


A woman with curly hair and a man are looking at a laptop in an office setting. The woman is resting her chin on her hand, and the man is pointing at the screen. The background is a bright, modern office with large windows.

PubMatic

AUTOMATING BRAND SPEND: THE EMERGENCE OF THE BIDDABLE IO



Since the dawn of the programmatic age, a trade-off has existed between the efficiency of automation and the transparency and guaranteed nature of the direct buy. That compromise is about to disappear.

Programmatic advertising enables both buyers and sellers of digital media to introduce significant workflow efficiencies while capitalizing on the vast amounts of data the channel provides. The technologies leveraged for the execution and optimization of programmatic campaigns have continued to evolve as publishers and advertisers become more savvy with automated buying and selling, evidenced by the recent explosion of header bidding implementations and the dramatic increase of programmatic direct.

With header bidding, publishers were able to reclaim control of their inventory, by expanding competition for inventory on a per-impression basis, leading to increases in yield. Towards the latter half of 2016, the buy side began to grapple with the same question

of control. This led to greater sophistication of programmatic direct with the introduction of guaranteed and preferred private marketplaces (PMPs). Additionally, automated guaranteed emerged as a way for brands to streamline the mechanics of the traditional insertion order process. However, the dichotomy between automation and direct buying remained.

As we enter 2017, we are seeing rising demand for automation to close the gap between the efficacy of programmatic and the reliability of the insertion order. The agreement between buyers and sellers for specific placement of specific impressions will become automated, and it will become the Biddable IO.

BIDDABLE IO DEFINITION:

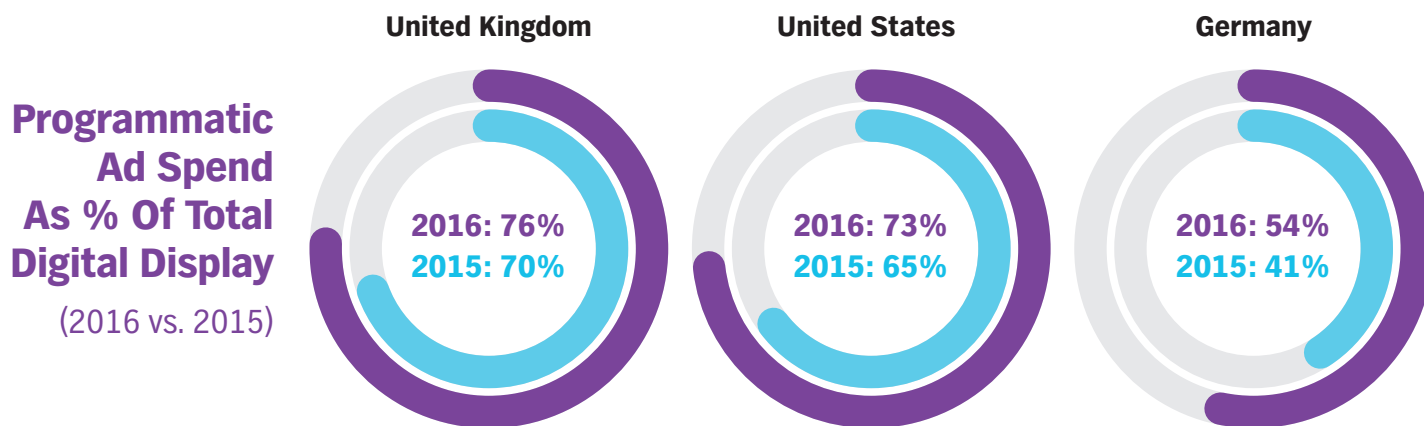
Driven by the shift of brand dollars to programmatic, it allows buyers to improve the efficacy of direct buys by utilizing real-time audience data against brand safe inventory; facilitates the relationship between one seller and one buyer by leveraging header bidding and allowing direct negotiation of various aspects of IOs, including audience, volume and price.

More definitions available on page 10.

