



# Practical Tips for a Programmatic Future

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**With programmatic advertising spend forecasted to top \$20 billion in the US by 2016<sup>1</sup>,** DCN gathered insights and best practices from some of its members on how they are preparing for a programmatic future. Interviews were conducted with executives from ten member companies, who DCN considers experts in the field.

A key takeaway from this research is that programmatic is not a channel, but a broad set of automation and efficiency tactics that can be employed across a range of inventory – from streamlining insertion orders (I/Os) for premium inventory to managing yield on remnant. Automation reduces operational friction and introduces efficiencies on both the buy and the sell side. Programmatic will not eliminate the need for competent sales people or bring down overall advertising pricing.

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**KEY INSIGHTS**

**Programmatic is not a channel**

**Vendor partnerships are important**

**Learn and grow with the buy side**

**Enable and incentivize sales teams to embrace programmatic**

**Designate programmatic expert(s) on sales teams**

**Leverage first-party data and other organizational resources**

<sup>1</sup>eMarketer, 16/10/2014, <http://www.emarketer.com/Article/US-Programmatic-Ad-Spend-Tops-10-Billion-This-Year-Double-by-2016/1011312>



## Programmatic is not a channel

**A year ago programmatic was thought of as a channel to backfill unsold impressions, but now we think of it as a yield optimization tool. Programmatic is not a channel—it is software that helps to improve workflow and maximize the value of our inventory. — BILL MURRAY**

**Programmatic is not about low prices, it's about workflow efficiency and optimization.**

RYAN PAULEY

**In five years, I do not believe that you will see many digital display campaigns executed in a traditional way. In a world where programmatic and guaranteed intersect, we will achieve a level of automation unprecedented in advertising.**

MICHAEL STOECKEL

**Most publishers are wrestling with the misconception that if you offer your banners for sale programmatically, the buyers will choose to buy that way because it is cheaper than going through sales people. In reality there is no channel conflict—publishers do not lose direct deals if they take a liberal approach to programmatic.**

MIKE SMITH

**Programmatic guaranteed will be the next big thing. My vision of the future is one where majority of buys will be programmatic in a sense of automated I/O process.**

STEVE STUP

Since its inception, programmatic was synonymous with real-time bidding (RTB) on open exchanges and as such, linked to lower-quality inventory. It was often thought to be a race to the bottom where audiences, disintermediated from content, could be bought at diminishing prices. Some high-quality digital content companies initially saw it as an opportunity to offload remnant inventory but many were slow to embrace it, anticipating a threat to their main channel of revenue: guaranteed direct deals at premium prices.

This common perspective placed programmatic low in the inventory hierarchy. Most executives interviewed agreed that today the majority of programmatic inventory is remnant. However, premium inventory is gradually becoming available for programmatic buys. In particular, DCN members are starting to see programmatic guaranteed (deals with fixed pricing and guaranteed inventory) and preferred deals (deals with fixed pricing, but no inventory guarantees) rival traditional direct deals in terms of CPMs, which has serious implications for yield management. This is not surprising when what distinguishes a traditional direct deal from a programmatic deal with pre-agreed price and guaranteed inventory is simply the automation of the back-end processes.

DCN interviews revealed that it is only a matter of time until such process automation becomes commonplace if not universal. But this does not mean that direct relationships or guaranteed deals will disappear. Automation will reduce operational frictions and introduce efficiencies on both the buy and the sell side, but it will not eliminate the need for competent sales people or bring down overall advertising pricing.

DCN's key takeaway from this research is that programmatic is not a channel, but a broad set of automation and efficiency tactics that can be employed across a range of inventory – from streamlining insertion orders for premium inventory to managing yield on remnant.

DCN members interviewed also broadly agreed that they are not deliberately pursuing different programmatic strategies for mobile vs. desktop platforms or for video vs. display inventories. However, these platforms and inventory types have different rate cards, sell-through rates and technical delivery aspects that result in different rates of programmatic adoption.



