

# PROGRAMMATIC ADVERTISING: SEPARATING THE FACTS AND FICTION

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# The Basics

The 3 questions every online publisher must ask:

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## What are we going to sell?

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Examples:

- standard display
- custom/high impact display
- native
- text ads
- list rental
- search, etc...

The 3 questions every online publisher must ask:

2

## How are we going to price it?

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Examples:

- flat rate
- CPM
- CPC
- CPA (affiliate)

The 3 questions every online publisher must ask:

**3**

**What is the means of selling?**

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Examples:

- direct sales force
- ad networks
- PROGRAMMATIC

# What is programmatic?

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Programmatic buying encompasses real-time bidding (RTB), which is where ad inventory is bid on and sold in a real-time auction.

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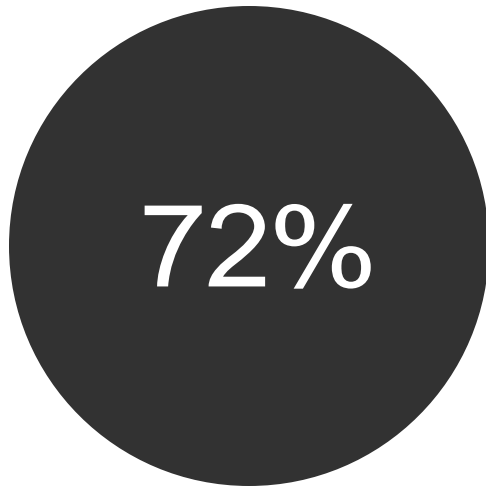


58%

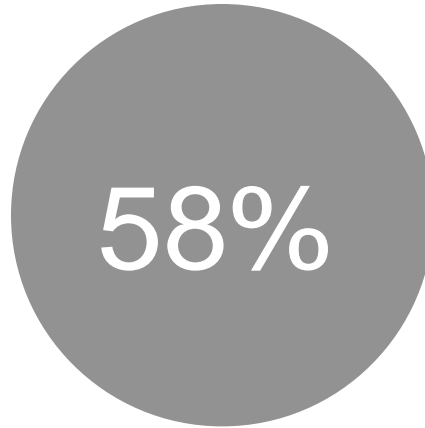


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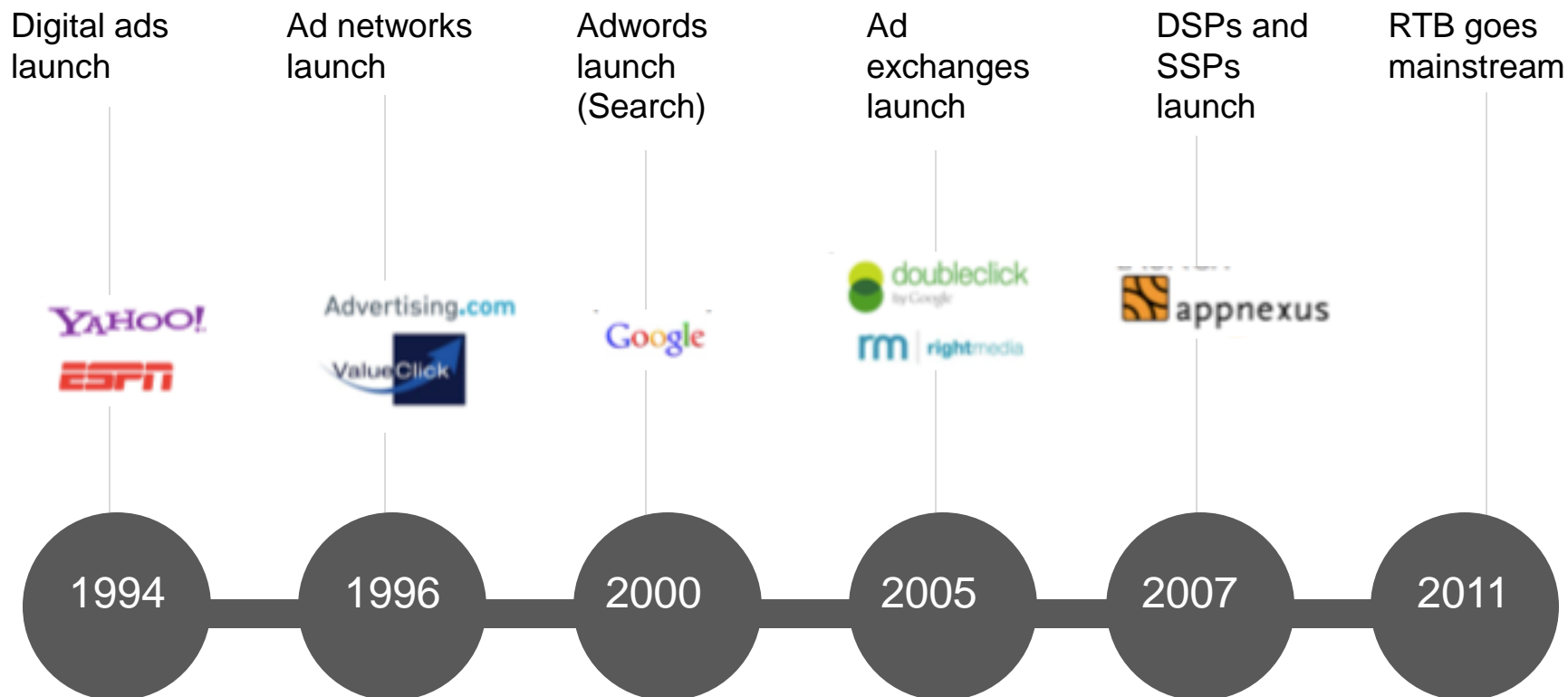