THE RISE OF PROGRAMMATIC DIRECT

For brand advertisers, **context** and **audience** reign supreme and the demand for quality inventory via automated channels has never been higher.

As media buyers become more sophisticated with the technology that powers digital advertising, brands are embracing the value that programmatic provides. As a result, programmatic ad spend has been on the rise globally. In the United States, programmatic ad spend reached its pinnacle in 2016, totaling over \$25 billion and representing a larger share of total digital display ad spend than ever before.¹ This trend was not unique to the US, and the growing share taken by automated buying appeared in countries around the globe.

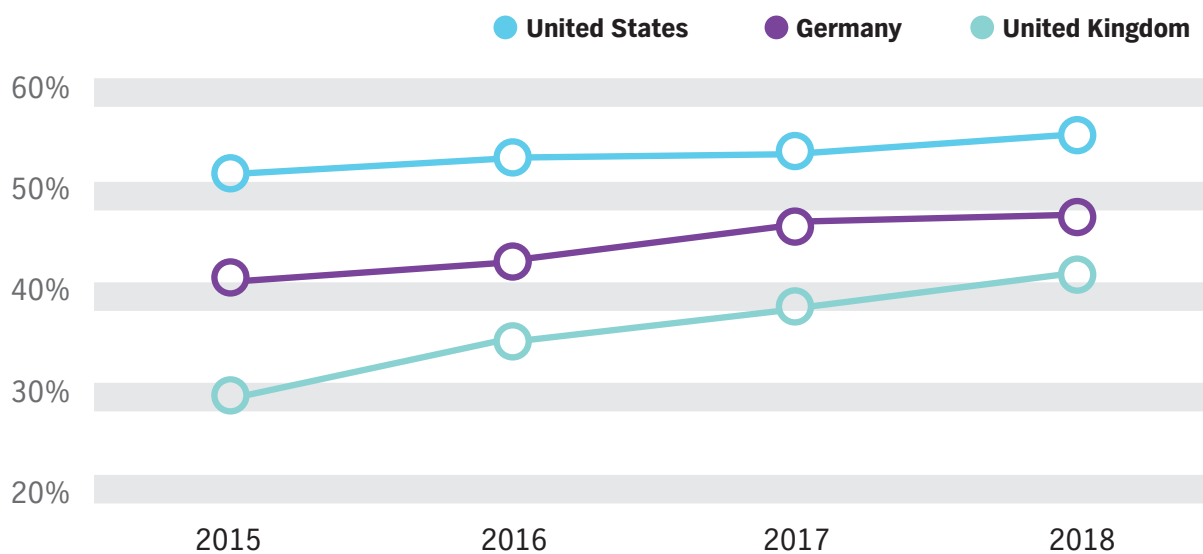


SOURCE: EMARKETER, SEPT 2016

While the rise of automated buying was driven originally by the economical demand for remnant inventory, the technology and quality standards improved in tandem, making the channels more attractive to brand advertisers in search of high-quality inventory and audiences. At the same time, the digital publishing industry began to place greater emphasis on improving user experience, leading to a migration back towards ad quality. As a result, electronically-facilitated programmatic direct deals have gained traction over the past few years.

Programmatic Direct As % Of Total Programmatic Digital Ad Spend

(2015 to 2018)



SOURCE: EMARKETER, SEPT 2016

The steady upward trajectory of programmatic direct buying reflects a shift in buyer behavior

