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Programmatic Everywhere?

Data, Technology and the Future of Audience Engagement

A WINTERBERRY GROUP WHITE PAPER NOVEMBER 2013

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ACKNOWLEDGEMENTS

This white paper would not have been possible without the significant contributions of more than 260 executive-level thought leaders—including sponsors, contributors and reviewers representing all segments of the advertising, marketing, media and technology industries. In particular, Winterberry Group is grateful to our research partner, the Interactive Advertising Bureau, as well as the following sponsors for their generous support of this research initiative:

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Additionally, we extend our deepest appreciation to the marketers, publishers, technology developers and solution providers who contributed their time, insights and enthusiasm in support of our research. Though their individual names are not mentioned in this paper, they represent some of the most respected companies in the data-driven marketing and media world—including ABC Networks, Allstate, AudienceXpress, Bionic Advertising Systems, BlueCava, Centro, Future US, Martini Media, Maxifier, Neo@Ogilvy, OneSpot, PaperG, Pubmatic, Seamless, Yahoo! and many others.

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**INTRODUCTION
AND EXECUTIVE
SUMMARY**

Next fall, digital media watchers around the globe will celebrate the 20th birthday of an innovation that, it has sometimes been said, ushered in a new era of marketing possibility.

The world's first online banner advertisement—hosted by HotWired.com in October 1994 on behalf of AT&T—brought with it vast potential: access to “connected” consumers, new interactive creative units and, above all else, the promise of *accountability*, letting marketers and publishers engineer a careful balance of ad inventory and contextual relevance with an eye on unlocking vast new repositories of value.

Two decades of progressive investment (now materialized in the \$42 billion that U.S. marketers invest in digital advertising annually) have unquestionably done much to elevate the impact and credibility of that underlying promise. But for many, the full potential of 1994's biggest advertising innovation has remained elusive—held at bay by a combination of inadequate toolsets, disjointed operating processes and “best practices” geared to the deployment of legacy media and customer interaction models.

Today, though, transformative advances in all those respects—and a growing realization that the next “new era of marketing possibility” may be just around the corner—have positioned the digital media ecosystem at the verge of an effective tipping point. At its apex: widespread adoption of the programmatic approach, **through which media buyers and sellers align organizational processes with automation technology in support of ongoing, channel-agnostic customer engagement (and allowing for the continuous optimization of that effort as business strategies evolve).**

Often associated with the practice of auction-based media buying (and referenced interchangeably with these “real-time bidding” tools and tactics), the real practice of “programmatic” is far more complex—and potentially far more transformative—than its most well known use case would suggest. In fact, what began in the domain of ad operations (as a means to facilitate the cumbersome execution of digital media transactions across “non-premium” inventory) is evolving substantially to address a wider range of applications, presenting advertisers and publishers alike with a new foundation for driving both process *efficiency* and customer marketing *effectiveness* across a combination of paid, earned and owned media.

This white paper, published in partnership with the Interactive Advertising Bureau, will explore these dynamics and present a snapshot of how industry constituents are practicing “programmatic” today. With conclusions derived through a combination of survey and interview data (encompassing feedback from more than 260 executive-level marketers, technologists and media industry leaders) it will also outline the issues that are evolving to define the “programmatic everywhere” opportunity—across media channels, vertical industries and functional disciplines.

The paper will show that the **programmatic marketing** approach...

<p>Has been widely adopted across all major marketing and media industry segments...</p>	<ul style="list-style-type: none"> • 85 percent of advertiser respondents said they are deploying automated real-time bidding practices today (and 64 percent say they're doing so "aggressively") • 72 percent of publisher respondents said they're supporting similar "RTB" approaches • 91 percent of advertiser and 83 percent of publisher respondents, respectively, said they expect to engage in programmatic marketing approaches over the next two years
<p>... but for reasons that differ across the "supply" and "demand" sides of the industry, respectively</p>	<ul style="list-style-type: none"> • 63 percent of publisher panelists said their interest in programmatic has been driven primarily by a need to achieve "operational efficiencies" in the media transaction; whereas • 55 percent of advertiser panelists said their interest in programmatic has been driven primarily by a desire to "effectively engage" with target audiences across digital properties
<p>Is now being deployed primarily in support of automated, auction-based digital media buying...</p>	<ul style="list-style-type: none"> • 68 percent of all panelists associated the practice of "programmatic" with marketing and media workflow automation—more than any other use case • 66 percent of panelists associated the approach with auction-based media buying
<p>... but is growing to support a widening range of strategic use cases</p>	<ul style="list-style-type: none"> • 91 percent of all panelists said they expect to deploy the programmatic approach in support of "audience segmentation" over the next two years • 88 percent of panelists said they expect to deploy the approach to support "actionable insight development" over the same time frame
<p>Has seen its progress encumbered by internal organizational hurdles that are progressively fading from relevance...</p>	<ul style="list-style-type: none"> • Only 26 percent of all panelists said "resistance from current process owners" is currently inhibiting adoption of programmatic approaches within their organizations (though that response was higher than that offered with respect to any other potential hurdle)
<p>... though meaningful issues are still hindering more widespread adoption</p>	<ul style="list-style-type: none"> • 33 percent of advertiser panelists said "brand safety issues" are actively inhibiting adoption of programmatic approaches

