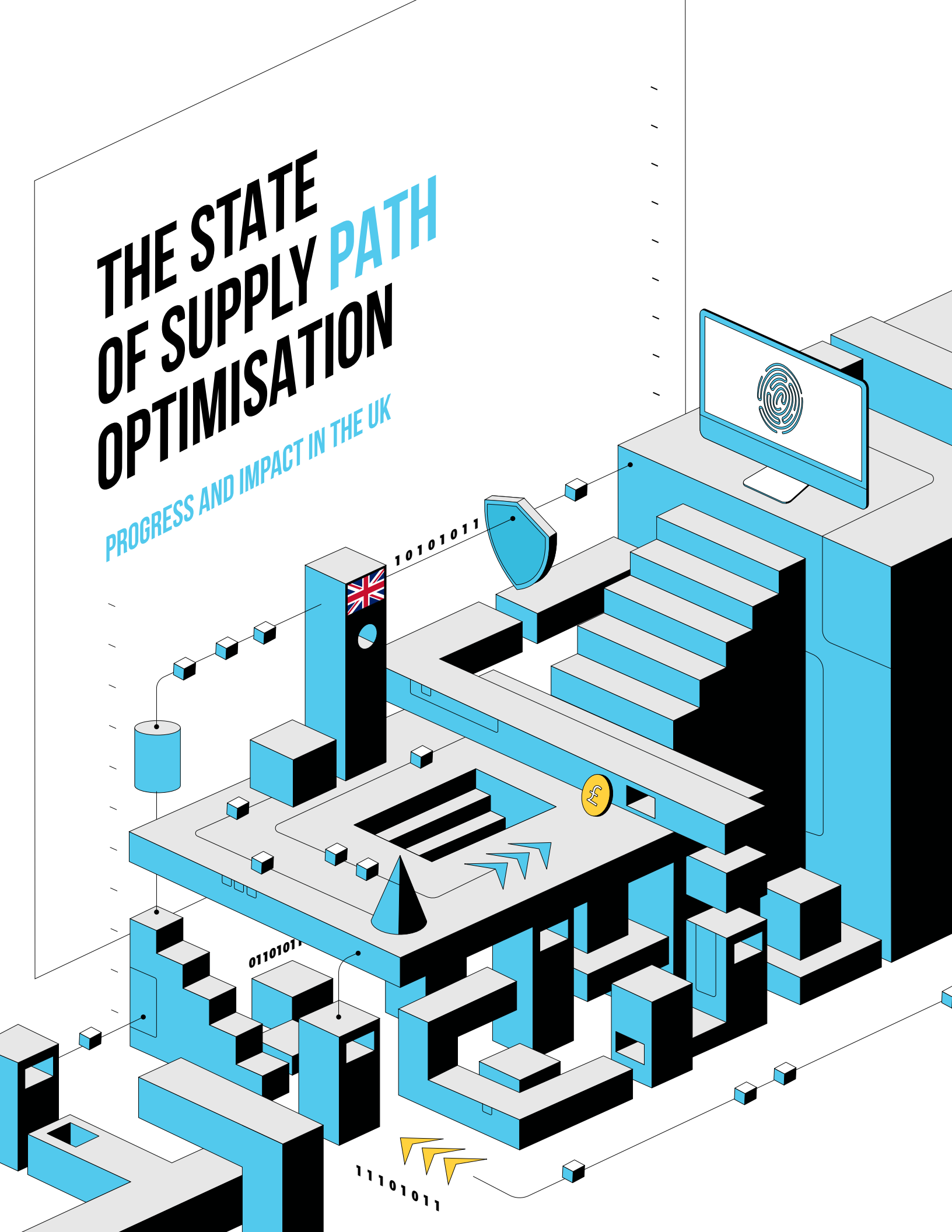


THE STATE OF SUPPLY PATH OPTIMISATION

PROGRESS AND IMPACT IN THE UK



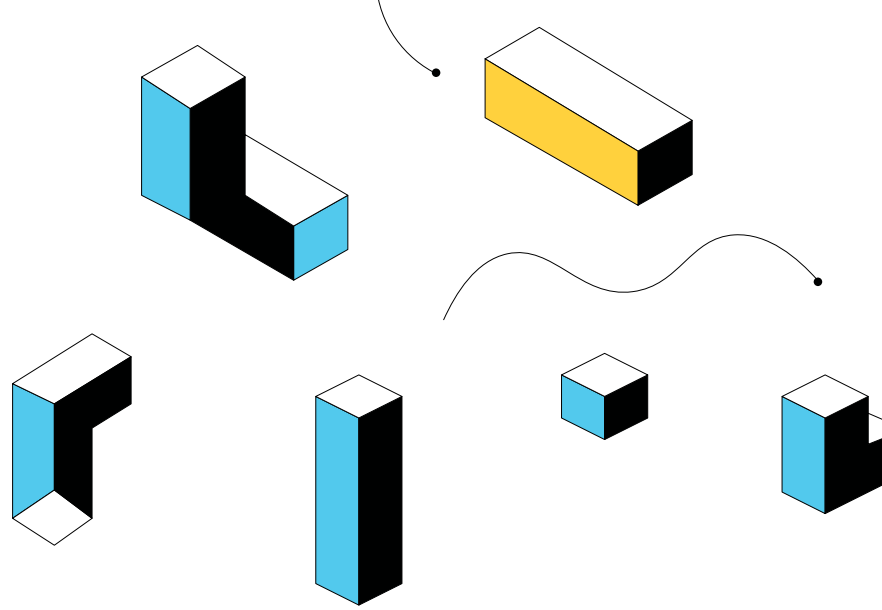


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THE STATE OF SUPPLY PATH OPTIMISATION

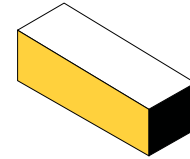
Programmatic will account for almost 90 percent of display spend by 2020, according to eMarketer, and while money will continue to flow, how it's spent will change.

Amidst demands for greater transparency and efficiency in the digital ecosystem, supply path optimisation (SPO) has come to the forefront of industry dialogue. Advertisers and agencies are beginning to assess the value of their technology partners and are optimising supply paths to ensure that every bit of budget spent has an impact.

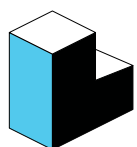
There is an expectation that SPO will improve the quality of inventory, remove

bad actors from the chain and therefore improve transparency, in addition to boosting innovation and communication between advertisers, agencies and supply-side platforms (SSPs).