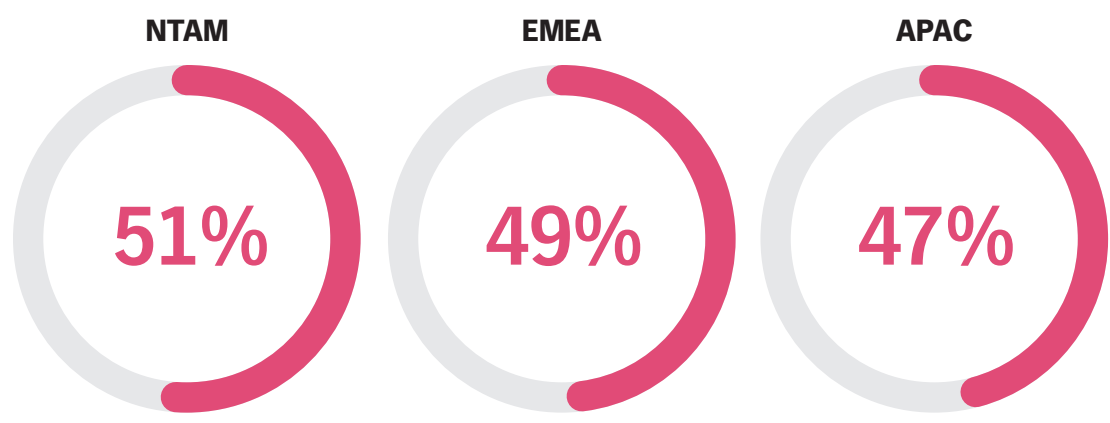
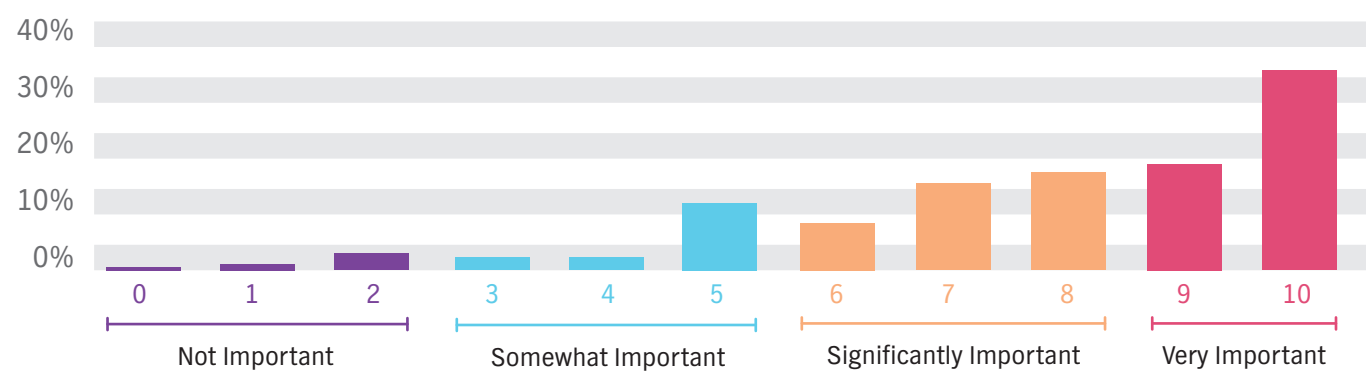
driven by advances in buying technologies and data availability. According to Forrester Research, marketers are not required to make a choice between quantity and quality when accessing programmatic inventory. Programmatic direct allows premium publishers to offer their ad inventory through automated channels while maintaining the brand

safety and contextual relevance marketers seek.²

According to a PubMatic survey, **83 percent of publishers** considered programmatic direct to be an important strategy for their business going into 2017, with nearly half of respondents claiming the tactic was very important. This trend was consistent across global markets, with similar responses from publishers in North America, EMEA, and APAC.



Importance of Programmatic Direct for 2017 Publisher Sales Strategies



Red = Very Important (9-10)

SOURCE: PUBMATIC, DEC 2016

At the other end of the transaction, buyers are able to secure valuable inventory and audiences in a scalable, efficient manner. As a result, **90 percent of Ad Age's leading US advertisers are leveraging programmatic direct strategies**, and adoption is expected to rise in 2017.³



THREE TRENDS DRIVING BRAND SPEND TO PROGRAMMATIC

The digital media industry is experiencing a convergence of complementary factors, **leading brand marketers** to embrace automated buying more than ever before.

1.

