout the marketing cycle, including: advertising expenditure data, audience research for all types of media, competitive intelligence and consumer behavior.

For more information, please visit **www.srds.com**, call 847.375.5000 or email next@srds.com.