



PubMatic

THE SUPPLY CHAIN OF THE FUTURE

PURSUING A NEW NORTH STAR
FOR PROGRAMMATIC AD TECH

INTRODUCTION

Today's programmatic landscape is beset by a number of pressures that—taken together—demand a new lens through which to evaluate how our industry buys and sells digital inventory. The forces at play are many and varied, from global economic pressures and emerging privacy regulations to the push for greater control of media budgets and performance measurement.

Given the cumulative effect of these pressures on advertising and media, **it's time for our industry to transform.** The enablement layer of our industry, which has come so far in the past two decades, needs a new North Star by which to chart its course. Programmatic isn't just about infrastructure and efficiency anymore. It's about creating value. Accordingly, the components that sit between buyers and sellers must become more integrated and more value-based on both sides of the equation.

The Lumascape is rife with acronyms and supply chain categories, but not every customer needs every component in every situation. They should have control over which tech layers they employ and which partners they work with in any given initiative. Above all, the supply chain of the future must provide for the independence, interoperability, control, choice, and transparency that both buyers and sellers require.

At PubMatic, we're committed to establishing this new North Star for the betterment of our entire industry. In this whitepaper, we explore why the industry is ready for its next evolution—and exactly where we think that evolution needs to go. We will provide clarity around three areas:



**THE NEW
PROGRAMMATIC
SUPPLY CHAIN**



**THE VALUE OF
INDEPENDENT
AD TECH**



**THE NEXT
FRONTIER**



THE NEW PROGRAMMATIC SUPPLY CHAIN

As humans, we understand the vast diversity that defines us as individuals and acknowledge that to serve our vastly different needs as individuals, products need to allow us to choose the best fit for ourselves.

Why, then, would business leaders expect anything less when it comes to the technology that powers their business outcomes? And yet, for decades now, many companies have been accepting “one-size-fits-all” when it comes to their programmatic tech stacks. It’s time for us to put those days behind us.

SHIFTING FROM BUSINESS MODEL TO COMPONENT THINKING

The original vision was simple: Programmatic technology was introduced to solve challenges of scale and efficiency across the open internet. DSPs arose to facilitate and optimize all aspects of buying, and SSPs were introduced to facilitate and optimize all aspects of selling. We are still operating within this overly simplistic, category-based view of the digital advertising supply chain.

