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1 Preface

Much has been made of the relationship between media buyers and sellers over the years, a relationship often painted in an adversarial light. On some level, that’s understandable, given the myriad challenges and frustrations experienced by both sides as the industry has evolved at a breakneck pace, often leaving best practices and strategy in the realm of the theoretical. We regularly hear folks prognosticate things such as the rate of adoption for programmatic buying/selling, but we don’t always get clear insight into the “why?” behind it. We hear people lament over the lack of transparency in our ecosystem, often while they continue to partner with the very ecosystem stalwarts that have driven us into this position in the first place. Short-term thinking and opportunism have often trumped solid long-term strategy and pragmatism. With so much happening around us, it’s no wonder we don’t always get clear answers...

The truth is, the current digital advertising ecosystem is a complex array of participants each entering the fray with their own unique set of motivations and vested interests, and while many have a solid structural position with clear value creation and alignment with their core constituents, be it buyers or sellers, many others will have an increasingly difficult time justifying their existence. The good news is that we’re starting to see this slowly shake out. Large marketers and publishers alike are starting to ask some really good questions and that’s good for the industry.

As a company solely focused on driving value for broadcasters and large global publishers, Ooyala is constantly thinking about how “our side of the fence” can better contribute to the evolution of a saner, stronger, and more productive advertising ecosystem. What are the platforms and services needed to solidify the position of broadcasters and premium publishers as they contemplate the sea of complexity before them? Our customers are excited about the promise of a holistic view of their video business, one that enables them to embrace the ideals of premium programmatic, moving beyond the waterfalls of today, and asserting better control across all of their buy-side engagements, be it direct, indirect, guaranteed, or via auction.

That brings us back to the relationship dynamic between buyers and sellers. At Ooyala, we don’t see this as an adversarial one at all. In fact, there’s more collaboration happening today than ever before, but we still have a long way to go. To that end, we’ve partnered with MTM to provide you with this extensive research exploring the power dynamic between buyers and sellers across a few key global markets. After numerous sessions and round table forums with a wide array of industry leaders, we found something quite interesting…a common desire for balance and mutual understanding.

Hope you enjoy!

Scott Braley

General Manager, Advertising Platforms at Ooyala
2 Executive summary

Background

The relationship between buyers and sellers has been vital in determining the shape of the programmatic video market across Europe and the USA. In some markets the balance has been weighted towards buy-side control, while in others it is publishers and broadcasters that call the shots. Now, a combination of factors mean that this balance is developing more rapidly than ever – online video consumption is exploding, agencies are looking to move more budget into programmatic, premium publishers are starting to experiment more with data and automation, and advertiser concerns about fraud are deepening.

Ooyala asked MTM to explore the dynamics of this buy-side/sell-side balance across five countries: France, Germany, Sweden, the UK and the USA. We ran seminars with expert industry participants from agencies, publishers and ad tech intermediaries in each market, supported by interviews and synthesis research, following up with a survey of sell-side perspectives carried out in partnership with egta, the European trade association for television and radio sales houses. This mixed-methods approach allowed us to explore the issues from different angles, talking to experts about the factors that influence the evolution of the market in different countries, and identifying key implications for the industry as players seek to establish a new equilibrium between buy- and sell-side.

Context

In this report we define programmatic broadly, to mean the use of automated systems and processes to buy and sell inventory, at fixed prices as well as bidded. We then divide the sales techniques that result into programmatic direct, where a direct relationship exists between buyer and media owner and pricing can be fixed or auction-based, and indirect, where inventory is bought through an open and unreserved auction.

Adoption of these programmatic techniques varies significantly across the five markets under consideration. Although all five countries are affluent and developed, programmatic share ranges from 9% of video advertising (Germany) to 25% (the USA). These countries differ significantly on a number of other important factors, creating different conditions for programmatic video. At one end of the spectrum, TV viewing and ad revenues are declining in Sweden, while online video is growing fast, with YouTube building a dominant position. At the other, Germany’s media market remains much more traditional, with lower broadband and smartphone penetration, TV ad revenues still growing, and digital a much smaller percentage of total advertising.

Take-up of programmatic also varies by category of provider. We separate the market into four types, as shown below, each with characteristics that dictate attitudes to programmatic. Broadcasters are typically unable to meet demand for online video and, with major TV businesses to protect, have largely preferred to protect traditional direct sales models. Other premium publishers, through also supply-constrained, have engaged more directly with programmatic, since they do not have legacy video sales infrastructure to hold them back and can use programmatic to differentiate themselves with agencies. Meanwhile, global platforms like YouTube and Facebook are providing huge growth in supply, with programmatic playing an important role in leveraging their scale and data assets. Finally,
long-tail publishers tend not to have the resources to monetise inventory directly with buyers, and face a transition away from selling through networks and towards programmatic, which is now well under way.

Exhibit – Categorisation of online video publishers

Drivers and barriers

To explore the future of programmatic video in our five markets, we designed a framework that splits the factors that influence adoption into four sections:

1. **Wider market enablers**, such as consumer behaviour
2. **Buy-side factors** that are top of mind for agencies, such as optimisation and measurement
3. **Sell-side factors** preoccupying publishers, such as technical difficulties
4. Factors influencing the **balance of power**, such as inventory concentration

**Market enablers** for programmatic differ significantly by country, and this will continue to be crucial in shaping adoption over the next 3-5 years. In Germany, for example, linear TV revenues and viewing remain strong, businesses tend to be risk-averse, and the regulatory environment for data-driven advertising remains uncertain. These factors will continue to create barriers to adoption. In more developed markets such as the UK and USA, TV and video advertising are beginning to converge as consumption fragments further and shifts to digital platforms, but consumer concerns about data and privacy remain a source of disruption. Survey respondents cited convergence and data/privacy as two of the ten most important factors influencing future adoption of programmatic video (see exhibit below). As a result, the industry urgently requires new currencies and approaches to measurement to deal with growing fragmentation, and fresh creative directions to provide more valuable consumer experiences.
The buy-side factors that dictate advertiser and agency interest in programmatic are developing fast, from an initial focus on using optimisation and measurement to add reach to TV campaigns (the most important factor overall according to survey respondents), to a greater interest in data-driven audience-buying. Agencies are feeling keen pressure from clients and auditors to be more transparent and provide assurance on brand safety and fraud protection. In more advanced markets, this is contributing to a growing focus on quality: premium inventory delivering quality audiences, enhanced by data. Buy-side participants told us that they want new products that leverage publisher data to provide custom audiences and guaranteed volume, and that they badly need more training and expertise to help bring together TV and digital expertise within agencies.

Sell-side factors are often seen as barriers to growth, since premium publishers have typically been distrustful of programmatic, unless they have the scale, data assets, distribution platform or skills to see it as a source of differentiation. This attitude is gradually changing: most now believe that programmatic is inevitable, once the technology becomes mature enough to offer them the control and flexibility they need to monetise their inventory across multiple channels and manage key business risks. However, publishers report a range of technical difficulties still holding them back. Suppliers of next-generation platforms will have to work hard, not only to convince premium publishers to trust the technology, but also to offer the training and impartial consultative support they need to help them engage more deeply.

The first phase of programmatic has been driven by audience-buying and remnant, with the balance of power in many markets weighted towards the buy-side. Agencies have used their scale and leverage to push adoption, leaving many publishers feeling they have been forced into programmatic arbitrarily. In some countries, however, the balance has swung the other way, with supply constraints

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1 Survey to egta members, April 2016 (base n=54)
and inventory concentration meaning that premium publishers have been able to resist agency pressure. In both instances, the sense of conflict has contributed to an adversarial tone to the debate. Now, however, participants argue that the industry is entering a new phase, characterised by a move to quality and to stronger, deeper partnerships between buy- and sell-side. They tell us they need impartial, trusted suppliers that can support these new, more collaborative ways of working.

Conclusions

Over 100 senior industry participants shared their views as part of this research, commenting on the state of programmatic video today and their expectations for the future. The overall theme is clear: across agencies, intermediaries and publishers there is a sense that the industry is moving into a new phase, in which the emphasis will shift towards quality, transparency, control, flexibility and collaboration – creating a new equilibrium that delivers both for premium publishers and for advertisers and agencies.

However, there remain significant barriers that hold back programmatic adoption and upset this balance. Research participants identified six important implications for the industry, areas which will all need to be addressed as programmatic moves into this new phase:

1. **Currencies and measurement** – the industry needs new metrics and approaches in order to optimise, measure and evaluate campaigns in an increasingly fragmented world
2. **Creative innovation** – making the most of programmatic and data requires fresh creative approaches: new formats and closer integration between creative, planning and distribution
3. **Publisher-led data products** – agencies want new products that marry premium inventory with custom audience data from high-quality publishers, and that can forecast and guarantee volume
4. **Holistic sell-side platforms** – publishers need next-generation platforms that give them the control and flexibility to monetise across demand sources whether direct or indirect, guaranteed or bidded
5. **Education and training** – both buy- and sell-sides need impartial partners who can offer them consultative support and training, helping to overcome skills and talent shortages
6. **Collaborative relationships** – participants are eager to improve communication, forging deeper and stronger partnerships to build a new balance in programmatic
3 Background

Introduction

This report explores the state of play in programmatic video at an important time in the development of this market. Consumption of online video is growing rapidly, agencies are looking to move more and more budget into programmatic channels, and premium publishers are starting to experiment with programmatic for trading and execution. As a result, the next few years will see the market change significantly, and we see a new balance emerging between agencies and publishers as programmatic becomes ubiquitous. In this report we discuss this evolution by focusing on five markets (France, Germany, Sweden, UK and USA) and exploring how their different supply and demand characteristics will dictate their development.

Many of the insights contained in the report have been shared by senior industry experts during interviews and seminars as part of the research, and we would like to take this opportunity to thank them for their time and their valuable contributions. These participants hold positions at various organisations from across the ecosystem, as seen in the exhibit below. All quotations have been anonymised.

Method

This research was commissioned and funded by Ooyala and consisted of four steps:

1. **Synthesis research** to develop baseline data about the TV and video markets in each territory and an analytical framework for exploring drivers and barriers
2. **Interviews with expert industry participants** to refine research hypotheses and explore views on the potential development of each market
3. **Seminars with 10-15 senior industry executives in Germany, France, Sweden, UK and USA** to discuss and debate the drivers, barriers and prospects for programmatic online video advertising
4. **A brief survey of sell-side industry participants** across the relevant markets, delivered in partnership with egta, the European trade association for television and radio sales houses, to further support our research findings
Exhibit – Participants in the interview, seminar and survey programmes

With special thanks to egta and its members for taking part in the survey
4 Context

This section introduces the subject matter for this report by defining the markets under consideration and establishing how they are structured. In doing so, it contains the following sections:

- First, we define what we mean by programmatic advertising, to clarify the differences between different sales techniques and approaches.
- Second, we describe and compare the current state of online video in each of our five target markets: Germany, France, Sweden, UK and USA.
- Third, we examine the structure and dynamics of the video advertising market, grouping providers into four broad categories: broadcaster VOD, premium non-broadcaster video, global social media platforms and long-tail websites.
- Finally, we introduce the framework for the analysis of drivers and barriers, which makes up the remainder of the report.

