sonobi®

Evolution of a Market – Impressions to People

How to best manage 3rd party demand

May 2016

Introduction

IN ADVERTISING, AUDIENCE IS EVERYTHING

In the U.S. only 28% of 2015 total digital advertiser spend was executed using data-enabled media buying[1]. This leaves the majority of digital marketing dollars being spent on undefined users across undifferentiated impressions. However the market is evolving towards a higher standard, as digital media is quickly becoming a predominantly people-based marketplace. As a result, media buyers and sellers are increasingly being required to assess and source technology capable of enabling these transactions across direct and indirect channels.

In a marketplace where audience is the center of the media transaction, scale is critical. New technology being deployed in the header of a publisher's web site has provided that scale for the buyer while also increasing yield and competition for the publisher. However, it's no secret that the fragmentation of the market and disparate technologies have created challenges and complexities instead of connectivity, control or choice.

There is a growing focus on header-based technologies as a solution to some of the problems publishers face in today's market. Recently, the market has seen the rise of a new layer of technology to manage those header bidders and prevent the operational and performance issues that arise from implementing a complex header bidding strategy. While some header-based technologies can create incremental benefits, the truth is this only addresses a portion of a publisher's ad business.

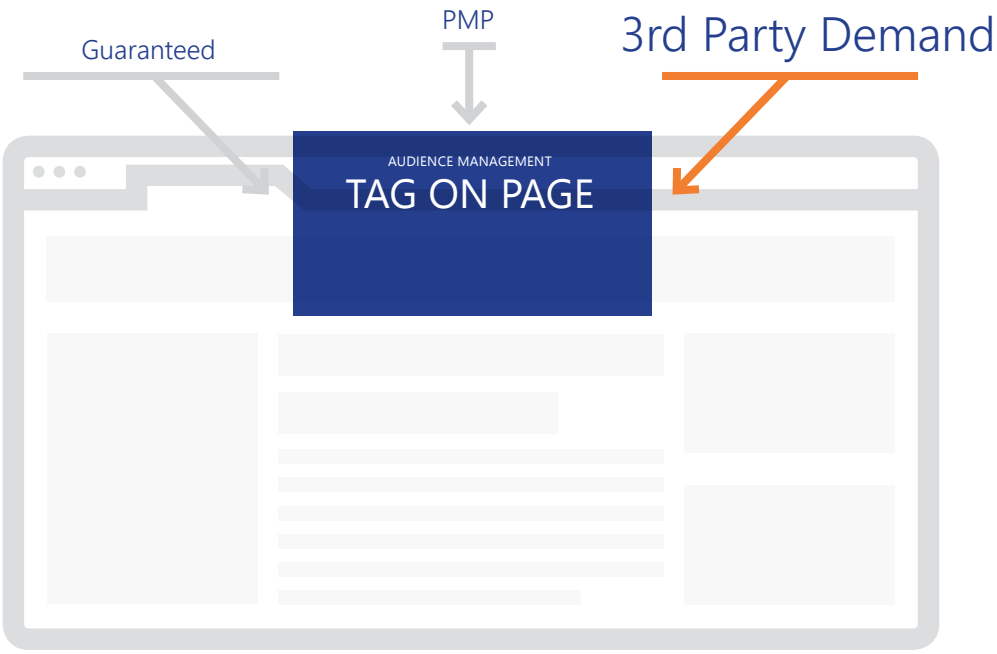
In order to manage an audience-based buy, publishers will be required to adopt technology that provides holistic audience management that effectively connects directly to advertisers, buyers and 3rd party demand partners, much in the same way that their ad server is used to manage the contextual media buy.

For publishers in this changing market it's increasingly important to evaluate strategies and implement technology that enable an audience-based ad product across properties and the three buckets of demand in today's market: guaranteed deals, PMPs, and 3rd party. With the growing focus on header-bidding, we'll discuss the opportunities and challenges when it comes to managing opportunistic 3rd party demand.

