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THE POWER BEHIND PROGRAMMATIC

THE DIGITAL AD FUTURE ISN'T NEW TECH— IT'S PEOPLE



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THE POWER BEHIND PROGRAMMATIC

THE DIGITAL AD FUTURE ISN'T TECHNOLOGY—IT'S PEOPLE

More and more, brands today are turning to programmatic media buying to efficiently target consumers in a crowded marketplace. Once primarily used as a direct response tool, programmatic is quickly becoming a driver for brand campaigns. And as traditional media joins digital in adopting the technology, marketers' latest challenge in this area is the need to figure out the best way to manage—and staff—their growing programmatic investment.

ZenithOptimedia says programmatic accounted for more than half of all digital display advertising buys in 2016, and is growing even faster than social media and online video. Zenith expects 58% of digital ads to be purchased via programmatic buying this year, and has predicted that 70% of all digital advertising will be purchased programmatically by 2019.

"Programmatic simply means achieving efficiencies through the automation of buying advertising using technology," says Tim Webster, co-founder and chief strategy officer for The Exchange Lab. "The big benefit to the advertiser is the ability to use data—and as programmatic matures, our access to data and ability to target using that data continue to improve. It allows one-to-one communication with customers, which really is the Holy Grail, the promise we have been making and that all advertisers are seeking."

As programmatic takes center stage in the ad world, marketers and agencies are scrambling to figure out the best way to manage programmatic investments. Should a marketer work through a regular media agency, with a programmatic specialist or create an in-house team? Even the world's leading marketers—witness Procter & Gamble Co.—are grappling with the optimal structure, and are not always getting it right the first time.

Meanwhile, both marketers and agencies are looking to rapidly build their programmatic expertise. They are searching for employees who can talk the language but also embrace the brand vision—and, more importantly, who have the experience and knowledge to hold programmatic partners accountable. This is not an easy task.

PROGRAMMATIC'S GROWING POPULARITY

Advertising Age conducted an exclusive survey in conjunction with The Exchange Lab to find out more about marketers' current and planned investment in programmatic buying, and how companies are managing those investments.

Survey respondents said they expect their budgets for programmatic advertising to increase 50.0% this year, to an average of \$24 million, and another 25.0% in 2018, to an average of \$30 million. These companies said 24.5% of their advertising, on average, was purchased via programmatic in 2016. That number increases to 29.8% when respondents estimate 2017 totals, and to 33.1% for 2018.



Webster

Programmatic has revolutionized the way media is bought," says The Exchange Lab CEO Chris Dobson. "From our perspective, clients are growing year on year as they adopt programmatic as the mainstream way to plan and buy digital, enhancing the way to access the right audiences at the right price, cutting out the manual process of how we used to buy media."

Programmatic buying is becoming even more popular as early issues are resolved—and in chicken-or-egg style, part of the reason things are improving is the increased use of programmatic buys for brand campaigns.

Although programmatic began as a direct-response tool, the Ad Age/Exchange Lab survey found programmatic

spending now is almost equally split between direct response and brand campaigns. Overall, respondents said 51.8% of programmatic buys are for direct response versus 48.2% for branding.

“This has inevitably brought elements that are common across all effective advertising to the fore in programmatic, and we welcome that as part of the business moving mainstream,” Dobson says. “In the brand space, especially, the quality of the placement and the creative is equal to the relevance of the audience. Together this sets the industry on a path of significant growth to become the backbone of all advertising in the next decade.”

In particular, 50.0% of the respondents to the Ad Age/Exchange Lab survey said use of data in programmatic has improved over the past year. At the same time, 39.1% said viewability issues and the ability to get a single view of consumer activity across channels have also improved

over the past year. All of these factors are among those that contribute to effective programmatic efforts (see Figure 1).

