RTB, DMP, SSP!?

More than
just buzzwords –
find out why they
matter and what
they mean
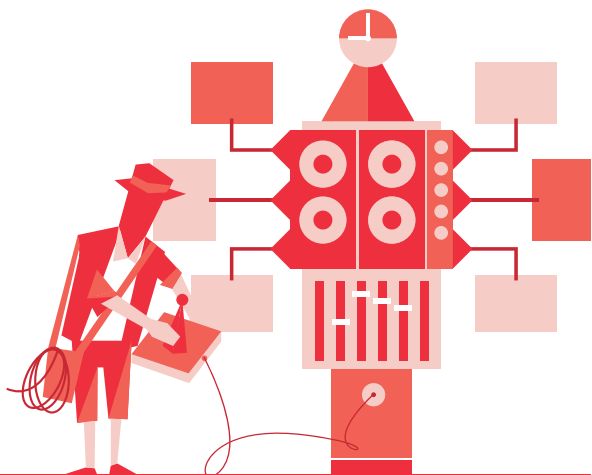
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Why programmatic advertising is crucial to your business

Today, consumers expect to be addressed with the right advertising message at the right time and in the right context. If an ad does not meet these expectations, it fails to grab the consumer's attention. With programmatic advertising[1], marketers can reach their target groups through the most adequate channels and platforms with highly relevant messages. Based on performance figures, a campaign can be optimized dynamically. The result: Higher efficiency, better targeting, and more conversions.

In view of these advantages, marketers would be well-advised to stay on top of this topic. And the numbers reflect this: According to the Interactive Advertising Bureau (IAB)

Switzerland, programmatic advertising comprised about 5% to 10% of digital advertising in 2015. This share has since grown significantly. IAB and the Bundesverband Digitale Wirtschaft (BVDW) expect[2] that 40% of the display and mobile ad inventory and 45% of the video inventory in 2017 will be processed programmatically in Switzerland. Programmatic advertising budgets will account for 75% of all display ad spending in the UK[3], and 78% in the US.[4]

Thus, a basic knowledge of programmatic advertising is crucial for all CMOs and marketers in order to successfully do business. Learn how it really works with our glossary. Check it out.

2

Glossary

PROGRAMMATIC ADVERTISING

Programmatic advertising

Programmatic advertising automates the purchase, sale and optimization of digital ad space. It is predominantly used for search, social media and – most recently – display and video advertising, and it is also making inroads into TV and out-of-home ads.[5]

Programmatic ad buying

Programmatic ad buying refers to the use of software to purchase digital advertising space as opposed to the traditional process that involves requests for proposals or manual insertion orders.[6]

Real-time advertising (RTA)

Real-time advertising is often used as a synonym for programmatic advertising in order to stress the dynamic character of automated media buying in contrast to traditional display advertising (manual booking). RTA works with real-time bidding (RTB).[5]

Real-time bidding (RTB)

Real-time bidding is a term used in programmatic advertising to describe the purchase and sale of ad space based on real-time auctions. For each individual impression, an auction is held within milliseconds where the winner is usually determined based on the bid.[5]

Non-RTB programmatic

Non-RTB programmatic refers to a publisher inventory that is bought or sold through technical interfaces but does not apply an RTB mechanism. Instead, a fixed price and/or impression volume are agreed upon in advance.[5]

PROGRAMMATIC MARKETPLACES

Ad inventory

Ad inventory refers to the amount of ad space a publisher or exchange has available. Ad inventory can be sold on a reserved or unreserved basis, and the pricing can be fixed or auction based.[7]

Open ad exchange / open auction

In theory, all advertisers can qualify to bid on inventory on an open ad exchange. It uses an auction-based system, where the highest bidder wins the ad space (RTB). Inventories typically have the lowest CPMs of all programmatic marketplaces.[5]

Private market place (PMP) / private auction

In a private market place, inventory is only opened up to a selected group of buyers who compete against each other in an auction. Publishers have more control over who buys their inventory, and buyers have access to premium inventory.[5]