85% of online advertisers are now buying ads programmatically

# A Brief History of Programmatic

(as first presented by Media Kitchen)

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In the beginning...  
Digital ad buying was relatively simple



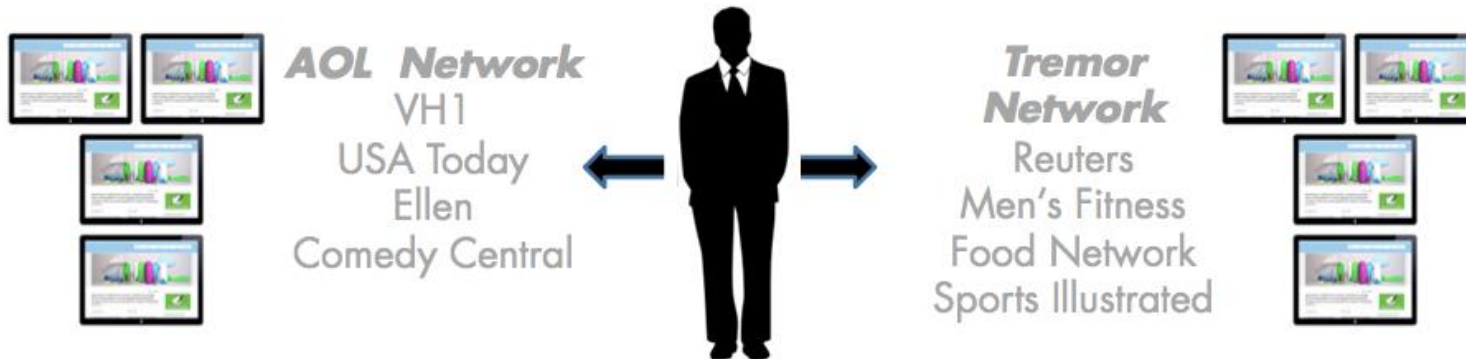
Advertiser and Publisher negotiate CPM and budget to show an ad for a given period of time

But it became exponentially complex



More parties to deal with/  
Higher cost to attain reach/  
Higher overhead

## Networks simplified the process



### **Pros:**

*Advertisers:* Centralized buy; lower cost

*Publishers:* Helped sell inventory at scale

### **Cons:**

*Advertisers:* less transparency and precision with pubs and audience

*Publishers:* Still a large amount of unsold inventory

Networks  
aggregate site  
inventory into  
single package

## Exchanges added scale



### Pros:

*Advertiser:* Greater site flexibility and lower costs

*Publisher:* Sell larger amounts of ad space

### Cons:







*Advertiser:* Need technology to manage multiple exchanges and hit audience







*Publisher:* Difficult to maximize profitability

A marketplace to make real-time bids for ad inventory (like search)