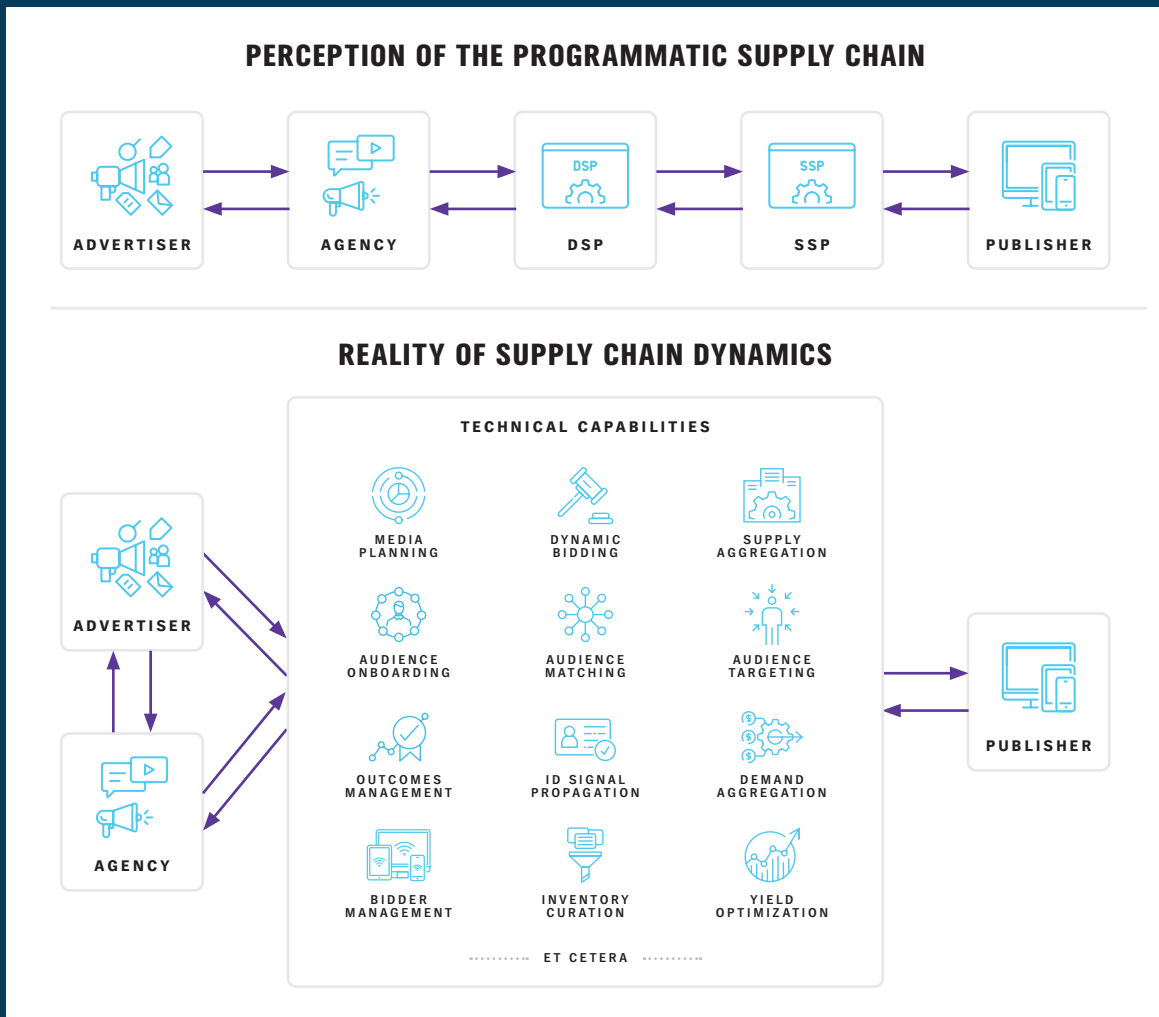
While the current construct has been great for some companies, particularly walled gardens that can use this dichotomy structure to validate their control of the entire tech stack, publishers and advertisers should think about whether they have actually benefited from this model. Rethinking the supply chain will create new opportunities for differentiation and value creation, all while better aligning with the needs of end customers and creating a more sustainable ecosystem.

Programmatic is now being applied to a growing number of use cases. Buyers and sellers of digital media should no longer be limited to the previously identified set of constraints. They need the ad tech ecosystem to evolve to put their needs where they always should have been—at the center of tech solutions.

It’s time to cast aside the buckets—and the corresponding terminology—we’ve been using for programmatic business models. Rather than thinking about the alphabet soup of company types, such as DSPs, DMPs, CDPs, and SSPs, we should instead start thinking in terms of the technical capabilities of the supply chain.

By shifting to a capability versus a business model mindset, we see how the programmatic ecosystem can accommodate a wider array of use cases—a pivot that is long overdue in today’s dynamic digital ecosystem.

SUPPLY CHAIN — PERCEPTION VS. REALITY GRAPHIC



EXPANDING USE CASES, EXPANDING CAPABILITIES













As programmatic advertising embraces its next evolution—one in which we pivot from delivering on efficiency alone to delivering true customization and added value—the way in which we think about the ad tech stack is going to shift, both in terms of the use cases accommodated by programmatic, as well as how traditional programmatic media buys are executed. Consider:

Open market media buys: In an open market programmatic buy, advertisers aim to reach their target audience within a target CPM. While this typically includes traditional DSP and SSP capabilities, to bid and scale campaigns effectively we are seeing buyers evolve their supply chains amid increased signal loss. As the ecosystem has shifted to move away from cookies and other identifiers, the buy side has been feeling the impact in terms of reduced audience matching capabilities. As a result, some buyers have begun shifting audience onboarding and targeting to the sell side, where they're finding better results. Which begs the question: Do our traditional notions of the supply and demand sides of the equation still hold up?