HANDLING PROGRAMMATIC: AGENCY VS. IN-HOUSE

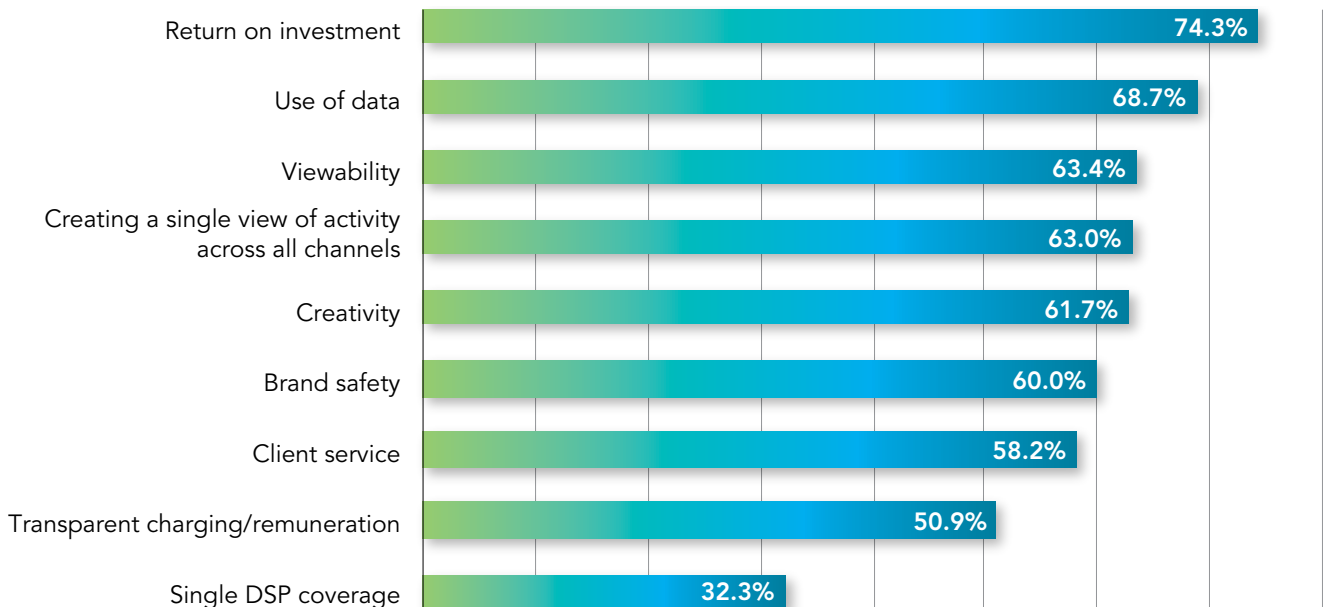
As programmatic buying becomes a larger and more central part of brand marketing, how are marketers and agencies managing it? The respondents to the Ad Age/Exchange Lab survey said 54.8% of programmatic buys are being handled by an outside agency, either a full-service media agency or a specialist agency, with about 45.2% handled by in-house personnel.

In the discussion of in-house versus agency versus specialized agency, over the past few years many advertisers have explored bringing the programmatic media function in-house. “As everyone has begun to pay attention and see the potential of where programmatic takes them, there’s a huge hunger for information and understanding,”

RUNNING AN EFFECTIVE CAMPAIGN

Figure 1

What are the most important factors in an effective programmatic campaign?



Source: Advertising Age/Exchange Lab survey, April 2017.

Note: Question 4a: “Please rate the importance of each of the following in terms of running an effective advertising campaign in today’s world of programmatic technologies.” Base: 230 respondents; based on 8-10 ratings on a scale where 1 is “not at all effective” and 10 is “extremely effective.”

Webster says. "It's often manifested in lots of marketers saying, 'Let's take this in-house.'"

Cost is the No. 1 factor cited by respondents who choose an in-house structure: 63.5% said the lower operational cost of an in-house team allows more dollars to be spent directly on media buys. But marketers also say they believe in-house teams offer other predictable benefits: Employees have a holistic view of the firm's business and pose no conflicts of interest. There's also a lower risk of confidentiality or data breaches: 43.1% of survey respondents said they are very or extremely concerned about the safety of their data when outsourced to a partner.

"As programmatic has grown, brands have begun to think optimistically they would do things for themselves, partly to ensure the sanctity of their data—to keep that in-house," Dobson says. "But most have failed. And for a simple reason: It's not their core business. The whole reason agencies exist is to offer expertise. Programmatic is no different than other agency tasks and, in many ways, even more complicated."

Some 43.1% of respondents to the Ad Age/Exchange Lab survey agreed, saying agencies are very or extremely well prepared to handle placing programmatic ads. That compares to just 23.5% who said their in-house teams were similarly well prepared.

Respondents said agencies can keep up-to-date with the latest developments, understand the client's products and have invested in hiring specialists. As Webster says, "A specialist programmatic agency's job is to stay current in the marketplace."