4.1 Programmatic definitions

‘Programmatic’ has become a commonplace term in the advertising business and the press, but what people understand by it has changed over the past five years. There are many different elements of the buying and selling process that are seen as programmatic: algorithmic decisioning, using data to buy audiences, or simply the automation of any aspect of the advertising workflow. These varied perceptions may lead to differing definitions, so it is important to clarify what we mean by programmatic from the outset.

Programmatic is often associated specifically with the automated buying and selling of remnant inventory in open exchanges, where buyers (or their agents) use software to bid on impressions in real-time, using data to assess their value. However, in this report we use programmatic more broadly, to mean the use of automated systems and processes to buy and sell inventory, at fixed prices as well as bidded. The matrix below shows how programmatic can be understood as a sales technique that can be divided into direct and indirect sales channels, just as traditional sales techniques can. This results in four broad categories of activity that publishers can use to sell their inventory:

- **Traditional direct**: Inventory bought at fixed prices directly from media owners through in-house or external sales teams, using insertion orders and manual processes to book and run the campaign
- **Traditional indirect**: Inventory bought at fixed prices from a third-party (often known as a network) offering packages which aggregate supply across multiple media owners
- **Programmatic direct**: Inventory bought from a particular media owner using automated processes, where a direct relationship exists between the buyer and media owner in the form of pre-existing deal terms (e.g. exclusive access and price-floors). This encompasses both trading at fixed prices (often referred to as programmatic direct or guaranteed) and bidding (private marketplaces)
- **Programmatic indirect**: Inventory bought on an impression-by-impression basis in real-time through an open, unreserved auction
Advertisers and publishers initially used programmatic to buy and sell desktop display more efficiently, but over the past few years the market has seen fast-growing demand for mobile, video and other formats. The focus of this report is on the direct and indirect programmatic market for online video inventory.

**Exhibit – MTM programmatic definition matrix**

4.2 **Country characteristics**

The five countries under consideration in this report are all affluent, developed markets, yet they differ greatly in terms of programmatic adoption. Here, we briefly introduce those differences through some data-driven comparisons, focusing on consumer behaviour and advertising markets.

**Advertising markets**

The television advertising markets vary significantly in size, as seen in the exhibit below, with USA the largest and Sweden the smallest, as one might predict from straightforward differences in population size. TV advertising accounts for around 20-30% of total media in all countries except the USA, where television captures 43% of the ad market.
All these TV markets are maintaining growth except for Sweden. The decline there began with a 4% drop in broadcast TV viewing from 2013-14, resulting in the lowest average linear TV viewership in the country since 2005. However, this decline was offset by a significant increase in online TV in the same period. Sweden, along with the UK, is experiencing dramatic growth in the digital advertising market: an increase of 17% YOY in Sweden compared with 5% in France (see exhibit below).

Exhibit – Digital advertising market by country, 2015 (% net EUR bn)

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2 Sources: ZAW, OVK, IREP, IRM, IAB, PwC, Kantar, Group M
4 Sources: ZAW, OVK, IREP, IRM, IAB, PwC, Kantar, Group M
One might expect the widespread penetration of fixed broadband and smartphones (see exhibit below) to drive France’s digital growth at a faster rate than in Germany. However, when compared to other countries like Sweden, French growth has been held back by a cultural resistance to digital services; a recent study showed, for example, that only 65% of French companies have a website, compared with 89% in Sweden. Sweden, in contrast to France, is often seen as a tech and digital leader in Europe. In absolute terms, however, France remains the third largest digital ad market in Western Europe, behind the UK and Germany.

Exhibit – Penetration of fixed broadband and smartphones by country, 2015 (%)

In terms of programmatic online video, Germany emerges as the laggard of the group. Whilst its digital ad market exceeds that of France, the size of the overall online video market is smaller, as is the share of programmatic: 19% of online video sold programmatically in France compared with 9% in Germany (see exhibit below). The slow adoption of programmatic in Germany, and particularly in programmatic video, can be attributed in part to the relative strength of incumbent media owners and a widespread rejection of real-time bidding (RTB) in order to safeguard traditional revenue models.

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5 Fixed broadband penetration in France is currently 78%.
9 Sources: Statista, Médiamétrie, NetRatings, E-barométern, Internetstatislik, ARCEP, ONS, Ofcom, eMarketer, US Dept. of Commerce/Census Bureau
In contrast, the UK and USA stand out as the most developed territories, with 23% and 25% of online video sold programmatically. While the Swedish market is small both proportionally and in absolute terms, the online video market there is growing at 59%, the fastest of the five countries.

**Consumer behaviour**

Consumer behaviour in each territory echoes this position, with British and American consumers spending around two and a half hours online per day, compared with an hour and fifty minutes in France, Germany and Sweden (see exhibit below). This reflects the comparative sizes of the TV ad markets illustrated in the exhibits above, although the French market does not seem to be capitalizing on its relatively high TV viewership as effectively as the UK, for example, which has a smaller adult population watching fewer hours of TV each day.

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11 Sources: Hi Media, SpotXchange, PWC, eMarketer, Magna, IAB
12 USA column not to scale.
When one looks at the TV viewing behaviour of young adults, a segment expected to be moving more quickly to online VOD than others, Sweden appears to have experienced this shift more dramatically than other markets (see exhibit below). While young adults in the USA still watch 3.3 hours of TV a day, in Sweden they watch only 1.4 hours, compared with 1.8 hours averaged across all adults in the country.

Although Sweden is regarded as a digital first-mover in Europe, with very high broadband penetration (see exhibit below), the UK and USA have more mature non-linear video markets. The share of internet

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13 Sources: Statista, Médiamétrie, comScore, Nielsen, eMarketer
14 Online data for Germany includes desktop only for the whole population.
15 Sources: Statista, Eurodata TV Worldwide
16 Age group is 15-34 for all countries except Germany, where data is for 14-29 year olds.
users watching VOD on TV is estimated at around 30% and 40% in the UK and USA respectively, compared with less than 20% in Sweden, France and Germany (see exhibit below). Other recent estimates, however, suggest Sweden is catching up fast, with take-up there now similar to the UK and USA. Nevertheless, it is clear that across the five territories, digital behaviours in the USA, UK and Sweden appear more developed than France and Germany, despite relatively low Internet penetration in the USA, and a small population in Sweden.

Exhibit – Viewing of VOD services on TV, 2015 (%., bubble size = size of adult population)\textsuperscript{18,19}

\textsuperscript{17} GFK (2016), The industry has to roll with the punches: video-on-demand is in demand in Sweden, \url{http://bit.ly/1Maeoku}
\textsuperscript{18} Sources: Statista, Médiamétrie, NetRatings, Orvesto Konsument, E-barometer, Google, Internetstatistik, ONS, TGI, Nielsen, eMarketer, US Dept. of Commerce/Census Bureau, Netflix
\textsuperscript{19} Populations included are of different ages in each country: Germany (10+), France (12+), Sweden (18+), UK (16+), USA (15+).
4.3 Video advertising market structure

The video advertising market can be divided into four broad categories of inventory, as shown in the exhibit below: broadcaster video-on-demand (VOD), premium non-broadcaster video, global social media platforms and long-tail websites. These categories exhibit different characteristics in terms of supply and demand dynamics, and adoption of programmatic. This section discusses each in turn.

Exhibit – Categorisation of online video publishers

['Traditional' linear TV advertising | Online video]

- **Broadcaster VOD**
  - This category includes online video inventory sold by producers and broadcasters of traditional linear television, usually as pre-rolls before on-demand catch-up content. Examples of companies in this space are RTL (Germany), TF1 (France), MTG (Sweden), ITV (UK) and NBCUniversal (USA).
  - Broadcaster VOD is typically characterised by large audiences watching premium content where ad space is in short supply, leading to high CPMs and little remnant inventory: “They could all sell more if they had more,” one seminar attendee noted in the USA. As broadcasters usually sell out and are able to sell inventory at a premium, they have less need for programmatic and have taken to it relatively slowly, still preferring direct sales channels.
  - The scarcity of premium inventory and the valuable context broadcasters provide gives them significant market power and therefore control over how they sell. Typically, there are only 3-4 major players in this segment per country and, as a result, most media planners feel required to include them in any large-scale ad campaign. Agencies in the UK, for example, “couldn’t do a campaign without ITV because clients wouldn’t buy it.”
  - In Sweden this dynamic is less pronounced, with agencies arguing that YouTube has reached such a scale that broadcaster reach is no longer necessary. However, even in Sweden it is clear that with broadcaster VOD “the branding experience is still much better,” resulting in brand-safe environments that advertisers tend to trust, which are less susceptible to fraud, and exhibit higher completion rates.
  - This premium market position has allowed broadcasters to move into programmatic slowly in all countries, cautiously safeguarding their existing revenue models: “Programmatic is a very different domain,” noted one USA attendee. “They are worried about cannibalisation and they don’t need it. They have plenty of ability to keep selling audiences the way they currently sell.”
Despite this hesitation, all attendees agreed that broadcasters would be increasingly adopting programmatic for online video. “It’s inevitable that they will go in this direction, but they are early stage,” stated a USA attendee. Industry participants expect broadcasters to adopt direct or guaranteed programmatic models in order to maintain high CPMs while still taking advantage of the efficiencies and audience targeting possible with programmatic. “A large majority of [broadcaster VOD] will be traded on fixed price, fixed volume, programmatic direct basis,” noted an attendee in the UK: “it’s just about automating deal workflow.”

Premium non-broadcaster video

This category includes inventory sold by emerging players without an offline video business, whether they are established publishing houses putting new focus on expanding video supply, or digital natives implementing video-first strategies. In either case these are suppliers with sufficient scale and brand recognition to sit at the premium end of the market, in many cases selling direct to agencies and often perceived as substitutable for broadcaster VOD. Examples of companies in this space are Axel Springer (Germany), Le Figaro (France), Aftonbladet (Sweden), The Guardian (UK), The New York Times (USA), and Buzzfeed and Vice (multiple countries).

As with the broadcaster VOD segment, premium non-broadcaster supply is characterised by a shortage of inventory, with players keen to establish more aggressive video strategies: retraining journalists to produce video, hiring new video production teams, syndicating content from other publishers, and building video formats into text pages (such as outstream). Such players are responding to strong demand from agencies for online video, and capitalising on broadcaster shortages. As one news publisher in Sweden commented: “Last year broadcasters had big problems delivering campaigns and satisfying agency demand, so we got lots of enquiries and we were very sold out as a result.”

SNAPSHOT - GERMANY

Germany has the largest advertising market in Europe and the second largest digital advertising market after the UK. However, programmatic remains less developed than in the other four countries, making up just 9% of video advertising revenues.

