
Fueling The Future of Ad Agencies

Four reasons ad agencies
and trading desks are building
programmatic platforms

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"[AdTech] has been very well-defined. It grew out of ad agency and media agency involvement – it's the digital transformation of traditional advertising."

Scott Brinker

Founder of chiefmartec.com,
Chair of MarTech Conferences

THE PROGRAMMATIC FUTURE

Programmatic advertising – that is, data-driven automated purchasing of digital display ads across multiple channels - has expanded exponentially over the past three years. Its evolution is clearly intertwined with the explosive growth of mobile devices as a marketing tool.

By adopting programmatic marketers, advertising agencies and ad tech market players (DSPs, ad networks, ad exchanges) derive a variety of benefits. For example, programmatic buys typically end up being a fraction of the cost of traditional ad purchases, making limited budgets go farther. Programmatic also makes delivering the right message to the right audience at the right time easier, facilitates campaign planning and fine-tuning, and can dramatically increase audience engagement with the advertiser's message.

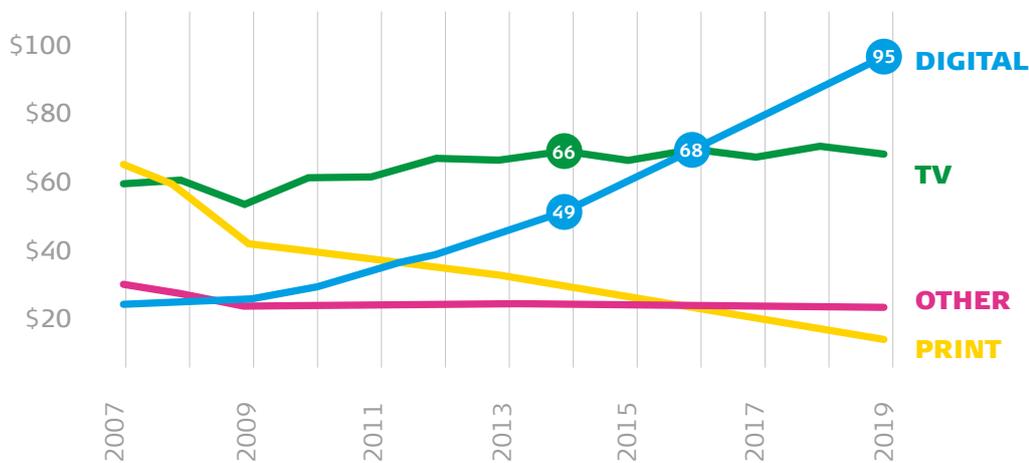
5 Power Plays Programmatic Provides:

- Influences targeting and stickiness of advertiser's message
- In many cases, provides immediate ROI
- Enables remarketing to past customers
- Improves evaluation of campaign effectiveness by time, geography, and audience
- Allows campaigns to be altered mid-course

Moreover, digital advertising agencies and their trading desks have noticed clients (as well as marketing professionals overall) request more and more of their digital budgets be planned and spent programmatically. For many agencies these recent developments present a considerable challenge. This paper examines the industry trends that are affecting these dollars - and what agencies are doing about it to stay ahead in an incredibly competitive marketplace.

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Digital will become #1 ad category in the US in 2016



Advertising Revenue By Media Category (\$bn)

Source: Magna Global, US Advertising Forecast, Feb. 2015

The rise of programmatic has been so swift that it has become partially responsible for the overall rise of digital advertising category share among other channels. According to Magna Global (see the graph), 2016 will be the first year in history when digital advertising category in US will surpass TV in dollar volume. This is a major shift on the market. It has been predicted for years, but only now is becoming a reality. A NEW reality, in which programmatic technology is obviously already playing a big part.

Programmatic has transformed ad buying, eliminating most human interaction (and human error). As programmatic continues to take over, advertising agencies without significant programmatic capabilities will be left behind.

This paper exposes trends in programmatic, outlines the inconsistencies and limitations of existing technologies, and provides guidance on what to look for in programmatic technology solutions.

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PROGRAMMATIC ADVERTISING EXPLOSION

According to eMarketer, an online research aggregator, U.S. programmatic digital display ad spending will reach \$22.10 billion in 2016, an increase of 39.7 percent over 2015. Programmatic buying currently represents more than two-thirds of total digital display advertising; by the end of 2017, eMarketer says, that figure will rise to around 72 percent.

