



FUTURE-PROOF YOUR AGENCY

A GUIDE TO BUILDING A PROGRAMMATIC BUSINESS



Sparcmedia 
A Pureprofile company

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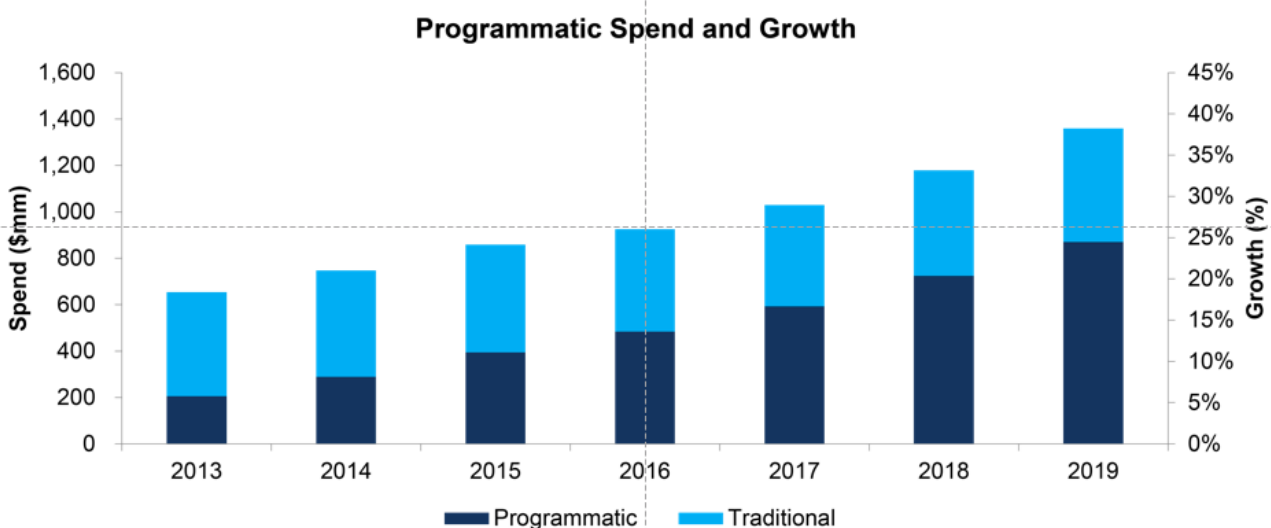
PROGRAMMATIC INDUSTRY OVERVIEW

According to the FY15 - FY16 IAB Online Advertising Expenditure Report for Australia, display advertising grew by 30.3% over the previous year reaching AU \$664.5 million, with mobile contributing 47.7% and video contributing 26.8%.

The transformation of how advertisers are buying media is evident with over 58% of video expected to be bought through programmatic channels in 2016, according to the 2015 State of the Video Industry Report by AOL.

According to the 2015 Programmatic Roadmap for Growth report by Magna Global, Australia is the sixth largest programmatic market worldwide, with the total spend expected to reach US \$800 million by 2019.

The trend also shows that programmatic advertising continues to take over the share of traditional digital media, whilst traditional remains the same.



Magna Global - 2015 Programmatic Roadmap for Growth

WHY OFFER PROGRAMMATIC?

Can my business benefit from programmatic advertising?

If you are an agency (marketing, creative, SEO, full-service, etc.) or marketer then the answer is YES, you can benefit from adding programmatic advertising to your business.

You may already be using programmatic advertising and not be aware of it. Are you buying Adwords or Facebook?

Yes, they are forms of programmatic advertising although contribute a small part of the bigger picture. Think about them as a lake whilst the programmatic ecosystem comprising of the entire ocean.

Okay, let's dive deeper into what programmatic advertising really is.

Sarah Wyse, Head Trainer at IAB Australia says "Programmatic in its simplest form is a strategic approach to creating deeper customer relationships.

It's about utilising all of these tools together via one platform to have a more meaningful dialogue with the right person, at the right time, in the right environment."