In-house teams or individuals have difficulty keeping pace with the frequent changes in the programmatic marketplace, and find it challenging to master all the competing technologies, platforms and publishers. In fact, 56.1% of survey respondents said their in-house team members are not well prepared to handle programmatic because they're not specialists in the field.

"For a typical agency or marketer, having multiple DSPs in the mix is cumbersome for a person to handle," says Kris

Wilhelmsen, media director for Chicago agency Fusion92. "But you want to be able to test different DSPs to see their strengths—to find out what's new when you have different DSPs, different data sets. That kind of deep knowledge comes either by training someone from the ground up or by using a specialist agency."

Morningstar.com made a big commitment to programmatic, increasing its spending and hiring its first programmatic agency earlier this year. Previously, the company bought directly from publishers, which it found to be much more expensive. Tom Murray, director-marketing for Morningstar.com and an ad agency veteran, believes that, just as TV advertising traditionally has reached consumers at the top of the funnel, programmatic is the new way to reach consumers at the top of the funnel—preferably in tandem with SEM, which finds consumers nearer the purchase.

Morningstar chose to work with a programmatic specialist because, Murray says, "we've learned a lot; we are not experts at buying media. It's not in our wheelhouse as a corporate marketing group to make these complex buys, to cost-analyze what websites to be on and manage the data. I could hire a full-time person, but I'd be taking a big guess that that person knows what they're doing."

Says Dobson: "At The Exchange Lab, we've solved the work associated with managing multiple DSPs with our technology Proteus, so that clients can enjoy the benefits without breaking our teams in the process. Tech stacks are constantly evolving, so each team member has specialist responsibility for specific vendor partners to ensure that our traders keep their expertise fresh, and that our engineering teams integrate abilities to leverage new features in our tech stack on an ongoing basis."

Some marketers have chosen to work with a programmatic specialist that they consider essentially an in-house agency. Says Dobson, "We see several clients, who believe they can't get expertise in one place, giving programmatic to a specialist to run alongside their agency of record. It's sort of a halfway house—an agency close to them with a high degree of transparency, but stopping short of doing it themselves."

WHEN AN AGENCY PARTNER IS THE RIGHT SOLUTION

Feld Entertainment knows all about finding an audience. Feld calls itself the world's largest producer of live family entertainment, with a roster of traveling shows, including Disney on Ice, Monster Jam, Sesame Street Live and the just-departed Ringling Bros. and Barnum & Bailey Circus.

"We got into the programmatic space by default at the start of its takeover of the digital industry," says Amy LeWinter Dubinsky, VP-marketing & sales, East Central Region. Feld's initial approach to digital was typical: Define the consumer target, find websites that matched the demographics and make ad commitments to those websites and exchanges.

"Maybe you got the eyeballs, and maybe you didn't," Dubinsky says. "Programmatic offered a much more efficient way of buying. It's all about chasing your audience and the specific consumer who we know may be interested in seeing our shows because we know a lot more about them."

But like many marketers, Feld has found that programmatic comes with its own structural challenges.

First, Dubinsky says, "The programmatic space, and the digital space, is evolving at the speed of light. You think you know everything on Tuesday, and on Wednesday something else comes out. It's different from the traditional advertising model. One of the biggest challenges is getting people up to speed on what you can get from the programmatic buying landscape, and then once they understand it, understanding that it's going to evolve so fast."

For Feld, another nuance is the company's decentralized structure. Local market teams handle the show schedule and marketing, with a lot of seasonal variations by market. Then a digital department handles its proprietary digital

assets—its CRM, its website and social media presence. "We don't have a traditional marketing and sales person at the top, and we don't have one person handling paid digital media," Dubinsky says.

Instead, Feld has found two programmatic agencies, one in the U.S. and one in Canada, that she says function essentially as in-house digital agencies "without the expense of doing it ourselves."

To get a better handle on programmatic and digital as a whole, and to make it work efficiently for the company, six months ago Feld created a digital committee of 14 marketing executives from different parts of the organization. "What has been great is that it's gotten a lot of people talking the same language—asking a lot of questions about tests we want to do to improve our digital strategy and creative. We also have more conduits for conversation than we've had in the past," says Dubinsky, who helps spearhead the group.

Having internal staff who know what they're doing with programmatic is crucial to success, she says. "You can very easily frustrate your agency if you are not prepared to give direction, if you don't know what you're trying to accomplish," Dubinsky says. "And to do that, you need to figure out what role digital plays in your business and make sure everyone buys into that and is singing the same song—so that you're not giving contradictory direction to your agency."