In partnership with Digiday, we surveyed the UK and US buy-side audience, made up of advertisers, agencies and demand-side platforms (DSPs), to gain first-hand insight into the progress of supply path optimisation, buyers' approach to SPO, the benefits and new requirements for SSPs in the market. The following is our UK research.



PROGRAMMATIC WILL ACCOUNT FOR ALMOST 90 PERCENT OF DISPLAY SPEND BY 2020, ACCORDING TO EMARKETER, AND WHILE MONEY WILL CONTINUE TO FLOW, HOW IT'S SPENT WILL CHANGE.



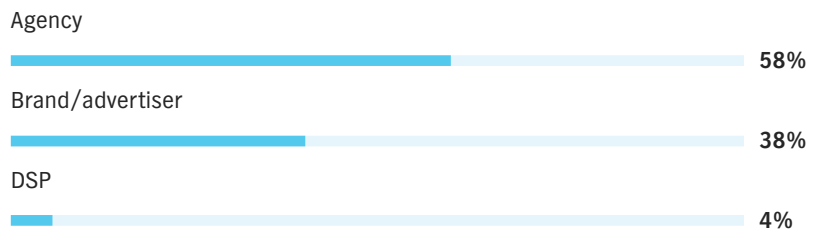
IN THIS REPORT, YOU WILL FIND:

- 1** A snapshot into the SPO strategies of UK buyers
- 2** The biggest benefits, barriers and concerns of optimisation
- 3** The impact of SPO on SSP relationships
- 4** How to start actioning SPO

WHO DID WE SPEAK TO?

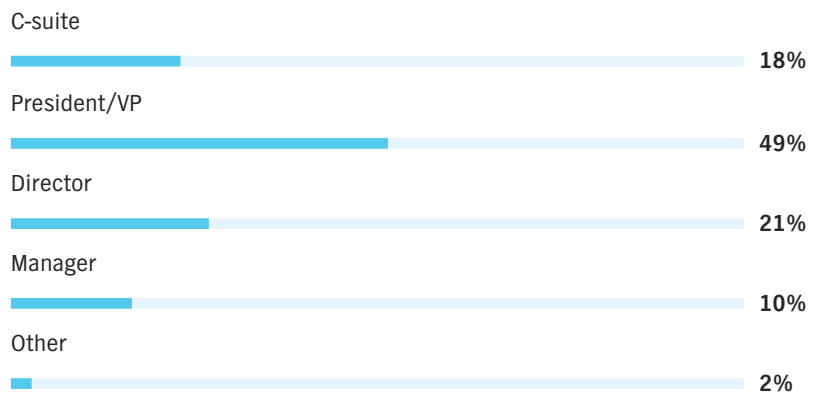
For the Digiday/PubMatic UK State of the Industry, we surveyed over 100 media professionals, made up of brands, agencies and DSPs in September 2019. The majority of respondents are from agencies (58 percent) and brands (38 percent) and the remaining four percent are from DSPs.