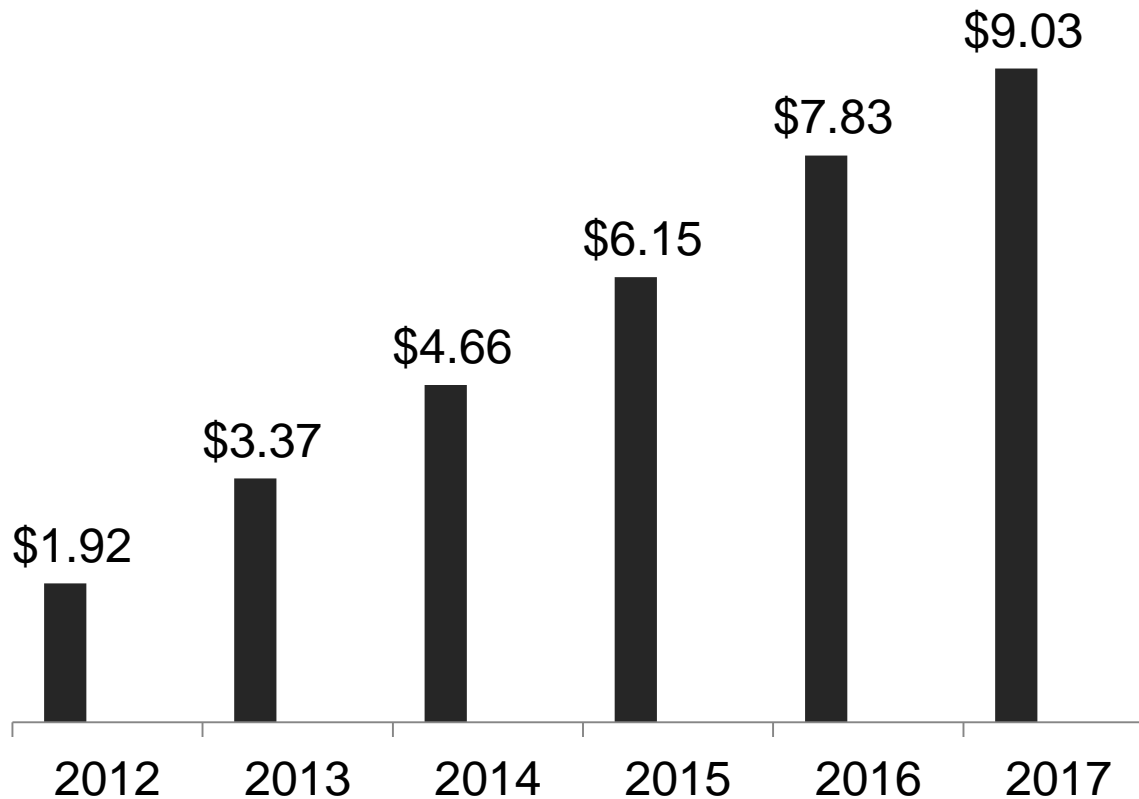
# Types of Programmatic Advertising

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	<b>RTB</b> (Open Auction) (Public Auction)	<b>Private Exchange</b> (Invite-Only Auction)	<b>Programmatic Guaranteed</b> (Premium, Direct)
<b>Definition</b> (IAB)	Selling ads through second-price real-time auctions	An auction restricted to select buyers/advertisers	Resembles traditional direct sales just with automation of RFP, IO and trafficking
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US Real-Time Bidding (RTB) Digital Display Ad  
Spending in Billions, 2012-2017





# Building a Programmatic Sales Capability

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## Stage 1 Capabilities

- Programmatic ops or business development person rather than sales focused
- Internal focus to build a programmatic offering
- Revenue/bonus target-based rather than compensated explicitly on sales