"For us, the committee comes to a consensus, then one or two of us give final direction to our agencies. That has solved so many of those issues: We figure things out internally, then can give direction to our agencies and then get their feedback. But they need one or two voices to talk to."



'The programmatic space, and the digital space, is evolving at the speed of light. You think you know everything on Tuesday, and on Wednesday something else comes out. It's different from the traditional advertising model.'

— Amy LeWinter Dubinsky, Feld Entertainment

Dobson says he thinks that's emblematic of "a new breed of more savvy marketer looking for the best way to achieve each element of their marketing. They want to make sure they don't have a generalist doing a specialist's job."

For some marketers, it's a matter of looking critically at their organization's strengths and weaknesses and what tasks can be easily managed and which cannot.

"If you're trying to decide between in-house and an outside agency, what's important is understanding your organization's bandwidth, what it can handle and what it can't," says Amy LeWinter Dubinsky, VP-marketing & sales, East Central Region, for Feld Entertainment. "If you don't have full management support, a fundamental understanding of programmatic and financial support—because it's very expensive to do it yourself—trying to set it up in-house would be a herculean effort."

WANTED: EXPERIENCED TALENT

No matter whether it's being handled at an agency or internally, the expanding use of programmatic relies on experienced talent. Even if a marketer uses an outside agency, being a player in programmatic requires having someone internally with knowledge and expertise. Says Webster, "The advertisers that we have the most success with understand our value proposition, and 100% of the time they are the advertisers who have someone in-house who understands programmatic"—often someone they have hired from an agency.

Meghan McCarthy, VP-media for Fusion92, says, "Sometimes you only know what you know—if you haven't been exposed to self-service campaigns in the past, it's hard to know even what to ask. And if you are on the client side, it's then harder to get the results you want."

What skills are most important in a programmatic employee? Survey respondents listed a broad range

of talents: the ability to use targeting strategies, to be conversant with reporting and analytics, to analyze data, to think strategically and to execute a campaign. At the same time, they rated all of these skills as critical for their employees (see Figure 2).

"Programmatic is as much a people business as a tech business," Dobson says. "Expertise around the ability to trade in a programmatic space is powered by the technology but defined by the skill set of the people. It's a marriage of tech expertise with media knowledge and marketing knowledge. Success in programmatic doesn't happen in isolation."



'As programmatic has grown, brands have begun to think optimistically they would do things for themselves. . . . But most have failed. And for a simple reason: It's not their core business.'

—Chris Dobson,
The Exchange Lab

He compares mastering programmatic to using a software program such as PowerPoint or Excel. "Most of us can use maybe 10% of the capacity of those technologies. But when you see a power user, what they can achieve is streets ahead," he says. "The point is: Our technology is only as good as the user."

At Fusion92, McCarthy says the agency often has to choose between "the trader who is pulling the lever or the account manager type who's talking to agencies and clients. Trying to find the person who is both is hard. Usually there is a tradeoff."

Fusion92 looks for someone who not only likes working with data and can make decisions using it, but also has "a curious mind, someone who keeps asking why," she says.

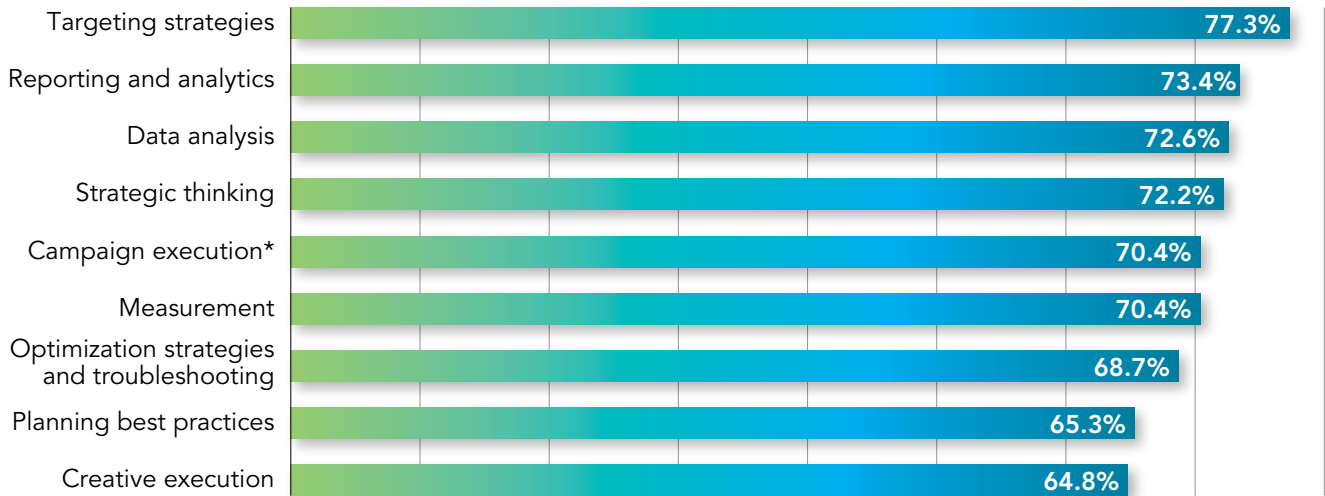
For example, new college graduates, Dobson says, "don't carry the legacy of the old world. They are already consuming media the way audiences are. We find hiring these people can be easier than trying to convert nondigital natives to the space."