In our 3-part series, we will explore the advantages and challenges that arise when trying to manage audiences holistically across the three "buckets" of demand: guaranteed deals, PMPs and 3rd-party demand. In this white paper we will focus on effectively managing opportunistic 3rd party demand.

Addressing 3rd Party Demand Management

More Buyers Doesn't Have to Mean More Code



Publishers have been increasingly called upon by multiple vendors to install JavaScript into their header with the purpose of sourcing demand more efficiently. This concept is rooted in sound logic: by valuing a user prior to the ad server, and using that determined value to ensure the highest paying advertiser will receive the impression, publishers have been able to dramatically increase yield over traditional "waterfall" configurations.

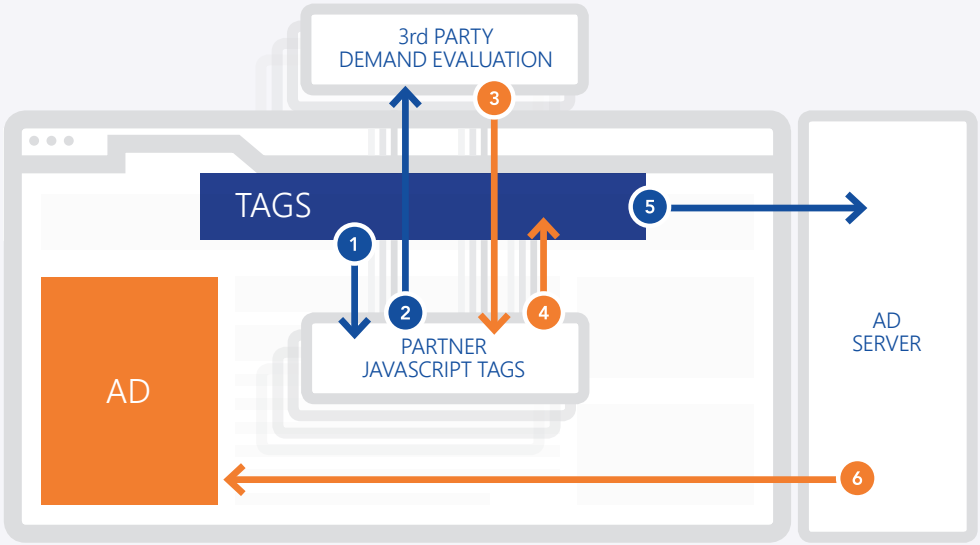
Seeing success early on with one or two vendors, publishers are being faced with the operational challenges of installing and managing multiple vendors, and have begun searching for the right solution. The solution that has become the most popular is known as a "header wrapper". At its core, a header wrapper is simply additional JavaScript that a publisher deploys on their website. Some of these wrappers are connected to a user interface that can provide different levels of utility important to managing header bidding vendors, such as latency management, reporting, and deploying new vendors into the header.

However, the large number of vendors conducting browser-side auctions have given rise to a new set of problems, problems that a solution such as a header wrapper cannot address or solve. The problem is not introducing multiple buyers pre-ad server, it's the technology used to do so. The best method of valuing users pre-ad server is through a dedicated S2S connection. A S2S connection removes the auctions from the user's browser, and all of the additional JavaScript needed to conduct them, and instead conducts the auction through a partner's dedicated connection to each individual buyer. The right S2S solution can not only provide all the same insights as header wrappers, but there are additional benefits we will explore below.

