

WHITE PAPER

Programmatic Media Buying 101

Leveraging the Latest Ad Technology to Transform
Your Marketing Efforts



Strength in Numbers

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What's in a Word: What Programmatic Is and Isn't

Can you accurately define programmatic media buying off the top of your head? If you can, you're in the minority of marketers.

In July 2015, more than half of marketers surveyed by the Boston Consulting Group said their understanding of programmatic was very poor, poor or average.¹ While marketers are increasing their adoption of programmatic technology—eMarketer predicts that 83 percent of all display advertising will be purchased programmatically by 2017—understanding of exactly what it is and how it works remains unclear.²

LET'S CLEAN UP SOME OF THE MISCONCEPTIONS ABOUT PROGRAMMATIC:

- Programmatic buying means that you use an integrated technology platform to execute a media buy.
- Programmatic is being used by more and more marketers to bring efficiency and efficacy to advertising and unearth and utilize the best data for targeting efforts.
- Programmatic doesn't mean RTB or automation—but it does encompass both. You certainly use RTB protocol to employ media buying within programmatic technology, and programmatic does allow you to automate certain functions of technology-based media buying.
- Programmatic isn't a strategy, but it can be used as the key part of an effective digital advertising plan. For instance, programmatic can be used for audience targeting and segmentation and the execution of premium ad buys.

THE THREE CLASSES OF MEDIA

Within technology-based ad buying, there are three classes of media. Programmatic can be employed for all three.

1) Guaranteed (or direct buys):

This type of media buying happens directly and in a guaranteed way. You will pay a certain price for the number of impressions on select/predetermined publisher pages.

2) Private marketplaces (or private exchanges):

Here, you are bidding on impressions above a certain amount to be part of the exchange, and you must work with brands that are credible and approved by the publisher. This method of media buying is important to both the demand and sell sides, as publishers get to control the pricing floor and marketers get access to better inventory.

3) Open exchange:

Open exchange actually embodies a range of different exchanges. There is typically no pricing.

To help illustrate further, recall the days when stocks were traded via phone and fax. Ad buying used to happen the same way. As you can imagine (or remember), this process was incredibly manual and time-consuming. Programmatic evolved as a way to make media buying more effective and efficient. Here's a brief look at how we got to where we are today with technology-based media buying.

- Ad networks emerged as a way to bring together like-minded, affinity-based sites in a network model. You no longer had to go to multiple, individual publishers; rather, you accessed a group of several publishers. With this model, advertisers could then reach more of the fragmented Internet audience through aggregated inventory.
- From there evolved ad exchanges, a concept pioneered by Right Media (now part of Yahoo!) that allows media buys to be executed in a technology-based way across an exchange on the buy or the sell side. Each impression is auctioned in real-time and sold to the highest bidder, removing complexity and consolidating efforts for both advertisers and publishers.
- RTB then unlocked the ability to buy inventory on a per-impression and per-user basis. This is the foundation of everything accomplished via programmatic technology. RTB provides efficiencies in both cost and targeting ability by enabling the purchase of display inventory by individual impression through a rapid bidding system that shows the right ad to the right customer at the right time for the right price.
- Demand-Side Platforms (DSPs) are the de facto way in which programmatic buying occurs. DSPs connect directly to inventory.
- Supply-Side Platforms (SSPs) work on behalf of the publisher trying to maximize the sale of their inventory. DSPs and SSPs are the ultimate connection to the buy side and the sell side.



Why Programmatic Isn't a "Set-It-And-Forget-It" Technology Tool

A poll taken during an October 2014 webinar on programmatic found that for those marketers who are using a technology-based approach for media buying, only 9 percent think they are using it well.² That's because programmatic isn't a "set-it-and-forget-it" technology. There are three key points to remember about programmatic media buying as you consider using it in your digital marketing strategy:

1. Programmatic is data-driven: Programmatic buying provides the ability to drive your marketing efforts with data. Using the right data on your current or prospective customers enables better audience targeting that can lead to higher rates of conversion.

2. Programmatic can enable real-time advertising: The ability to transact on an ad buy within milliseconds enables some real-time advertising to occur, increasing your chances of hitting the right customer at the right time with the right tactics.

3. Programmatic involves some degree of automation: You can automate some of the functions with the right technology and people in place, but you must continually test and optimize the campaigns to get optimal results.

It's in these three ways that programmatic marketing unlocks the ability to add personalization and performance at scale to your digital advertising strategy so you can reach consumers you know are interested in your products and services, and who are ready to make an imminent purchase.

