

Real Time Bidding is how it started - Programmatic buying how it will continue?

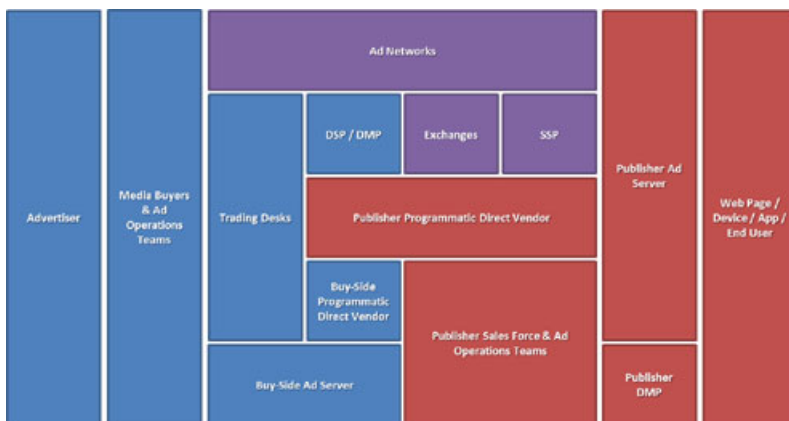
By [Jaco Lintvelt](#), issued by [Incubeta](#)

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Media buying is changing. We have all heard about how Real Time Bidding is [growing](#) in all developed digital markets and how it has caused a great deal of [disruption](#) and forced new structures in the [digital ad](#) ecosystem. RTB is however only a subset of the broader picture, Programmatic media buying and selling, and that is where the future growth lies.

The way digital inventory is purchased and the technology supporting it is in different stages of maturity around the world. It's crucial that everybody (publishers, advertisers, agencies and all vendors) in the ad ecosystem (see picture below) all speak the same language and have the same understanding of concepts for growth to continue. The IAB recently released an online report that addresses this issue in the industry and the report simplifies all the programmatic terms. A major challenge has been keeping up with the growth and fragmentation that has happened and the diagram below illustrates the major digital ad tech players:

The new digital ad ecosystem:



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Picture : [AdExchanger.com](#)

IAB : Clearing up programmatic terminology:

	Type of Inventory (Reserved, Unreserved)	Pricing (Fixed, Auction)	Participation (One Seller-One Buyer, One Seller-Few Buyers, One Seller-All Buyers)	Other Terms Used in Market	Other Considerations
Automated Guaranteed	Reserved	Fixed	One-One	Programmatic guaranteed Programmatic premium Programmatic direct Programmatic reserved	<ul style="list-style-type: none"> Prioritization in the ad server Deal ID Data usage Transparency to buyer Price floors
Unreserved Fixed Rate	Unreserved	Fixed	One-One	Preferred deals Private access First right of refusal	
Invitation-Only Auction	Unreserved	Auction	One-Few	Private marketplace Private auction Closed auction Private access	
Open Auction	Unreserved	Auction	One-All	Real-time bidding (RTB) Open exchange Open marketplace	

Source: Interactive Advertising Bureau 2013

1. Reserved inventory is advertising space on a publisher's site that is put aside for a specific advertiser for an agreed price

2. Fixed Price is any arrangement where the buyer & seller agree on a flat price that the buyer pays rather than the highest bidder in an auction environment

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Programmatic offers a wider selection of buying options:

[Programmatic media buying](#) includes much more options than RTB itself. Agencies and publishers have the option to interact with each other on pre negotiated terms that can include reserved or unreserved pools of inventory. As can be seen in the table below, trading in real time has really evolved from focusing on open exchange at the bottom of the table to a level where automated guaranteed traded make up a high %. Programmatic media buying specifically refers to buyers transacting with publishers inventory via private exchanges (Invite only auctions), preferred deals, deal- ids and that is where we have seen a major uptake during the past six months.

Programmatic premium and programmatic upfronts (something [AOL](#) announced with mixed reviews) caters well for specific premium publishers and advertisers looking for brand building as some of the processes are automated and programmatic, but sales teams still negotiate prices and nurture relationship with agencies.

[Ratko Vidakovic](#) explains in an article on Marketingland.com that if the industry moves to a model where publishers use fully programmatic solutions to sell the entire spectrum of their inventory, the "bidding" element of RTB may become too limiting. "We would need to redefine RTB from "real-time bidding" to "real-time buying."