### Stage 1 Operations Focused

- Build internal ops capability to offer programmatic sales

## Stage 2 Capabilities

- Start to build programmatic sales capability; often 1-2 separate programmatic sellers
- More external sales-facing but mainly reactive
- Set up compensation structure to limit channel conflict – most publishers create some degree of double compensation – ensuring both programmatic seller and account executive are appropriately incentivized
- Start to set internal budgets/goals for programmatic sales often at aggregate level rather than by account



### Stage 2 Developing Internal Sales Capabilities

- Start to build programmatic sales capability & comp structure

### Stage 1 Operations Focused

- Build internal ops capability to offer programmatic sales

## Stage 3 Capabilities

- Programmatic team works as internal resource for multiple sales teams generating leads
- Programmatic sellers may handle specific accounts but also help close deals for others sellers
- Compensation structure may evolve to more accurately reflect involvement of different teams in a sale

### Stage 3 Internal Consultants for Programmatic

- Programmatic team becomes hub for all programmatic sales with multiple sales teams generating leads

### Stage 2 Developing Internal Sales Capabilities

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# Three Publisher Snapshots

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Source: "[How Tribune Publishing is evolving its programmatic approach](#)",  
Digiday.com, September 29, 2014

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**Started programmatically selling in 2008** by partnering with the Rubicon Project to sell inventory through open exchanges

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Launched **private auctions** in 2012

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Moved programmatic to **report into the evp of advertising**, rather than ad ops

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**Training the sales team** to sell programmatically and they're hiring a programmatic expert to join sales calls and close the programmatic sale

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Finding that programmatic has **greatly increased the number of non-traditional advertisers** they're getting buys from.

## CONDÉ NAST

Source: "[How Conde Nast retooled for programmatic](#)", Digiday.com, September 4, 2014

Launched a **private exchange** in 2011

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**Inventory is not available on open exchanges** thus Condé controls which advertisers have access to its inventory programmatically and has more control over pricing.

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Condé does a lot of **1st party data** layering on these programmatic ad buys

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The direct sales and programmatic teams are **merged**

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**Launched** our programmatic capabilities in January 2014

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Inventory is available on multiple public exchanges and through private auctions. Minimal advertiser blocklists. Minimal price floors. We want to **maximize competition** for our inventory in the exchanges

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Aiming to have all programmatic deals compete in our ad server with our direct sold deals by end of this year. Effectively, this means our **programmatically-sold inventory is no longer remnant inventory.**

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We are **training our salespeople to sell programmatically.** I participate in all programmatic discussions with clients and have a programmatic revenue goal to reach.



# Common Questions

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Should we compensate our salespeople for programmatic buys?

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YES

Misaligned sales compensation and incentive structures may result in programmatic efforts being misconstrued as a threat to direct sales inventory availability and revenue opportunities.

So restructure comp and incentive programs to align with programmatic objectives.

Does programmatic erode CPMs?

## Does programmatic erode CPMs?

A lot of people say **YES**, but I think it's **NO**

Many people suggest programmatic selling is a “race to the bottom” for the sell side. Yes, CPMs are declining industry-wide. But this is not *\*because\** of programmatic.

It's Econ101.

Prices are declining because there's a virtually infinite inventory of ad space. All this easily-created supply drives prices down.

Does programmatic cannibalize our direct selling?

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NO

At no time in 2014 can The Atlantic point to a single instance where we lost a dollar in a direct sale because that advertiser was able to buy our inventory programmatically. The truth is advertiser budgets are bifurcated; there's an allotment for buying direct and there's an allotment for buying programmatically.

Will programmatic technology replace people?



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**PROBABLY**

But it won't be salespeople who are replaced. Salespeople will be as valuable as ever to sell creative, big-ticket custom programs. Programmatic may ultimately displace some planners and traffickers, but we're years away from this happening.

When will CPMs stop declining?

