Supply Chain Excellence

How to Get Results, Avoid Fraud and Boost Your Total Buying Power

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Foreword

Right now, marketing isn't working for a lot of people.

It definitely isn't working for marketers who, even now, more than two decades into digital and more than a decade into programmatic, are still left to wonder which half of their ads will work. Not publishers, who are getting squeezed from every direction. Not consumers, who recognize that they are the product.

Legacy infrastructure and legacy processes are part of the problem—the Internet as constructed was never intended to sensibly connect the diverse and complex technologies brought to bear by the myriad, diverse constituents in our industry. Many of the longstanding problems we've confronted—fraud, lack of transparency—are a direct result. And consumers have gotten the worst end of the deal, with clunky, irrelevant experiences and mystery surrounding the use of their data.

But there is a way forward that lets marketers maximize their investments without sacrifice and without compromising their values, lets publishers create the content that consumers want and the independent journalism that the world needs and lets consumers defend their right to a free and open Internet. It all starts with recognizing, understanding and respecting the consumer, and then reaching high-value audiences through access to high-quality supply. We've focused on the second part of the equation in our whitepaper, in which we share how marketers can make better decisions about their supply strategy, taking a holistic approach to get the outcomes they want and deserve. Our analysis is supported by research from our own demand-side platform. In this whitepaper, you will learn:

- How a misaligned supply strategy can lead to wasted time and budget, a lack of quality and a higher risk of fraud
- The ideal scenarios in which to use private marketplaces, preferred deals or programmatic guaranteed
- Three approaches for effective deal management that maintain the benefits of privilege and keep the true costs of media management low

Today's media buyers want—and deserve—results. They want promises, and they want to be recognized for their total buying power over time, not just the fleeting auction-of-the-moment. We can work together to make that a reality.

Julia Welch, VP, Activation, Media & Growth Channels

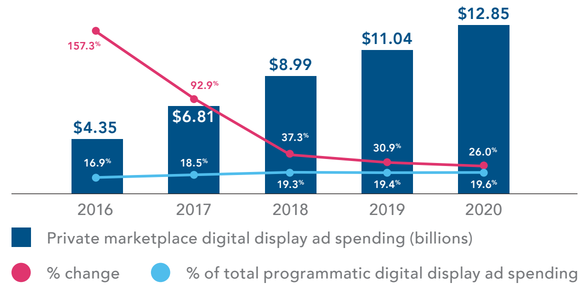
Let's Make a Deal

Let's take a moment to go back in time to understand more about how we arrived at the supply chain of today. The year is 2011, and something called "deal ID" is about to be born.

The purpose of the deal ID is to enable exchanges to tie specific impression types directly to specific buyers and media buys. Digital marketers ultimately use deal IDs to cut through the anonymity of programmatic advertising, ensure they reach their preferred publishers or inventory types or secure discounted rates that their companies can negotiate directly with SSPs or publishers based on existing relationships in their businesses. Deal IDs are required for several types of business arrangements, all of which are growing significantly faster than open exchange buying.

- **Programmatic guaranteed** allows digital marketers to directly purchase committed amounts of spend against specific media types from exchanges for fixed CPMs and ad sizes.
- **Private marketplaces** and **preferred deals** (aka first-look deals) are both transacted against using deal IDs with different levels of privilege. They allow publishers to add deal IDs to opportunities matching the requirements of an advertiser, depending on the type of targeting they may want to apply.

US Private Marketplace Digital Display Ad Spending, 2016-2020 — *Source: eMarketer, March 2018*



While deals involve direct negotiation between an exchange or publisher and an advertiser, the opportunities on which they are bidding are not exclusive to the advertiser. So, how a PMP or preferred deal translates into advertiser benefit depends on how that deal stacks up to every other deal that was attached to the same opportunity. While deals offer an opportunity for an advertiser to use the full scope of the brand's business relationships to help get a better deal, there remain **"The 3 Ps"** in the negotiation that are outside the brand's control:

PUBLISHER PRICE SHEETS

Negotiations for deals start from fixed price sheets, which sellers use to structure negotiations.

PRIORITY

Publishers often reserve the top positions of their ad server for non-programmatic direct buys, and then they position their other deal IDs and DSP integrations below that in their waterfall.

PRICE FLOORS

Publishers can set different price floors across deals depending on the full deal terms, which must dynamically account for the traffic, demand and revenue needs of the publisher.