## Vendor partnerships are important

**Vendors help make us smarter when we talk to agencies and marketers.**

— JANA MERON

**We collaborate with a number of vendors on how best to approach certain clients and understand the value of our inventory.**

BILL MURRAY

One of the biggest technology challenges DCN interviews uncovered is the lack of infrastructure for programmatic guaranteed.

There is no question of the fragmentation of the ad tech space. The latest display from Lumascope<sup>2</sup> shows more than 350 companies that sit between the marketer and the publisher. Lumascope also highlights that no one vertical solution exists, and ad tech stacks on the publisher and agency/marketer end must be cobbled together through the services of multiple vendors. A recent survey by Operative found that publishers employ an average of six different advertising technologies<sup>3</sup>. DCN members interviewed noted that having to integrate with the constantly evolving players in the ad tech stack is what makes building ad technology in-house prohibitive, with all interview participants saying they are not pursuing in-house solutions.

The lack of in-house solutions means partnerships with technology vendors are very important. Moreover, their expertise is a valuable resource for content companies, augmenting not just technical capabilities but offering a fresh perspective on inventory value and yield management best practices. Vendors can also serve as a source of education for sales teams – from general market landscape guidance to specific tactics to meet specific client marketing objectives. Partnering with vendors to develop tools that enable programmatic guaranteed deals appears to be the next frontier.



## Learn and grow with the buy side

**We see a full spectrum of clients pursuing premium programmatic opportunities. From performance advertisers who may be moving budget away from the open exchange in search of more qualified audiences, to brand advertising budgets where clients may be looking for ways to incorporate their audience data or automate workflow, we're servicing all client objectives. — RYAN PAULEY**

**There is a lot of misconception in the marketplace that it's going to be individual advertisers locking up guarantees. I think that it's going to be large tech platforms and retargeters locking down guaranteed inventory.**

JEREMY HLAVACEK

DCN members interviewed agreed that programmatic expertise and strategy are also undergoing changes on the buy side, but the change is uneven. Some marketers have taken programmatic functions in-house while others are completely relying on agency trading desks for all programmatic purchases. The categories noted by those interviewed as most actively taking programmatic

**Programmatic is a new territory – we need to test and learn together with the buy side.**

JOHN KELLY

<sup>2</sup>Luma Partners, 2014, <http://www.lumapartners.com/lumascapes/display-ad-tech-lumascope/>

<sup>3</sup>The Digital Publisher Maturity Curve, 2014, <http://www.operative.com/the-publisher-maturity-curve/>

Right now we are focused on making sure that all advertisers are aware of our programmatic capabilities. It's rare to come across an advertiser who has not dedicated some portion of their budget to programmatic, which is why it is important that all of our sellers promote these capabilities alongside all of our brands and initiatives.

BILL MURRAY

Building a programmatic team is an important part of effectively managing relationships with agencies and marketers. Increasingly, media is purchased programmatically and the buy-side expects to work with a publisher's programmatic team to implement their programs (much like they expect to work with ad ops to implement their direct sold traditional insertion orders).

MIKE SMITH

strategy in-house are automotive, CPG, financial, technology and retail/ecommerce.

Currently, marketers' programmatic spends typically come out of a budget separate from the direct budget and are managed by a separate team. This presents two opportunities for a publisher: on the one hand, a programmatic conversation can serve as a first step to a direct relationship with a client whose team and budget were not previously available to the publisher. At the same time it is also an opportunity to educate the direct clients on the benefits of programmatic, build new solutions together to accommodate their future programmatic needs, or even create demand and unlock new budgets. Most executives interviewed stressed the need to proactively talk to clients about their programmatic capabilities, as they are often unaware of them or how they can benefit their campaigns.