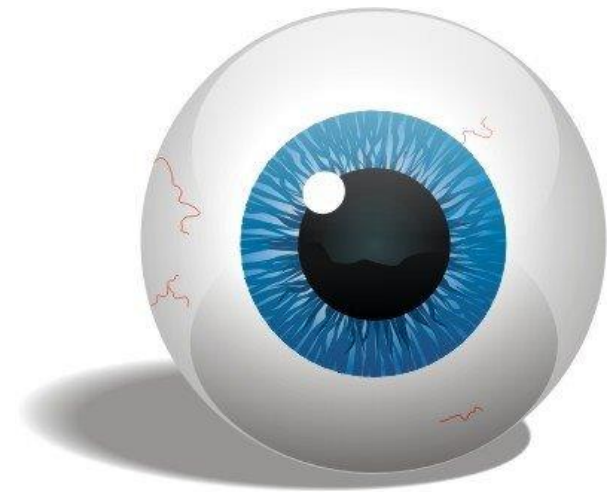


# Viewability

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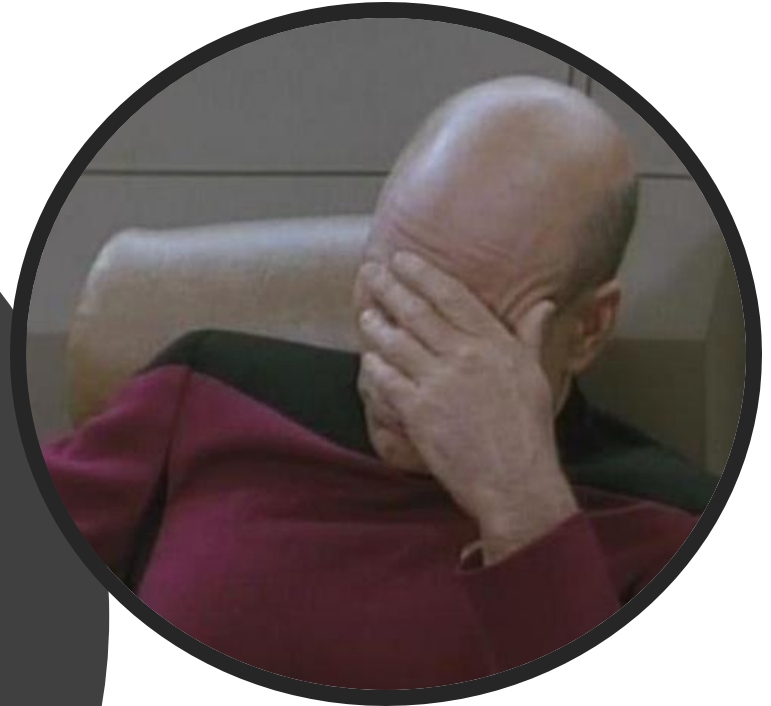
## What is *viewability*?

- **Viewability is a metric aimed to track only impressions that have actually been seen by users.**
- For example, if an ad loads on the bottom of a page but you never scroll down to the bottom, then that ad was not “in view”
- Advertisers are starting to want to only pay for ads that are in view.
- Supposedly, up to 54% of ads online are never in view.
- To be “in view” the IAB says 50% of the ad must be seen for at least 1 second.



## This could be bad...

- **As advertisers start transacting on viewability a lot of ad inventory may simply become worthless.**
- With less impressions to sell we'd need to charge higher CPMs if we hoped to maintain our revenues.
- Given the CPM pressures publishers already face in the marketplace this could be a tough sell.
- And from a design perspective, viewability means we may want to move more units higher up on the page, which could hurt the user experience.



## But if we can weather the storm....

- Publishers and agencies will begin to favor scarcity.
- Look at the finite universe of TV advertising which allows it to command enormous CPMs
- As marketers begin to press for a higher level of confirmed viewable ad impressions, we will ultimately de-emphasize waste and re-prioritize only the most valuable inventory.
- **CPMs should go up!**



# 3 Final Points

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**Get up to  
speed.**

**Train your team.**

Get Sales comfortable speaking about programmatic and get Planners/Marketing skilled in knowing when and how to incorporate programmatic into proposals.



2

**Make it  
work for  
you.**

Programmatic is not just remnant impressions with low CPMs.

If you wield programmatic intelligently you'll create value and new opportunities for your clients.

3

**Be the  
teacher.**

The buyside is feeling its way through the new world of programmatic just like publishers.

Become their trusted guide and reap the financial rewards!



THANK YOU

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