Programmatic advertising: the 15-second download

As publishers migrate their content and advertising online, many are wary of using programmatic ad trading, as they fear it could devalue their overall ad offering and drive rates and margins downwards.

However, programmatic ad trading is here to stay, and has a place as part of a suite of publishers’ ad offerings—while also offering opportunities for greater efficiency within publishers’ ad sales operations.

To make the most effective use of programmatic ad trading, publishers need to apply their core skills in sales and segmentation to clarify the relative value of the various components of their inventory, while driving audience engagement through compelling online content experiences.

As incumbent magazine and newspaper publishers migrate their content and advertising from print to online, many are holding back from programmatic trading of advertising for fear it will drive rates and margins downwards. At the same time, Internet companies are moving to increase their share of advertising budgets by investing in systems to trade ads automatically based on information on website visitors.

As these trends play out, online publishers have seen a rise in their digital ad revenues, whereas traditional publishers are struggling to grow theirs. This divergence is being attributed—at least in part—to the rise of programmatic ad trading. But for traditional publishers, ignoring the problem won’t make it go away: whatever approach they decide to take to programmatic ad trading, the fact is that it’s here to stay as part of the marketing mix.

In our view, publishers should actively embrace programmatic trading as one element of a suite of advertising options. And they should do so while applying their traditional skills in sales, segmenting and content to sustain and demonstrate the value of their online audience.

Programmatic trading is not real-time bidding …

One reason why some publishers are concerned about the impacts of programmatic ad trading is that they confuse it with real-time bidding (RTB). In fact, RTB is just one specific part of the programmatic ad trading suite.

In general, programmatic ad trading is the process of booking advertising using software algorithms. While it’s automated, it’s not necessarily real-time—the trade can happen days or even weeks before the ad actually runs, unlike with RTB.

While the timing of the purchase is one factor that distinguishes RTB from most programmatic ad trading, the big difference lies in how the pricing is determined. RTB involves buying and selling ad inventory via an instantaneous auction on a per-impression basis, similar to the way shares are traded on the financial markets. The winning bidder’s ad is displayed instantly on the publisher’s site.

Because RTB tends to treat all inventory as the same, it can be negative for margins. While it was originally used primarily for unsold remnant inventory, demand from advertisers is now seeing its usage extend increasingly to the premium end.

… and can bring some benefits if used properly

There are clear reasons for the growth in programmatic ad trading. On the advertiser side, it allows brands to scale more quickly and target ads more precisely. And its heavy usage by online-only publishers is one reason why marketers are shifting some of their budget away from traditional publishers. However, programmatic ad trading can also bring benefits for print publishers looking to grow their online presence.

For example, because it can remove the need for to-and-fro phone calls
and other inefficient processes traditionally involved in the ad sales process, a programmatic approach can actually reduce costs and boost margins for the publisher. Some vendors of programmatic advertising solutions claim they can enable a transformation that will allow ad sales operations to run with around a third less headcount.

As they weigh up such opportunities, content owners must acknowledge that the onus remains on them to build relationships with programmatic ad trading desks. To win better rates, they also need to divide their inventory between ads that will go to an ‘open’ exchange, where inventory may be anonymous, creating a risk of inappropriate ads appearing next to your content; and those going to a ‘private’ exchange, where inventory is likely to be more transparent and can be segmented to realise higher value. Alongside the private and open auction options, ads can also be sold on a fixed-price basis with delivery either guaranteed or non-guaranteed—again with implications for rates.

**Devising the right strategy for programmatic ad trading**

Given all these options, publishers need to think carefully about how they can develop a strong programmatic ad trading business, and where that will fit in with their overall sales strategy. In developing the right approach, it’s vital to be aware that despite being automated, it still requires sales skills and management. And when incorporating it as one of a suite of marketing products, publishers must be sure to demonstrate the relative value of different parts of their inventory, whether traditional banner ads, ‘native’ advertising, or other options.

The most important point is to ensure the inventory doesn’t end up categorised as a low value ‘remnants’ bid. This means going back to traditional core publishing skills around sales and segmentation to demonstrate the value of the audience and—where possible—the strength of the audience’s engagement with the content.

Here the debate over putting content behind a pay-wall may arise. While an audience that pays for content access will generally be smaller, it will probably by its nature be more engaged with the content. But even free content may gain value both for consumers and advertisers by being associated with a long-standing, trusted brand from the print world as it moves online.

**Striking the right balance**

For publishers looking to venture into programmatic ad trading, the key is to strike the right balance between the various components of their suite of offerings to advertisers. If they get this right, then their fears that programmatic trading will come to dominate their ad revenues will prove unfounded.

A useful analogy from the investment markets is the launch of low-cost, automated index-tracker funds across the world. While these play a role in investors’ portfolios, there are still plenty of actively managed funds for them to buy into in search of higher returns. The same principle applies in online advertising.

What also applies is publishers’ long-standing core capability in developing and delivering compelling content experiences that build engagement among the target audience. That skill will remain the bedrock of advertising revenues—whatever happens with programmatic ad trading.

**Ten questions to ask:**

1. As a publisher with an expanding online presence, how satisfied are you with the rate of growth in your online ad revenues?
2. Have you used programmatic ad trading to date?
3. Did you use open or private exchanges, or mechanisms such as fixed-price?
4. If you have used programmatic ad trading, what results have you achieved through it?
5. If you haven’t used programmatic ad trading, have you considered it? What factors have held you back from taking the plunge?
6. Have you investigated the efficiency benefits that programmatic ad trading can bring within your ad sales operations?
7. In what ways do you segment the value of your advertising inventory?
8. How do you measure your consumers’ engagement?
9. In what ways do you apply your measures of engagement to sustain the value of your inventory?
10. How do you see programmatic ad trading fitting into your suite of ad options in the future?