Maximum monetization: Publishers should also think about their supply chains and how they can best leverage various technical components to achieve their objectives. Depending on a publisher's demand strategy, their ideal ad stack setup may differ. One CTV publisher might lean on programmatic technology to automate a successful direct I/O business, while another might add a wrapper to their supply chain to unify bidding across multiple SSPs and exchanges. All publishers are not created equal, and their supply chains should not be either.

Commerce and retail media: Finally, let's not neglect the immense impact that the growth of commerce and retail media platforms is having on the programmatic industry. These days, retailers might find themselves in the role of an advertiser, a data owner, and a media owner, and programmatic ad tech should be equipped to switch hats right alongside the retailer as needed. In other words, success in commerce and retail media requires a consolidated tech offering featuring a complex set of capabilities that have historically existed across multiple company types. As the programmatic ecosystem evolves to address this increasingly important use case, we will likely find that the traditional constructs are suboptimal.

USE CASE

	OPEN MARKET REACH CAMPAIGN	AUDIENCE TARGETED CAMPAIGN	MAXIMUM PUBLISHER MONETIZATION	PROGRAMMATIC GUARANTEED	COMMERCE MEDIA
 MEDIA PLANNING	•	•	•	•	•
 DYNAMIC BIDDING	•	•	•		•
 SUPPLY AGGREGATION	•	•	•		
 AUDIENCE ONBOARDING		•		•	•
 AUDIENCE MATCHING		•		•	•
 AUDIENCE TARGETING		•		•	•
 OUTCOMES MANAGEMENT					•
 ID SIGNAL PROPAGATION		•			•
 DEMAND AGGREGATION	•	•	•		•
 BIDDER MANAGEMENT			•		
 INVENTORY CURATION				•	•
 YIELD OPTIMIZATION	•	•	•		•

The simple fact is that publishers and advertisers can each have countless different use cases when it comes to their business needs and advertising objectives. They shouldn't have to shoehorn these needs into a static, one-size-fits-all tech solution. Programmatic has come a long way and should be expected to adapt to the needs of the customers it serves, not the other way around.



THE VALUE OF INDEPENDENT AD TECH

Next, let's consider the matter of independence and why it's so important to how we build the supply chain of the future. Publishers face no shortage of headwinds, from macroeconomic constrictions and diminished ad budgets to monumental shifts in data privacy regulations and policies. Similarly, advertisers are finding it harder to reach their target audiences amid increasing signal loss, while their ad budgets are expected to go further. The cumulative effect of all of these changes point to a familiar conclusion: We need to pivot in order to thrive, not just survive.

Having operated in survival mode for more than a decade now, many publishers and media buyers have become accustomed to implementing and relying on whichever platforms and solutions have promised an immediate path to revenue, no matter the long-term implications and consequences. Now, many of those once-reliable paths are headed toward potential brick walls. As our ecosystem alters course once again, independent ad tech offers a safer, more sustainable road into the future. Here's why:

BRINGING BUYERS AND SELLERS CLOSER TOGETHER

Just as today's advertisers turn their attention to supply path optimization in an effort to reduce middlemen between them and their ad placements, publishers have a vested interest in getting closer to their advertisers in an effort to serve them better by understanding their needs and behaviors. This isn't possible within the black boxes of walled gardens, but it is with independent ad tech that allows customers to customize components based on need, versus an inflexible boilerplate setup. Furthermore, publishers want to understand exactly what's happening with ad placements on their properties—much like ad buyers do. An independent ad tech layer provides insights into brand safety, as well as how inventory is being monetized and performing. This equips publishers and advertisers to have candid conversations around their goals and concerns, and how they can collectively address both.

INCREASING FLEXIBILITY AND CUSTOMIZATION

Beyond transparency, the need for greater flexibility and customization is yet another major force propelling our industry toward independent solutions. Publishers and buyers alike need technology that works for their specific business needs—not companies that are simply trying to onboard as many customers as possible onto their rigid, predefined platforms. It is important to work with independent partners that will take the time to understand their specific use cases and be able to deliver the specific tech components—no more, no less—needed to achieve one's specific goals.

ALIGNING INCENTIVES

When working with partners that operate on both sides of the equation and own media themselves, loyalties become muddy—and eventually that muddiness can attract the attention of entities like the Justice Department and Federal Trade Commission. The actions of such entities might soon force an uncomfortable recalibration in how companies leverage certain ad tech walled gardens, and such a shift is well overdue—and ultimately liberating for both publishers and media buyers.