"From a talent pool standpoint, it's developing but going slowly," says Veerle De Lombaerde, VP-enterprise for The Exchange Lab. "This isn't a skill set that has existed in the market." She says the agency has a

KEY SKILLS FOR PROGRAMMATIC EMPLOYEES

Figure 2

Marketers have high expectations for employees who handle programmatic campaigns.



Source: Advertising Age/Exchange Lab survey, April 2017.

Note: Question 7: "Please rate how important each of the following skills are for your programmatic employees." Base: 230 respondents; based on 8-10 ratings on a scale where 1 is "not at all important" and 10 is "extremely important." *E.g., ad tags, tracking pixels, campaign building strategies and pacing strategies.

ground-up approach, hiring straight out of or almost straight out of college.

"Frankly, to a large degree it's innate. The younger group that is coming up has used technology in a holistic way from the start," she says. "What I also look for is curiosity—people who want to know how it works. They naturally progress to being client-centric."

Both agencies and marketers say it's very difficult to find people with the right skills to manage programmatic. The talent pool is limited. But although nearly a third of the respondents to the Ad Age/Exchange Lab survey said it is very or extremely hard to identify and hire appropriately trained programmatic staff, they said they expect to need more employees in the next few years to manage programmatic campaigns and partner relationships.

De Lombaerde suggests marketers can manage programmatic more effectively by breaking down silos. "Are the right people in the room from the marketer and partner side? The agency, data analysts, business analysts, the

CMO—are all of those people having that conversation?" she says. "Don't look at programmatic in isolation."

She also recommends educating the in-house staff by inviting tech suppliers in for lunch-and-learn sessions. "If you're trying to become more involved in programmatic, you need to become more informed. An hour spent every couple of weeks will be an hour well spent."

The more companies can get comfortable with programmatic now, the better, before programmatic marches further into traditional media channels. As Dobson says, "TV has been traded in the same way for 40 years. But the disruptors in the TV space are used to the digital world and working with programmatic methodology. That is starting to move TV.

"Buying TV programmatically is completely inevitable—it's not 'if,' but 'when'—as we move into the addressable space," he says. "There is no escape from a greater data set being applied to TV—and if that's true, then the best way to trade it is programmatically."

The Ad Age Content Strategy Studio, an extension of Advertising Age and adage.com, works with companies to help them tell their brand stories their way. Built on Ad Age's heritage of editorial expertise and excellence, the Content Strategy Studio works to develop the ideas that create an emotional connection with customers. Through articles, blogs, video, microsites, research, events, white papers and other opportunities, it provides end-to-end solutions for brands that will create the story that's fueling today's conversations.

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ABOUT THE SURVEY

The Advertising Age-The Exchange Lab online research survey was conducted in April 2017 by third-party research firm Advantage Business Research. The final survey findings are based on 230 marketer respondents. The margin of error for the total of 230 respondents of the survey, at a 95% confidence level, is +/- 6.5 percentage points.

ABOUT EXCHANGE LAB

The **Exchange Lab** takes a One for All approach to programmatic advertising. One company connected to the world's largest digital media marketplace. Our unified trading platform, Proteus, is integrated into an extensive and trusted range of digital inventory across display, mobile, video and social. Founded in 2007, The Exchange Lab serves more than 700 clients across 50 markets worldwide with offices across the U.S., EMEA, APAC and Canada.



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