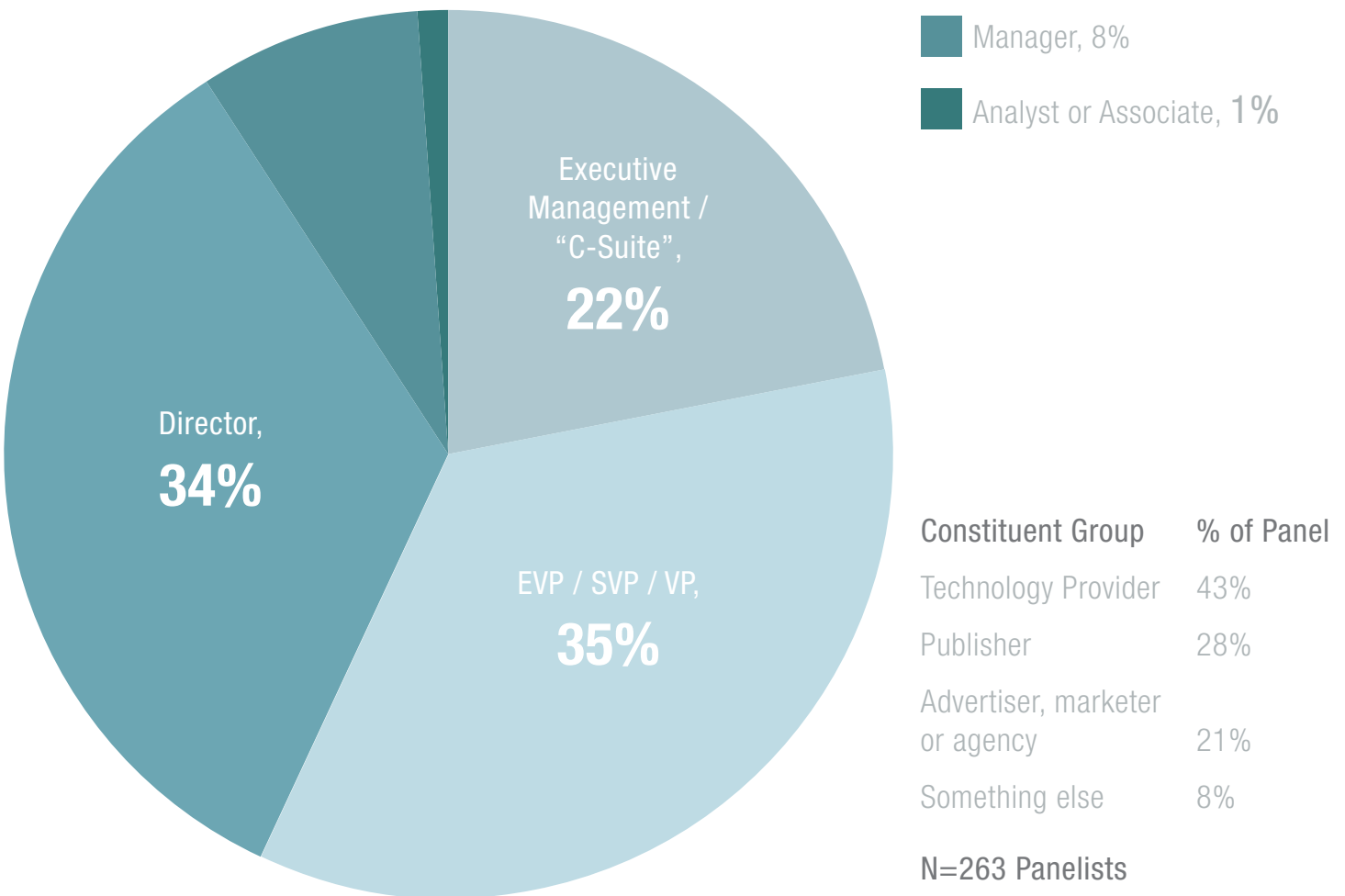
Finally, the paper will present five trends that are emerging to define the likely evolution of the programmatic marketing landscape. They include:

- With mobile playing an increasingly central role as an audience touchpoint, cookies are receding as the fundamental programmatic “control point”—heightening the critical importance of new, standardized solutions for cross-device audience identification, tracking, insight and segmentation
- The programmatic approach has grown equally addressable to all media types—paid, owned and earned—as well as channels, with television and mobile representing the most transformative likely pillars of future growth
- Recognized increasingly as the “fuel” that powers audience-centered programmatic efforts, data will continue to grow in strategic value—heightening the importance of strong management platforms and enterprise governance strategies focused on ensuring access to (and security of) that critical resource
- With a robust array of supporting technologies in place (or in development), the next major wave of innovation will focus on the development and optimization of business processes and organizational structures that support programmatic execution; and
- Today’s ecosystem of ad technology solutions—which is multifaceted and dynamic—will continue to evolve with a focus on supporting two distinct use cases: the complex, integrated, large-scale execution needs of enterprise marketers; and the more focused requirements of smaller marketers (as well as those assembling their own programmatic “stacks”) who require the contribution of best-in-class “point” solutions.