Key benefits of using Programmatic Advertising

Advertising efficiencies

Buying media using programmatic provides high-levels of efficiency as you can buy media simultaneously across multiple advertising channels and devices. Programmatic optimisation also removes wastage allowing you to focus your budget on the best performing areas.

Insight-Driven

Get actionable insights about the audience interacting with your campaigns when you buy media programmatically. Learn about niche audiences that have an affinity towards your brand or discovery of high-value customers vs. tyre kickers.

Data-Driven

Programmatic advertising is data-driven which means that you can leverage from the data coming back from campaigns to understand the audience better and create custom lookalike audiences when overlaid with third-party data. This is a potential goldmine for businesses to discover new customers.

Make better decisions

Get actionable insights from your media activity that can help you to run better campaigns. Track performance by media channels, media format, ad creatives, location, day and time.



WHAT FORMS OF ADVERTISING CAN THE PROGRAMMATIC APPROACH BE APPLIED TO?

Programmatic advertising can be used to buy display, video, social, audio and rich media ad units across all online channels and mobile environments.

With the foray of technology available, advertising can also now be brought on television and outdoor digital screens using programmatic. It won't be long until all digital advertising is bought through programmatic channels.

As a result, booking advertising will become more efficient, and brands will get more bang for their buck by reaching the right audiences, at scale, and with greater precision.





Key benefits of building programmatic capability in your business.

Build additional revenue

Adding programmatic to your business can help you tap into the US \$800 million programmatic industry. You may also consider building out specific products which complement programmatic media buys, including: Ad Serving, Audience Build, Data Targeting, Dynamic Creative Services, Programmatic Insights and Client Training Sessions.

Future-proof your agency

Programmatic is changing how we buy media and is opening up the media buying ecosystem to businesses who would never have had access to it before. Get yourself ready for when programmatic automation replaces all manually bought media.

Retain clients & win new clients - A research by Forrester found that 79% of advertisers made programmatic advertising buys in 2015.

Marketers are increasingly automating their media buying to achieve efficiency and scale. If you aren't providing them with a superior programmatic solution someone else will.

Get a larger share of your clients business

Advertising budgets are being re-prioritised to fund programmatic advertising. For example, according to the 2015 AOL State of The Video Industry report 9 out of 10 buyers shifting budget to digital video are reallocating from TV. A programmatic business can allow you to tap into these budgets, even if you haven't previously been playing in that space.

Compete with agency holding groups

All of the larger agency holding groups have a programmatic business, called a trading desk. Top tier brands are used to having a chunk of their budget pushed into a programmatic buy. Offering a programmatic solution gives you the buying power of a large agency with the boutique service of an independent agency.



TOP 10 FACTORS YOU SHOULD CONSIDER

Great, you're now getting serious about programmatic and want to incorporate it into your business. Here are some important factors that you should be looking at.

1. Hiring for Programmatic

The most important factor of having a programmatic solution for your business is hiring the right talent so that you have the capacity to execute and optimise effective programmatic campaigns.

Programmatic although automated requires continuous optimisation across multiple parameters such as best performing websites, channels, device, time of the day, day of the week and so on. To achieve the best results you need to optimise your campaigns on a daily basis and in order to do so you need someone hands-on who can manage this.

Unlike other media professionals with marketing and advertising backgrounds you need to look for people with a maths, statistics, accounting or finance background when hiring for programmatic.

This is because unlike traditional media buying, programmatic requires someone who is able to read and interpret data to spot trends and uncover insights, in order to optimise campaigns effectively.

You will also need some one senior with prior programmatic experience who can lead the team, set policies, create processes and best practices such as brand safety. They will also need to understand the workings of the different elements of programmatic advertising such as DSPs, DMPs, SSPs, first-party data, third-party data, dashboards, insights, PMP deals, etc.

Most importantly this person has to have the knowledge to be client facing to translate the complexities of programmatic advertising.