These variables can make deals effective techniques for ensuring advertiser spend gets further in the right cases (more on that later), but they require careful and expert evaluation to negotiate and set up. The work does not end once a deal is spending. Deal priority and price floors can shift over time, so deals need careful supervision and maintenance to stay performant.

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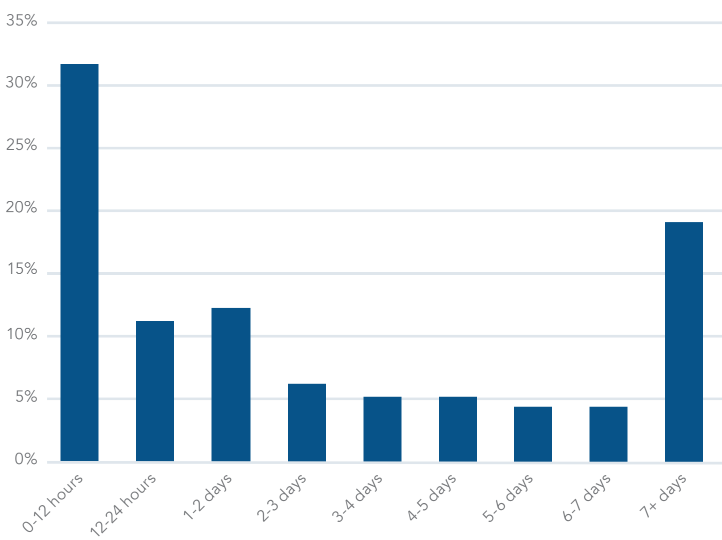
The Rise of the PMP—and What's Really Going on Behind the Curtain

In theory, private deal and guaranteed forms of media buying give marketers confidence in the quality and consistency of what they purchase programmatically as well as transparency into the price, placement, targeting and publishers that they are buying. In practice, however, deals are not always negotiated and implemented in a way that guarantees transparency and fairness, and can represent a return to the black box network purchases in which buyers have no way to verify their media. PMPs in particular—which account for a larger share of programmatic media spend each year—work differently than most marketers expect, and they eliminate many of the protections and performance benefits of media supply chains managed by experts in programmatic media. MediaMath analyzed PMPs used by clients in our DSP and found a wide range of instances in which marketers are failing to meet their highest potential of performance because of their reliance on PMPs.

MARKETERS LOSE CAMPAIGN TIME TROUBLESHOOTING DEALS

How Long Does it Take PMP Deals to Spend?

% of Deals Start Spending



Let's illustrate how delayed time to spend impacts advertiser and publisher budgets. If an advertiser was spending $1M on an evenly paced campaign over seven days on PMPs (assuming that PMPs began spending at the average rate we have seen in our platform, and assuming a 1% conversion rate valued at $100), then he or she would lose the opportunity to spend a significant portion of the overall budget and the sales associated with those opportunities.

Time Since PMP Launched	Total Missed Revenue Opportunity for Advertiser	Total Missed Revenue Opportunity for Publisher/Exchange
0-12 hours	$3,254.52	$48,646.95
12-24 hours	$7,650.81	$89,301.45
Day 2	$18,954.72	$153,031.26
Day 3	$31,529.26	$207,866.58
Day 4	$45,152.69	$255,359.77
Day 5	$59,824.99	$295,510.80
Day 6	$75,378.35	$329,494.44
Day 7	$91,854.72	$357,016.99

Only a third of deals begin spending on the first date they get set up—and more than a third of deals will not start spending before the end of the first business week.

"Marketers using every platform often run into manual and user problems that prevent deals from spending immediately. Any step that marketers can take to reduce the time to begin spending on deals will improve their bottom line," said Adam Soroca, Head of the Global Buyer Team at Rubicon Project.

Each day spent troubleshooting PMP deals is a lost opportunity to spend budget and see a return on advertising investment. For clients with a fixed period in which to run their campaign and who see a direct ROI from their digital spend, this delay translates to substantial missed revenue opportunities.

PRIVILEGE IN PMPS IS OPAQUE AND INCONSISTENT

We analyzed the win rate and effective CPM of PMPs targeting the same domain on a single day across the top 500 domains on which MediaMath purchased. The deals below all have different floor prices and priority level—but there is almost no way that an advertiser targeting a deal can be sure he or she is getting a better deal than another PMP, or even the same inventory on the open auction.