## Enable and incentivize sales teams to embrace programmatic

We are empowering our direct sales team to be open to programmatic. We want to have all one-to-one deals go through the direct sales team, whether that is a dedicated programmatic budget or a programmatic line item within a larger media buy. There should be little to no difference between direct and programmatic deal terms, and both should be managed by the same people and be placed under the same scrutiny. — MICHAEL STOECKEL

Training an integrated sales force means development of our own sales team: as things become more automated, sales people who cannot have these conversations become less useful. We do not want any disintermediation in the buying processes.

JANA MERON

Programmatic is a direct sales tactic. Even though machines are activating and optimizing, this is still very much a person-to-person interaction that still needs to take place to understand what the client need is and how best to fulfill it.

RYAN PAULEY

The role of the sales person is going to continue to be similar to what it is today – they will continue to leverage their expertise and connections, but the I/O will not be executed manually. With that in mind, educating direct staff on programmatic is a big focus for us.

STEVE STUP

Automation will not diminish the role of the relationships and client knowledge of sales teams. Half of those interviewed said they are starting to see large buys that include some programmatic component in the mix; therefore, it is important to educate and enable account executives to have conversations about programmatic with clients. It might be necessary to bring in an experienced programmatic resource for this education – an effort that should be considered ongoing training. Several executives interviewed also advised that senior management take an active role in programmatic education and overall strategy discussion.

Spreading programmatic knowledge throughout the organization will not fully eliminate the perception of channel conflict. You'll also need to review your compensation structure to make sure that your sales team is compensated in a way that does not misalign organizational and personal incentives. Whatever your general compensation and sales target structures are, they should consider and give credit for the programmatic business brought in by your sales teams.



## Designate programmatic expert(s) on sales teams

Programmatic sells better with people – when there is a human being involved to explain. If anything, we need more smart sellers to explain these products. Such sellers will think of how to deploy all possible components together—direct and programmatic—and will bring in the resources needed.

— JEREMY HLAVACEK

**Hiring a programmatic sales manager was extremely hard because the role required a combination of both sales and analytical skills.**

STEVE STUP

**The role of a programmatic sales engineer is two-fold: one part of it is very technical, but an equal part is about negotiation, both with the buyers and also internally by working to win management's trust and helping the organization to adopt programmatic sales and fulfillment systems.**

MIKE SMITH

All publishers interviewed have programmatic specialists on staff, with many boosting these functions in the near future. Broadly there are two types of functions that programmatic specialists will have to perform: (1) supporting the direct sales team; and (2) managing vendor and platform relationships.

Supporting a direct sales team starts with education that enables members to initiate and conduct the first stages of programmatic conversations and deals. Part of the educational function might also include evangelizing programmatic within your own organization, particularly if your organization hasn't fully embraced it.

Programmatic specialists will also need to assist the sales team in later stages of programmatic deal negotiations, with the goal of reducing assistance as sales teams increase their knowledge. Nevertheless your programmatic specialists will continue to be the ultimate authority on the more complicated technical aspects and will also play a key role in connecting the organizational resources needed to leverage first-party data.

While most executives interviewed were particularly enthusiastic about the dawning age of programmatic guaranteed, no one suggested that RTB and open exchanges would disappear (though a few expressed hopes of steering clients away from open exchanges and onto direct, if not guaranteed, programmatic relationships). Managing the relationships with exchanges, demand-side platforms and trading desks will also rest with your programmatic specialist.

The functions outlined above mean that your programmatic expert will need a very diverse set of competencies, combining technical and ad ops acumen, market knowledge, analytics expertise and communication skills. Most DCN executives interviewed agreed that currently such combination of skills is difficult to find. In order to fully bridge the skills gap in your organization, you will most likely have to recruit externally (ad tech companies and trading desks are mentioned as good sources for tech expertise and market knowledge). However, you might find that current staff, like ad operations specialists who have already learned about programmatic, can rise to the occasion.