Video consumption remains less fragmented than other markets, with much of the TV and video supply concentrated around broadcasters ProSieben and RTL, which also operate major media sales houses. This dominant position allows them to dictate the terms of sale more effectively than broadcasters in other countries. As a result, these players have been slow to engage with programmatic for their own inventory, happy to stick to traditional direct sales whilst making strategic acquisitions in programmatic to prepare them for the long-term. “Everyone has the mentality of riding it out until the party ends,” a sell-side participant commented, “we don’t even have to worry about it.”

There is a recognition that programmatic video will eventually become the norm, but not until the major players are pressured to do so by market factors, such as younger audiences moving online. “Media consumption in Germany will change and fragment,” a buy-side attendee predicted, “It’s the way consumption moves on around the world.”
Video content in premium non-broadcaster video usually exhibits lower production-values and shorter running-times than broadcaster VOD, which may lead to shorter ad formats, lower CPMs, lower viewability, lower completion rates and a less premium positioning. As one broadcaster in Sweden noted, “Non-broadcasters are definitely becoming competition in the market…but our sites are very much built around the video experience, which means high completion rates. Print publishers usually bundle text and video...so they will have lower completion rates. The ad formats they put out are good, but users aren’t watching in the same way.” Nevertheless, research participants do perceive this supply as being more premium and higher quality than global platforms like YouTube: “more editorial” and “easier to pitch to clients.”

Unlike broadcaster VOD, players in premium non-broadcaster video are believed to be moving more quickly into programmatic in order to differentiate themselves, to grow scale or simply because they are not weighed down by the need to protect entrenched business models and adjacent markets such as TV. “Anybody who’s starting fresh or from a different corner of the market, and doesn’t have an incumbent large demographic-based business to defend,” a US attendee noted, “will naturally move to where the market is going, and be more progressive.” Participants in Europe echoed this view. In Germany, for instance, these new players are seen as particularly important for the growth of programmatic: “The interesting thing will be if the big [broadcasters] move their TV platforms into programmatic, but we don’t see this happening at all...so the growth will come from non-traditional supply.”

Publishers in this category have moved to adopt sales approaches such as programmatic direct and private marketplaces. However, as the size of video audiences from these providers varies significantly, in some cases agencies still view this segment as sub-scale. As one UK agency noted, “we see these suppliers more as part of the longer tail rather than close to the broadcasters, [without] enough scale from any one player individually.”

**Global social media platforms**

This category includes online video inventory supplied by platforms distributing both user-generated and professional content internationally to large numbers of users. The main players in this category are YouTube and Facebook, but younger services like Snapchat are building large online video audiences too.20

This category is characterised by large amounts of inventory concentrated within a small number of companies, which tend to sell through closed marketplaces or ‘walled gardens’, using established data-driven and automated selling capabilities. Research participants saw this category as making up the largest share of online video revenues across all countries, as well as generating a large proportion of those revenues programmatically. As a participant in France noted: “The main element is to add reach, …that’s why we invest in YouTube because it is huge. Data comes after.”

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20 Marketing Dive (2016), Snapchat hits 10B daily video views, catches up to Facebook, [http://bit.ly/1SDa7Ue](http://bit.ly/1SDa7Ue)
However, the impact these platforms have on other categories of supplier does vary by country. In Sweden, for example, agencies were more likely to see YouTube as substitutable for premium publishers, providing sufficient reach to plan online video campaigns for traditional advertisers without the need to include broadcaster VOD: “to buy reach in Sweden, you can buy YouTube and you’re done.” Similarly, agencies in the USA feel that YouTube is established enough to bring traditional advertisers into programmatic and online video. “YouTube is the biggest search engine in the world. A lot of clients are not as familiar with programmatic as they’re very TV-focused,” one USA agency stated, “but they know YouTube. It makes sense for them to have their ads on there.” These sorts of views are less common in the UK, Germany and France, where agencies are more likely to see YouTube as supplementing an online video campaign centred on premium broadcaster inventory: “People are recognising YouTube content more than a few years ago,” a UK attendee commented, “but they’re still some way behind when compared to premium inventory and context.”

In terms of budgets, advertisers and agencies still regard Facebook as a ‘social’ service, as opposed to an online video platform, with some viewing it as entirely outside the video advertising market since the bulk of inventory is video display rather than pre-rolls. However, participants across all markets agreed this is already changing as Facebook increases its focus on video, and especially on live and longer-form premium content. In Germany, Facebook is “understood as only offering in-page, not video; it will take one or two years until the broadcasters will have understood that Facebook is a big threat.”

The huge reach offered by Facebook and YouTube allows them to push agencies towards buying their inventory exclusively through their own ad-tech platforms. This makes measurement and comparison with other supply sources difficult. “They are imposing their technology stack,” said a French attendee, “it’s a closed ecosystem which increases spend dramatically.” Participants across all countries were critical of this approach, as the lack of integration with other buying mechanisms prevents planners from optimising and measuring campaigns programmatically on a single platform. In the more developed markets of the UK and USA, attendees suggested that these platforms might be forced to integrate more in the future: “Even the Googles and Facebooks will be under pressure to open up a bit over time,” stated a US attendee, “not least because of the competition between the two of them.”

**The long tail**

The long tail consists of online video inventory sold by smaller publishers who generally lack the scale or brand value to sell direct, and therefore tend to sell through aggregation platforms such as exchanges and networks. This category comprises a large number of publishers with a huge variety of inventory and audiences. There is a belief that while the context and quality of this inventory may not compete with the other categories in terms of brand safety, viewability or completion rates, it offers the opportunity to aggregate audiences at scale across niche sites, at low CPMs.

As most such sites do not have the scale or resources to monetise their inventory manually, participants therefore agreed that the category benefits significantly from automation, and will move to 100% programmatic quickly as networks decline: “Programmatic is all about the long tail,” an attendee noted in Germany. “It’s about millions of small publishers that aggregate data, and supply that data to the buyer, and that enables you as a brand to buy individual users across the whole programmatic universe.”
However, the lack of quality assurance means that encouraging brands to buy inventory in the long tail is a challenge. Advertiser concerns about brand safety and fraud have led to increased levels of scrutiny when buying through exchanges, with agencies reporting that they must work harder to justify expenditure based on efficiency and targeting. “Further down the inventory pool (short-form, long tail),” stated a UK participant, “it’s much harder to lock on perceived value, […] so it becomes much more about the users and the data.”

4.4 Analysis framework

To analyse the future development of programmatic video across Europe and the USA, we developed a four-part framework of drivers and barriers: the factors that will influence programmatic adoption.

The remainder of this report follows this structure:

1. **Market enablers**: the wider market environment that will accelerate or impede the growth of programmatic video.
   - For example: consumer behaviour, data and privacy regulation, innovative culture, TV-video convergence

2. **Buy-side factors**: agency and advertiser dynamics that will dictate future attitudes to programmatic.
   - For example: optimisation and measurement, data targeting, transparency and accountability, talent and skills

3. **Sell-side factors**: drivers and barriers affecting programmatic adoption amongst publishers and broadcasters
   - For example: control over pricing and sales environment, role of non-traditional publishers, talent and skills, technical difficulties

4. **Balance between buy- and sell-side**: the competitive dynamics between both sides of the market and the evolving balance of power
   - For example: agency group leverage, supply constraints, inventory concentration, data and information asymmetry

In each section, we examine the most important factors affecting programmatic video, drawing comparisons between the five countries under consideration and highlighting the strategic implications.
5 Market enablers

How does the market environment influence the adoption of programmatic for video?

Summary
- The market environment for programmatic differs by country, and this will shape adoption over the next few years. In Germany, for example, linear TV revenues and viewing remain strong, businesses tend to be risk-averse, and the regulatory environment for data-driven advertising is uncertain. These factors will continue to be barriers to adoption.
- In more developed markets such as the UK and USA, TV and video advertising are beginning to converge as consumption fragments further and shifts to digital platforms, but consumer concerns about data and privacy remain a source of disruption.
- As a result, the industry needs new currencies and approaches to measurement to deal with fragmentation, and fresh creative directions to provide more valuable consumer experiences.

If they are to prosper, technology markets require supportive environments with certain underlying enablers. In the countries under consideration here, the basic infrastructure is largely available: with high-quality broadband, significant penetration of connected devices, and availability of investment capital. However, other market factors exist that impact the five countries differently and will influence the growth of programmatic video in the future. This section first presents survey results showing which factors are considered most important, followed by qualitative views on the future of the market and strategic implications for the industry.

Exhibit – Market enablers influencing the growth of programmatic video (rated by importance)\(^ {21}\)

<table>
<thead>
<tr>
<th>Factor</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convergence of TV and video ad markets</td>
<td>7.2</td>
</tr>
<tr>
<td>Data, privacy and regulation</td>
<td>7.0</td>
</tr>
<tr>
<td>Shift to multiscen, on-demand viewing</td>
<td>6.1</td>
</tr>
<tr>
<td>Innovative, start-up culture</td>
<td>5.9</td>
</tr>
</tbody>
</table>

- In Germany and France research participants saw consumer trends such as the shift to multiscen and on-demand viewing as the most important drivers of programmatic in the future, reflecting the fact that consumption is currently less fragmented in these markets.

\(^ {21}\) Survey to egta members, April 2016 (base n=54)
• By contrast, participants in the UK and the USA identified data, privacy and regulation as more important factors influencing programmatic adoption, viewing these as potential barriers to further growth.

Early adopters and fragmentation

Participants acknowledge that some markets are cultural early adopters of new technology, both from a consumer behaviour perspective and in investment terms. The USA obviously falls into this bracket, as do the UK and Sweden, albeit to a lesser extent. Germany, on the other hand, despite pockets of start-up innovation, is placed at the other end of the spectrum by some participants, who feel that a risk-averse culture is holding ad tech back.

The market is much less competitive than others. Although there can be exceptions, Germans are usually afraid to fail. We do not want to fail so we take ages doing things the first time to get them right, whereas in the US they would fail and then improve and make progress.

Germany, buy-side

Meanwhile, early adopter behaviour has led to much greater levels of consumption fragmentation in some markets than others, particularly among certain demographics. Agencies and publishers see this fragmentation as an important driver of programmatic video, as they look to complement their TV campaigns with online video.

We are now seeing linear TV flat overall but young viewers leaving TV in their droves, down 10-12%, and total video viewing going up. This is why we are investing online to make sure we can find young viewers with our advertising there.

Sweden, sell-side

One of the key drivers for us is TV behaviour. TV is becoming more fragmented and harder to hit campaign goals. As TV fragments and cord-cutting happens, people are starting to look to online video as a supplement – basically for additional reach.

USA, buy-side

TV used to be the master and advertisers knew that, it was easy. Now advertisers still have to do TV, but they have to be on social too, on YouTube, digital display, and online video. We need to re-create one point to buy, with maximum reach and efficiency, and programmatic is the tool we have to try and do that.