As programmatic advertising is still in its infancy it is hard to come by people with the right skill sets to carry out the job. To start your search try partnering up with industry associations such as IAB and ADMA.

2. Demand Side Platform

In order to buy ad inventory across thousands of different website publishers you need to have access to a Demand Side Platform (DSP).

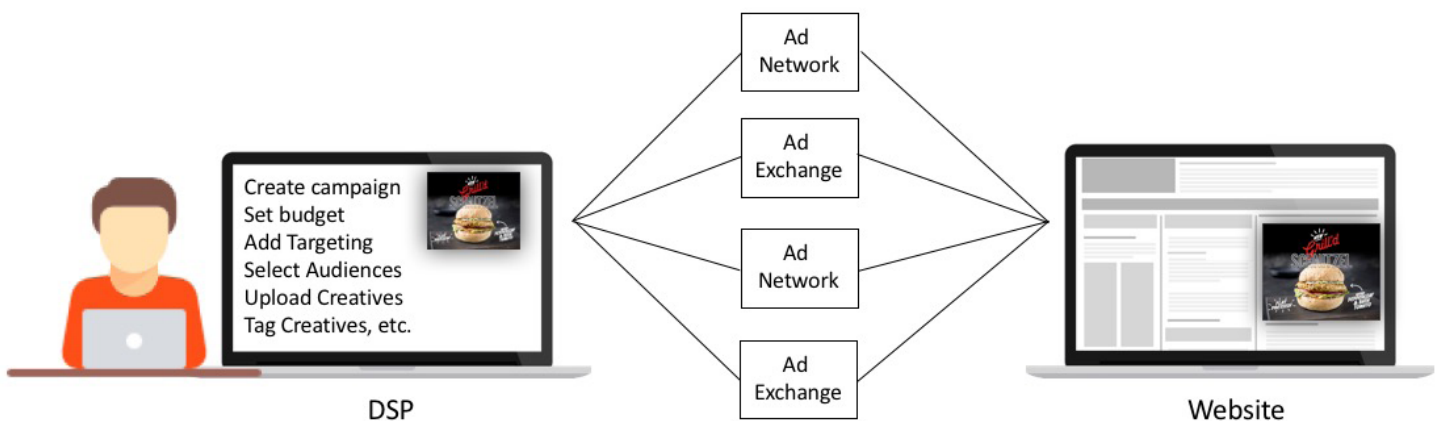
A DSP is a platform that facilitates all the buying of ad inventory by plugging into several other ad networks and ad exchanges.

This platform is crucial to the entire process of programmatic media buying as this is where you manage your campaigns, select your targeting criteria, place your bids, overlay your data and so on.

Think of it as a smart kitchen in a restaurant that will prepare a meal using food ingredients sourced from different local markets while taking into consideration how much you are willing to pay, your allergies, your food preferences and so on.

Similar to choosing a good restaurant where you chose it based on how good the food is, the service level, time taken, etc. you will want to choose the best DSP platform to get started with.

There are hundreds of DSPs in the market that offer programmatic media buying on a grand scale. Consult the IAB or attend events like Adtech to see what is in the market.



Things to ask yourself when selecting a DSP.

Usability - How easy is it to use the platform and set up campaigns?

Reporting - Does it provide you with analytic tools to crunch massive amount of data coming back from your media campaigns?

Market Reach - How many ad exchanges does the DSP have access to?

Access to third-party data - Does the DSP have integration with third-party data providers?

Minimum spend requirements - How much inventory do you need to purchase annually to meet the minimum spend requirements?