Snapshot of a PMP Spend on Major Global Publisher

PMP A
Win Rate: 13.22%
eCPM: $14.81

PMP B
Win Rate: 14.46%
eCPM: $8.02

PMP C
Win Rate: 21.88%
eCPM: $10.62

PMP D
Win Rate: 52.93%
eCPM: $2.73

Open Auction
Win Rate: 9.42%
eCPM: $7.17

Fully **17.9% of all PMPs had a lower win rate than the open auction**, meaning that advertisers are adding workflow difficulty, narrowing their optimization capabilities and taking on the sole accountability for supply chain cleanliness for no discernable benefit and a significant amount of the time.

Does Priority Matter for Advertisers?

Having an active supply chain strategy can help with your performance. In an analysis of MediaMath campaigns targeting LiveIntent, strategies attached to highly privileged deals in our premium media offering, Curated Market, had a **2.5X** higher conversion rate than strategies targeting the same domain on the open auction. In a similar analysis, we found that LinkedIn had a **3X** higher conversion rate than all other domains that the strategy targeted when it leveraged Curated Market.

What is the Curated Market?

Curated Market unites marketers' need to access their best customers and prospects at scale with the requirement that those audiences are reached in premium, high-quality, omnichannel media, pre-negotiated for privilege. We identify and procure inventory often not found in the open auction and then negotiate deals with publishers that involve higher priority in the ad server and negotiated win rates, putting our clients in the best position to win. The Curated Market uses 100% ads.txt-authorized paths to reach all publishers and is backed by a promise to credit advertisers for any media deemed to be tied to fraud.

ADVERTISERS ASSUME THE RISK OF FRAUD IN PMPS

While it is true that media purchased via PMPs can represent a more direct link between the publisher and the advertiser, it does not mean that there is any kind of increase in quality. In fact, when a DSP participates in and actively manages the supply chain between publisher and advertiser, there can be stronger protections using sophisticated methodologies across the entire media footprint, including blacklisting suspicious sites, implementing ads.txt pathing and identifying bot traffic.

MediaMath consistently sees higher rates of sophisticated invalid traffic—instances of fraud, such as bots acting as legitimate users, that require advanced analytics, significant human intervention and other measures to detect and mitigate—on media purchased via PMPs than on MediaMath's premium Curated Market offering, which carries a fraud-free guarantee that perpetuates throughout the supply chain and incentivizes the publisher to keep fraud low. The rates of fraud that we report across PMPs are consistent across the same PMPs on other DSPs.

SIVT Average by Supply Type at MediaMath (September 2018):

- 2.3% SIVT rate on open auction
- 2.3% SIVT rate on PMPs
- 1.8% SIVT rate on Curated Market

> When considering where to source media inventory, marketers should factor in the cost of fraud and the threat to brand safety from managing their own supply chain.

> "Vigilance is needed in both open auction and private marketplace environments. Fraud can be perpetrated on premium and long-tail inventory alike—often without the knowledge of the publisher, and throughout the transaction process. Curated marketplaces, such as those available within MediaMath, provide an added layer of quality assurance—validated by objective, third-party verification to ensure brands are protected both pre- and post-bid."

– **MATT MCLAUGHLIN**
COO, DoubleVerify

Deal or No Deal? When to Use a Deal

There are use cases in which marketers should be using PMPs, preferred deals or programmatic guaranteed. Marketers should use these only when they lack options that provide them with the security, consistency and scale of media markets curated by dedicated supply chain management teams:

USING PUBLISHER-ENRICHED DATA FOR AUDIENCE TARGETING:

In the digital marketing chain that links advertisers to consumers, publishers sit closest to their customers and have the best opportunity to gather and leverage data about them. When deciding to set up a PMP for audience targeting purposes, advertisers should ask themselves, "Does this publisher have access to meaningful data that will improve my targeting?" If the publisher requires a login, or has very specialized audience subsets, then the answer is most likely "Yes."

TARGETING AUDIENCES IN NICHE OR REGULATED VERTICALS:

Some advertiser verticals, such as pharmaceuticals and gambling, are regulated on the customers they can target, where they can run ads and which placement types they use. In these cases, advertisers may be advised by exchanges to run PMPs that only send inventory matching their requirements.