COMPANY TYPE



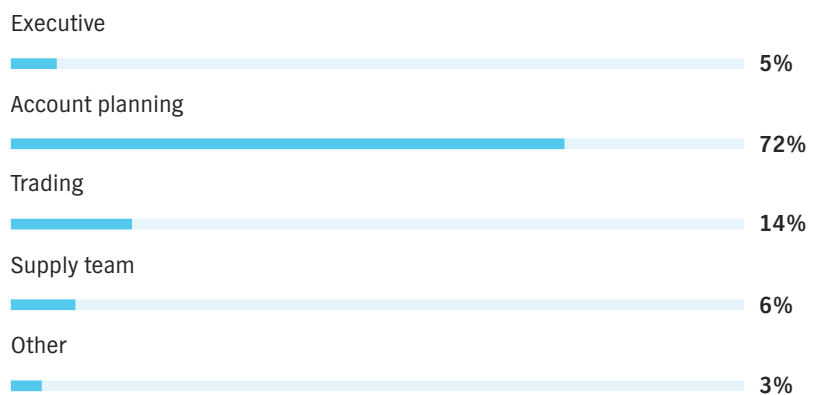
Most of the buyers who responded to the survey are at a senior level, with 18 percent C-suite and 49 percent at VP/president level. Twenty-one were director-level and 10 percent were managers.

SENIORITY LEVEL

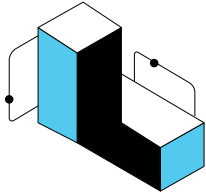


Many respondents (72 percent) came from account planning teams, followed by trading (14 percent), supply (6 percent) and executive (5 percent).

DEPARTMENTS



HEADLINE FINDINGS

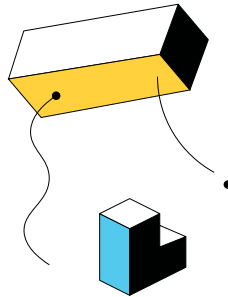


87%

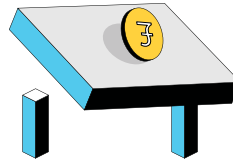
Of brands, agencies and DSPs are actively implementing supply path optimisation



Brand safety and reduced fraud and improved KPIs are the main benefits of implementing SPO

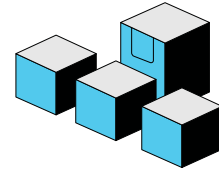


Lack of access to certain publishers is the biggest concern when implementing SPO



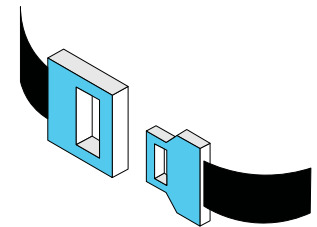
76%

Of brands, agencies and DSPs say the biggest challenge to implementing SPO is that there is a lack of support internally/it's not a company priority



71%

Of brands, agencies and DSPs are planning to consolidate the number of supply-side platforms (SSPs) they work with but are still forming their strategy



Private marketplace (PMP) capabilities, fraud and brand safety controls are the most important factors when selecting SSP partners for SPO purposes

SPO: IMPACT AND PROGRESS

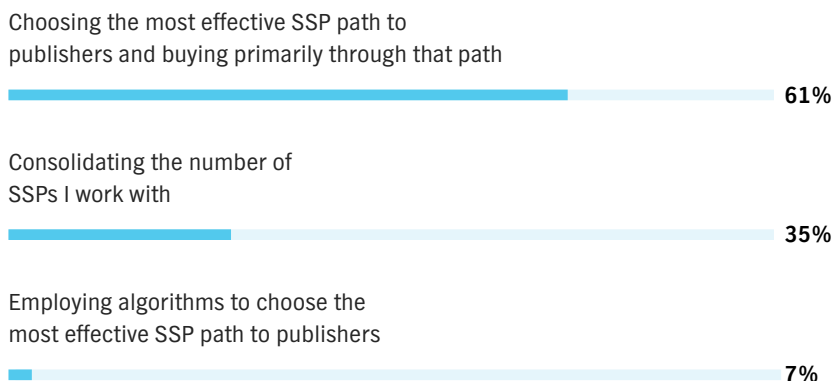
Ad fraud, a lack of transparency and ad misplacement are just a few reasons why the programmatic ecosystem requires a closer look. With more buyers transacting via programmatic, it's resulted in these brands and their agencies examining their own supply path, allowing them to take control of not only where ad spend is going, for brand safety reasons, but also how it's bought, for efficiency and cost effectiveness.