Programmatic direct – preferred deals

In preferred deals, unreserved first look inventory is sold at a fixed price. This allows advertisers priority access to desirable inventory, but with control over the actual volume.[5]

Programmatic direct – guaranteed deals

In guaranteed deals, inventory can be reserved and bought at a fixed price. Buyers are obliged to buy the pre-defined volume of impressions.[5]

TECHNICAL INFRASTRUCTURE

Data management platform (DMP)

A data management platform enables a media agency, publisher or advertiser to aggregate user data from various sources in order to optimize or expand campaigns. Specifically, data is used to build audiences that can be targeted through programmatic ad buying or other means of advertising.[5]

Demand-side platform (DSP)

A demand-side platform enables media buyers to bid for desirable inventory across multiple inventory sources (e.g. ad exchanges). Media budgets, targeting, pacing, frequency capping, brand safety options, etc., are managed on the DSP. Examples of a DSP include Adform, AppNexus, DoubleClick Bid Manager and Mediamath.[5]

Supply-side platform (SSP)

A supply-side platform is the counterpart to a DSP. It enables publishers to sell advertising inventory automatically. It allows inventory to be connected to multiple ad exchanges and networks in order to access the widest number of advertisers and increase overall revenue. DoubleClick for Publishers, AppNexus, Adform and Improve Digital are currently some of the most renowned players with SSP solutions.[5, 8]

Trading desk / agency trading desk (ATD)

This is the execution part of the programmatic universe. It describes the agency or holding company's team of experts that handle programmatic buying for a media agency.[9]

Ad exchange

An ad exchange is a technology platform that facilitates the purchase and sale of media advertising inventory from multiple ad networks. It is where all the ads that can be bought are on offer. When publishers release inventory, this is where DSPs and trading desks/ATDs come to buy their ads through RTB.[8]

Ad server and ad tracking system

This infrastructure stores and serves creatives and tracking pixels. Creatives can be sent to publishers via ad tag (a URL that points to the creative sitting on the server) or they can be sent directly to the DSP. All user interaction with the ads tracked on an ad server can be used to report on reach, ad interaction and conversions. DoubleClick Campaign Manager, Sizmek and Adform are currently the most renowned players with ad server solutions.[5]

PROGRAMMATIC BIDDING AND TARGETING

Yield management

Yield management is defined as the process by which a publisher understands, anticipates and influences advertiser and consumer behavior in order to maximize profits through better selling, pricing, packaging and inventory management.[10]

Header bidding

Header bidding allows publishers to choose which multiple SSPs compete for their inventory. Here, everyone bids at once, which often drives up the price and thus increases the publisher's revenue. At the same time, it gives advertisers a more even shot at the inventory they desire most.[5, 11]

Hard floor price

Sellers can set a minimum price, a hard floor price, for their media inventory in the ad exchanges. Bids below this minimum price are discarded, which means that sellers do not take any bids under the hard floor price.[12]

Soft floor price

A soft floor price is a threshold that sellers can set to capture what would otherwise be missed opportunities, particularly when all buyers set bids that are only slightly under the floor price.[12]

Daisy chain, waterfall

When publishers «waterfall», or in other words «daisy chain», an SSP they send an impression to their preferred SSP with a relatively high floor price. If the impression doesn't clear, they redirect it to a second SSP with a slightly lower floor price, and repeat the process until typically AdSense (or any other SSP) clears the impression at a very low cost.[13]

Cross-device tracking / advertising

Cross-device tracking and advertising is the practice of identifying and delivering ads to a specific audience across all their devices. It is also about tracking and measuring the delivery on different devices to understand how consumer engagement and actions can be attributed to different patterns.[14]

First-party data

This is the advertiser's data, data it owns. It is data that it collects directly from its customers and/or visitors, such as names, email addresses, CRM data, subscription data and cookie data.[15, 16]

Second-party data

Unlike first-party data, advertisers do not own second-party data. It is a company's first-party data that is directly sold to another company. Thus, this data goes directly to the advertiser from a source, such as a publisher or a company, with which it has established a partnership.[15, 16]