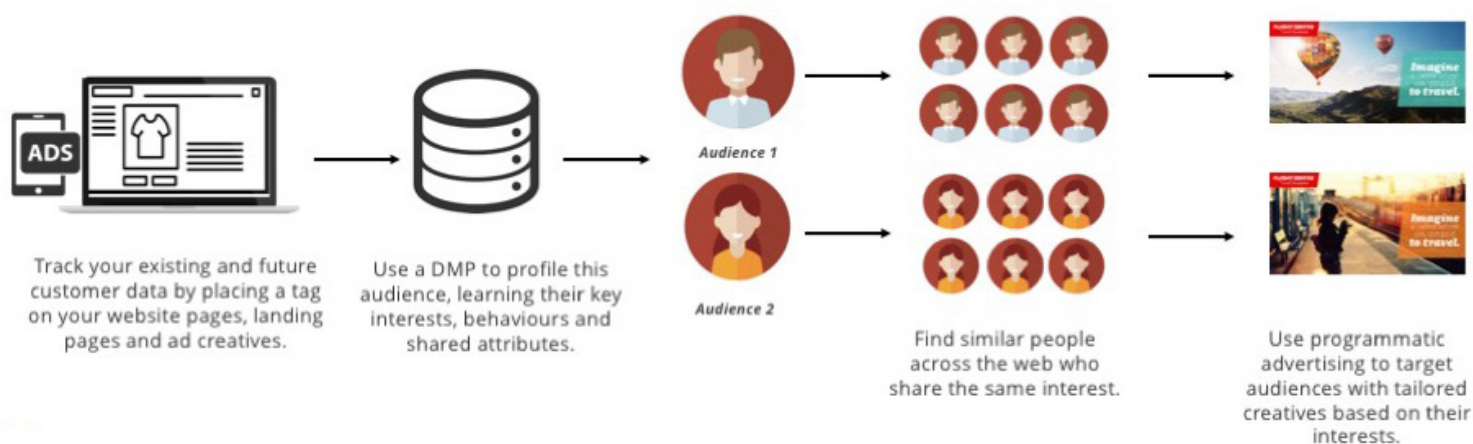
3. Data Management Platform

A Data Management Platform (DMP) allows you to build audiences which you can push into a DSP to target through programmatic media.

The DMP can also ingest your first party data, like website traffic so that you can build your programmatic targeting off your existing user-base, finding potential customers who share similar attributes to your existing customers.

A DMP also allows you to analyse which audiences are engaging with your advertising, allowing you to understand their key behaviours and demographic information, as well as being able to identify your highest value customers.

This is a potential goldmine of information for marketers as it helps them to better understand their customers and focus media spend into the highest performing areas.



Things to consider when selecting a DMP.

Data Portability - It is important that your data is portable and can be used across any channel. To ensure this you need to make sure that the DMP you choose can integrate with other DSPs, ad servers, ad exchanges and supply side platforms.

Insights - You need to make sure that your DMP has user friendly in-built analytics tools that can help you to uncover insights into your audience without having to manually scan through large chunks of data.

4. Viewability

According to Google, 56% of impressions are not seen. An ad impression doesn't guarantee that your ad was viewed. Low viewability can occur owing to factors like ad placement, ad size or issues such as fraud.

To ensure that your ads are viewable there are a number of viewability measurement tools in the market that can verify the number of ads being viewed as opposed to just ad impressions.

Viewability can be important to brand led advertisers and it is worth getting access to tools like Active View or Moat so that you can gauge how important a role it plays for you in your own campaigns.



5. Brand Safety

Programmatic advertising is focused on reaching the targeted audience, regardless of which site they are visiting. It could be harmful for a brand if their ads happen to appear on non-savoury sites with adult content or propagating violence and offensive language.

In order to avoid this, you will need to create a blacklist of sites from the get go to make sure that your ads are being served in a brand safe environment.

You can also use tools from vendors such as Integral AdScience or DoubleVerify.

6. Access to Third-Party Data

In order to refine your targeting to the right audience you may want to consider getting access to third-party data. This is often done through partnerships with third-party data providers who provide access to audience segments that have been pre-created from their collected data and charged on a CPM model. The price to access this data will differ depending upon the provider and the partnership arrangement. Usually there are discounts for larger volumes of data being used.