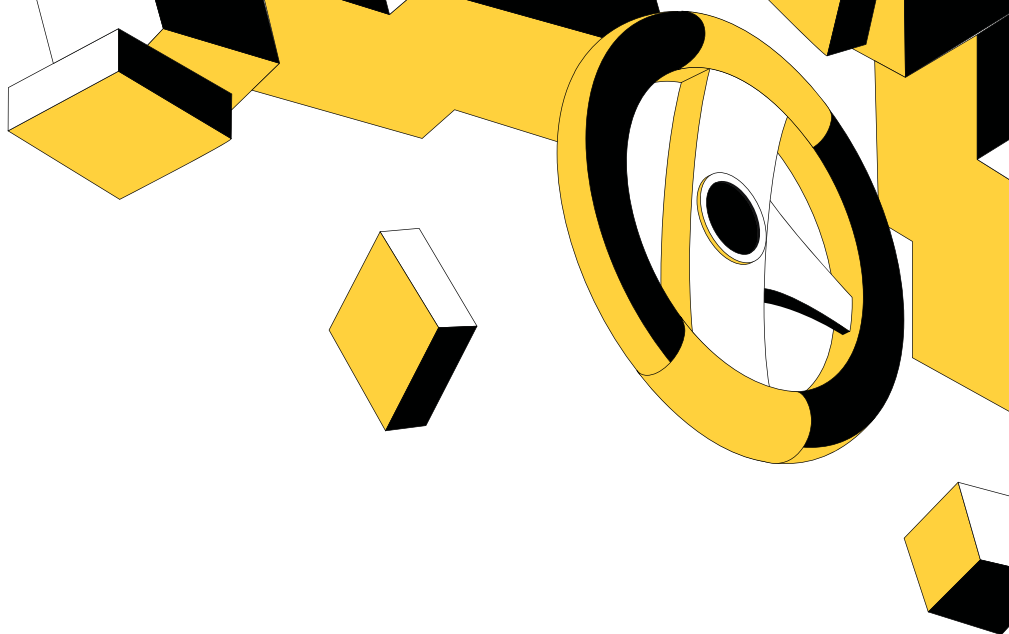
Our research shows that 87 percent of buyers, made up of brands, agencies and DSPs are actively implementing supply path optimisation. SPO is high on the agenda for many buyers, as only seven percent have no plans to implement SPO within the next 12 months, with the remaining six percent planning to implement in the next 12 months.

"With more and more ad spend being pumped through programmatic pipes, of course those pipes are under greater scrutiny than ever before," says Dave Castell, general manager of inventory and partnerships for EMEA at The Trade Desk. "We're seeing more stringent approaches to SPO. From the adoption of IDs to in-depth auditing of the supply path, alongside a plethora of other techniques designed to interrogate where money is going and how much [is spent] on working media."

Optimising the route to publisher inventory requires testing SSPs partners. This should result in buyers identifying where the value lies and where to shift their ad spend. Nearly two-thirds of buyers say choosing the most effective SSP path to publishers and buying primarily through that path is the best way to describe their current approach to SPO. Over a third are consolidating the number of SSPs they work with, and on the more advanced end of SPO, seven percent are employing algorithms – beyond standard bidders – to choose the most effective SSP path to publishers and buying primarily through that path.

WHICH OF THE FOLLOWING BEST DESCRIBES YOUR CURRENT APPROACH TO SPO? SELECT ALL THAT APPLY





AGENCIES ARE DRIVING SPO, BUT BRANDS ARE NOT FAR BEHIND

Fifty-seven percent of brands describe their current approach to SPO as choosing the most effective SSP path to publishers and buying primarily through that path, compared to 66 percent of agencies. Forty-one percent of brands say they are consolidating the number of SSPs they work with compared to 31 percent of agencies.

Whether this is effective depends on who is driving SPO. We asked our respondents to select every level that applies to SPO implementation.

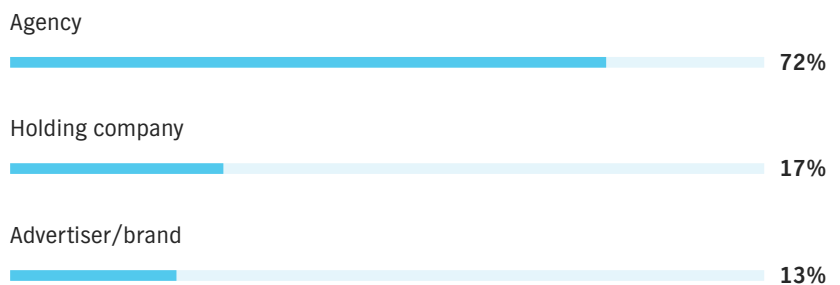
For Omnicom Media Group, SPO is firmly on their agenda and has been for a number of years. “In terms of optimising your inventory pool, any trading team worth their salt should have been doing that for some time,” says Tom Fryett, head of programmatic development EMEA at Omnicom Media Group.

The agency group has developed an app as part of Omni, called Digital Content, that aggregates information at a granular level. This is then readily surfaced to traders so they can curate inventory on behalf of clients depending on what their needs are – including both hygiene metrics like brand safety as well as performance metrics.

He adds: “Supply path optimisation is grouping together a lot of processes that I would have described as best practice for a while. In addition, there’s the very real opportunity to use log-level data to find the optimal path to supply and then be very prejudiced about that and say, ‘Right, I’m only going to buy this ad format through this exchange from this publisher because I’m consistently seeing the best result here.’”