France, sell-side

The need to find this lost TV reach through digital has been a major spur to growth in online video, with investment in programmatic driven by the need to track associated online video spend, and apply reach and frequency caps. In more advanced markets such as the USA and the UK, the TV and video markets are beginning to converge as a result, and techniques such as addressability bring the data targeting of digital to linear and on-demand TV inventory. Our survey respondents felt that this convergence would be the most important market factor over the next 3-5 years, as this addressable TV inventory starts to become available through programmatic channels.

However, in markets like Germany, TV viewing is more robust and video consumption less fragmented. As a result, the incentive to shift budgets into online video has been greatly reduced.
I have only been here seven months in Germany and my observation is that the strength of the TV market really separates it from other markets. The need to go towards video is not as strong here as in other places, because Germans still love watching linear TV.

Germany, sell-side

Participants in France see their market as being less fragmented than the UK, Sweden and the USA, implying that this factor is less of a driver for programmatic. However, the dominance of IPTV delivery there may cause consumption to move away from linear more quickly than in Germany.

Looking at the numbers we are closer to Germany than the UK in terms of fragmentation, so it’s not as big a driver yet. However, I think there will be an acceleration towards video, partly because we are well equipped in platform terms; we have a lot of connected TVs through IPTV in France whereas in Germany it is much less.

France, sell-side

Just as linear TV viewing has remained much stronger in some markets, the TV ad market has also performed very differently across our five-country sample. In Germany, ad market strength means that neither buy- nor sell-side needs to disrupt existing revenue models: with the market on both sides highly concentrated, there is little appetite for rocking the boat.

The economy is doing well and old school companies are doing well, they don’t have pressure on them at the moment. You see that when the economy is down, six months later there’s a lot of pressure on the ad market and there is more interest in efficiency. But everyone is happy at the moment.

Germany, buy-side

Everyone has the mentality of riding it out until ‘the party ends’; we don’t even have to worry about it.

Germany, sell-side

In France, Sweden and the USA, the TV ad market is growing less strongly, with budgets moving into digital more quickly and both sides of the market investing more heavily in video and programmatic. In the UK, on the other hand, TV advertising is robust and fast-growing (despite linear viewing flat-lining), but the importance of other factors means that this is not a barrier to programmatic video investment.

Shifts in consumption

As consumption moves to online video distribution rather than TV, it is also shifting in terms of devices and formats, which are starting to become more important drivers for programmatic video. The rapid growth of short-form video and consumption on mobile devices has created large pools of viewing where monetisation through a re-purposed 30-second pre-roll is no longer appropriate.

Wider shifts in consumer content mean that we are going from long-form to very short-form: Snapchat being a perfect example. We have seen video completion rates shift dramatically as a result, changing perceptions and approaches for programmatic.

UK, sell-side

I think the crucial trend is thinking about where the audience has gone, and they have gone to mobile over the last few years; it is now the number one screen...No brand has ever survived without recognising where their audiences are or without following where the audience goes, and the video advertising industry is currently way behind.

UK, sell-side
In the more advanced markets in our sample (UK and USA), participants on all sides agree that advertisers and creative agencies will have to evolve their approach to campaigns in order to catch up with this behaviour. The new techniques that will result – such as shorter formats, sequential targeting and dynamic creative – will largely require programmatic for their execution. This will, however, require a slow process of education and transformation.

Advertisers have to evolve; they’ve been building things for TV and just transferring these over to digital. We need to think of digital as different to TV – it’s a different environment. The problem is that the bulk of the money still goes into TV, so why would advertisers and creative agencies want to build something specific and different for digital?

USA, buy-side

10-second ads will have greater impact when people are waiting for a one-minute video. The industry is still thinking in terms of TV – we need to change our thinking. However, it will take time for the creative community to adapt their mind-sets. There is a tendency to think “I’m not going to win any awards for an 8-second ad – what kind of story can I tell?”

USA, buy-side

**Data and privacy**

The shift to mobile has also intensified consumer concerns about data and privacy, which could be an important barrier to programmatic video growth. The rise of ad blocking is taking money out of the market and reflects consumer dissatisfaction with the advertising-funded experience online. This is particularly true of mobile, where smaller screens, data caps and page-loading times turn intrusive ads into even bigger disruptors of the user experience. Research participants appreciate that consumers worry about tracking and targeting, especially where advertising messages are not relevant to them.

The challenge is always around privacy and control. If the consumer feels they don’t have control, then all of a sudden that can cause lots of issues. If the power we use to deliver a message is greater than the message we are delivering, the consumer reacts badly because we are not adding value. Alarm bells start ringing

UK, buy-side

As consumer dissatisfaction grows, evidenced by interest in ad blocking, it increases the possibility of regulatory intervention, which could be another major barrier to programmatic in the future. Participants are more concerned than ever about the

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**SNAPSHOT - FRANCE**

France has taken to programmatic more quickly than Germany, with 19% of online video sold programmatically. Although seen as mostly focused on desktop and remnant, the presence of advertising cooperatives like La Place is viewed as a key differentiator, due to the positive effect they have had in educating the market in programmatic.

The French regulatory environment, and the Sapin Law in particular, has enforced transparency between publishers and advertisers, and participants see it as an important driver for programmatic. Although consumption remains less fragmented than the UK or Sweden, high penetration of IPTV is expected to accelerate the growth of online video faster than in Germany. “This could be a game changer between France and Germany,” commented a sell-side participant, “France has the equipment in terms of platform landscape.”
potential for major changes in European data and privacy regulation and the effects this could have, not just for their own businesses, but for the growth of data-driven advertising and marketing more generally.

We’ve got the new EU regulations coming up in 2018 on data. This is a worry even though it’s only just going through drafting now. No one’s talking about it yet because it’s two years off, but when it happens everyone will have to stop and think

UK, buy-side

German regulation is developing towards a scenario where publishers and broadcasters cannot collect any data. This is particularly the case for linear TV, and especially in connection with Smart TV or Connected TV, because it is in the living-room. As a broadcaster we can be happy about this: we can continue to sell as we have for years and protect our position. We don’t need to worry about programmatic as much

Germany, sell-side

Consumer behaviour is the major driver because regulation is led by consumers. Consumers demand more personalised experiences and where we mess up and we go awry then all of a sudden we find ourselves subject to changes in legislation

UK, buy-side

On the other hand, there may be country-specific regulation that is helpful to online video and programmatic. Participants in France, for example, regard the Sapin Law as having been a key driver for growth.

The Sapin Law enforces transparency between publisher and advertiser. Re-sales by sales houses are forbidden as a result and this has been very helpful to the market. It is a main driver of business in France and has made the start of the market grow very quickly

France, buy-side

Implications

The wider market factors at play in the countries under consideration have two important implications for the industry that participants must address.

First, while fragmentation of viewing across platforms, devices, formats and publishers means that agencies and advertisers need to shift budget into online video to hit campaign reach and frequency goals, measuring reliably against these goals has become extremely hard. As a result, participants see progress on cross-industry currencies and metrics as key enablers for the market, and expect this to be a critical area over the next few years.

There is a big issue about currencies. TV is all about rating points, but now online is all about impressions. So if TV planners are buying online video they have to think about two different currencies and this is a major barrier

Sweden, sell-side

TV has a trusted source for measurement. There’s a reason why clients spend so much on TV and it gets a return; as a TV buyer you know what you’re getting if you buy a particular show. We don’t have the currencies and metrics to know this across online video

UK, buy-side

The broadcasters would absolutely sell more online video at higher prices if it were measured better, which is why we are pushing ahead in this direction

USA, sell-side
Second, while participants are concerned about consumer dissatisfaction with the advertising-funded online experience as well as potential disruption from data and privacy regulation, many predict this will spur innovation. They argue that consumers want a higher-quality experience and that advertisers must respond by creating more valuable interactions with their audiences. In part, this means a shift towards quality and context, but it also means new creative approaches such as shorter formats and dynamic creative: a marrying of data, content and context. All of these elements can, and should, be facilitated by programmatic, making it a key area for the industry.

There is so much clutter on screens now, and so much ad-blocking as a result: the consumer is asking for a seamless, positive, useful experience, and brands just aren’t getting the message. That’s why we are pushing a move to quality, and we are investing more with quality publishers. Context is hugely important. We are trying to think even more about the consumer – where is our audience, where do they prefer to be communicated with, and how?

USA, buy-side

Moving away from TV-style campaigns will be a big thing in the next few years, and will be a driver for programmatic, because we will be planning centrally but delivering across lots of platforms with different executions, with a central way to plan and to show value. 80-90% of the time we want to be advising our clients to do something different on Facebook compared with broadcast. The remaining 10% is only for clients that make amazing bits of TV as their ads, like Nike. Flagship brands can put a 30-second TV spot on Facebook, but not others.

UK, buy-side
6  Buy-side factors

How will agency and advertiser priorities for programmatic dictate its evolution?

**Summary**

- The dynamics of advertiser and agency interest in programmatic are developing fast, from an initial focus on optimisation and measurement to add reach to TV campaigns, to a greater interest in data-driven audience-buying.

- Agencies are feeling keen pressure from clients and auditors to be more transparent and provide assurance on brand safety and fraud protection. In more advanced markets, this is contributing to a growing focus on quality – premium inventory delivering quality audiences.

- Buy-side participants told us that they want new products that leverage publisher data to provide custom audiences and guaranteed volume, and that they need more training and expertise to help bring together TV and digital expertise within agencies.

In the first phase of programmatic, and particularly for desktop, agencies have been widely seen as its driving force: prioritising audiences over context, taking control of the decisioning process and leading the data-driven digital advertising revolution. However, the situation is not clear-cut. There are important barriers holding back adoption of programmatic, particularly as it enters a second phase that places more emphasis on video and quality. This section presents survey results before outlining the two sides of this equation – the drivers and barriers for the buy-side – in order to highlight the most important implications for the future.

**Exhibit – ‘Buy-side factors’ affecting the growth of programmatic video (rated for importance)**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Optimisation and measurement</td>
<td>8.1</td>
</tr>
<tr>
<td>Data-driven audience targeting</td>
<td>7.3</td>
</tr>
<tr>
<td>Accountability and transparency</td>
<td>7.0</td>
</tr>
<tr>
<td>Shortage of buy-side talent and skills</td>
<td>6.2</td>
</tr>
</tbody>
</table>

- Optimisation and measurement was the most important factor identified by participants in France, Sweden and the UK.

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22 Survey to egta members, April 2016 (base n=54)
However, in the most and least developed markets under consideration, the USA and Germany, accountability and transparency were seen as more important.

**Optimisation and reach**

By and large, agencies tell us that the most important factor driving their use of programmatic video is optimisation: using online video for extra reach, supplementing TV campaigns to target hard-to-reach demographics in response to the fragmentation in consumer behaviour discussed in the previous section. Tracking and measuring this incremental reach is therefore vital, but most campaigns remain only loosely targeted – unlike desktop, where much more data is being brought to bear on delivery.