RESPECTING THE USER

Ad tech partners should have clear loyalties to their customers, but they should also maintain the utmost respect for the end users. Only in doing so can they truly serve the best interests of their customers. That means prioritizing user privacy and user experience (in the form of lighter ad loads, faster ad delivery, and more relevant ads), which are also areas where independent ad tech can deliver.

FREEING UP RESOURCES

And finally, let us not forget: Publishers are experts when it comes to their content, their audiences, and their data. Advertisers are experts when it comes to their brands, their customers, and their messaging. *They should not have to be experts in ad technology development.*

Building the required infrastructure needed to transact at the speed and scale of programmatic is often cost-prohibitive for even the largest companies, and—more importantly—it's unsustainable when you consider the rapid pace of change in our industry. Publishers and advertisers need independent ad tech solutions that can invest in the future capabilities they'll require while they do what they do best: engage their audiences and grow their businesses.

Advertising fuels today's open internet, and that open internet is more important than ever when it comes to education and fostering healthy societal dialog. Independent ad tech solutions inherently align with the interest of responsible media organizations. Now more than ever, they're the partners needed to fuel the supply chain and media landscape of the future.



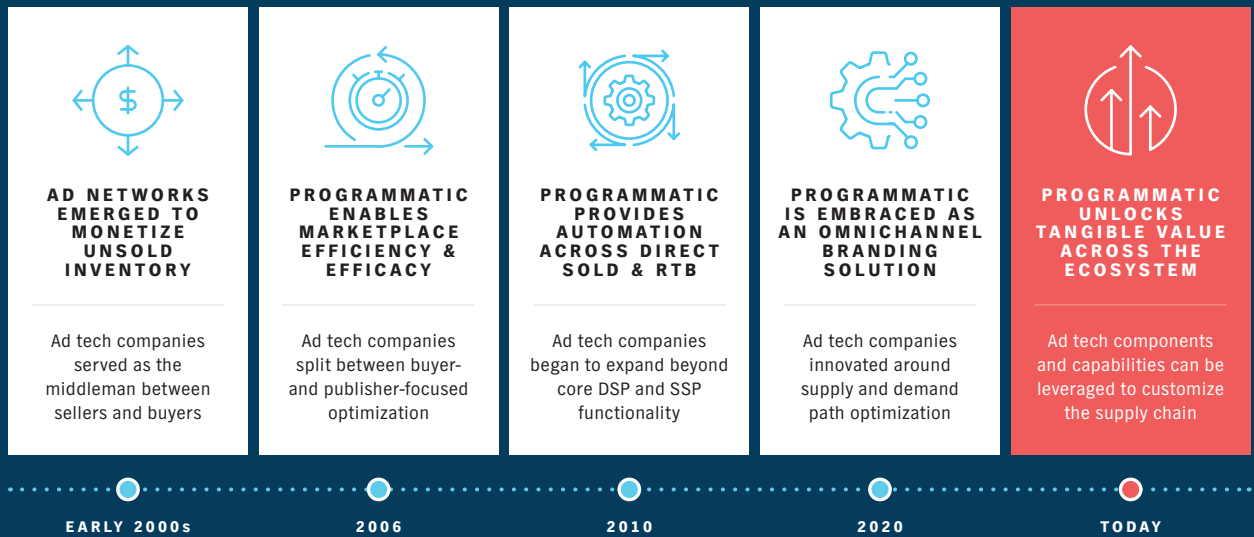
THE NEXT FRONTIER

Finally, let's talk about the core attributes that need to be supported by the supply chain of the future. Programmatic ad tech has certainly come a long way to reaching the initial goals we set out to achieve. Back when the industry began taking shape, it did so with focused purpose: to build the tech infrastructure and business processes to enable highly efficient media buying in a digital world. We've climbed that mountain.

Now that this infrastructure is in place, we're faced with an intriguing question: What's the next peak to conquer?

That's where things get exciting. Now that we've built the tech components, business models, and workflows to enable efficient programmatic media buying, it's time to move on to the next challenge: We need to leverage what we have created to add more tangible value, even beyond dollars and cents, for all constituents.