Some of the data providers in the market include

Experian, Eyeota and Helix Personas by Roy Morgan.

Things to consider before partnering with any data provider.

Data Source - How is the data collected? Is it only cookie-based or do they also have access to the users offline activity such as spending?

Data Freshness - When was the data collected and last updated? Is this synced in real-time with the with the Demand Side Platform that you will be using?



7. Private Marketplace Deals

Private Marketplace deals allow you to gain access to reserved or premium inventory from larger publishers.

For example, a large publisher like Fairfax may reserve their homepage inventory. This is often done to gain a premium on ad spaces that are

in high-demand by reserving these spots for select advertisers and making the rest of the inventory available through the open programmatic ecosystem.

If you would like to access premium inventory you should set up a private market place deal with key publishers.



Sample Sparc Insights Dashboard

8. Reporting Dashboards

Reporting dashboards are essential to running programmatic campaigns as you will see all of your advertising metrics in one place along with insights on your engaged audience so that you can optimise your campaigns on the go.

Although DSPs have their own reporting dashboards you will want to see your advertising efforts across different digital platforms such as AdWords, Social and Display, all through one source so that you can get a holistic view of your campaigns results.

There are several dashboard providers in the market such as Datorama, Sisense, Tapclicks and Funnel.

Things to consider when selecting a dashboard provider.

Integration - Does the dashboard integrate with multiple advertising platforms, DSPs, CRM source, etc? Are the integrations built in or will you need to use custom APIs?

Customisation - How easy is it to setup a custom dashboard? Will you have access to preloaded templates? Can you create your own templates? Is it a drag and drop interface or do you need to know custom coding.

Data Security - Creating a bespoke dashboard from scratch and hosting it on your own server can be more beneficial in terms of protecting your data and increasing security.



9. Optimising for the customer journey

Often digital campaigns focus on either end of the funnel. In order to get meaningful results from advertising campaigns marketers should be able to track and provide results for each stage of the customer journey, from awareness right up to the purchase stage, including the consideration stage.

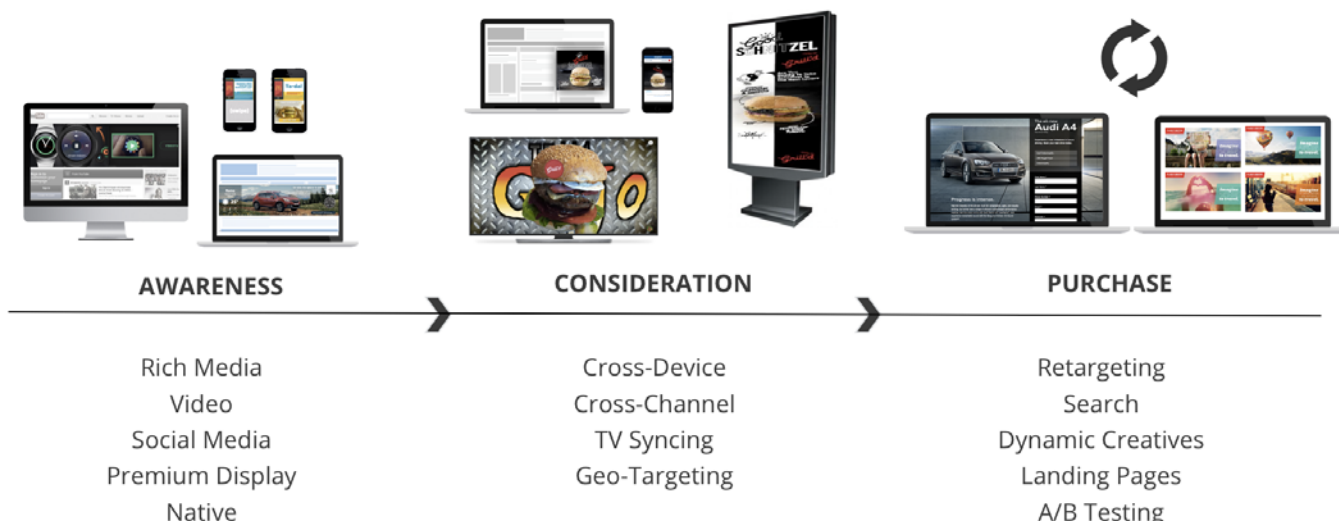
This requires programmatic access to all media channels, platforms and formats along the funnel.