**RESEARCH
METHODOLOGY**

This white paper will explore the origins and likely evolution of the programmatic marketing approach. Published in partnership with the Interactive Advertising Bureau—and with the sponsorship of [x+1], Chango, MediaMath, Accordant Media, AdTaxi Networks, CPXi and DataXu—the paper’s findings are based on the results of an intensive research effort that included phone, online and in-person surveys of more than 260 executive-level advertisers, marketers, publishers, technology developers and marketing service providers (conducted predominantly in the United States between August and September 2013).

Panelists: Which of the Below Best Describes Your Current Job Title/Level of Responsibility?



WHAT IS PROGRAMMATIC?

For all its promise—and all the buzz it generates in advertising, media and technology circles—“programmatic” may be suffering from an image problem.

To some, it’s an auction-based approach to buying display advertising on the Internet. To others, a series of tools designed to automate back-end customer marketing processes. And to yet others, an amalgam of data- and technology-centered functions that promise to engineer new results from digital media long cloaked in complexity.

Call it “applying science to the art of advertising.” Call it “bringing *Moneyball* logic to a *Mad Men* business.” But whatever you call it, it’s clear that a consensus definition is needed if the practice is to evolve from a common foundation. Consider the following interpretations of programmatic buying, posited by a panel of industry leaders in a November 2012 contribution to *AdExchanger*:

- “...online display advertising that is aggregated, booked, flighted, analyzed and optimized via demand-side software interfaces and algorithms...”
- “...similar to programmatic stock trading insofar as buying happens as the result of a computational proxy bidding on behalf of human masters...”; and
- “... enables marketers to consolidate customer interactions across multiple channels into a single dashboard, and then use that dashboard to develop a single, overarching strategy about how to best engage (and continue the conversation) with those audiences....”

All are substantial and sound interpretations. But likewise, all reflect the inherent complexity of an approach that’s growing rapidly and without a unified strategic compass. That may have been sufficient to capture the attention of the financial and technological pioneers whose support was critical to getting the approach off the ground. But if programmatic is to succeed at the enterprise level (and if it’s to achieve momentum among the marketers, publishers, agencies and technology developers whose efforts and dollars will fuel its scaled adoption), then a consensus definition is an absolute requirement.

To be clear, then: “Programmatic” isn’t just a set of tools that support marketing process automation, or even a real-time auction through which online media is bought and sold. Rather, it represents the culmination of decades of innovation in technology, data and addressable media—a **holistic approach through which media buyers and sellers may align organizational processes with automation technology in support of ongoing, channel-agnostic customer engagement (and to allow for the continuous optimization of that effort as business strategies evolve).**

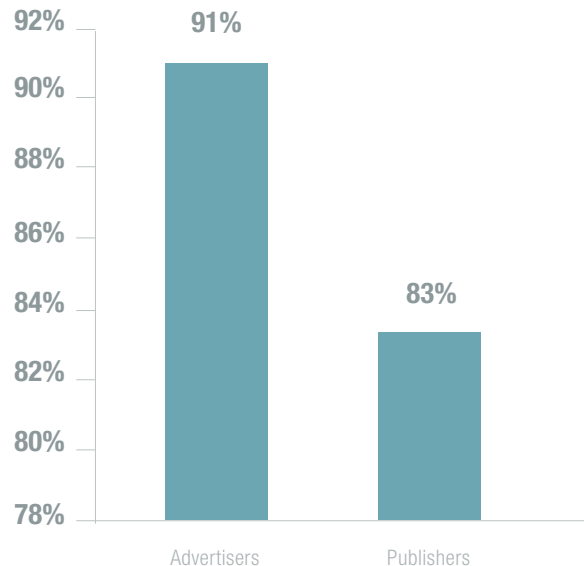
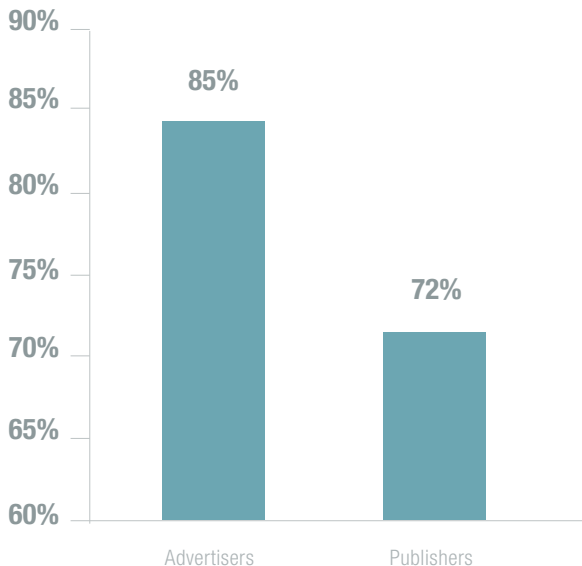
That’s the textbook definition. But *really* understanding the evolving nature of the programmatic approach calls for a view on how it’s being practiced in real-life business scenarios, too. To that end, panelists reported that:

The programmatic approach has been widely adopted across all major marketing and media industry segments.