The Proliferation of Header Bidding

Twenty sixteen was the year that header bidding evolved from a relatively new phenomenon in sophisticated programmatic markets to a trend that is transforming monetization for publishers worldwide. Analysis of PubMatic's internal data identified a **130 percent year-over-year increase** in the number of publishers using header bidding strategies.

The widespread adoption of the tactic has changed how publishers create competition for their digital assets. Rather than being forced to monetize biddable impressions within the sequential waterfall environment, publishers are now able to make their premium inventory available to various buyers simultaneously. The increased competition results in up to **30 percent higher CPMs** for publishers.⁴ For advertisers, header bidding provides full visibility into a publisher's impression pool. This allows them to gain first-look access to inventory that was previously reserved for direct sales, ultimately **improving campaign performance by up to 20 percent**.⁵

The democratization of inventory access provided by header bidding integrations is leading to increased demand from buyers for quality inventory available via these new programmatic channels.



2.

The Explosive Growth of Data Availability

One of the major factors that led to the rising adoption of programmatic advertising is the vast access to data that the channel provides. According to the IDC, the amount of information created worldwide is expected to nearly double from 2015 to 2017, totaling almost **20 zetabytes** (or 20 trillion gigabytes) this year.⁶ This massive surge in the availability of data has had a huge impact on a landscape that is ripe with opportunities to leverage data for the benefit of both publishers and marketers.

Many publishers have a vast amount of first-party data about their user base – from hashed emails to registration information to content preferences – which they can make available to buyers via the RTB pipes used for automated transactions. According to the CMO Council and IBM, **44 percent** of marketers acknowledge that digital and data have become inextricably linked.⁷ Not only can marketers employ sophisticated targeting strategies for buys on the open exchange, they can also employ similar approaches for premium and/or reserved inventory via programmatic direct channels. This data-driven decisioning is one of the greatest benefits of programmatic advertising for buyers.

3.

The Increasing Relevance of Attribution

Brand marketers are striving to allocate spend towards channels and tactics that provide a return on the investment, particularly at a time when the variety of devices, channels and formats available is leading to a more complex ecosystem. According to the Interactive Advertising Bureau (IAB), cross-channel measurement and attribution represented the tactic that occupied the most time and resources for digital media and marketing practitioners in 2016, with **57.6%** of respondents identifying it as a factor (up from only 35.4% in 2015).⁸

As advertisers place greater emphasis on attribution, many are embracing programmatic technologies that provide buyers with greater access to data and allow them to optimize campaigns towards the channels and tactics that are performing best and providing the greatest impact for the brand. When brand-safe, high-quality inventory is a priority, programmatic direct channels provide a measurable, biddable environment for automated buying. As more brands embrace programmatic and measurement increases in relevance, we anticipate the adoption of programmatic direct to continue to rise.



EXISTING AUTOMATED BUYING CHANNELS HAVE TRADE-OFFS

Despite the plethora of **options**, buyers who transact via automated channels still must make **compromises**.

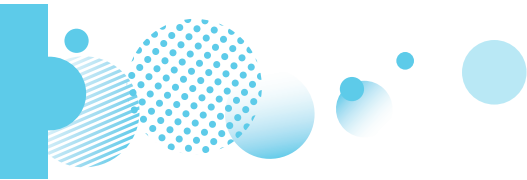
When programmatic buying originally emerged, it served as the antithesis of the direct buy. Programmatic provided scale and workflow efficiency at a lower cost, however it came at the expense of forecasting and transparency into inventory access. As programmatic direct gained traction within the digital buying and selling ecosystem, technology providers developed more and more channels by which marketers access inventory with varying degrees of placement access guarantees.

The epic rise and widespread adoption of header bidding infrastructure by publishers over the past 18 months has had a significant impact on inventory access via programmatic channels. By enabling competition for inventory on an impression-by-impression basis for both direct and indirect channels, the foundation has been laid for publishers to prioritize programmatic bids more seamlessly within their ad server. However, without a guaranteed spend commitment, many will not take the extra step to change the rules dictating ad decisioning on their sites.