The vast majority of campaigns are still only loosely targeted, with a little bit of behavioural data. The market does want to take TV into more detailed targeting long-term, but TV and video will always be more broadly targeted than other media where supply is effectively unlimited.

USA, sell-side

The number one thing I need is frequency capping and optimisation. The ability to apply different types of data to target audiences is definitely secondary to this.

Sweden, buy-side

In display we look to buy the right view at the right time. In video, we’re still using programmatic mainly for reach...It’s still mostly about branding and reach, not so much about adding data.

Sweden, buy-side

As a result, buyers are looking for ways to standardise the metrics they use across publishers, in order to build a clear picture of reach and frequency across the range of inventory sources. Increasingly, they report frustration with suppliers they perceive to be running closed ecosystems – forcing them to use their DSPs and making it hard to draw comparisons across publishers. They do, however, acknowledge this is likely to be a losing battle. Businesses with the scale, data and ad tech investments of YouTube, AOL and Facebook, for example, can dictate the terms on which they trade.

Standardising video metrics would be useful so we can draw proper comparisons from the data, but as more publishers are operating as closed systems this is getting worse. Maybe if we had a universal ad server that would help, but there’s no way the big platforms like Facebook and YouTube would do that.

Sweden, buy-side

To drive programmatic we need holistic universal buying capabilities across all inventory sources. The walled gardens are hindering this and forcing direct buy solutions.

USA, buy-side

By closing up the way they operate, they force you to use their technology...so you might end up having to work with five or six DSPs and agencies don’t like this. I don’t see any way around it, though.

France, sell-side

**Guaranteed volume and cherry-picking**

Both agencies and publishers report that as agencies look to invest more budget in premium online video, they want to be able to guarantee volume and pricing. In part, this reflects a TV-buying mentality, as online video is being used primarily for incremental reach on top of a TV campaign and is
very often being bought by TV buyers. This is driving increased interest in programmatic direct and programmatic guaranteed, which publishers identify as a key area of interest.

Agencies want to be able to guarantee volume from us, and questions about programmatic guaranteed are coming up all the time...Agencies here still work in silos: digital team, video team, linear team, programmatic team. Different teams with different cultures and metrics. So as they try to move budget from linear into programmatic for video they want the linear things: frequency capping, guaranteed volumes etc.

Sweden, sell-side

For their part, agencies emphasise that if they are paying for a premium product then they expect certain things in return. One of these things is the ability to lock in supply, as they do with TV, even if this means benefitting less from the targeting programmatic makes possible.

If I can’t get a promised amount of impressions from a highly premium provider then what am I really paying for?

USA, buy-side

More and more people have global budgets covering TV and video now, which means advertisers want a guarantee with video on price and audience, just as they get with TV

France, buy-side

If you want the quality, you have to buy up front. There isn’t enough quality available in private marketplaces. This means we’re still buying in the same way we bought TV, not benefitting from the efficiencies or targeting of technology

USA, buy-side

However, as well as being able to guarantee volume, agencies also increasingly want to be able to cherry-pick impressions based on data. Some regard taking control of decisioning as the most important buy-side driver for programmatic.

We are changing who makes the decision of what I buy. It used to be that you gave money to publishers and they decided what was best, before programmatic. But now, with programmatic, the agency is taking control and moving into the decisioning role, using technology to find the best campaign fit and mix for the client. This is the most important factor for agencies

SNAPSHOT - SWEDEN

Although Sweden has the smallest online video market out of all five countries in our sample, its year-on-year growth is the highest at 59%. The 12% of video sold programmatically is also small proportionally and in absolute terms, but industry participants expect this to grow rapidly.

Lack of supply is the major factor limiting the potential value of programmatic data-driven approaches in Sweden. “In a small market with limited supply,” noted a buy-side attendee, “more granular and specific data is not useful because you have a problem delivering campaigns anyway.” In this context, YouTube’s market position is very strong, as the platform can deliver sufficient reach to run entire digital campaigns: “to buy reach in Sweden, you can buy YouTube and you’re done, you don’t need the broadcasters.”

Viewership is quickly moving online and supply is expected to grow, but this is raising difficult questions regarding talent and skills, particularly for agencies who emphasise how hard it is to find planners that understand TV and video: “Finding people who are fluent in both languages [linear TV and online video] is very difficult.” Raising understanding and establishing new approaches for measurement are seen as key challenges in enabling programmatic growth in Sweden.
This can create a disconnect between buy- and sell-side, with publishers reporting frustration with the conflict and uncertainty it creates.

**We do to an extent want to have our cake and eat it: lock down inventory at guaranteed price and volume but also cherry-pick**

**UK, buy-side**

At the moment there is so much uncertainty and not enough communication from buyers wanting to guarantee volume and use their own data to cherry-pick the impressions they want. They can’t have these things together

**Sweden, sell-side**

Both buy- and sell-side feel that the tools are not yet in place to deliver this sort of process – to be able to identify an audience, forecast future supply, agree a guaranteed volume and price, and then deliver that without introducing discrepancies.

**We’re coming up against this all the time now. They want guaranteed volume on views, but they also want to be able to cherry-pick. These two don’t work together, unless we can do cookie syncing to do an estimate of what they might be able to book, and the technology just doesn’t work for this yet**

**Sweden, sell-side**

**What I really want is tools to be able to find the audience I want in the available inventory, but also to forecast how much I can get, so I can guarantee volume and plan my campaign**

**Sweden, buy-side**

**Targeting and access to publisher data**

In the more advanced markets, agencies and advertisers told us that they are now putting extra effort and emphasis into using online video for more than incremental reach, and integrating more data into their campaigns. They feel they are at the start of a journey to bring the benefits of data-driven programmatic approaches to bear on video.

**There is still a separation for us between programmatic and video. When we think about programmatic, video is secondary because programmatic is really about using data to reach our audience and we don’t really do that yet. We would love to have access to more data for our video campaigns and this is a big priority for us now**

**USA, buy-side**

In particular, marketers tell us that they are starting to look more closely at what they could do using publisher data, in order to provide a deeper view of the context around an impression.

**We are starting to talk to publishers about custom audience and enhanced versions of context. This is an exciting development, being able to leverage publisher data about what audiences have been doing on-site to build custom targeting profiles that fit our campaign goals**

**USA, buy-side**

**I think the thing we’ll be talking about in 2017 is audience guaranteed – you [agency] tell me what audience you want, I’m able to predict how many impressions I’ll get and you then say “I’m going to buy x% of this and I’m willing to pay more because I know I’m going to get exactly what I’m looking for”**

**USA, sell-side**
Premium publishers do not yet understand the value of properly indexing their inventory with data, especially in Germany, where the legislation means it’s not clear yet what you can and can’t do with data.

Germany, buy-side

The requirement for these new kinds of data-driven products and approaches supports an increasing demand for quality, for premium inventory, for context, and for closer collaboration between advertisers, agencies and publishers – themes that have recurred throughout this research.

I want you [publishers] to be able to create custom audiences based on your user behaviour data, then to sell me that second party data – not just to be able to target on your site but also so I can go and buy those people elsewhere too…There’s a huge revenue opportunity for you in this.

USA, buy-side

This is what happened with display, too, but it will happen to a greater extent for video. It’s not just about audiences. Agencies were just buying audiences but have now come back from that and now they want the right people, but in the right place as well. If you reach the right people on the wrong site it’s not going to work as well. It makes sense to use data, but people who use data will also want the context. I think quality is making a return now.

France, sell-side

Broadcaster VOD and to a lesser extent other premium video can perform so much better than everything else, but if you can marry that with high-quality publisher data then you have a very strong combination.

UK, buy-side

Quality and transparency

However, if agencies are to invest in publisher data and higher CPMs, then they will insist on quality, and require the tools to understand and measure this.

If I’m paying a premium for something, I want my audience to remember it – I need it to be quality. I want it to be unique. I want to make sure the content that I’m advertising around allows me to meet my goals. It’s got to be quality to influence the audience.

USA, buy-side

The biggest struggle for me after walled gardens and measurement is inventory quality, and this will be the biggest barrier to programmatic success.

USA, buy-side

This ‘flight to quality’ has been driven, in part, by concerns about transparency – including viewability, fraud, and brand safety – impacting publishers’ priorities. Many report that viewability, in particular, now tops their agenda as they consider how to make their product more attractive to buyers, and agencies in particular.

Viewability is the first thing on my list when I go to work every day. It’s what agencies are really focused on, and it’s what keeps me up at night. With high viewability you will get the right KPIs so it’s the enabler for everything.

Sweden, sell-side

From the point of view of advertisers, fraud and brand safety tend to come through as bigger concerns than viewability, with both issues important barriers to future programmatic adoption. Agencies are now highly focused on reacting to increased scrutiny from clients by rooting out bad actors and delivering a greater degree of transparency. They see this process as critical to giving advertisers the...
assurance they need that their investment in programmatic is delivering results and not putting their brand at risk. In some cases this means investing more with premium suppliers that are less susceptible to fraud and can guarantee a safe environment, but there is also increasing demand for better tools to provide quality assurance in the long tail of suppliers.

> We show clients the full list of sites for their campaigns now. This is the way we have to go, to full transparency. This is the only way programmatic will become demystified. I need to be able to show a client exactly where their ads are served. Some of the time they won’t like some of the sites we buy, because we’re buying audiences – but if you only buy sites you won’t get the efficiencies you need. As a result, I need quality assurance beyond that, to give clients comfort.

USA, buy-side

Clients want to pore over every single website and as much as certain suppliers say they have an algorithm that can ensure brand safety, I know that it doesn’t always work. Clients want to know they are going against safe content which is brand friendly, especially if we are paying a premium.

UK, buy-side

As digital spend has grown and concerns about transparency have surfaced, the role of auditors has become much more important, especially in European markets. Agencies and DSPs report that justifying and explaining spend on online video, let alone programmatic, is becoming a high priority and that they need to increase efforts to educate audit firms about new methods of trading and pricing.

Audit companies are very powerful in France. More and more advertisers are requesting audits to see which the best technology companies are for their strategies.

France, buy-side

We have corporate clients that have kicked out their agency and buy programmatic technology in-house and the main reason is really the auditors. They want the power to see what they are actually doing. For me, this is the main driver of programmatic: that you are the pilot and the auditor and you see what is happening.

Germany, buy-side

The role of media auditors in the UK is important. Clients really start to trust them. They are in a powerful position but also need help. There is no easy answer here, we need to educate them about what we do – their safe world where you segment by audience and by price and then audit and benchmark is being ripped up.

UK, buy-side

**Talent and skills shortages**

One important finding is that the industry’s response to transparency issues is being held back by a lack of understanding and expertise. Agency participants agree that it remains hard to acquire and train the talent they need to make the most of the opportunities of programmatic. The effect of this is to make problems with fraud more damaging, as the fear factor with advertisers gets worse.