The vast majority of enterprise marketers and publishers are engaging in some form of programmatic marketing today, with the media transaction representing the center of that effort. Among advertiser panelists, for example, 85 percent said they’re actively buying some media through automated “real-time” auctions (while 72 percent of publishers said they support the same process). The prospects for programmatic’s continued growth are strong, as well; 91 percent of advertisers and 83 percent of publishers said they expect to pursue such approaches to transacting media within the next two years.

Panelists: Has your organization pursued auction-based approaches to media buying/selling (e.g. through RTB platforms)?

Panelists: Do you expect your organization to pursue auction-based approaches to media buying/selling (e.g. through RTB platforms) *within the next two years*?



The business drivers behind programmatic's rapid adoption differ dramatically across the “demand” and “supply” sides of the media spectrum.

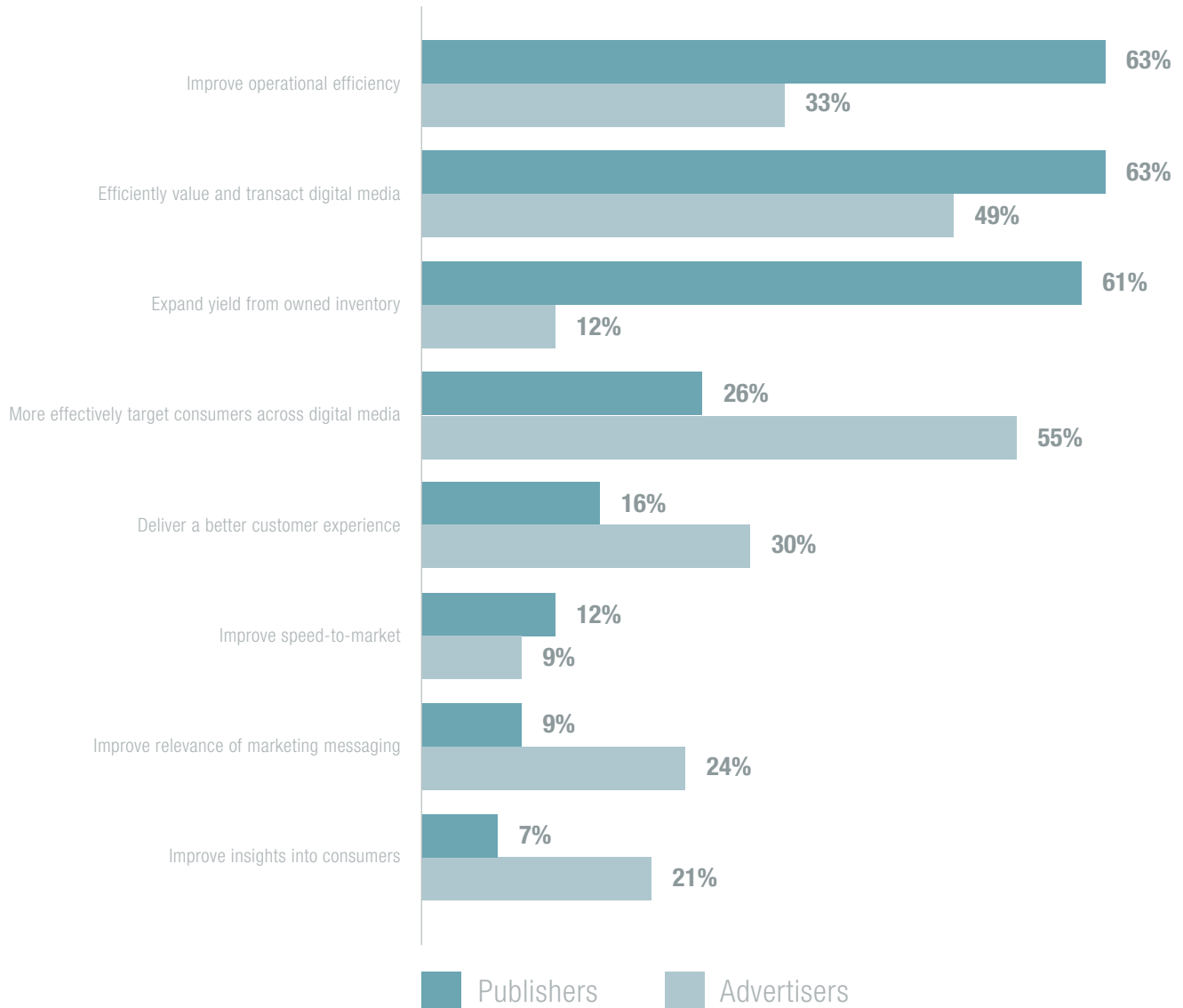
Among the common criticisms levied *against* the practice of programmatic media buying in its early days was the argument that it would facilitate a “race to the bottom”—a means for advertisers to do little more than buy impressions quickly and cheaply, thus devaluing the audiences consuming those messages (as well as the properties that had invested so heavily in the content, brand and user experience that nurtured their attention). Publishers, it was feared, would respond in kind by moving to demolish their internal business development units—slashing costs wherever possible to maintain an economic equilibrium.