Fryett says the group are seeing this approach, underpinned by Digital Content, lead to “more effective campaigns.” He says: “We’ve seen advertisers able to achieve stronger frequency management. We also have examples across EMEA where we’re driving lower CPMs with key publishers, which is great for our buys and performance, but also we’re spending more money with those publishers overall.”

WHERE SPO IS IMPLEMENTED



BUYERS ARE REDUCING FRAUD FROM SPO EFFORTS

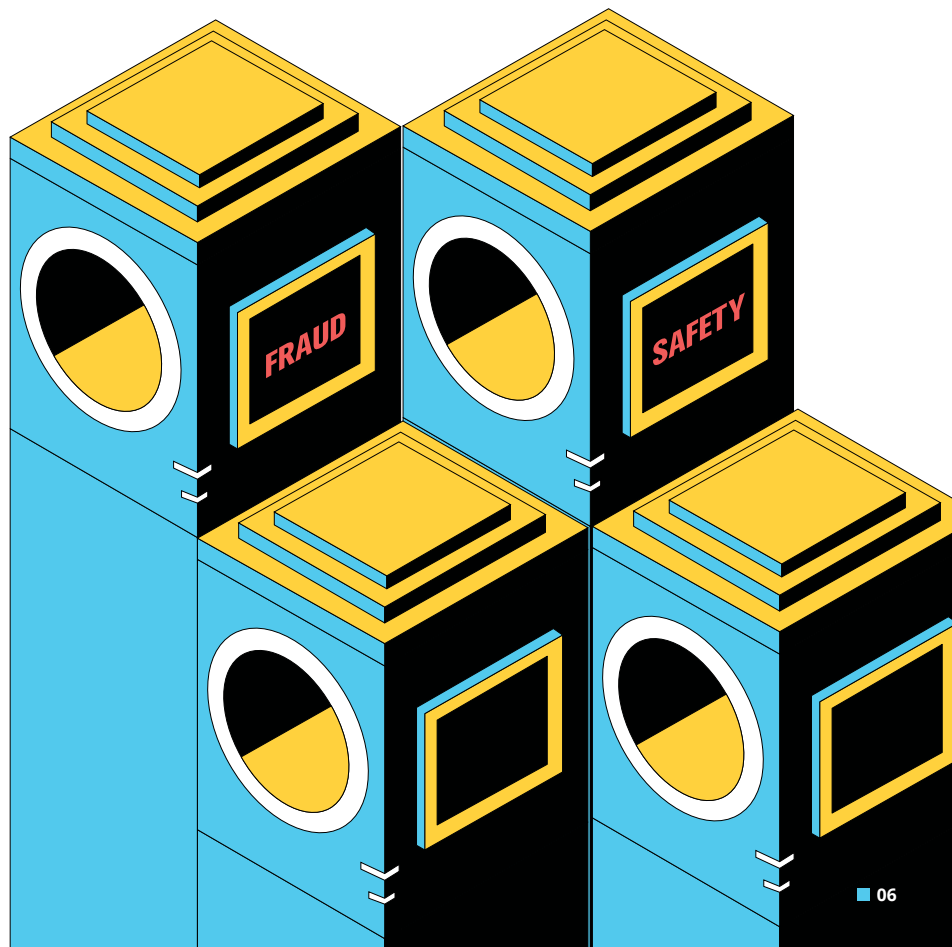
The top two SPO objectives for buyers are brand safety and reducing the risk of fraud (51 percent) and reducing overall supply chain fees by cutting down on intermediaries (38 percent). For half of buyers, SPO is already fulfilling its purpose on the safety front, but they are also seeing improved KPIs from optimisation.

“It doesn’t surprise me that objectives are around brand safety and fraud,” says Jenny Hubbard, head of programmatic and paid social at Merkle. “It’s been one of the biggest concerns in the industry for years now, so if you’ve got supply that looks like a bad actor or is just a cause for concern, it makes sense just to remove it.”

Merkle is currently reviewing its SPO strategy. Hubbard says: “Initially, what we’ve been doing is really understanding the supply sources at a top level, we’re

talking at an exchange level here, not necessarily a publisher or log level, to see if inventory is unique and whether they give any guarantees around things like transparency and brand safety. We want to make sure we’re holding our partners to account to the standards we as an industry are all building. We’re not yet convinced that SPO in the granular, log-level sense, is worth the return on investment.”

As well as brand safety the agency is also looking out for SPO’s impact on campaign performance. She says: “We are incentivised to look at SPO further to get more cost effective access to the inventory that we want, by cutting out unnecessary intermediaries.”