Programmatic is so young that someone with a year’s experience is a VP.

USA, sell-side
Everyone participates in fraud. That’s why people don’t like to look at it…You put an insertion order to a young sales guy and you say you make €250,000 in a day, he’s going to try everything to spend all of this. It’s part of the ecosystem and everyone is participating with the same attitude of “It’s working, let’s not mess with it”

Germany, buy-side

Agencies report that it is particularly difficult to find staff who understand TV and online, such that they can balance a campaign across different channels. Agency structures and approaches will need to change to address this challenge. Although some have moved a long way, others feel that major re-organisation and re-training is still necessary, implying a period of consolidation during which the industry as a whole can catch up with the experts and start to see the real benefits of programmatic.

It’s about having people on staff who understand how I buy linear TV and complementary online video to make sure they’re still achieving the same goals. Finding people who are fluent in both [languages linear TV and online video] is very difficult…The bridge between the TV and digital people needs to be stronger

Sweden, buy-side

We are holding onto our history at the moment with its existing structures: how we sell, how we make commitments, how agencies are structured in terms of buying teams, etc. We will need big re-structures to change this

Germany, buy-side

One big problem is that everyone who knows programmatic suddenly starts running off into the distance after the next thing, VR or whatever. Then we look back and realise we’ve left behind all the clients and most of our agency colleagues…Let’s all just stop a minute and go back and sort out the stuff at the start and then let’s all go forward together

UK, buy-side

Implications

Participants highlighted two areas of particular focus for the next few years, to enable the market to function more effectively for agencies and advertisers.

First, there is a clear appetite for approaches that leverage publisher data to create new products and services that allow agencies to buy custom audiences, particularly in the more advanced markets such as the USA. This is part of a broader trend towards collaboration between buy- and sell-side and towards quality: premium inventory from quality publishers, but enhanced by robust behavioural data that creates a deeper understanding of context. There is a stated willingness on behalf of agencies to pay for this, provided they are able to value it, measure its effectiveness, and guarantee volume.

I see it as a huge opportunity on the publisher side not to just sell me quality inventory but to sell me quality people. Understanding dwell-time on your site, how long they are engaging with content, what they are interacting with. I can buy information like this from Excellate or Datalogics but I don’t know how old this information is. Publishers can provide me with data that’s refreshed daily that I can’t get anywhere else

USA, buy-side

That’s where my dollars want to go. I don’t want to do what I’ve been doing for the past three years, which is “I’m going to buy health content,” I want to buy people on your site who have been highly engaged with health content. Those are the kind of people I want to buy and I’ll pay a premium for that

USA, buy-side
Second, participants agree that online video is still fairly immature and that there are not enough people at agencies who can combine knowledge of linear TV with knowledge of digital, to optimise and manage cross-platform video campaigns. There is demand for more training and education, and in particular for finding ways in which this can improve communication and collaboration within agencies, but also between agencies and publishers.

We need more than just technology and standardised metrics. We need people who understand what channel is best for what goal, and how to bring inventory sources together across TV and video. It’s not a mature market yet, we don’t yet know how best to use online video.

Sweden, buy-side

I think the big challenge is creating a general understanding across the industry – everybody talks but not everyone understands the language being used.

UK, buy-side
7 Sell-side factors

How will publisher and broadcaster views on programmatic video shape its future?

Summary
- Premium publishers have typically been distrustful of programmatic, unless they have the scale, data assets, distribution platform or skills to see it as a source of differentiation.
- This attitude is changing gradually: most now believe that programmatic is inevitable, once the technology is mature enough to offer them the control and flexibility they need to monetise their inventory across multiple channels and manage key business risks.
- However, publishers report a range of technical difficulties still holding them back. Suppliers of next-generation platforms will have to work hard, not only to convince premium publishers to trust the technology, but also to offer the training and impartial consultative support they need to help them engage more deeply with programmatic.

As discussed in Section 2, different categories of publisher have very different attitudes and approaches to programmatic. In this section we focus on broadcasters and other suppliers of premium inventory, rather than the global social media platforms and the long tail of smaller publishers. As programmatic becomes less associated with low-value, unsold inventory, and new products and services look to bring premium inventory to market, these quality providers are grappling with how to adopt programmatic whilst protecting their strategic interests. This section discusses the drivers and barriers at work, and the implications for the future.

Exhibit – ‘Sell-side factors’ affecting the growth of programmatic video (rated by importance)23

<table>
<thead>
<tr>
<th>Factor</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical difficulties with programmatic</td>
<td>7.5</td>
</tr>
<tr>
<td>Control of price, volume and access</td>
<td>7.4</td>
</tr>
<tr>
<td>Emergence of non-broadcast publishers</td>
<td>6.8</td>
</tr>
<tr>
<td>Shortage of sell-side talent and skills</td>
<td>6.6</td>
</tr>
</tbody>
</table>

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23 Survey to egta members, April 2016 (base n=54)
While participants in all countries agree that technical difficulties are an important barrier slowing down programmatic adoption, those in France, Sweden and the USA emphasise control as the crucial factor.

By contrast, participants in Germany and the UK see the emergence of non-broadcast publishers as most important, reflecting expectations about the way in which market structure will change.

**Market structure**

A number of factors combine to influence the rate of programmatic adoption amongst publishers, particularly market structure. In some markets – through a combination of acquisitions, corporate strategy and regulatory intervention – there are vertically- and horizontally-integrated participants that have more to gain from ad tech, and so are more likely to be leaders in this space. Sky in the UK, for example, combines an ad sales function for its own inventory with a very large pay-TV base – which means it can overlay high-quality data onto the inventory it delivers to the end-user. This is unique across the other European markets under consideration: no other player has a large share of the pay-TV platform market in combination with a large share of the advertising market.

There is no end-to-end solution in Germany – no player with strong presence in ad sales, broadcast channels and TV platform. Plus German anti-trust law makes it impossible for companies to work together on collaborative solutions.

In France, publishers have been able to cooperate and build scale in programmatic display through joint platforms. This development in market structure has encouraged adoption across a wide group of publishers, with research participants arguing this has been instrumental in increasing levels of understanding across the market.

The presence of cooperatives here in France, like La Place, has been a key reason France is ahead of Germany. It has really helped to educate the market.

However, whilst La Place has played a big role in the market for desktop display in France, premium publishers have been reluctant to commit their quality video inventory to programmatic environments, and in some cases are seeking to bring programmatic back in-house.

I know that some of the broadcasters are looking to get out of cooperatives now, even though it helped them grow and understand programmatic. Now they understand it they are re-internalising the business.

Participants report that, by and large, publishers still associate programmatic with remnant and are therefore nervous about releasing premium video inventory into programmatic.

Programmatic has developed quickly in France because of unsold inventory. We think it is a mistake only to make this association but that's still how it is. We don't have poor-quality inventory and in France programmatic has always been seen as for remnant, so we don't take part.

However, in more advanced markets, premium publishers are feeling pressure from other inventory suppliers who have moved quickly into programmatic, pushing them not just to start engaging with programmatic to satisfy agencies, but also to make their sales pitches to agencies as clear and
compelling as possible. In this case, the change in market structure brought about by new suppliers such as YouTube has influenced the way in which traditional video publishers approach sales.

Broadcasters have to think about the role of YouTube, but I don’t think it’s really forcing them to trade programmatically yet. Instead it’s forcing them to make clear cases to us about why they should remain on plans when YouTube offers such a range of compelling products

UK, buy-side

Control and flexibility

For premium publishers, video represents a strategic asset and releasing quality inventory into programmatic environments feels risky. They tell us they need more and better controls over those environments and in particular over the way that their inventory (and data) is presented, priced and delivered.

Sellers want to be able to manage scarce inventory that is highly in demand and valuable data assets so they are not devalued to buyers

UK, buy-side

We’ve been doing open auctions for a couple of years, but this hasn’t given us enough control. We need to control our fill-rates so we are moving to new models and developing relationships with trading desks and buyers directly

Germany, sell-side

Broadcasters’ digital businesses tend to be still very manual, and to scale these businesses they need more automation. But this adds risk around linear delivery and pricing, data management, yield optimisation. We see broadcasters as being committed to programmatic in the long-run, but stepping in carefully because of these risks

UK, buy-side

Brand safety and price are two of the most common concerns. Premium publishers need to maintain control of who is able to buy their inventory and at what price, and they need programmatic products and approaches that support these strategic requirements.

As a premium inventory supplier, we want total control over which clients are using our inventory – brand safety is most important, as well as sustaining our price levels

Sweden, sell-side

We have a strong strategy for many years to decrease ad load and increase CPMs, rather than increase inventory. We would rather destroy unsold inventory than sell through routes that would decrease CPMs

France, sell-side

Broadcasters and other premium inventory suppliers also remain nervous about engaging too quickly with programmatic because they do not want to abandon the elements that make their ad products so powerful: notably scale and context. Participants argue that TV and video may always be more broadly targeted than desktop, and that the context provided by broadcasters is devalued by too much targeting.

Programmatic has been about monetising poor-quality video where the audience has become more important than the context. But this is not the case at the premium end, where broadcasters spend millions on creating that context. We need programmatic solutions that take this into account

UK, sell-side
The UK has the largest digital and largest programmatic video ad markets in Europe, but also a TV advertising market that remains robust and growing. The country’s leading position in programmatic has been attributed to an early adopter technology culture, a concentration of progressive media players and a higher degree of consumption fragmentation than in other parts of Europe. Importantly, national broadcasters such as Channel 4 and Sky are already offering data-driven advertising products and are moving fast towards programmatic. Participants are excited by the potential to enhance premium supply with high quality sell-side data: “Broadcast VOD can perform so much better than everything else,” as one buy-side participant noted, “but if you can marry that with the data then you have a very strong combination.”

Additionally, growth in programmatic video is attributed to fragmentation in viewing behaviour, giving more value to the scale efficiencies offered by programmatic. This fragmentation is also a limiting factor, however, as advertiser scrutiny and concerns over brand safety is a powerful barrier to faster programmatic adoption, especially when buying audiences in long-tail inventory through open exchanges.

UK, sell-side

To a significant extent, however, a pragmatic approach is emerging whereby rather than resisting the move to programmatic, premium publishers are acknowledging that, in theory, it should not matter to them how they sell, provided they have the control they need and the flexibility to maximise yield.

We shouldn’t have to care on our side how the buy-side wants to buy. We negotiate price and volume, and then whether it comes through automated sales straight into the ad server, or through the SSP, or through PMP – they should co-exist. There are big benefits for broadcasters in programmatic, if you are able to maintain premium value in the inventory you sell.

Sweden, sell-side

In three years’ time it shouldn’t really matter for us whether sales stay direct or go programmatic. We need to be led by how our customers want to buy, and what is most cost-effective, but this means moving to a more holistic view and not talking about waterfalls anymore.