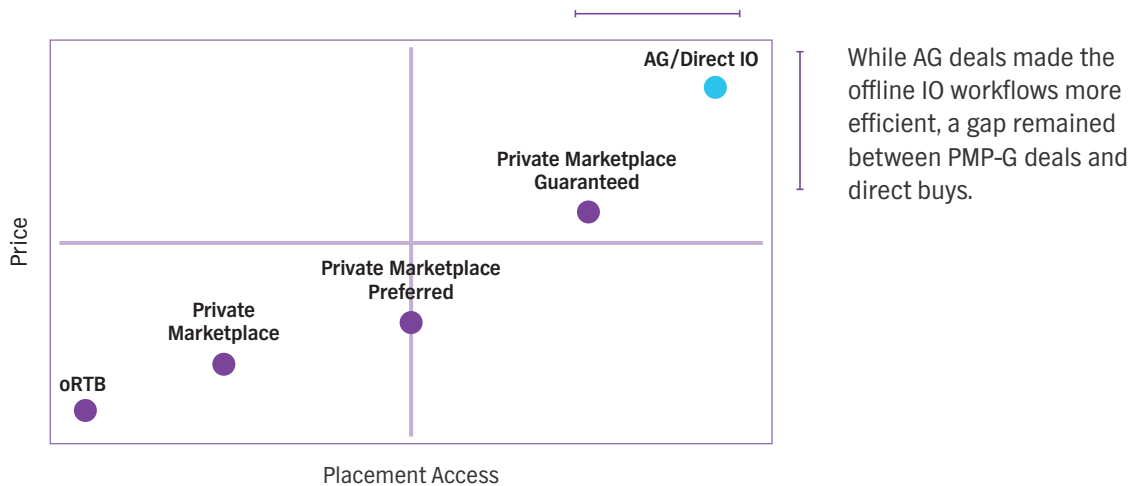
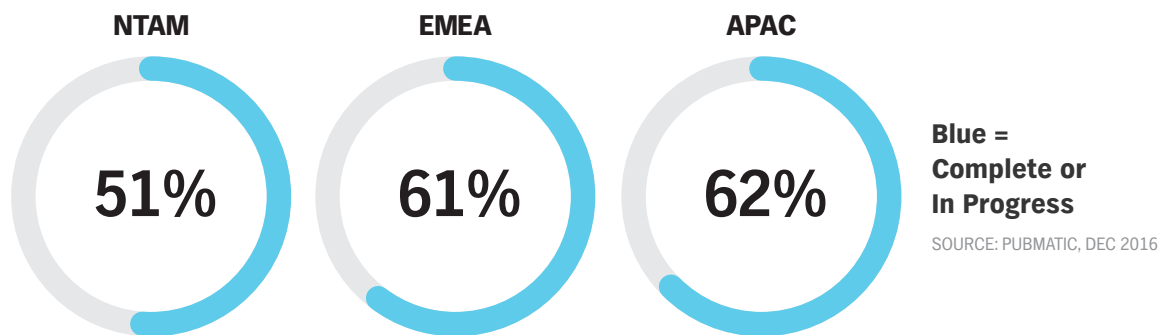
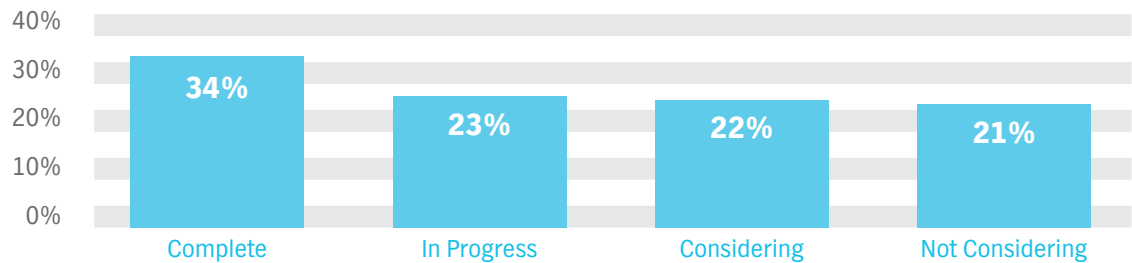
In order to obtain better access to inventory moving forward, programmatic buyers will need the ability to make the guarantees present on the direct buys. Over the years, private marketplaces emerged to provide greater visibility and access to premium inventory with a higher price tag associated with that access. PMP-Preferred and PMP-Guaranteed deals followed, each leveraging greater degrees of priority access to publisher impressions inventory within an auction-based environment.