Header Bidder Wrapper vs Server-to-Server

Header Bidder Wrappers

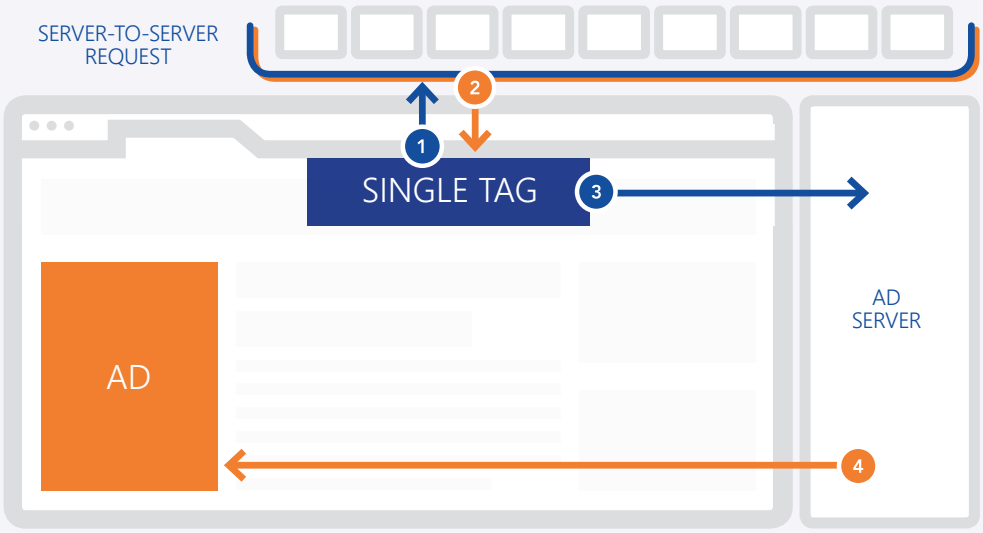
Header bidder wrappers load all tags in the browser which are largely loaded as fast as that individual's Internet can support. For every additional JavaScript tag you increase the latency.