Sweden, sell-side

Broadcasters don’t care as long as they get a guaranteed volume and price. That’s why they trade TV – if they can get the same confidence on video they won’t care if it’s programmatic or not.

UK, buy-side

Publishers anticipate a situation where they have the flexibility to monetise inventory in a number of different ways through the same platform, but with the controls they need to protect their strategic interests and achieve maximum value for their inventory. However, this will require publishers to be able to completely trust the technology as well as having access to platform-neutral technology suppliers who can support a range of monetisation methods and do not need to push publishers into one channel or another to suit their own business needs.

The best solution would be to have everything in the same bucket – eventually we will manage everything in the same platform to optimise yield.
Our goal is to have one platform for ad server and SSP. There is no reason why you need two different platforms, apart from history, and now platforms are emerging to do both.

Technology barriers

Participants believe, however, that the industry remains somewhat distant from this holistic ad server and SSP solution and that, in various way, technology still creates a significant barrier to further adoption of programmatic. This is particularly the case for premium publishers, who have more to lose from a technical malfunction.

We are not ready yet to do any direct deals with any DSPs. The tools are not reliable enough right now, and we cannot afford to make mistakes given our premium positioning.

It’s important to remember that the discussion in this industry is always a few years ahead of where the technology actually is.

The technology isn’t there, it doesn’t work. The optimisation doesn’t really work that well either for agencies because of all the walled gardens, plus the data isn’t really there and we don’t have agreed ways of measuring either – so why do markets seem so eager to adopt programmatic?

Publishers argue that programmatic still creates extra manual work and they are not yet seeing any real return on their effort.

Right now programmatic is not more efficient. The tools are not quite good enough yet, it still requires lots of adjustment and manual effort.

We need the technology to manage big spikes in supply. If I could buy that spike at a cheaper rate and buy reach and scale quickly then it would be very valuable, but the technology can’t handle it.

As well as creating additional work, publishers do not yet believe that the technology supports all the functionality they need to manage compliance in the same way as when they execute a direct deal. As a result, they cannot use programmatic for their most premium supply.

For us to be able to manage automated guaranteed deals, they need to be similar to a direct deal, which requires a higher level of compliance control with the ad server than we can currently do through our SSP.

The technology also introduces discrepancies between buyer and seller views of the same transaction. These can relate to measurement: for example different tools giving different measurements for viewability; or to execution, when a guaranteed direct deal which should fill to 100%, for example, only fills to 30-40%. Some see this as an example of data asymmetry: the buyer’s system having access to more data or being set up incorrectly, valuing impressions differently and therefore not executing the full bid request. These sorts of inconsistencies damage communication between buy- and sell-side,
create operational overheads, and explain why premium publishers would often rather stick with a traditional direct deal than execute the order through programmatic.

Measurement solutions often don’t translate across the buy- and sell-side. If they are each using different providers then often you can’t get the stats to marry up, for example on viewability

UK, buy-side

In theory, broadcaster sales teams won’t care if they’re doing direct deals but executed programmatically. But in reality when we do this, the data asymmetry between buy- and sell-sides often means that the order is not executed correctly and falls down, so a 100% fill direct deal has a big disparity and fills to a much lower level

UK, sell-side

The technology is still difficult and it impacts our level of control. We cannot manage to ensure that the set-up is correct so that we maximise scale but also ensure that there’s no drop-off between what we would have booked direct and what we booked programmatically

UK, sell-side

As the technology matures, publishers anticipate that consolidation in the intermediaries portion of the market will help iron out some of these issues, resulting in fewer specialist systems and lower commissions.

There are lots of different systems specialised in one area and in the future I would expect more systems to be able to handle larger parts of the business. Everyone will start crossing over and there will be winners and losers, and lower commissions as a result

Sweden, sell-side

Implications

Premium publishers are exhibiting a new pragmatism towards programmatic, acknowledging that it is the future, while remaining determined to safeguard their interests. This situation has two important implications the industry needs to address.

First, publishers are excited about the promise of new platforms that will help them engage more meaningfully with programmatic, moving beyond waterfalls and remnant, and balancing demand from sources that may be direct or indirect, guaranteed or bidded. However, they do not see the technology as mature enough and remain nervous about committing premium inventory to programmatic. Suppliers of these next-generation platforms will need to work hard to convince premium publishers that the technology can be trusted.

Technical difficulty is the most important factor holding us back. If we solve this problem, publishers won’t be afraid of losing control, pricing and targeting wouldn’t be a problem. For example, if we could solve programmatic guaranteed with cookie matching to give good forecasting then we wouldn’t have any problems doing more programmatic

Sweden, sell-side

Second, there is a significant need for more training and sharing of best practice across all monetisation channels, in order to build an understanding of how to move forward into the next phase of programmatic. As the technology to support more sophisticated sell-side programmatic strategies emerges, the winners will be the impartial intermediaries that can offer consultative support and training to help publishers take control of their ad tech.
The fact is that finding people who are able to understand all the supply-side programmatic technology and make it live is not easy. There are lots of middlemen offering to solve the problems, but it’s hard to know who to trust and also to get the right people in-house.

France, sell-side
8 Balance between buy- and sell-side

How will the shifting dynamics of the relationship between buy- and sell-side influence the future of programmatic video?

Summary

- The first phase of programmatic has been driven by audience-buying and remnant. Agencies have used their market power and leverage to push adoption, leaving many publishers feeling they have been forced into programmatic arbitrarily.
- In some countries, however, supply constraints and inventory concentration have meant that publishers have resisted, but this sense of conflict has contributed to an adversarial tone.
- Now, however, participants argue that we are entering a new phase, characterised by quality inventory and stronger, deeper partnerships between buy- and sell-side. They tell us that they need suppliers that can support these new, more collaborative ways of working.

Research participants largely agreed that the early stages of programmatic have been driven by the buy-side rather than the sell-side, and that the shifting dynamics of the relationship between them are an important factor in its future development. The balance of power and leverage differs significantly across different markets, and is constantly in flux as strategies evolve and market structure shifts. This section covers the important factors that dictate the nature of the relationship between buy- and sell-side, and focuses on how the industry can build a new, more productive balance in the future.

Exhibit – Factors affecting the balance of power between buy- and sell-side and influencing the growth of programmatic video (rated by importance)24

<table>
<thead>
<tr>
<th>Factor</th>
<th>Importance</th>
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</thead>
<tbody>
<tr>
<td>Concentration of inventory</td>
<td>7.2</td>
</tr>
<tr>
<td>Data and information asymmetry</td>
<td>6.5</td>
</tr>
<tr>
<td>Agency group leverage</td>
<td>6.5</td>
</tr>
<tr>
<td>Shortage of supply</td>
<td>5.8</td>
</tr>
</tbody>
</table>

- Opinions differed significantly in this area. Whilst survey respondents placed shortage of supply as the fourth most important factor, seminar participants in Germany and Sweden saw this as the

24 Survey to egta members, April 2016 (base n=54)
most important element influencing the development of programmatic. This reflects the continuing strength of the major broadcasters, particularly in Germany.

- In France and UK, by contrast, participants saw agency group leverage as the most important factor in driving programmatic, an indicator of the relative strength of the buy-side in these markets.

### Buy-side power and leverage

Participants were quite candid about the reasons why moving budget into programmatic has been a priority for agencies, and the tactics that have been employed to service this agenda.

*Within our group, agencies are pushing hard to trade as much programmatically as possible, on the basis that we make a margin. It’s way more profitable for us, even given legacy rebate deals. As a result, sometimes agency tactics have been borderline crude, for example mandates to spend x% in this channel. But the wheel is going in the other direction now, with clients ending relationships with agencies or capping spend with trading desks after not getting the transparency they need.*

**UK, buy-side**

*Programmatic is developing very fast, driven by agencies and advertisers looking to increase their returns from digital.*

**France, buy-side**

*You do need to talk about profitability here for agencies. If any of us had been running an agency for the past few years and working at 3% margin then a channel that offers 20% margin? Why not? Programmatic provides a much better margin for digital.*

**UK, buy-side**

These sorts of tactics have led to the agency-publisher relationship frequently being cast in adversarial terms – the *cliché* of agencies ‘dragging’ publishers into programmatic against their will. This remains a common theme, but the relative strength and leverage of each side means that these tactics have been more successful in some markets than others. While there is, of course, evidence in all markets of productive and collaborative relationships between buy- and sell-side, it is also not hard to find publishers who feel that agencies have used programmatic to take advantage of them. Often these grievances centre on agency data strategies:

*Clearly the agencies are making the rules and it’s all about data, although we are more protected in France by regulation. Many publishers in Germany and the UK in particular complain about violent agency data strategies. It’s blackmail – if you don’t say ‘yes’ they won’t spend again, but if you say ‘yes’ you let them steal your data.*

**France, sell-side**

*Publishers are afraid of agencies. They are worried that they don’t know where their data is going, and they are scared that the agencies will understand too much about their audiences and steal their data.*

**Germany, sell-side**

Publishers report that agencies will use bundling strategies, the threat of withdrawing key client accounts and leverage from wider TV deals to pressure them into putting VOD inventory into programmatic environments. These elements are therefore powerful drivers of programmatic adoption.
It’s an issue of the balance of power. Publishers in France lost their power a long time ago, whereas in Germany they are still stronger. If a huge advertiser and their agency come to you and say they will only buy programmatically, what are you going to do? Say no?

France, sell-side

By the end of 2016 many direct deals will be moving into programmatic direct-type deals. Agencies are starting to push publishers into making year-long commitments on the basis of direct and programmatic together.

Germany, buy-side

There is a degree of truth in the cliché about agencies pushing publishers into programmatic, because the direction of travel for us has to be programmatic across all channels. This is an inevitability, so we need to equip ourselves for it and push our partners in that direction.

UK, buy-side

After several years of resisting and feeling aggrieved at this sort of behaviour, most premium publishers will now acknowledge, as discussed in the previous section, that programmatic is part of their long-term strategy, while still insisting that they need more control and do not want to be pushed into it.

The balance of power between buy- and sell-side right now is that agencies have put a lot of pressure on traditional publishers to put inventory through their trading desks in order to protect wider TV deals. We do know that programmatic is the future, we are not against it. But we have to find a way to apply our own rules for the game.

France, sell-side

In some markets, non-broadcaster suppliers of video have reached sufficient scale and have built such a strong position with agencies that this provides a further tool for them to encourage broadcasters into programmatic.

Broadcasters are being forced into programmatic by demand from agencies. If we have access to YouTube and other online video networks then we can buy high reach in Sweden even excluding TV4 or MTG. So we can say we won’t buy you anymore if you don’t trade programmatically. The position of YouTube is a key factor here, it’s much stronger than in other markets like Germany.

Sweden, buy-side

Sell-side power and leverage

While agencies seeking better performance and efficiency for their clients have looked to use their power and leverage to shift more budget into programmatic channels, the largest premium video publishers have been able to resist (although more in some markets than others). There are three important factors that combine to give broadcasters and other premium video publishers power to dictate the terms on which they trade, and which therefore act as important barriers to faster programmatic growth.