THE EFFECT OF SPO ON PUBLISHER RELATIONSHIPS

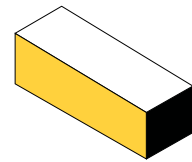
Cost and transparency have also driven more requests from the agency side, but there are reciprocation issues to watch out for further down the line for publishers. “There are a number of different views on SPO depending whether you’re buy-side or sell-side,” adds Geoff Smith, director, ad tech and innovation EMEA at eBay. “On the sell-side, rather than thinking about reducing partners to improve fraud or brand safety, we see SPO as more of a cost control exercise, to help buyers find the most cost-effective route to our inventory or to find ways to generate higher quality bids from DSPs by focusing on bid throttling.”

From a publisher perspective, Smith says it’s “interesting” to see the ambition for SPO coming from the buy-side, but adds that “it’s not something we’ve heard a great deal about from the buyers we’ve spoken to in the past 18 months.” He says: “So far it seems to be largely a one-way exercise for buyers to reduce complexity on their end, rather than in partnership with publishers.”

Castell is “hopeful that publishers will start to yield greater influence over what is defined as the ‘optimal’ path to their supply.” He says: “As brands, agencies and publishers become savvy about programmatic, we’ll see a deeper examination of what is being delivered at what price — crucially looking at the value, not just the CPM.”

“There’s no right or wrong strategy,” says Dan Brown, digital director at global media advisory, MediaSense. “If you’re going to have 30 SSPs versus two, there needs to be a rationale. Some SSPs will have stricter control over the quality of inventory, so inventory may be more brand safe and fraud free from ‘SSP one’ but ‘SSP two’ has no restrictions over that.”

Brown adds: “Understanding what the SSPs are doing in terms of the publishers they work with and how they manage that inventory is important.”



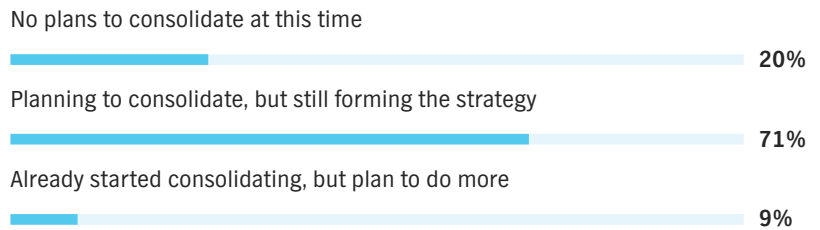
“ WE SEE SPO AS MORE OF A COST CONTROL EXERCISE, TO HELP BUYERS FIND THE MOST COST-EFFECTIVE ROUTE TO OUR INVENTORY... ”

— Geoff Smith, director, ad tech & innovation EMEA at eBay

THE IMPACT OF SPO ON SSP RELATIONSHIPS

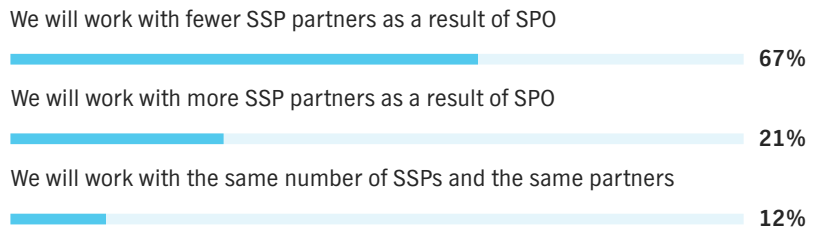
Optimisation of the supply path will obviously have an impact on a buyer's relationship with SSPs. When asked whether they have plans to consolidate the number of SSPs they work with over the next 12 months, 71 percent of all buyers said they are planning to do so but are still forming the strategy, while 20 percent have no plans to consolidate at this time. Only nine percent have already started consolidating, which shows the UK is at the beginning its SPO journey.

OVER TWO-THIRDS OF BUYERS ARE STILL FORMING A STRATEGY AROUND CONSOLIDATING SSP PARTNERS



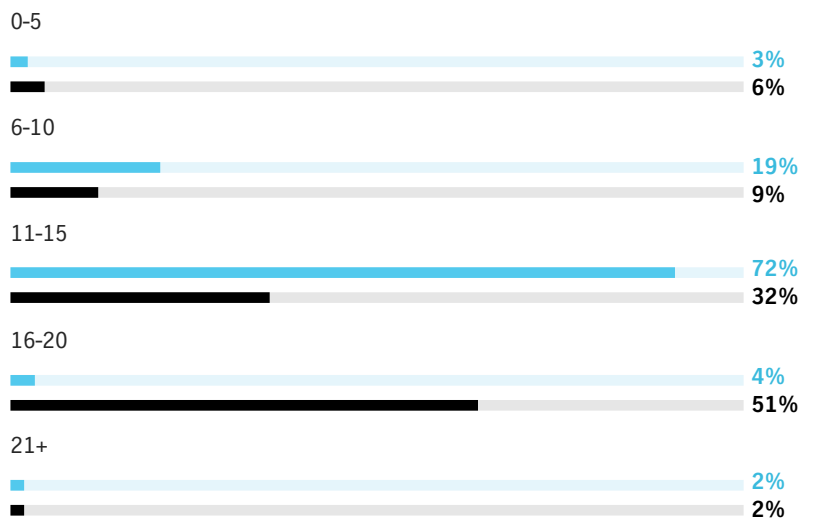
Most buyers are in the process of reducing their number of SPO partners. When asked how they think SPO will change their relationship with SSPs, 67 percent of these buyers say they will work with fewer SSP partners as a result of SPO, while 21 percent will work with more and 12 percent will work with the same number.