Looking back at several years of programmatic-in-practice, though, panelists were resolute in their sentiment that those fears were largely unfounded. In fact, the incentive opportunity to “cut total media costs” barely registered at all as a factor behind programmatic’s current adoption (cited by only 16 percent of all panelists).

But advertiser and publisher panelists did say their interests in the approach are being driven by fundamentally different concerns. For marketers, the potential to buy advertising more inexpensively pales in comparison to the opportunity to drive *more effective media utilization*—particularly with respect to how audiences are identified, segmented and targeted with contextually appropriate content (55 percent cited the opportunity to empower this ability as the primary motive behind their programmatic investments).

On the publisher side, *operational efficiency* is indeed paramount to other considerations (63 percent of publishers said the ability to “efficiently value and transact media” is their most important concern), but most qualified that interest as something wholly distinct from simple cost-cutting. In a complex “real-time” media landscape, panelists said, establishing a platform to support sustainable business practices is more important—and potentially more influential as a driver of *expanded* audience value—than simply taking cost out of the picture.

Panelists: Which objectives are driving your organization's interest in programmatic approaches?



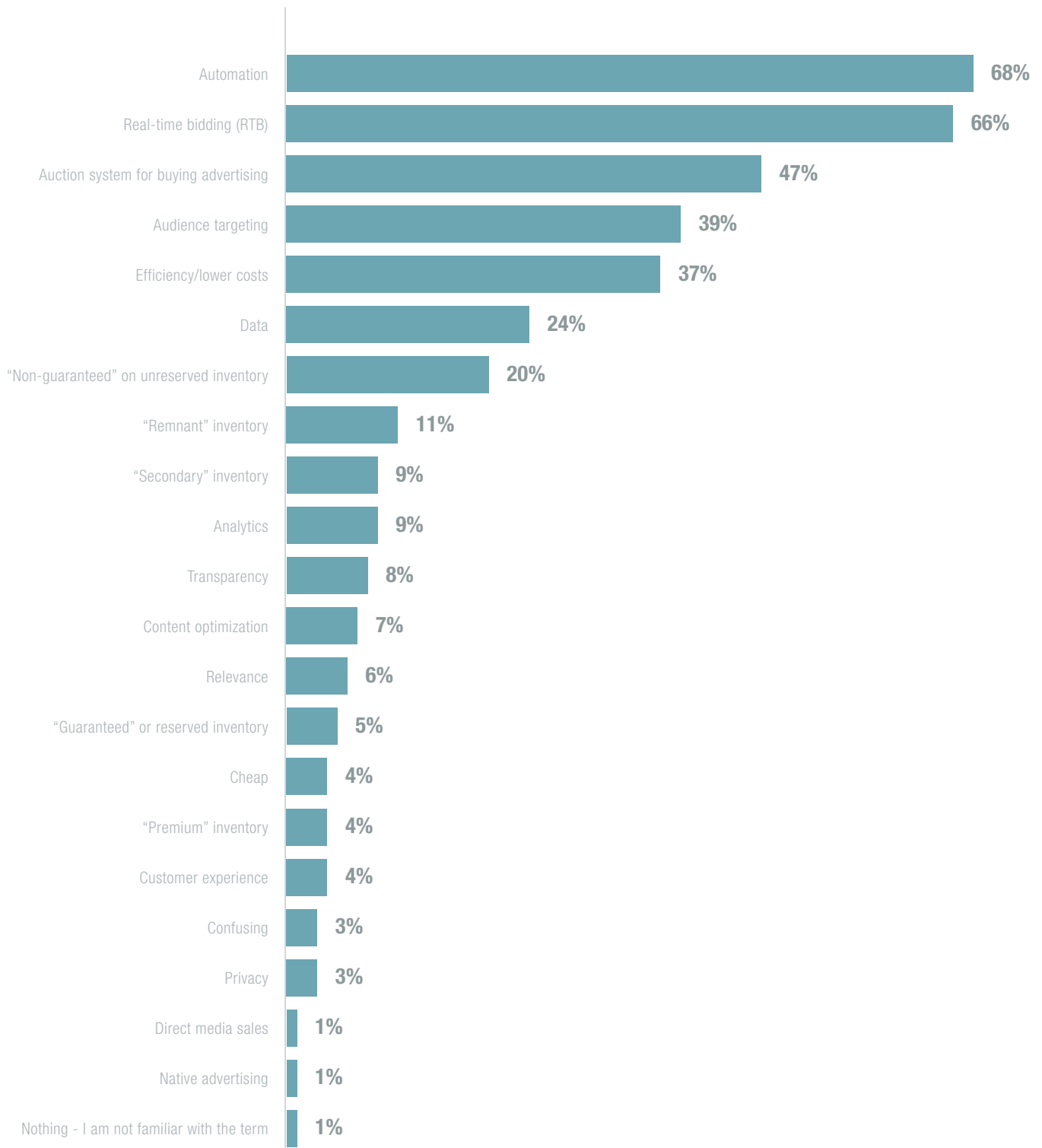
Today, the programmatic approach is being deployed primarily in support of automated, auction-based digital media buying.