However, the direct buys via an insertion order maintain a priority position within a publisher's ad servers, warranted by guaranteed spend levels from the marketer. Recent advances in automated guaranteed (AG) solutions have solved some of these challenges by introducing simplified, electronic workflows that translate to significantly less resource-intensive negotiation processes between publishers and buyers.

A survey conducted by PubMatic found that 57 percent of media buyers are in the process of moving their direct IO business to programmatic channels or have already completed the transition.



Share of Media Buyers Moving Direct IO Buys to Programmatic Channels



Media buyers were forced to weigh the benefits of offline direct sold campaigns against those transacted via auction-based programmatic channels and identify where their priorities lay:

AUCTION-BASED

- Data-driven decisioning
- Non-guaranteed inventory
- Price opacity
- Blind placement using bid and price as proxy
- Automated processes

DIRECT SOLD

- Inventory quality & brand safety
- Forward planning and the ability to reserve inventory
- Pricing transparency
- Blind audience using & price as proxy
- Manual Processes



BIDDABLE IO: THE SOLUTION FOR CLOSING THE GAP

The convergence of technology for direct and automated buying has resulted in the emergence of the **Biddable IO**.

Digital media buyers and sellers no longer need to compromise between efficiency and quality. Innovation in ad technology resulted in the creation of the Biddable IO, which enables buyers to take the benefits of direct sold campaigns and improve the efficacy with the additional benefits of programmatic:

- Data-driven decisioning at the impression level
- Electronic workflow efficiencies
- Inventory quality and brand safety
- Forecasting and the ability to reserve inventory
- Priority access to inventory
- Pricing transparency

	Data-Driven Decisioning	Workflow Efficiencies	Inventory Transparency	Priority	Forward Planning	Placement Access
oRTB	●	●				
Private Marketplace	●	●	●			
Private Marketplace-Preferred	●	●	●	●		
Private Marketplace-Guaranteed	●	●	●	●	●	
Biddable IO	●	●	●	●	●	●
Automated Guaranteed		●	●	●	●	●
Direct IO			●	●	●	●



Unlike any of its predecessors, the Biddable IO is the holistic solution that allows buyers to leverage the promise of programmatic to execute their insertion orders effectively. By combining the human intelligence associated with the direct buy with the machine learning of programmatic, sellers of digital media will be able to throttle access their inventory based on relationships and conversations with buyers. This will enable programmatic buying to handle inputs beyond price-only priority, layering context and placement priority into the bid decisioning. Agencies and other auction-based buyers are beginning to demand priority placement within a publisher's ad server in

return for volume commitments, which the publishers require for accurate forecasting of their business.

As we enter 2017, continued global adoption of header bidding by publishers coupled with programmatic sophistication by buyers will create a prime environment for Biddable IOs to become the future of premium ad buying, including through channels previously reserved for non-programmatic and non-digital spend such as Upfront buys. Buyers who understand these trends and recognize this opportunity will be positioned for digital success.

We believe that the emergence of the Biddable IO will signal a new era of digital media as the conflict between the efficiency of automation and the transparent guarantees of the direct buy is resolved and the relationships that existed between publishers and advertisers are strengthened and evolved.