Without the appropriate technology, **advertising agencies risk being left behind** as programmatic continues its disruptive march forward.

Similarly aggressive growth is occurring worldwide. For example, in 2016:

- Spending on programmatic in the United Kingdom will exceed £2 billion. (eMarketer)
- In Europe, the programmatic share of digital video ad spending will grow 24.3 percent. (according to HiMedia Group)
- Programmatic spending will reach \$12.4 million in Brazil, and exceed \$11 million in the rest of Latin America. (according to eMarketer)

Clearly, there's significant potential for ad agencies who can execute and optimize programmatic media plans for brands and marketers. In fact, the question for most advertising agencies today is not whether they should use programmatic, but how to use it to its fullest extent so they stand out.

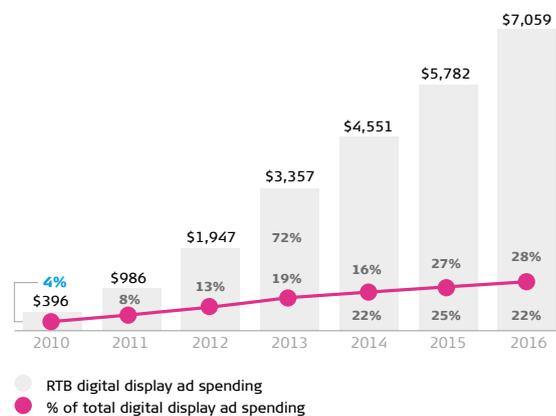
The search for that answer has led many agencies to off-the-shelf or white label software. However, when a generic product is insufficient to meet specific needs, agencies often work with third-party developers to create bespoke solutions. The advantage of proprietary software is that it can be continually and quickly updated to produce better targeting, improve ROI, and increase organizational efficiency. In addition, it can be customized to meet the agency's clients' needs, not just their own. Without the appropriate technology, advertising agencies risk being left behind as programmatic continues its disruptive march forward.

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GROWTH OF PROGRAMMATIC HAS OUTPACED EXPECTATIONS

US Programmatic Digital Display Ad Spending 2010-2016

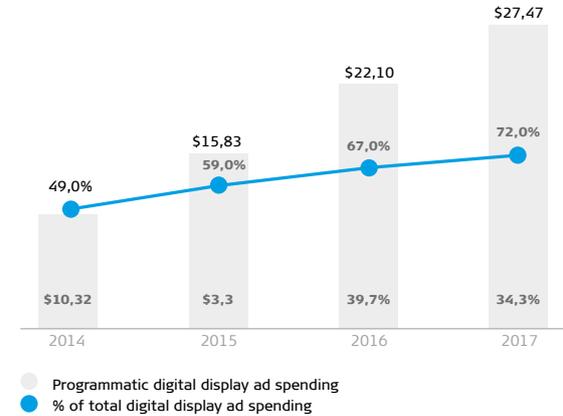
millions, % of total digital display ad spending



NOTE: includes all display formats served to all devices
SOURCE: eMarketer, Nov 2012

US Programmatic Digital Display Ad Spending 2014-2017

millions, % of total digital display ad spending



NOTE: includes banners, rich media, sponsorship, video and other
SOURCE: eMarketer, April 2016

PROGRAMMATIC AD BUY TRENDS

Programmatic advertising has outpaced growth expectations;

- In 2015, the share of digital advertising purchased programmatically was 59 percent, up from 25 percent two years earlier
- By 2017, programmatic is expected to account for 72 percent of all digital media buying;
- One-third of chief marketing officers (CMOs) are allocating as much as 50 percent of their budgets to programmatic

In just a short number of years, programmatic has emerged as a major force in digital media buying in the U.S. In fact, its growth has outpaced even the most optimistic predictions. For example, in 2012, eMarketer projected that by 2015, one quarter of all digital media buying would be done programmatically. However, the actual numbers are more than twice that: in 2015, programmatic buying's share was an astonishing 59 percent. And the momentum is only building. This year, that figure should top 67 percent, rising to 72 percent – or \$27.5 billion in volume – by 2017.