BUYERS AIM TO WORK WITH FEWER SSPS AND PARTNERS AS A RESULT OF SPO



While consolidation is on the cards for many UK buyers, it hasn't had a significant effect on the desired number of vendors they would like to work with in 12 months time. In fact, UK buyers are in an evaluation phase of SPO as they form their strategy around SSP partners, and say they will be buying from slightly more SSPs in 2020.

BUYERS ARE EVALUATING SSP PARTNERS IN 2020



SPO doesn't require buyers to immediately start cutting down supply partners, especially before they test the most effective path to purchase inventory, as our research shows many buyers are currently doing.

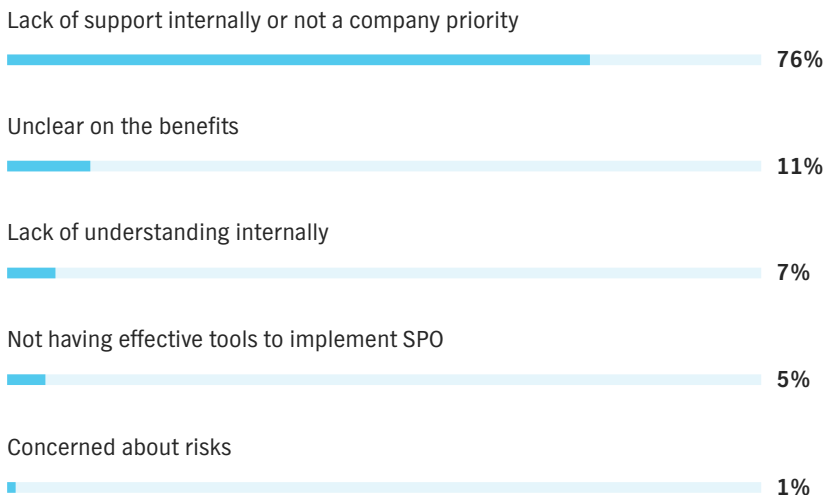
SPO also involves other players in the programmatic chain, including DSPs. Michael Turner, account director UK and IE at marketing consultancy DQ&A, says: "While there may be some SSPs that are not providing value, there are also cases where a more granular view is needed. Analysis of the ad unit, page, site or app, publisher, SPP or exchange is exactly what the DSP provides a consolidated view of. It allows for a more sophisticated and nuanced approach to assessing the value an SSP represents and retaining only what is worthwhile."

Buyers also revealed their biggest concerns and barriers to SPO, which must be addressed before any consolidation can take place. Seventy-six percent of buyers note a lack of support internally and SPO not being a company priority as their biggest challenge, and 75 percent are concerned with access to certain publishers when implementing SPO.

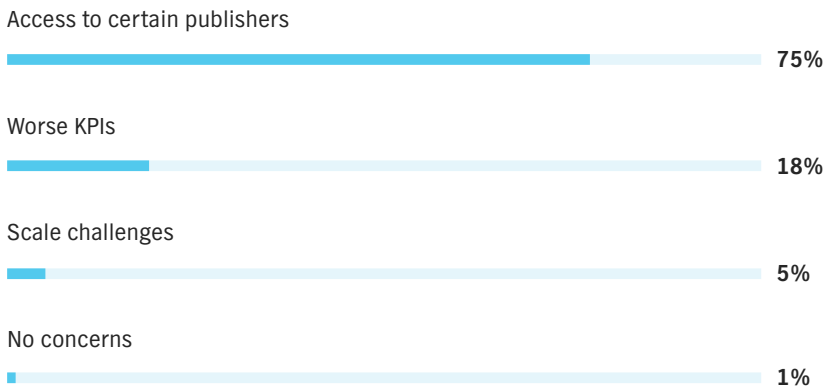
Alice Ansidei, media partnerships director, programmatic consultancy at Mindshare, says that while SPO is a big topic, one challenge is getting internal teams to align and have the same conversations, especially at large holding groups.

She says: "Some SPO conversations are being led by clients directly and the agency is having those conversations too. It's about how we bring this together, rather than having silos of people working on the same thing, and putting that work together. They're not having those conversations together because either one pool of people is working on SPO for a specific client and the other is working on SPO at a group-level."