¹ eMarketer, Sept 2016, <https://www.emarketer.com/Article/Mobile-Fueling-Higher-than-Expected-Growth-of-Programmatic-Ads/1014521>

² Forrester, Aug 2016,

<https://www.forrester.com/report/Brief+Use+Programmatic+Media+To+Boost+Branding/-/E-RES133308>

³ "Google Says Programmatic Direct is Due for a Rise in 2017," George Slefo, Ad Age, December 16, 2016,

<http://adage.com/article/digital/google-programmatic-direct-rise-2017/307111/>

⁴ "Q&A: Header Bidding – What It Is and How It Works For Publishers And Buyers", Forrester, July 2016

⁵ ibid

⁶ IDC, 2015, *Digital Universe Study*

⁷ "CMO Council Says Data Will Drive Customer Experience in 2017," Laurie Sullivan, *MediaPost*, Decmeber 13, 2016,

<http://www.mediapost.com/publications/article/290779/cmo-council-says-data-will-drive-customer-experien>

⁸ "The Outlook for 2016: A Snapshot into Digital Media and the Evolving Role of Audience Insight," Interactive Advertising Bureau (IAB) Data Center of Excellence and Winterberry Group, January 26, 2016



THE NEW PROGRAMMATIC LEXICON:

As technologies evolve, so to does the terminology used to describe automated buying and selling tactics and channels. **Here's what you need to be in the know.**

Automated Guaranteed (AG):

The mechanization of traditional digital direct sales in which the RFP and campaign trafficking processes are automated, inventory and pricing are committed, and deals are negotiated directly, facilitated by a technology platform. Direct integration with publishers' ad servers allow for real-time availability of impressions and direct line item insertion.

Biddable IO:

Driven by the shift of brand dollars to programmatic, it allows buyers to improve the efficacy of direct buys by utilizing real-time audience data against brand safe inventory; facilitates the relationship between one seller and one buyer by leveraging header bidding and allowing direct negotiation of various aspects of IOs, including audience, volume and price.

Header Bidding:

A programmatic sell-side tactic that allows publishers to offer inventory to multiple demand sources simultaneously via a multi-level auction that runs in the header of a page before making calls to an ad server; enables publishers to control how their inventory is priced and accessed and buyers to take advantage of page level targeting.

Private Marketplace (PMP):

Customized, invitation-only auction that provides publishers with the ability to designate certain inventory via a Deal ID and sell it to a select buyer or group of buyers. Benefits include margin improvement for the seller and exclusive access to premium, audience-specific inventory for the buyer; uses programmatic methods to transact.

Private Marketplace Guaranteed (PMP-G):

Combines the exclusivity and predictability of direct sold campaigns with the data targeting, scale and efficiency of RTB infrastructure; buyers agree to purchase a guaranteed volume of premium impressions from a publisher at a committed spend level.

Private Marketplace Preferred (PMP-P):

A negotiated deal between buyers and sellers whereby the buyer receives first-look access to the inventory at a negotiated price at a higher priority than other private marketplace deals, though no commitments are made by either side to volume or spend level.

Programmatic Direct:

An umbrella term for all electronically-facilitated deals between buyers and sellers, primarily focused on premium inventory not sold through the open exchange; includes both guaranteed (private marketplace guaranteed, automated guaranteed, and biddable IOs) and non-guaranteed (private marketplace) contracts.

Survey Methodology

PubMatic partnered with third-party research company Clicktools to survey a group of over 400 publishers and media buyers worldwide and are in advertising positions or executive roles. The people surveyed represent a cross-section of PubMatic clients and prospects, and all are familiar with programmatic and digital advertising.

About Pubmatic

PubMatic is the automation solutions company for an open digital media industry. Featuring the leading omni-channel revenue automation platform for publishers and enterprise-grade programmatic tools for media buyers, PubMatic's publisher-first approach enables advertisers to access premium inventory at scale. Processing nearly one trillion ad impressions per month, PubMatic has created a global infrastructure to activate meaningful connections between consumers, content and brands. Since 2006, PubMatic's focus on data and technology innovation has fueled the growth of the programmatic industry as a whole. Headquartered in Redwood City, California, PubMatic operates 11 offices and six data centers worldwide.

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