VS

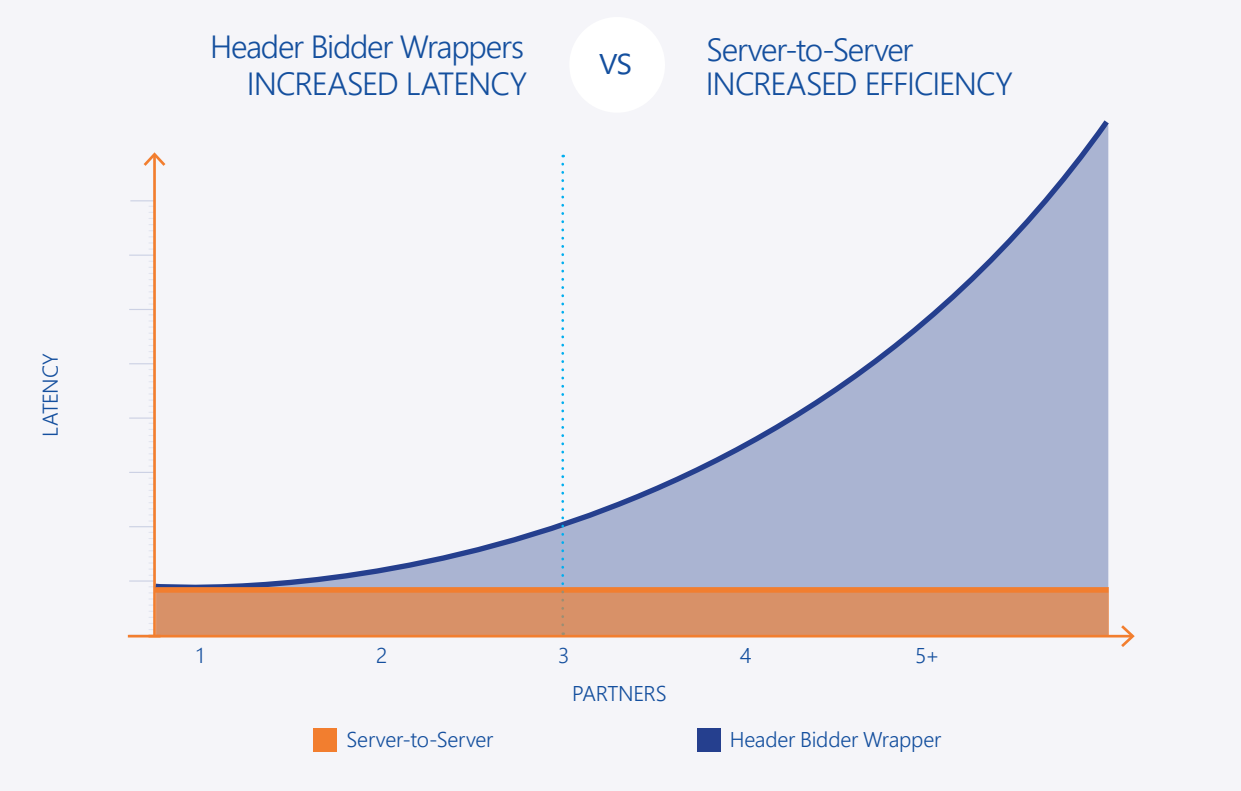
Server-to-Server

In a server-to-server paradigm all 3rd party demand is managed outside of the user browser via an Open RTB bid request/bid response paradigm.



User Experience

The user experience is central to any publisher's business. As publishers continue to add more JavaScript to their page, the increased page weight and corresponding increase in page load speeds are driving users to install ad blockers (approximately 20% on average between the US/EMEA markets) to provide the browsing experience they expect. The header bidder wrapper allows a publisher to manage, but not reduce, latency. Every additional partner increases page load times, including the header wrapper itself. In a S2S paradigm all 3rd party demand is managed outside of the user browser via an Open RTB (oRTB) S2S bid request/response paradigm. This allows the publisher to simultaneously and easily add multiple partners to create maximum competition for their unsold audience without impacting the user experience.