CHALLENGES TO IMPLEMENTING SPO



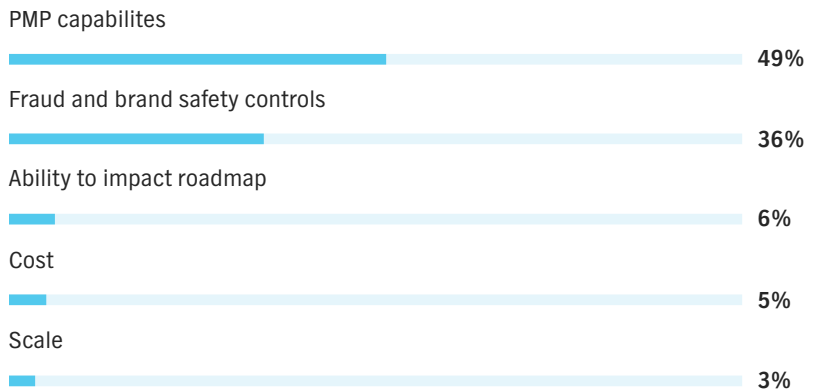
CONCERNS WHEN IMPLEMENTING SPO



ELEVATED SSP PARTNERSHIPS AND INNOVATIONS ARE LIGHTING THE PATH FOR BUYERS

PMP capabilities (49 percent) and fraud and brand safety controls (36 percent) are the most important factors when selecting SSP partners for SPO purposes. And while relationships with SSPs are ‘about the same as before’ for 46 percent of buyers, 54 percent indicated that they communicate more with SSP partners as a result of SPO.

PRIVATE MARKETPLACES ARE AN IMPORTANT FACTOR FOR BUYERS WHEN SELECTING SSP PARTNERS FOR SPO



Castell says that SSPs and publishers are removing the bad actors and sending “only the most relevant and trusted unique inventory to their connected DSPs, while also ensuring that the right, trusted publishers are not inhibited,” which helps the whole ecosystem.

From a buyer’s perspective, Ansidei says:

“If we can work more aggressively into reducing fraud, improving brand safety, and of course, improving the KPIs that we deliver to the clients, that is a top priority.”

She adds: “The first thing would be to look into those main supply paths and try to identify inefficiencies. Then reaching out to those partners and trying to work closely

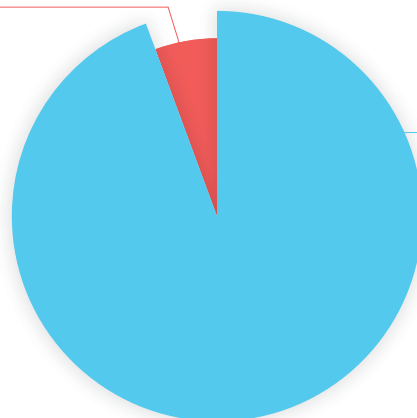
with them to establish a framework that helps us work better together and create more value ultimately for the clients.”

It’s a positive sign for innovation in programmatic too, as 92 percent are actively innovating and building products with SSPs as a result of SPO.

ARE YOU ACTIVELY INNOVATING AND BUILDING PRODUCTS WITH SSPS AS A RESULT OF SPO?

8%

No



92%

Yes

CLOSING THOUGHTS: FOUR STEPS TO SPO

Effective implementation of SPO is an ongoing process that requires monitoring and reassessment. To effectively optimise your supply path, here are four core steps:

1.

INTERNAL ASSESSMENT

Understanding your current state is the first step towards effectively implementing your SPO. Key questions include: How many SSPs are you buying through? Where are the majority of your impressions coming from? Are you buying specific inventory through specific SSPs? If so, why?

In addition, these questions can help lead you towards a few easy conclusions early on, such as identifying SSPs that are not as cost-effective or that bring no unique value. Cutting down on SSPs is often a major by-product of maximising efficiency and transparency through SPO. Ultimately, most practitioners will usually wind up with fewer SSPs than when they started, but not in all cases.

2.

SSP EVALUATION

Now that you've assessed internally, it's time to look at the SSPs you're working with. Evaluating your SSP partners is an important step – it allows you to understand the differences between your supply partners, measure their willingness to share data and quantify any special or unique values that set them apart.

3.

SSP CONSOLIDATION

By this point, you will know which SSPs have the potential to be long-term partners. The consolidation method of SSPs depends on the DSP you're using. Most DSPs offer some customisation, such as turning an SSP on or off, or weighting in favour of certain SSPs. Keep in mind that it is best to have comprehensive testing methodologies in place to avoid unintended consequences when consolidating.

4.

ONGOING OPTIMISATION

As stated at the start, your ideal optimisation may change and shift as time goes on. Pay attention to ensure that progress is being made while performance metrics are being met. Existing optimisation can be refined. While building and maintaining relationships with your chosen SSPs is likely first priority, don't forget to monitor your SPO in the long-run.