TARGETING RICH INVENTORY NOT AVAILABLE PROGRAMMATICALLY:

Specialized formats and devices are not always available at scale in the open auction. Advertisers may need to set up PMPs directly with inventory sources to only receive the impressions that correspond to the creative units or device types they want. This is most often the case with creative units unique to a publisher or an exchange, or an emerging inventory type that does not yet fully operate within RTB specs. Remember, though, the move to programmatic is accelerating—even if marketers can only access via a PMP today, these inventory sources may be available in the open auction or other markets soon, along with the performance and safety benefits provided by those environments.

RUNNING PROGRAMMATIC GUARANTEED OVER RTB PIPES:

Programmatic guaranteed deals require advertisers to purchase 100% of the committed opportunities in the deal in exchange for the fixed CPMs, dates, creative sizes and publisher access. Some placement types are only available via programmatic guaranteed, so advertisers have some important incentives to direct spend through these deals.

What Strategy Should Marketers Use to Manage Their Media?

As noted, there are some very good reasons to use PMP deals in programmatic campaigns. But these are not the reasons why most marketers set up deals today. Too often, marketers set up deals because they assume they will provide higher quality inventory that will be curated to the performance goals of the clients—whether they be viewability, CPA or maintaining a certain CPM. The data tells another story, in which brands that reach out directly to exchanges and publishers get deals varying wildly in quality.

For effective deal management that maintains the benefits of privilege and keeps the true costs of media management low, marketers can take three approaches:

> There's an increasing push to ensure the needs of marketers, publishers and consumers are met so we can work as a collaborative, open ecosystem. A holistic media strategy can reduce complexity, boost transparency and make it easier for buyers to get the impressions they genuinely want. That ultimately improves the bottom line for publishers and marketers while enhancing the experience of the end consumer.
>
> – **ADAM SOROCA**
> *Head of Global Buyer Team, Rubicon Project*

1. **USE MARKETS INSTEAD OF DEALS:** Only a vanishingly small tier of advertisers have the buying power to demand the priority and CPM floors that can make a deal effective. As an alternative, MediaMath's Curated Market pools the collective demand of all the brands and agencies purchasing through our platform to negotiate performant deals. Technology providers are in a great position to monitor the performance of those deals on an ongoing basis and compare it to the performance of the rest of the bid opportunities that come through their pipes and, as in the case of the Curated Market, can protect marketers from fraud. Finally, collective deals such as the Curated Market are integrated directly into the platforms that marketers use, meaning traders can activate them immediately and seamlessly as soon as a campaign is ready to start.

2. **WORK WITH A MEDIA AGENCY THAT ADDS VALUE:** Agencies can also pool the demand of multiple advertisers in negotiating deals and sharing deep industry expertise. Additionally, agencies can specialize in verticals and use cases for their clients and may be better positioned to access specialized publishers for their audience type and negotiate access to more relevant and exclusive data. When evaluating whether or not to work with an agency for media management, marketers should investigate the ways in which agencies add value and expertise.

3. **BUILD YOUR OWN SUPPLY TEAM:** For most advertisers, it does not make sense to build their own supply team. It requires deep investment in highly-specialized media professionals, fraud and viewability tracking, analytics for monitoring deals and a technology partner that can share log-level data and integrate with the advertiser. For the largest and most sophisticated advertisers, though, building a specialized team, accessing exchanges or publishers directly with their own seats and integrating their own technology into the bidding stack allows them to make seamless use of their data across every part of their organization. These advertisers need technology partners that will work closely on a shared roadmap.

Conclusion

There is no excuse to make assumptions about media. As marketers direct a larger share of their global marketing budgets through programmatic, they are taking a hard look at the ways in which their supply chain can increase the efficiency of their ad spend. A holistic approach to media strategy can help everyone in the ecosystem—marketers, publishers and consumers alike—get the quality they deserve.

About the Authors

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Travis focuses on commercializing MediaMath's proprietary media, reporting and emerging channel products around the globe. He is based in New York but is an apologist for his native Los Angeles. In addition to being passionate about marketing and technology, Travis loves studying music and experimenting with vegetarian recipes.

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Julia, alongside her team, created and executed the vision and product that became the MediaMath Curated Market. Julia is passionate about brand safety and buyside addressability in the digital marketing ecosystem. Prior to joining MediaMath's product team, she was in client service for six years, and has over eight years of experience in digital marketing and media, working with global Fortune 500 companies.

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