First, video supply (especially at the premium end) remains constrained in all markets, even the USA. Participants on all sides report that in spite of rapid growth in consumption, demand still outstrips supply and premium publishers sell out, allowing them to maintain a traditional sales model with no need for programmatic.
The USA is the largest online video market by a significant margin, and still growing quickly at 42% year-on-year, in line with the UK. It is also the most developed in terms of programmatic, with 25% of online video sold programmatically, the highest proportion out of our five countries.

The market is highly fragmented, with a large supply of video inventory and audiences shifting viewing away from traditional television. This is seen as a key driver for programmatic, as traditional TV becomes less able to allow advertisers to reach their targets. "As TV fragments and cord cuttings happen," stated a buy-side attendee, "people are starting to look to online video to supplement their goals."

However, technical limitations with current offerings form a key barrier to programmatic growth. "The hope is that programmatic will help everyone find efficiencies, efficiencies for price or knowing who you need to reach," one buy-side attendee noted, "[but] we're not benefiting from the technology yet." The proliferation of walled garden ecosystems to access inventory on YouTube and Facebook is viewed as another major barrier to programmatic.

The cliché is true – agencies are trying to pull
publishers into programmatic, but Germany has five sales houses which control the market. Two of them are the biggest broadcasters and these players are way bigger than the agencies. They control how the market works, think about how they can evolve the market slowly in a way that works for them

Germany, buy-side

Third, some broadcaster brands are so strongly established, with advertisers as well as with consumers, that agencies find it very hard to plan a campaign without them. This strength stems not only from scale and brand value, but also from the product itself – broadcaster VOD will usually deliver higher viewability, will be trusted as brand-safe by advertisers, and is less susceptible to fraud. This puts broadcasters in a position of power to trade as they would prefer and sustain high CPMs, since they know they are ‘must-buy’ for agencies.

Marketers want to buy things they recognise and they know, especially in a category like fragrances where they are all about the environment...They want to know that they are going against safe content that is brand-friendly. In this situation nobody gets fired for buying ITV

UK, buy-side

We are in competition with YouTube...but in many cases I think they use YouTube and networks to get volume, then they need to balance this with high-price inventory from broadcasters to bring up completion rates from the 20% they would get from the networks. Then they can show the average rate to the client

Sweden, sell-side

For an online video campaign that looks and feels like a TV ad, you do need a tent-pole load of ITV and Channel 4 inventory in the middle of it – safe and reliable. Then you can add online video around it

UK, buy-side

Communication and collaboration

Alongside this sense of two sides grappling for control, there is acknowledgement from all parties that the quality of communication between them is suffering, and that this prevents the relationship from being as collaborative as it should be. Seminar sessions in all five markets revealed far more instances of misunderstanding and missed opportunities than of conflict, and participants frequently came away intent on creating dialogue with their counterparts.

My take-away is that if we should learn anything from the discussion today it’s that we on the sell-side should be getting closer to the programmatic buyers at agencies – talking to them about why they should buy and why they should consider being in the context we provide. We need to open channels of communication and work together

Sweden, sell-side

I don’t feel it’s conflict between buy- and sell-side, it’s miscommunication. I think that’s the key point. It’s easy to break down simple goals of a marketing plan and we all understand we’re trying to help the client, so why can’t we communicate better? It’s definitely about talent and resource...The more the industry gets educated into understanding how the other side works, the more we will be able to create a unified idea in terms of processes and technology...There needs to be greater understanding and a sense of looking back before we try to jump forward

UK, sell-side

Our sales teams are now more important than ever. They have to be out there talking to agencies, demonstrating our value, selling higher-value campaigns, building lines of communication. We have to talk more

Sweden, sell-side
Participants on both sides frequently cite the complexity of the programmatic ecosystem as a key factor in damaging communication and cooperation. This manifests itself in different ways: for example, frustration at the number of programmatic intermediaries and the value they take from the market; and confusion resulting from the complexity of their products and the lack of understanding of how to use them properly.

*We are losing so much value with all the intermediaries between advertiser and publisher. We would like to have more direct conversations with advertisers, running their own data with their DMP if that helps.*

France, buy-side

*I don’t feel like agencies are dragging publishers into programmatic, it feels more collaborative to me. The issues that impede communication are all solvable, for example, often users of DSPs don’t understand exactly how they work...It’s all about education. A lot of DSPs are used under a self-serve model and buyers don’t know how to properly use them.*

UK, sell-side

*We can’t really talk about the price-efficiencies of programmatic yet. We’re trying to eliminate the technology tax without diluting the price of our inventory. If we can do this then our relationships with agencies can work better.*

USA, sell-side

Some participants also believe that intermediaries operating on both sides of the market can have a negative effect on communication and collaboration, by reducing transparency.

*DSPs and SSPs shouldn’t be charging at both ends. I know they are, but they shouldn’t be. When you’re in the middle and charging both sides, each side has to wonder who you are working for and what value you are bringing. Are you being transparent about your business model? This impacts on trust and communication between buyers and sellers.*

USA, sell-side

Some participants see intermediaries that operate on both sides of the market as part of the transparency problem. They believe the mixed incentives arising from engagement with both sides are hard to balance.

*We have seen from many agencies that if you have players competing on both sides they make it hard amongst each other for deals to work properly. They put little stones in the way to make deals struggle. We always hear from agencies about these little anti-competitive moves creating problems...What agencies really want is transparency. If you are in the middle, playing both sides, no one really knows what’s happening and there is room for a black box in the middle.*

Germany, buy-side

However, a new appetite for cooperation and collaboration between buy-side and sell-side emerges strongly from the research. Agencies and publishers consistently spoke about finding new ways of working together that deliver for all parties. This new mode of engagement will be facilitated by better information, better understanding, better data and more transparency, with participants seeing the creation of such productive relationships as the key enabler for programmatic growth.

*We need more information than we have today – when we get all the information available to everyone within the ecosystem then we will see real take-off for programmatic. In particular, there needs to be more measurement, more transparency and more cooperation.*

Sweden, sell-side
Programmatic is going to push a transformation that will make us view things in a whole different way and then we need to come closer together. The digital transformation will bring the agency business to a different standpoint, where we are forced to talk to vendors more

Sweden, buy-side

It is becoming more relationship-based, not just “we’re going to fill the inventory and we don’t care who buys it.” Advertisers appreciate the quality of inventory we provide and are no longer just driving to the cheapest impressions

Germany, sell-side

As part of this transformation, publishers in particular will be able to take more control of the technology and to engage with programmatic on their own terms. The closer relationship this can create with agencies should be characterised by greater transparency about campaigns goals, with publishers treated as partners rather than vendors.

It’s all about control. The supply-side is starting to understand that the technology isn’t just able to be controlled by the buy-side – it’s something they can control too and they can own the rules

UK, buy-side

It’s the difference between being a vendor and being a partner. If we do a deal and I’m going to give you a discount because you’re buying volume then I need you to deliver that spend and be transparent about what you’re looking for. So, if you tell me your viewability is really important, I won’t sell you a masthead. Sometimes we can have these conversations, but some advertisers just say “I would never give you that information”

USA, sell-side

Implications

The research painted a clear picture of a market that until recently has been primarily driven by the buy-side, and which has been characterised by poor communication, uncertainty and misaligned incentives – in some cases leading to an adversarial tone. This phase, however, appears to be over, particularly in the more advanced markets, and both sides are now focused on forging a more productive and collaborative relationship going forwards – a new balance.

The challenge for the industry, and for technology intermediaries in particular, is to facilitate this cooperation between agencies and publishers, both through their next-generation products and also through impartial advice and support.

Agencies are now realising that you can’t do it on your own. You need an involved client, an involved and bought-in creative team, tight working relationships with publishers. And you need a much more transparent and open process in terms of planning and execution as well as buying. I can see this happening in pockets now and these sorts of exemplars can help to build the future for programmatic

UK, buy-side
9 Conclusions

In the course of the research, over 100 senior industry participants from advertisers, agencies, ad tech intermediaries, publishers and broadcasters shared their views on the state of programmatic video and their expectations for the future. After conducting many interviews and leading five seminars across Europe and the USA, it became clear that we were approaching the topic at a key moment.

In many developed markets, linear TV viewing and revenues are stabilising and years of growth may be over. Consumption of online video is exploding, but demand still outstrips supply. Global platforms like YouTube and Facebook are moving towards premium content to attract budgets away from TV. Agencies are pushing more budget into programmatic, and premium publishers are starting to experiment in response. Increased pressure from clients and auditors is forcing agencies and ad tech intermediaries to look more closely at what they are buying.

All these factors and more combine to suggest that the industry is moving into a new phase, in which the emphasis will shift towards quality, transparency, control, flexibility and collaboration – creating a new equilibrium that delivers for premium publishers as well as for advertisers and agencies. As one UK participant put it: “Buyers want to be able to marry reach and frequency, and target holistically across all broadcasters and publishers. Sellers want to be able to manage scarce inventory and data assets so they are not devalued to buyers. We need to find new ways to balance these demands.”

However, there remain significant barriers that hold back programmatic adoption and upset this balance. Research participants identified six important implications for the industry, areas that will need to be addressed as we move into this new phase:

1. Currencies and measurement – the industry needs new metrics and approaches in order to optimise, measure and evaluate campaigns, as it faces further fragmentation of viewing across screens, convergence between the TV and video markets, and the growth of closed ecosystems.

2. Creative innovation – making the most of programmatic and data-driven advertising requires fresh creative approaches: new formats and closer integration between creative, planning and distribution. These more creative and valuable advertising experiences can also play a key role in building a new trust with consumers, counter-acting worries about data and privacy.

3. Publisher-led data products – agencies’ appetite for new data products and services is considerable. They want to be able to marry premium inventory with custom audience data from high-quality publishers, and to lock in guaranteed volume. Suppliers, meanwhile, need to support the sell-side with the improved data strategies required to transform this agency demand into new sources of publisher revenue.

4. Holistic sell-side platforms – to capitalise on this demand, publishers require next-generation programmatic systems that are mature and reliable enough to trust with premium inventory and that can support monetisation across the full range of sources: direct or indirect, guaranteed or bidded. They argue that the balance between these sources is not important, as long as the platform offers them the control and flexibility they need to safeguard their strategic interests.

5. Education and training – participants detect a lack of talent and skills in the industry, which will be exacerbated by the transition towards this sophisticated new phase. Both buy- and sell-sides need impartial partners who can offer them consultative support and training: helping agency staff to bring together the best of TV and digital, and assisting publishers with monetisation best practice.

6. Collaborative relationships – if all these pieces can be put in place then the foundations will be laid for more cooperation, transparency and accountability. Participants from across the industry are eager to improve communication and collaboration, forging deeper and stronger partnerships between buy- and sell-sides and building the next phase of programmatic.
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