Across both advertiser and publisher constituencies, today's programmatic practitioners tend to be deploying the practice in support of its original—and most mature—use case: leveraging an automated, auction-based environment to support digital media buying and selling.

On its surface (and given the explosive growth that individual programmatic buying approaches have achieved over the last several years), that may not come as a surprise to many observers. According to eMarketer, U.S. advertisers spent nearly \$2 billion on digital display media through “real-time bidding” approaches in 2012, and they're expected to grow that investment to \$3.34 billion this year—representing a whopping annual growth rate of 73.9 percent. According to similar research compiled by International Data Corp., that sum could grow to as much as \$14.4 billion by 2017.

Notably, though, panelists did *not* restrict their interpretation of programmatic *marketing* to “real-time bidding,” choosing instead to associate a pair of central concepts that are more readily addressable to a broad range of media types and business strategies. In fact, those two themes—“automation” and “auction”—are referenced so often in respect to programmatic as to be virtually synonymous with the practice; 68 percent of all panelists drew a direct parallel between programmatic and “automation,” while almost as many (66 percent) associated it with “auction-based approaches to media buying.”

Panelists: What does “programmatic” mean to you? Select up to three terms that you most associate with “programmatic.”



USE CASE IN-DEPTH:
Auction-Based
Media Buying and
Selling

An audience-centered approach to transacting addressable media impressions, whereby advertisers (having previously identified audience segments of interest) compete to buy impressions before those segments via automated, machine-driven auctions. Auctions can be deployed in an “open” format (inviting the participation of any interested party), or “closed” to the participation of only some (or even individual) advertisers in a private marketplace setting. Media pricing may also be market-driven or fixed, according to various parameters determined by the selling entity. These methodologies are predominately used to support the transaction of standard digital display (banner) inventory, but are rapidly growing to address video, mobile and “native” formats, as well.

From a media perspective, the earliest interest in programmatic marketing was spurred by the development of technologies and processes to support “real-time bidding” (RTB), the automated transaction of digital impressions that were not otherwise being included in “premium” advertising packages that were typically sold through direct negotiation between a media salesperson and an advertiser or agency. To publishers, the approach offered a logical means to monetize those impressions that would otherwise be left unsold—effectively replicating the process used to package low-value “remnant” inventory in the traditional broadcast and print media worlds. To advertisers, RTB represented an opportunity to stand up a broad, far-reaching presence before digital audiences—at substantially lower cost than would likely be possible through investment in “premium” inventory.

But, as both buyers and sellers have learned extensively in the years since RTB first emerged, digital media consumption and engagement is driven by fundamentally different dynamics than those that shape the broadcast and print channels. In the traditional environment, distinctions between “premium” and “remnant” speak to the contextual environment and likely impact of the underlying ad unit; “premium” broadcast television ads, for example, accompany the most popular and widely viewed programs. In the digital world, by contrast, the same distinctions are linked more to how media is transacted than whether it offers the potential for broad-based impact; “premium” inventory is that which is sold through human negotiation, rather than automated means.

In today’s digital media world, though, those distinctions are diminishing in importance. While much programmatic activity is still predicated on RTB’s original value proposition—most notably the ability to transact media rapidly, efficiently and at scale—the fundamental practice of auction-based buying has splintered into a number of subsidiary disciplines, respectively focused on supporting different types of buyers, media units and pricing structures. Today, they include:

Programmatic and Automation: The Publisher’s Perspective

	Type of Inventory (Reserved, Unreserved)	Pricing (Fixed, Auction)	Participation (One Seller-One Buyer, One Seller-Few Buyers, One Seller-All Buyers)	Other Terms Used in Market	Other Considerations
Automated Guaranteed	Reserved	Fixed	One-One	Programmatic guaranteed Programmatic premium Programmatic direct Programmatic reserved	<ul style="list-style-type: none"> • Prioritization in the ad server • Deal ID • Data Usage • Transparency to buyer • Price floors
Unreserved Fixed Rate	Unreserved	Fixed	One-One	Preferred deals Private access First right of refusal	
Invitation-Only Auction	Unreserved	Auction	One-Few	Private marketplace Private auction Closed auction Private access	
Open Auction	Unreserved	Auction	One-All	Real-time bidding (RTB) Open exchange Open marketplace	