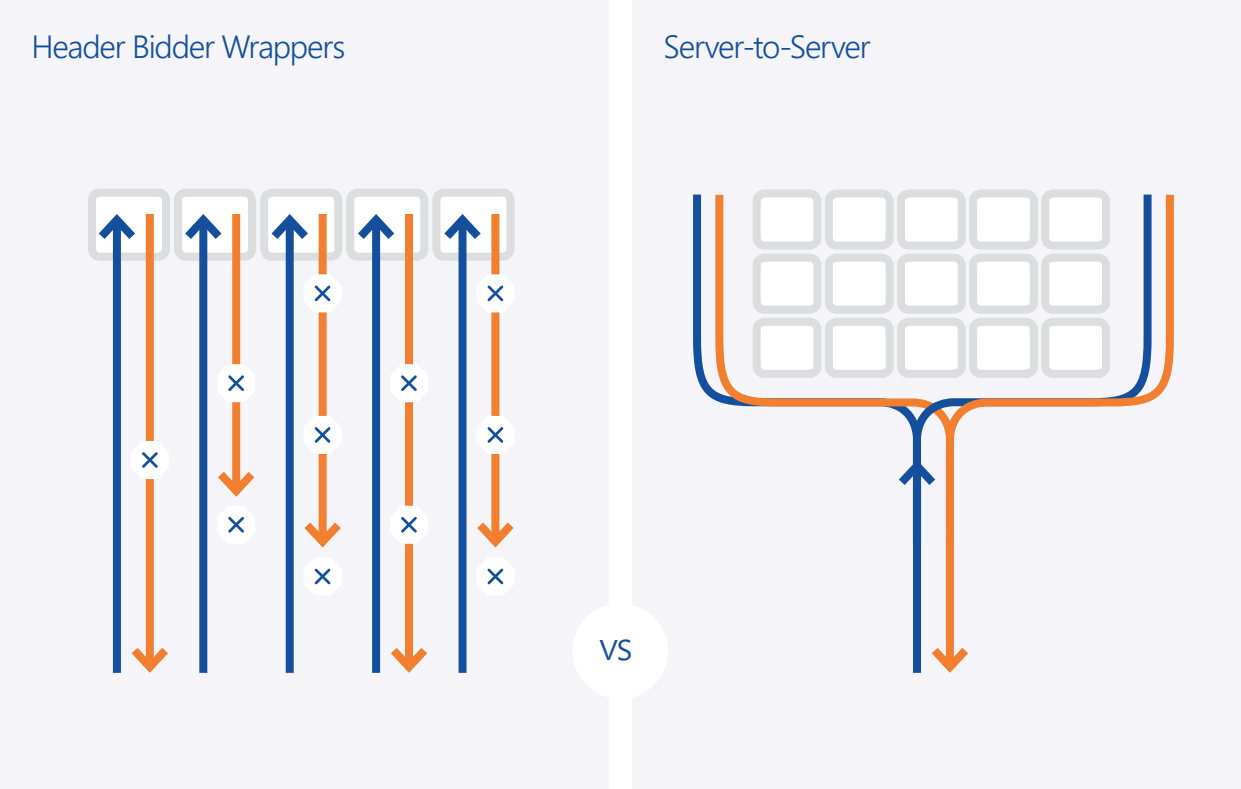


"I think that a server-to-server solution is more attractive to us as it reduces some of the technical complexity that we experienced, and specifically, it allows us to do things that are beneficial to the UX as it relates to the return rate of ads that could otherwise be holding up a page."

Grant Whitmore, EVP of Digital at New York Daily News

Ad Quality and Control

When publishers conduct browser auctions, each additional header bidder dropped on page further reduces the publisher's ability to effectively control their ad quality standards. Instead of having a unified pipe that all ads flow through, publishers have to manage multiple pipelines, making ad tracking, sourcing and blocking extremely difficult, if not impossible. In-browser technology does not know what ad is going to be served to the page and header wrappers are not able to provide any utility to manage ad quality. Publishers are left to manage ad quality within each individual vendor's system, which is a system that does not scale. A S2S solution creates unified management of ad quality. Only S2S management of 3rd party demand allows publishers to preemptively establish an ad quality framework while also providing a single partner to work with when issues invariably crop up.



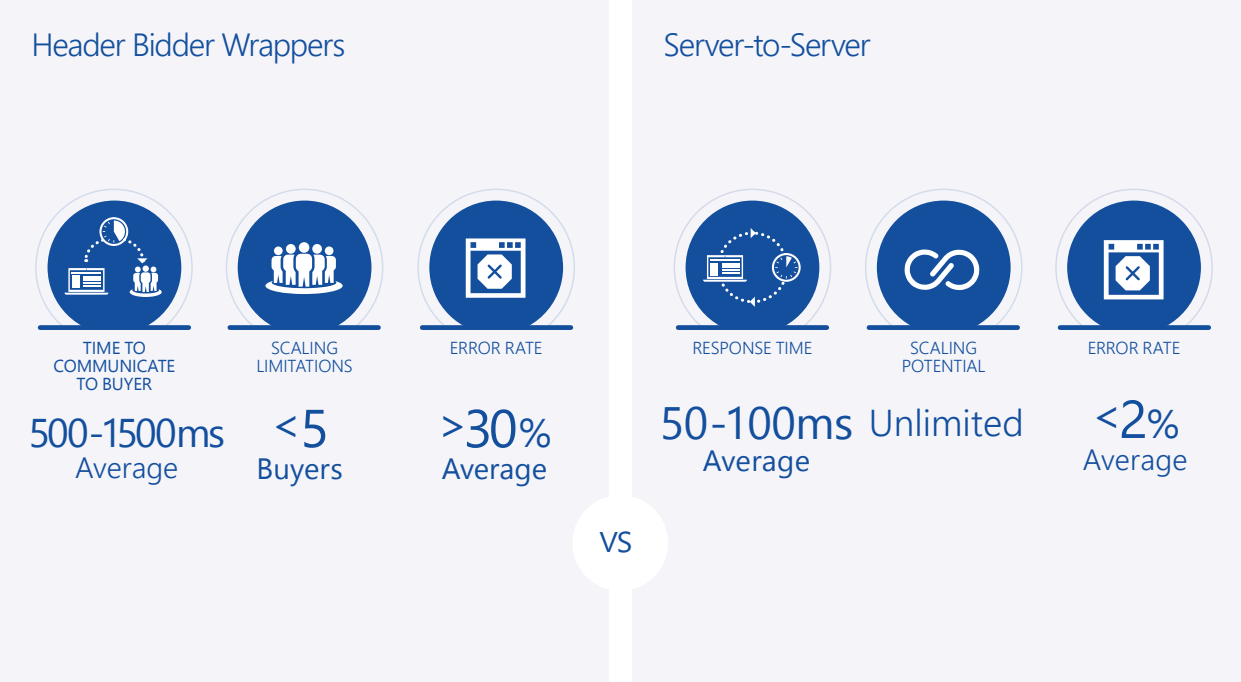
"You're adding more pieces to the puzzle, so it becomes more of a cumbersome task for ad ops teams to actually manage. More partners in the stack add another level of complexity, another set of UIs that need to be checked to make sure bad ads are blocked".