THE FUTURE OF PROGRAMMATIC AD BUYING

Marketers have shown that while they may still harbor some confusion over the definition, they plan to use this type of programmatic media buying more in the future.³

\$37B

of global ad spend will go to programmatic by 2019

50%

of global programmatic dollars will be spent on mobile by 2019, compared to only 28% in 2015

55%

of total global programmatic dollars will be represented by video by 2019, up from 26% in 2015

How Programmatic Helps You Invest in a Digital-First Marketing Strategy

If you're a marketer who wants to invest in a digital-first way of advertising, adopting technology is imperative. The technology behind programmatic media buying will continue to evolve, and the ways in which you can employ it have become easier. As you can see from the figures in *The Future of Programmatic Ad Buying* sidebar, the programmatic adoption curve is happening—and there's no better time than now for your organization to jump in and use the technology.

As you consider your approach to programmatic media buying, keep in mind these four key areas that are crucial to informing your decision.

1. PEOPLE

When attendees of our recent webinar on programmatic were asked, "Do you feel you have the right internal resources to begin your journey with programmatic?" only 19 percent answered "Yes."² Programmatic raises questions internally across publishers, brands and agencies.

Think carefully about your external and internal resources. Be honest about your company DNA. Are you a DIY-type business with technical minds in-house that can fully execute programmatic buying, or are you willing to invest in developing that talent? Will you require an external partner to implement and manage programmatic for you?

2. DATA

As you delve into the world of programmatic media buying, take a broad view of the landscape we discussed in the *How Programmatic Has Evolved* section. You must also understand from whom you can source data, because as you are building programmatic into your digital marketing plan, you should also be crafting a data strategy. Learn all you can about the different types of data and how

each might fit into your marketing efforts:

- First-party data is your own data from your site and your customer files. This data tells you about the known visitors to your website and customer base.
- Second-party data is another brand's first-party data. Brands can use second-party data to prospect for new customers and retarget current or lapsed ones through finding affinity- and behavioral-based points. Second-party data leads you to customers you don't yet know.
- Third-party data is typically a large volume of data you pay to access for media-buying purposes. You layer this data with first-party or second-party data to attain audience reach you can't quite get on your own.

Once you understand the data landscape, you will be able to find the internal and external resources you need to grow this portion of your programmatic efforts.



3. CHANNELS

The path to purchase is now varied and incorporates a range of channels your target customer might use at any given phase of the buying cycle. A consumer might hit the awareness stage on a smartphone, get to consideration on a laptop and purchase via a tablet. Each channel isn't created equally. You can't simply employ a strategy for display on a desktop and use the same data profiling and banners for your other channels. As you employ the next steps in your digital marketing strategy, you need to think about which media channels you will combine and how you will use them in different ways:

- Consider the consumer experience. For instance, you'll

need to determine how you will reach the consumer who works from a laptop during the day but comes home and plays on their tablet.

- Adapt your messaging to account for these differences in consumption across channels.
- Develop a strong attribution model that will prepare you to conquer these cross-channel consumers.

4. EXPERIMENT

Programmatic and today's evolving advertising technology now deliver the ability to test everything. You can test across channels, creative units, different audience buckets, targeting techniques and more—all in an automated fashion—and run different strategies against each

other to optimize. Consider these points as you develop your testing plan:

- Always be testing—either internally or externally. Test creative elements within audience segments and across screens and devices. Using A/B testing will help you determine which creative works best for different channels.
- Think about technology in new ways—or challenge your technology partner to do it on your behalf.
- Fully leverage analytics and insights—you can do this through constantly running and re-running campaigns to access untapped data streams, and then cycle and iterate so you understand what worked and didn't work.

ABOUT MEDIAMATH

MediaMath is a global technology company that is leading the movement to revolutionize traditional marketing and drive transformative results for marketers through its TerminalOne Marketing Operating System™. A pioneer in the industry introducing the first Demand-Side Platform (DSP) with the company's founding in 2007, MediaMath is the only company of its kind to empower marketers with an extensible, open platform to unleash the power of goalbased marketing at scale, transparently across the enterprise. T1 activates data, automates execution, and optimizes interactions across all addressable media, delivering superior performance, transparency, and control to all marketers and better, more individualized experiences for consumers. MediaMath, which has experienced triple-digit year-over-year growth since inception, has a seasoned management team leading 15 global locations across five continents. Key clients include every major agency holding company, operating agencies, and top brands across many industries.

Sources

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