Third-party data

The most common type of data is third-party data. It is essentially any data collected by an organization that has no direct relationship with an advertiser. This data is pre-collected, aggregated website and offline information that DMPs and data providers build into customized targeting segments and make available through an interface of the DSP.[15, 16]

BRAND SAFETY

Brand safety

Brand safety refers to practices and tools that ensure an ad will not appear in an unwanted context.[17]

Advertising fraud prevention

Advertising fraud prevention describes all measures taken in order to prevent delivery of ads in a fraudulent manner. Hence, it comprises all measures taken by advertisers and publishers to counteract ad-related actions generated by infrastructure designed to extract the maximum amount of money from the digital advertising ecosystem, regardless of the presence of a real audience.[5]

Viewability

Viewability describes the relative percentage of impressions in a campaign that are viewable to the target audience. The Interactive Advertising Bureau, IAB, calls for desktop display ads to be considered viewable if 50% of pixels are in view for a minimum of one second; for desktop video, the standard is 50% for two seconds.[5, 18]

Whitelist

Advertisers have a whitelist that identifies only the sites on which they want their advertising to appear.
Publishers have a whitelist that designates the advertisers they will accept on their site.[19]

Blacklist

Advertisers have a blacklist that identifies the sites on which they do not want their advertising to appear.
Publishers have a blacklist that blocks advertisers they will not accept on their site.[19]

3

Google-speak: the DoubleClick glossary

Many players offer solutions that enable the automated purchase and sale of digital ad space. Google's DoubleClick Digital Marketing (DDM) platform is an integrated ad technology platform that enables agencies and advertisers to create and manage digital marketing campaigns. When working with DDM, the main programmatic advertising terminology differs slightly. Find out more in Google's DoubleClick glossary.[20]

THE THREE MAIN DOUBLECLICK TERMS

DoubleClick Bid Manager (DBM)

The DoubleClick Bid Manager is a demand-side platform (DSP) from Google. Agencies and marketers can buy display media from a single platform across multiple ad exchanges in real time.[21]

DoubleClick Campaign Manager (DCM)

The DoubleClick Campaign Manager is DoubleClick's third-party ad server. Agencies and advertisers are able to create media plans, upload creatives, set ad serving rules and traffic creatives with the DCM.[22]

DoubleClick Ad Exchange (AdX)

The DoubleClick Ad Exchange is an online marketplace where buyers can purchase inventory from multiple participating sellers, and where publishers can manage multiple buyers to get the highest yield at scale.[20]

4

How Programmatic Works

1.
tech.myfavorite.news ✕

2.
My Favorite News Inc.   DMP of Publisher   1ST PARTY DATA   2ND PARTY DATA   3RD PARTY DATA   Ad server of Publisher

3.
My Favorite News Inc.   Ad request   SSP Publisher   Ad exchange

4.
My Favorite News Inc.   DMP of Publisher   1ST PARTY DATA   2ND PARTY DATA   3RD PARTY DATA   Waterfall or Header Bidding?   SSP Publisher   Price min.

5.
DSP Advertiser   Bid max.   Budget Rules and Targeting   DMP of Advertiser   1ST PARTY DATA   2ND PARTY DATA   3RD PARTY DATA   Webrepublic

6.
My Favorite News Inc.   Ad exchange   Price   Bid   Webrepublic

7.
Ad server of Advertiser   Ad   tech.myfavorite.news ✕

8.
tech.myfavorite.news ✕   DSP Advertiser

THE LIFE OF AN AD IMPRESSION
– A SIMPLE EXAMPLE

1. Susie visits a website with an open ad slot.

2. In order to sell the ad slot, the publisher, e.g. My Favorite News Inc., searches for data about Susie on its DMP. This data is sent to the publisher's ad server, trying to serve the ad directly.

3. If no campaign matches Susie's profile, the ad request is forwarded to the SSP for selling it programmatically on an ad exchange.

4. Based on data about Susie on the publisher's DMP as well as the location of the ad slot, the publisher defines the minimum price for selling an ad on his SSP. He decides whether to sell the ad slot based on the waterfall principle or with header bidding. The set ad request is sent to the ad exchange.