As technology evolves media of all forms of

media will be bought programmatically including TV, audio and digital outdoor.

Providers such as Pandora are already providing audio ad inventory programmatically. In the television space ads can be bought programmatically across the Channel 10 networks including the Foxtel network.

Since these platforms aren't directly available on the open ad exchanges you will need to establish direct partnerships with these providers to deliver a holistic programmatic offering.



10. Insights

One of the biggest benefits of running programmatic advertising campaigns is the insights derived from the audience engaging with your campaign. This gives you valuable information that can transform your business.

Rather than solely focusing on metrics like CTR, CPA and CPC to measure campaign success, also focus your attention on uncovering more detailed insights including: which audience engage with my advertising? Which audiences don't?

Who are my highest value customers? This valuable information can transform your business.

To get these insights you will need access to tools such as a DMP to capture information and a dashboard to aggregate media, sales, performance and DMP data.

You will also need a dedicated resource who can translate this information into meaningful suggestions and recommendation that can be applied to the business.

BUSINESS MODELS: GETTING THE MODEL RIGHT FOR YOU

Adding programmatic advertising to your business services can be both rewarding and challenging. Here are two models to get things off the ground.



“In-housing”

Building your own programmatic department.

BENEFITS

Transparency

With your own in-house desk, you will be driving the strategies, pushing the buttons and optimising your campaigns. As such you will have complete transparency on the strategies that work, those that don't and your advertising spend.

Best interest

As the programmatic department will be part of your own business, you will set department KPIs, budgets and strategy and as such you will always be working to your own goal with your own best interests at heart.

Data Ownership

You will have complete ownership of the data that is derived from your campaigns. You can push this data into your data management platform and marry it with existing customer data. You will also have greater control over your first-party data and will have the opportunity to leverage it on all media buys to help you to hone in on your target customer.

Greater Audience Insight

Get visibility on who your customers really are and see where your brand/clients get maximum traction.

CHALLENGES

Time to Market

We forecast that your programmatic trading desk will take 6-24 months to build and to be fully functional. This is because you will need to onboard different technologies, hire staff and develop best practices.

Investment Cost

With the build out of a new department, you will need to put together a business case and ensure that you can generate the return required to justify the investment. You will need to work out whether this is a revenue stream, a loss leader or a future proofing exercise.



You may save a lot of budget in agency and trading desk fees, but you will need to reinvest a large sum back into building your in-house trading desk so you should undertake it only if it is truly right for your business, not just for cost reasons.

The general rule of thumb is that in-housing is only worth it if you spend in excess of \$2 million per annum on programmatic advertising. If you need to invest in a DMP, which is highly recommended for brands, this alone could cost you \$300K+ per annum.

Talent Acquisition

You will need to hire new disciplines which you may never have hired before which means that you won't always know if those people are working out for you.

Campaign Managers or Programmatic Traders are in high demand and short supply, given the boom in this industry. You will be competing with many different companies who want their skills and will need to ensure that you offer them an environment that is rewarding and keeps them

motivated so that they stick with you and don't jump at the next offer.

Access to technology

You will need to source and select the right technology which powers your trading desk. You will need a demand side platform which will give you access to inventory. You may need 1, 2, 10 of these dependent on the type of media you need to buy and the results you need. You may also want to consider an Ad Server and Data Management Platform.

Risk - Whilst you are learning programmatic, there is going to be margin for error. Your team are human and you cannot prevent the fact that they will make mistakes. That could be something as simple as adding an extra zero to a budget, which could result in overspending. You might sign up to a piece of tech which then ultimately doesn't suit your purpose. Ensure you factor financial risks into your plan.