Grant Whitmore, EVP of Digital at New York Daily News

Revenue Potential

Creating competition is the key to driving increased yield in an auction for unsold users. A user's browser has a limited number of slots to load the resources needed to render a web page. In an environment where a publisher decides to increase demand by placing buyers in the headers, each unique buyer competes with each other for these slots, along with the other resources required to have a web page display properly. This creates an environment where the number of buyers that can compete in any individual auction is artificially limited by a number of factors, including those outside of a publisher's control, such as the speed of a user's Internet connection. This is exponentially compounded in the case of mobile, where the increased page load results in a drastic increase in latency.

However, server-side auction mechanics are more powerful than a browser-based auction and allow multiple buyers to compete for each impression with no appreciable increase in latency. The audience, deal, prioritization, brands, floors, quality blocks, restrictions and other rules are all evaluated nearly instantly across the enabled demand landscape and compared against the publisher's established rules. A server-side auction is independent of browser speed and allows all buyers the ability to respond quickly and efficiently maximizing the amount of competition, and ultimately price, for each impression. After all, how strong would pricing be in an eBay auction if the number of potential buyers was artificially limited to 5?



"The biggest downside is that we've seen a lot of discrepancies. As more header bidders are added to the stack, more opportunities are lost."

Paul Salomone, CEO MediaFuse

Staying with the concept of increasing competition to increase yield, competition must be unified to maximize audience value. When a publisher allows the browser to conduct multiple auctions, the auction becomes fragmented. The competition in a fragmented auction is compromised as each buyer submits its own compressed bid. This inability of header based solutions to maintain a singular auction results in publishers missing out on the true value of their audiences. S2S solves this by conducting the auction in a single environment through the use of the multi-bid component of the OpenRTB protocol. By utilizing a partner that provides a S2S solution for conducting auctions, the publisher recognizes the true value of their audience and content in a unified market.

Conclusion

Receiving programmatic demand via header bidding has driven increased efficiencies for the publisher's unsold audience. Publishers should seek to scale demand through this new class of technology via sustainable and scalable solutions that address the operational challenges of adding new partners, provide great user experiences, as well as driving maximum competition.

Sonobi Jetstream

Sonobi Jetstream is a programmatic technology that is built to change the business of digital advertising, and create a holistic marketplace to deliver digital advertising experiences built to serve exact audiences. It creates the direct pipes to enable planning, negotiation, and delivery between the two most principal parties across the standard types of deal executions in today's media marketplace including Guaranteed, Private Marketplace, Exchange/Open Market—while enhancing each channel to meet the needs of traditional media buying and campaign initiatives.

REFERENCES

1 Cowen and Company, " Annual Ad Buyer Survey III: 2015 Outlook" and Magna Global Jan 12, 2015

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