5. On his DSP, based on data about Susie on the advertiser's DMP as well as the advertiser's budget and target audiences, the advertiser (agency or brand) defines the maximum bid for showing an ad. The bid request is sent to the ad exchange.

6. On the ad exchange supply meets demand. If price and bid match, the ad slot is sold. The ad exchange sends the request to the advertiser's ad server.
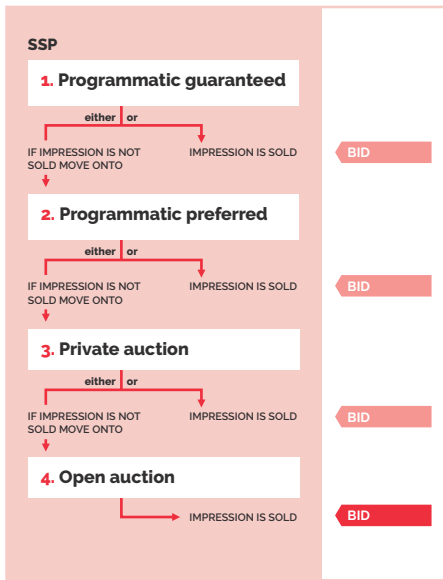
7. The advertiser's ad server sends the winning ad to Susie's browser.

8. Susie's browser displays the ad and sends a view confirmation to the winning DSP.

Two Ways Of Programmatic Bidding

A) The older way:
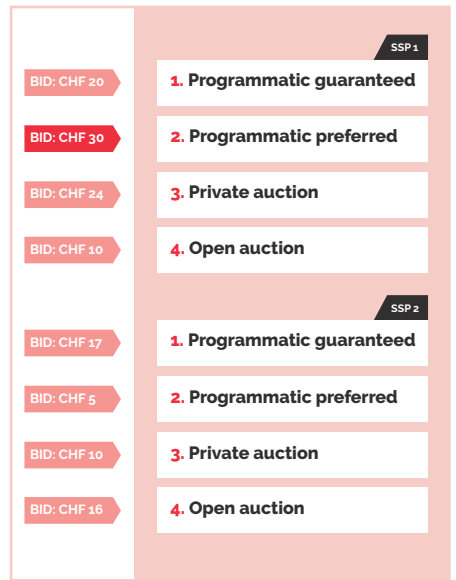### WATERFALL PRINCIPLE

The ad inventory can be sold, based on a cascade system. The SSP checks if a bid is present, starting with Programmatic Guaranteed as first priority, «waterfalling» down to the open action. In the example below, the ad impression is sold in the open auction, as in programmatic guaranteed, programmatic preferred and private auction, no bid was present. In other cases, it can be sold in a programmatic guaranteed, programmatic preferred or private auction.

B) More important recently:
HEADER BIDDING

The publisher uses multiple SSPs that can request bids simultaneously from different ad exchanges. The header bidding software treats all bids equal and sells the ad slot to the highest bidder, in the example below for the price of CHF 30.

SSP

1. Programmatic guaranteed

either / or

IF IMPRESSION IS NOT SOLD MOVE ONTO | IMPRESSION IS SOLD

BID

2. Programmatic preferred

either / or

IF IMPRESSION IS NOT SOLD MOVE ONTO | IMPRESSION IS SOLD

BID

3. Private auction

either / or

IF IMPRESSION IS NOT SOLD MOVE ONTO | IMPRESSION IS SOLD

BID

4. Open auction

IMPRESSION IS SOLD

BID

SUPPLY SIDE | **DEMAND SIDE**

SSP 1

BID: CHF 20 → **1. Programmatic guaranteed**

BID: CHF 30 → **2. Programmatic preferred**

BID: CHF 24 → **3. Private auction**

BID: CHF 10 → **4. Open auction**

SSP 2

BID: CHF 17 → **1. Programmatic guaranteed**

BID: CHF 5 → **2. Programmatic preferred**

BID: CHF 10 → **3. Private auction**

BID: CHF 16 → **4. Open auction**

DEMAND SIDE | **SUPPLY SIDE**

5

Sources

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