



The emerging opportunity explained

Nothing is making a greater impact on the way media is bought and sold today than programmatic.

Programmatic on the rise

In fact, US display ad spending via programmatic channels will rise steeply from 53% in 2013 to 83% in 2017, according to eMarketer, with more than half of that spending through RTB channels. That amounts to \$9 billion in real-time bidding programmatic spending by 2017. The momentum is already building, with leading advertisers now focusing more and more on programmatic. Proctor & Gamble forecasts that 70% of its U.S. digital media will be purchased programmatically by the close of 2014.

Buying and selling simplified

The numbers tell a story of tremendous growth, and beyond all the hype surrounding programmatic, its advantages are truly game changers. To fully understand the difference that programmatic is making, consider the way media is bought and sold. The typical digital RFP process has 40 steps, according to iSocket, a leading player in the programmatic direct space. That process involves the client, agency, sales teams, internal inventory,

and contracting, execution and reporting. Taking that process as a starting point, the benefits of programmatic can best be explained with one word: automation. Simply put, programmatic makes it easier to buy and sell digital media by automating as much of that elaborate process as possible

Types of programmatic

Recognizing the appeal of programmatic is just the first step in understanding what programmatic is. The most common notion of programmatic is actually the most sophisticated form of programmatic—real-time bidding (RTB) on the open exchange. While RTB does in fact represent the largest part of programmatic, it's not the only type of programmatic. One of the simplest ways to understand the different kinds of programmatic is to think of how impressions are prioritized in the ad server. A publisher wants to serve the impressions that likely have the highest yield first. That puts publisher direct-sold media and programming guaranteed at the highest priority. RTB on the Open Exchange provides the last level of monetizing impressions.



The following three questions demonstrate how to differentiate between common forms of programmatic buying and selling: RTB vs. Fixed price, open exchange vs. private marketplace, and programmatic guaranteed vs. preferred deal

Is the
inventory
being auctioned?



Fixed price

Fixed price inventory is purchased at a set price, possibly with negotiation. Fixed price, or non-auction inventory, can be further classified as one of two forms: programmatic guaranteed and preferred deal, depending on whether or not inventory is guaranteed.

No

Preferred deal

Preferred deal utilizes a demand-side-platform (DSP) to allow an advertiser and publisher to agree on a set price for inventory. Preferred deal provides a publisher's impressions at a higher priority in the ad server than those on the secondary market or those being auctioned. Preferred deal allows buyers to select inventory specified by a publisher for higher-priority sale, and a Deal ID facilitates the process further by providing the technology for exchanges to know which inventory to prioritize for that buyer.



Real-time bidding (RTB)

RTB allows bidding by a variety of sources on each individual impression at the precise time of serving. When the highest bid wins, the ad is served—within 200 milliseconds, a publisher loads a page and fills an ad either from direct sales or programmatically. RTB can be further classified as private marketplace or open exchange, depending on whether the auction is public.



Is the
auction
public?



Open exchange

An open exchange is a public auction allowing any buyer to bid on impressions. Significant portions of impressions live on open exchanges, attracting many industry players. An AdExchanger survey revealed that 61% of programmatic budgets are spent on open exchanges utilizing RTB.

The open exchange brings together buyers/advertisers who are looking for ad space to display their message, and publishers/websites who have ad inventory to monetize. Supply-side platforms (SSPs) allow websites to provide exchanges with inventory that has not been sold directly to advertisers, and buyers bid on that aggregated inventory on the exchange through demand-side platforms (DSPs). The highest bid wins the auction, and the winning bidder's ad creative is served in that impression. With exchanges aggregating millions of impressions a minute, advertisers utilize data management platforms (DMPs) to process audience-targeting data and instruct DSPs to bid on specific impressions.



Private marketplace

A private marketplace enables publishers to allow only buyers with permission to bid on impressions. Inventory is available only to select buyers and not open to bidders through DSPs or ad networks. Private marketplaces can utilize Deal IDs to prioritize inventory for a buyer.



Is the
inventory
guaranteed?



Programmatic guaranteed

Programmatic guaranteed typically bypasses programmatic vendors, with publishers providing a platform for buyers to log in and purchase their inventory directly, often with a set rate card. This simplest form of programmatic automates the purchase process to eliminate negotiation of the media placements, pricing and contracting/invoicing. Programmatic guaranteed provides impressions at the highest ad-server priority, delivering directly sold inventory through an automated platform.



Simply put,
programmatic
makes it easier
to buy and sell
digital media.

Buyer benefits

Buying programmatically gives advertisers an edge in many ways. DSPs or trading desks consolidate an advertiser's buying power into one platform and make campaign analysis and optimization significantly easier. RTB through an open exchange allows algorithmic optimization to improve performance in a completely turnkey way, without the stress of editing media plans and reissuing insertion orders. Most of all, programmatic allows optimized buying across a variety of sites vs. buying each site individually.

Seller benefits

Programmatic provides two major advantages to sellers: automation and yield. Responding to individual RFPs and executing and delivering campaigns requires significant internal resources, but an SSP or exchange allows publishers to sell inventory through a streamlined automated process. The more common benefit of programmatic to publishers is yield optimization, providing publishers with the chance to provide unsold inventory to an SSP or exchange. Data management platforms improve the process further by enabling publishers to sell advertisers unsold inventory as targeted impressions.

What does the future hold?

While programmatic buying began with only display banners, today many DSPs, exchanges and SSPs support the programmatic buying/selling of video, social and native ads. As those types of ads make their way to mobile, mobile-specific DSPs are popping up and many of programmatic's big players already incorporate mobile inventory in their platform. Programmatic is also growing beyond the digital world, as advertisers are beginning to buy TV and print through programmatic direct channels.

Find out how Gamut's Programmatic+ can help your business



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