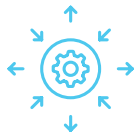
ECOSYSTEM EVOLUTION



As programmatic ad tech moves into this new value-add evolution of the ecosystem, we're going to see a lot less time spent labeling components based on a historical view of business models, and a lot more time spent breaking down barriers to solve new problems, everything from big-picture challenges like sustainability to emerging opportunities like CTV.

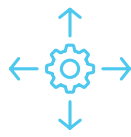
So, as independent ad tech pivots from efficiency creation to value creation, what does that mean for partner selection? There are four criteria becoming most important when evaluating companies in the space.

EVALUATION CRITERIA



INDEPENDENCE

Ensure your technology provider's interests are aligned with your own so they can deliver the strongest possible outcomes



INTEROPERABILITY

Prioritize companies who will build towards your needs, rather than bending them to your partners' technical limitations



TRANSPARENCY

Demand transparency around your partners' technology, operations and communications, and don't settle for black box solutions



CONTROL

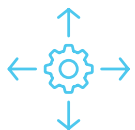
Make your own decisions and ensure you can pull the levers and prioritize the business tenets that matter most to you



INDEPENDENCE

Regulators are beginning to give us a glimpse into what happens when the same entities that control ad tech on both sides of an ad buy also control the inventory being bought. In short: There's reason to question whose interest is truly being served in any given transaction. That's not sustainable.

Going forward, publishers and advertisers need partners whose loyalties are clearly understood and whose interests are aligned with their own. Ad tech vendors should be media agnostic and incentivized to deliver the strongest possible outcomes for buyers and sellers alike. Only then can they deliver true value to their customers.



INTEROPERABILITY

Technology should be built to meet the needs of the ad tech customer; customers shouldn't have to adapt or sacrifice their needs to bend around the limitations of their partners' technology. That's why broad integration and interoperability—across platforms, identifiers, data sources and partners—will be guiding principles in the next evolution of ad tech. Publishers and advertisers can accept no less on the road to a value-add tech ecosystem.



TRANSPARENCY

Along with interoperability, publishers and advertisers must ensure their ad tech partners prioritize transparency within their technology, operations, and communication. The era of black boxes and opaque fees is coming to a close. Advertisers need to understand where their money is going, and today's publishers need technology that can feed granular details on placements and outcomes back to their clients.

Moving into the value-add future of the supply chain, the need for transparency goes beyond mere insights into “what happened.” Advertisers and publishers should also be given insight into “what could have happened.” It's one thing to understand your ROAS and know that your ad dollars are driving outcomes. But what if those outcomes could be 20 percent better if applied in a different way? That's the level of transparency and insight that customers should be seeking from their ad tech partners.



CONTROL

Finally, the supply chain of the future needs to be one that prioritizes control by the end customer. We all know that the needs and capabilities of advertisers and publishers differ greatly. So why do we expect them all to be able to make do with the same rigid set of programmatic tools?

A value-add programmatic stack puts the control in the hands of the publishers and buyers to determine what makes the most sense for their businesses and campaigns. This control should be present at two levels: Customers should be able to control which technology components constitute their supply chains, and they should also be able to choose to work with the partners that best align with their brand values around transparency, efficiency, responsibility, sustainability, and other core business tenets.

The next evolution of programmatic is upon us, and that's good news for publishers and advertisers alike. As we go beyond mere efficiency to solve new challenges and deliver new value within the supply chain, partner selection will be paramount. By prioritizing independence, interoperability, transparency, and control within this process, publishers and advertisers can ensure the latest in programmatic capabilities are being leveraged to the greatest extent possible to deliver on their business needs.

About PubMatic

PubMatic (Nasdaq: PUBM) is an independent technology company maximizing customer value by delivering digital advertising's supply chain of the future. PubMatic's sell-side platform empowers the world's leading digital content creators across the open internet to control access to their inventory and increase monetization by enabling marketers to drive return on investment and reach addressable audiences across ad formats and devices. Since 2006, our infrastructure-driven approach has allowed for the efficient processing and utilization of data in real time. By delivering scalable and flexible programmatic innovation, we improve outcomes for our customers while championing a vibrant and transparent digital advertising supply chain.

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