Building a team and dividing some of the responsibilities is important, however, there is no one-size-fits-all set of best practices on how many programmatic specialists an organization needs or how exactly they should divide the functions between them. Besides the overall size of your business, you should be considering your current and aspirational programmatic client

base structure and answer some of these questions for your business: Do you deal with agency trading desks? Are your direct clients already including programmatic line items on RFPs? How big is your open exchange business? Do you have an established private exchange business and is there an opportunity to move these clients up the funnel to programmatic guaranteed business? Do you have tech- and data-savvy clients who are looking for opportunities to leverage first-party data?

Lastly, although the promise of programmatic is ad ops and trafficking streamlining, you will continue to need resources in these areas. Companies interviewed for this report were roughly evenly split between three approaches: some created a dedicated programmatic ad ops role, others included these responsibilities in the role of the programmatic specialists and the remainder relied on their general ad operations teams to handle programmatic. Interestingly, most interviewees did not think there is a lack of programmatic ad ops expertise within their organizations.



## Leverage first-party data and other organizational resources

The beauty of programmatic is that it allows advertisers to bring their own data. It allows them to transact on very small and finite audiences, whom they want to reach with a specific message. This is why the most important thing about telling your first-party data story is finding audience segment overlaps and sweet-spots with the advertiser.

— MICHAEL STOECKEL

Our relationships with advertisers have become much more strategic. If an advertiser is interested in deriving insights from first-party data, we bring in a specialist from our data and analytics team and have them work alongside our programmatic specialists. It's not uncommon to engage with diverse internal teams both from client and our side: our data scientists talk to the clients' data scientists, our engineers talk to clients' engineers.

BILL MURRAY

First-party data is very important for publishers to bring to the table. We work closely with Washington Post Labs data scientists to develop first-party data products for advertisers.

STEVE STUP

Layering in first-party data is perhaps the most powerful way in which programmatic direct can add value beyond just automating the fulfillment aspects of a direct deal. Conversely, first-party data is also what can move the needle in steering a buyer from open to a private exchange.

Ultimately, this is about marrying your data and client data. Your programmatic specialists will need to work closely with other parts of your organization, such as engineering, analytics and data science teams, to build out data capabilities and products. Use of these additional organizational resources should not be limited to internal discussions; these team members are a valuable part of client discussions and, in fact, senior marketers are expecting to see them in sales meetings.

Several of the DCN members interviewed also talked about further leveraging their first-party data and programmatic specialists for building audience extension products, i.e. using their data to identify users moving off-site and utilizing open exchange buys on behalf of clients to reach those users.

## CONCLUSION

**The digital advertising ecosystem is rapidly moving to automation.** Once the infrastructure for programmatic guaranteed deals is complete most, if not all, standard digital advertising inventory sales will be automated. This automation will not dramatically change digital media sales strategies or client base composition. Instead it will streamline backend, fulfillment and yield management processes leaving the direct relationships between clients and sales professionals intact.

Sales and ad operations teams need to thoroughly prepare for this transition including developing infrastructure around programmatic guaranteed to fit the particulars of your business. Actively engaging with technology vendors and the buy side can help you anticipate and shape this evolution. There is opportunity to create demand by offering up programmatic rather

than waiting for the buy side to ask for it. Automation also creates new opportunities for first-party data products.

In order to stay ahead of the curve on automation, infuse programmatic knowledge throughout your organization. Your sales team needs programmatic expert(s), but it is crucial that they are not siloed and competing with the direct sales team. Instead, experts should provide ongoing training and support to your sales team, take charge of preparing your ad technology stack, and work closely with other parts of your organization to create first-party data products.

### ABOUT DIGITAL CONTENT NEXT

Founded in June 2001 as the Online Publishers Association, Digital Content Next is the only trade organization dedicated to serving the unique and diverse needs of high-quality digital content companies that manage trusted, direct relationships with consumers and marketers. Digital Content Next produces proprietary research for its members and the public, creates public and private forums to explore and advance key issues that impact digital content brands, and works to educate the public at large on the importance of quality content brands.

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