Source: IAB/Programmatic Publisher Task Force

- **“Open Auction”** buying is what most practitioners understand RTB to be: multiple bidders access inventory from an open exchange or marketplace, where transactions take place in “real time.” In addition to advantages in digital targeting, speed of execution and measurement, open auctions have been pursued for explicit financial reasons; media is valued and sold based on the simple premise of supply and demand, and what the market—or any given advertising-buying organization—will bear
- **“Automated Guaranteed”** describes the process by which advertisers obtain programmatic access via technology platforms to guaranteed inventory reserves. Leveraging similar demand- and supply-side tools as RTB, the approach enables the transaction of high-quality inventory (accompanying true “premium” content, where audiences are largest and ostensibly the most addressable to a given advertiser) without forcing the publisher to sacrifice complete pricing control to momentary marketplace dynamics.

While automated guaranteed is growing in popularity—over two-thirds of advertiser panelists said they are pursuing “programmatic premium” transactions today (69 percent) and 88 percent expect to pursue such an approach in the near term—the approach may ultimately reach its full potential only through substantial realignment of existing transactional processes on both the demand and supply sides of the market. Specifically, this may require more active involvement of media sales teams with the

underlying programmatic technology—allowing the salesperson to craft a compelling value proposition, package an audience-centered product and consummate a “sale” with a given advertiser (and leaving the business of activating audience segments according to a complex set of business rules to an underlying optimization platform)

- **“Unreserved Fixed Rate”** buying occurs when a publisher makes inventory available at a set price for a single buyer. Also known as a “preferred deal” or “private access,” these transactions leverage existing RTB infrastructure, but enable inventory owners to give preference—and preferential rates—to identified demand-side partners
- **“Invitation-Only Auction”** is similar to automated guaranteed, but refers to a system in which a publisher invites multiple, known bidders to access inventory. In this case, publishers establish pricing floors to ensure that bids do not fall below a pre-established threshold. In both cases, Deal ID—a digital equivalent to the traditional insertion order—may be used to identify approved buyers, and such deals are given ad-server prioritization to ensure those ads are delivered before other (even higher priced) open auction transactions.

IN THEIR OWN WORDS

“In our case, sales teams are very receptive [to the idea of expanding the programmatic approach to ‘premium’ inventory] because they realize without programmatic they can’t possibly optimize all their campaigns. But yes, there’s also fear. You’re dealing with publishers who have years of established practice in place—and programmatic is often associated with the concept of ‘efficiency,’ which people associate with losing jobs.”

— PRESIDENT, PROGRAMMATIC TECHNOLOGY VENDOR

“For the next level of programmatic media sales, we’ll need to standardize high-impact [‘premium’] units. If a lot of publishers push for the same ad units it will help grow the business and evolve the practice for everyone. Right now, those high-impact units are keeping traditional direct sales alive.”

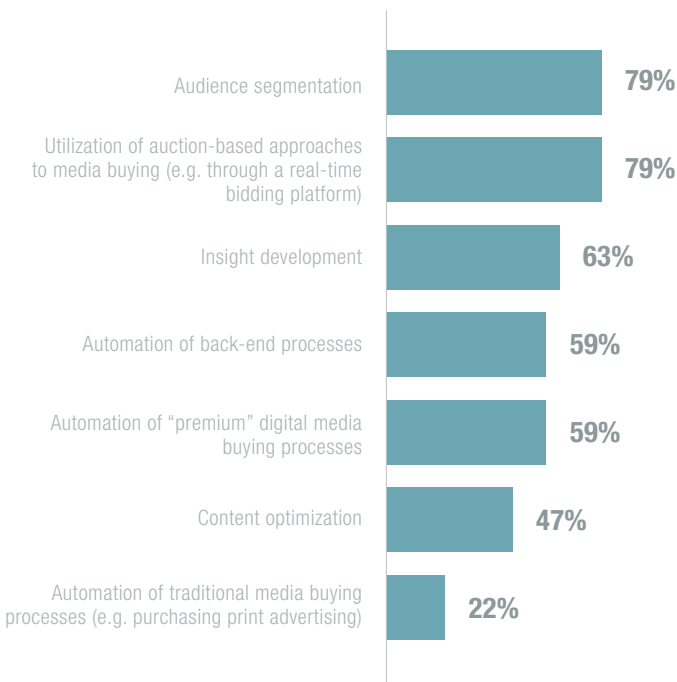
— MANAGER, PROGRAMMATIC OPERATIONS, DIGITAL PUBLISHING NETWORK

Though its origins are firmly rooted in “automated media buying,” the programmatic approach is growing to support a widening range of strategic use cases.