Change Management - You have to work this new division into your existing structure which will not be an overnight exercise. The difficulty of this will depend on the scale of your business.



“Partnership”

Offer best in breed service by partnering with an established programmatic business.

BENEFITS

Time to market

Because you are partnering with a business that already has programmatic capability, your offering could be in market within a month.

Leverage experts

You will reduce the learning curve significantly by leveraging the disciplines of your chosen partner. They can help you to build your programmatic strategy, upskill your team, answer any of the nagging questions that you've been too afraid to ask, present you in the best light to your client and of course execute your programmatic campaigns.

No additional resource required

The partner will provide all campaign managers, an account manager, strategist and access to senior industry professionals so you don't need to go through the hiring process. Better yet, they are not on your headcount so you don't need to worry about salaries, business cases, retention or things like ongoing training.

No lock-ins with particular technology

Chances are that if you are reading this whitepaper, you have already been approached by a number of DSPs, Ad Servers, DMPs, Ad Networks and all of the latest tech required to run a programmatic business. There are virtually hundreds of tech suppliers that you could use. In a partnership model, your partner will have already built their tech stack. So you don't need to vet tech vendors are not forced into making a decision that you are not confident in making.

Get it right the first time

Using experts will increase your chances of success. Your partner will have spent many years perfecting their skills, working with a variety of clients, testing out the latest strategies and tech. They have already been through the journey of building a programmatic business and can ensure that your experience is a good one.

No financial risk

As you don't need to put in any investment costs up front, there really is very little financial risk involved. If the partnership doesn't work, you can end it.



CHALLENGES

Building a successful relationship

As with any partnership, each side needs to work to make it a success. This should not just be a client-supplier relationship. To get the most of it you will need to invest time and communicate.

You will also need to vet your partner and ensure that they are right for you. Be frank with them about the level of service you need. If you need training, let them know. Not all businesses will be prepared to go on that journey with you. Weed those ones out in your selection process.

Ensuring they have your best interest

As this is a completely separate business to your own, that means that the partner is working towards their own KPIs and interests. You will need to ensure that you trust them, communicate

your desired outcomes and be certain that they share your values so that you can be sure that they are working in your best interest.

Understanding how your money is being spent

You have to face the fact that you are never going to have full visibility on how your money is being spent, which strategies work and which ones don't. Mitigate this by getting any concerns out before you sign the partnership.

Access to data and insights

In a partnership model, typically the partner will own the campaign data and it will be their decision as to whether they share insights from that data with you or not. If those things are important for you, you will need to speak to the partner about what their business model will provide you access to.

KEY TAKEAWAYS

- 1. Face the fact that programmatic is inevitable.** It wasn't long ago when online advertising took over print advertising. Programmatic advertising is the next evolution of online advertising.
- 2. Get a strategy in place now.** Start thinking about how you can incorporate this into your current business, what products you're going to offer your clients and where you're going to go from there.
- 3. Speak to the industry.** Speak to different people in the industry to evaluate the model that is right for you. Make sure you get more than one opinion.
- 4. How much do you know?** Assess yours and your clients' knowledge level to help you to decide if you have the skills to go in-house, need a partner or consultant.
- 5. Learn by doing.** Allocate a trial budget of \$50k-\$100k towards programmatic advertising to test the waters before you jump into the deep end.



WE'RE HERE TO HELP

For more information and to get started on your Programmatic Advertising journey request a one-on-one consultation with our Business Partnership Consultant.

Visit bit.ly/hellosparcmedia

A photograph of two men sitting at a table outdoors, looking at a tablet. The man on the left is wearing a dark jacket over a striped shirt, and the man on the right is wearing a brown jacket over a blue shirt. They are in a sunny outdoor setting with buildings and trees in the background. A white box containing the Sparcmedia logo is overlaid on the bottom left of the image.

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