Not only has programmatic advertising been skyrocketing, more chief marketing

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officers (CMOs) are planning to allocate significant portions of their budgets to it —as much as 50 percent in a third of the cases. On the other hand, only a very small fraction of marketers — some 6 percent — are spending very little on it. We anticipate that by 2017, there will be very few, if any, marketers who aren't using programmatic. If your agency isn't using it effectively, you'll be left behind.

Percent of Digital Ad Budget Allocated to Programmatic According to US Marketers, 2013-2015

% of respondents



Source: AdRoll, "State of the Industry: A Close Look at Retargeting, Programmatic Advertising and Performance Marketing: United States 2016" conducted by Qualtrics, Jan 21, 2016

FOUR REASONS AGENCIES AND TRADING DESKS ARE BUILDING AND USING PROGRAMMATIC PLATFORMS

Clearly, programmatic offers a sizable revenue opportunity for advertising agencies. But to profit from the potential, agencies and trading desks will require a well-working platform that allows them to capture the benefits of programmatic while avoiding common blind spots and inconsistencies. Typically, custom-built technology will be able to overcome those issues to a greater degree than a generic solution can.

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Ideally, your programmatic platform should allow you to:

Address viewability concerns

In a recent Comcast report on digital advertising in the U.S. says that more than 50 percent of all programmatic is not viewable. In 2015, Google admitted that more than 56 percent of ad impressions served across its network were never seen.

While the industry addresses this concern, there is something you can do: make sure, your programmatic platform should allow you to provide your clients with explicit, transparent, and concise analytics regarding ad viewability. You may not be able to solve the problem of viewability immediately, but honest information about it builds client loyalty and helps differentiate you from competition.

Destroy Fraud

Programmatic technology is associated with fraud in the sense that ads not viewed by human eyes are still counted, giving advertisers inflated impressions data. To counter fraud, your programmatic platform should be equipped with anti-invalid traffic (IVT) technology that can detect, measure, and provide protection against non-human traffic (NHT).

Make Cross-Channel Campaign Planning a Breeze

Today, most consumer groups divide their attention among multiple devices, including mobile, tablet, TV, gaming consoles and OTT. As a result, achieving the right mix of channels is crucial. Comcast research indicates that a traditional mass market brand that focuses solely on TV advertising can improve reach by 70 percent by adding the correct mix of digital channels. In other words, campaigns across channels and devices really are more effective.

Of course, that effectiveness depends on how well the programmatic platform you use handles the task. Not only should it allow easy integration of third-party data such as mobile ads, in-app ads, video ads, it should provide comparable analytics across the platform.

"Programmatic advertising continues to grow faster than analysts' expectations, leaving industry pundits to continually raise growth predictions made just months before. While this acceleration has been impressive, the industry is just getting started with even bigger gains in computer power to come."

Frost Priorealu

CEO and Founder of Simly.fi

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We can see that **programmatic advertising is fueling the future**, and the engine which that fuel is poured into is the software that you use as your advertising platform.

Make data from TV and digital channels compatible

Experts suggest that within two or three years, TV will be offered less as a separate media and more as part of the channels mix, and budget share will reflect that fact. To remain competitive, advertising agencies — especially those representing brands that devote a large part of their budget to TV — will have to offer programmatic TV ad buying. However, as TV becomes part of the programmatic channels mix, more complex algorithms and the processing and analysis of even larger volumes of data will be required. Currently, the metrics for traditional TV and digital advertising differ considerably. Going forward, programmatic platforms must be able to bridge the gap — ensuring delivery of real-time performance data across all channels.

FUTURE AD REVENUE WILL RELY ON PROGRAMMATIC. START ACTING LIKE IT.

Programmatic technology can help your agency stay ahead of the competition, but only if it overcomes the blind spots and inconsistencies of today's platforms. If your ad server or platform isn't addressing your clients' current and future needs properly, you may benefit from a proprietary solution designed by professionals experienced in building data-driven tools and products.

After all, we can see that programmatic advertising is fueling the future, and the engine which that fuel is poured into is the software that you use as your advertising platform. If you don't build the engine right, you'll be stuck in neutral, watching others race by.

About Cogniance

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