Daniel Sheinberg, senior director of display marketplaces at Microsoft, confirms this in a recent interview on [AdExchanger.com](#): "In order to get any traction for the idea that programmatic isn't just about remnant or real-time bidding in the marketplace, it's going to have to be an adjustment by the ecosystem and that's where we're all in agreement."

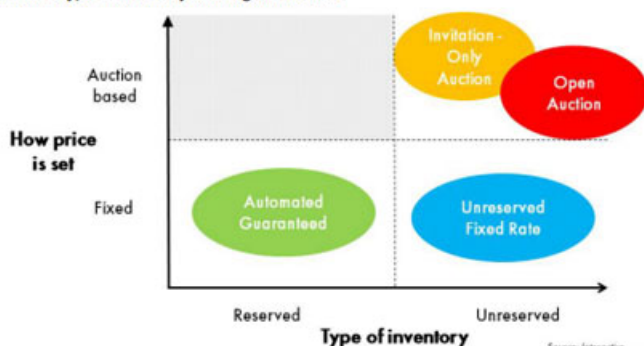
Key elements required for continued growth:

Overall programmatic growth in individual countries will be dependant on advertisers that demand specific performance metrics from their agencies and expect higher ROI. On the other side of the business - there will be a great need for [publishers](#) to start placing quality inventory into (private) exchange environments and seeing value in [selling programmatically](#), something that also requires a very good strategy around data management. Pam Haron president of the [Online Publishing Association](#) said in an [interview with Adexchanger](#): "As the technology is still new, the publishers are doing a lot of testing and adjusting as they learn what is working and [what is] not for their individual business."

The role of Demand Side Platforms:

Advertisers and agencies need to make more informed decisions when it comes to targeting online consumers. The availability of useful data has changed the online advertising world. That is why more [complexed buying systems](#) like a DSP platforms that can take multiple variables into consideration within milliseconds and make a well informed bidding decision can come into play. Some [innovative publishers](#) are using this opportunity to [monetise](#) display inventory very effectively using their own advanced technology platforms. They are carefully balancing direct sales without cannibalising important direct relationships and making sure they are showing ads to their audiences which advertisers need to reach. (E.g Balancing high Impact and revenue Homepage Takeovers/ [Wallpapers](#) /Sponsorships) vs their [Sell Side Platform](#) which traditionally focus more on banner ads monetisation).

These four types of transactions can be visually mapped based on two key criteria - how the price is set and what type of inventory is being transacted.



[click to enlarge](#)

Advanced targeting strategies available!

Programmatic allows for much more than just the efficient trading of banner ads, it includes advanced strategies that can give banner advertising the much needed edge it requires. Incorporating effective [retargeting](#) into campaigns and cleverly using all the consumer data that publishers and advertisers (First and third party) have available and just executing the actual buy with technology is guaranteed to increase results. It also offer publishers and advertisers/agencies the chance to have a direct conversations around how each party can help the other to achieve campaign goals for advertisers and monetisation goals for publishers based on actual user browsing data that they have and acting on that. Programmatic trading also makes [dynamic creative retargeting](#) possible which is used very effectively by companies trying to aggressively push product online and many E-commerce retailers is doing this with great success.

The main drivers behind continued growth will be:

1. The fact that more and more popular publishers are making their (sought after) inventory available to partners for programmatic deals.
2. There is a key focus on increasing transparency in the market for all parties and programmatic allows for detailed reporting by site, impressions, clicks, post view conversions, bid price, technology partner agency.
3. Cookie targeting or perhaps Add's in the future ("First party cookie is the tastiest") can be used in conjunction with specific site targeting as well as contextual (targeting and many more) elements for the same campaigns.
4. There is low risk for agencies and advertisers to test it out as there is no minimum budgets (vendor specific) and agreements can be based on performance metrics while campaign can be seamlessly executed across mobile, video, web, social ([Facebook Exchange](#) and perhaps "[Twitter Exchange](#)" (soon) and tablets from one platform.
5. Scaling across multiple publishers and inventory sellers becomes much more manageable and takes out much of the manual processes (Think 15 - 50 different insertion orders). The same applies to publishers that have to make sure they keep control over inventory and juggle multiple demand sources . It's crucial that publishers are monetising all their inventory effectively - with a unified solution this becomes more manageable.

Programmatic is also going hand in hand with the rapid online video growth and great way for advertisers to reach their audience with visual messages and publishers to monetise their video content.

As with many channels currently growing rapidly in the digital landscape, it will be interesting to follow how programmatic buying and selling evolve further and validates it's unique place in the industry.

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