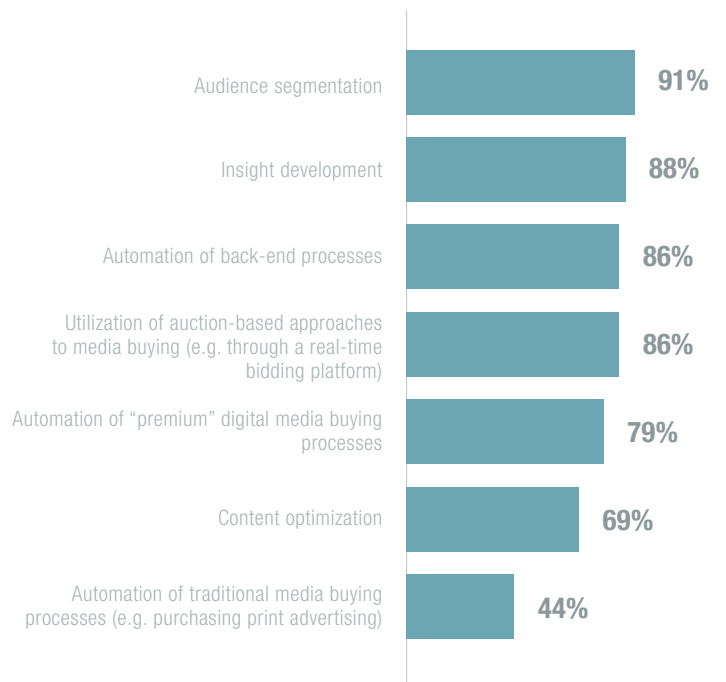
Though automated, auction-based media buying represents the effective centerpiece of programmatic practice *today*, panelists indicated that the approach is expanding to address use cases that will influence and drive value across a broader range of marketing strategy and customer engagement applications in the near future.

A majority of panelists, for example, indicated that they are currently applying programmatic approaches to audience segmentation (79 percent), actionable insight development (63 percent) and process automation (59 percent). Yet as each of these applications grows (expected to increase to 91 percent, 88 percent and 86 percent adoption, respectively, within two years) the addressability of those applications is expected to expand, as well—beyond the parameters of “display *advertising* buying” and toward a range of enterprise objectives, including content optimization and targeting (via owned and earned media, as well as paid), marketing strategy, product development and “omnichannel” customer engagement techniques.

Panelists: Has your organization pursued a “programmatic” approach to the following practices?



Panelists: Do you expect your organization will pursue a “programmatic” approach to the following practices *within two years*?



The Emerging Programmatic Use Cases: In Depth

▼ Audience Intelligence

WHAT IS IT?	<ul style="list-style-type: none"> • The identification and classification of specific user attributes, including demographic profile information, transaction history, observed search behavior and stated or inferred preferences • Development of robust customer profiles from a range of inputs, perhaps most notably including online behavioral data generated independently and sourced from third parties • Segmentation of those profiles for various initiatives (including targeted messaging) with the goal of activating a customer-centric marketing strategy, engagement tactics, enriched product development, enablement of market-driven pricing strategies and more
HOW IS IT EVOLVING?	<ul style="list-style-type: none"> • Used predominately to inform programmatic <i>advertising</i> today, audience intelligence (bolstered by the aggregation of new streams of data from offline, social, mobile and other environments) will grow to influence other business functions—including consumer facing engagement techniques as well as marketing strategy development
IN THEIR OWN WORDS	<p>“[The] end result is more efficiency and if there are multiple audiences based on criteria we have segmented out...we can start better tailoring messages to that more finite audience... It’s helping us get closer to the one-to-one marketing ideal.”</p> <p style="text-align: right;">— INSURANCE MARKETER</p>

▼ Process Automation

WHAT IS IT?	<ul style="list-style-type: none"> • The development of a back-end infrastructure—including technology tools and supporting business processes—that brings scale and speed to marketing functions which would be cumbersome or inefficient to manage manually • Rules-driven automated systems that govern how organizations collect data, create insight, execute upon that insight, schedule and deploy messages and measure and track results—with the goal of empowering a continuous optimization capability
HOW IS IT EVOLVING?	<ul style="list-style-type: none"> • Programmatic process automation is today used predominately to capture efficiencies related to display advertising buying (identifying targets of interest, purchasing and delivering impressions). But the wider availability of application programming interfaces (APIs) is increasingly making it possible to tie disparate systems together to create broad workflow improvements and benefits. Implementation of a holistic automation process will require: <ul style="list-style-type: none"> • Investment in technology platforms and tools (DMPs, analytics platforms, content management and campaign management systems) • Resource redeployment to transition personnel from previously manual functions to higher value strategic functions (business rules creation, etc.) required to drive automated marketing systems; and • Infrastructure realignment to enable the holistic use of technology systems, tools, marketing data assets and programmatic use cases

IN THEIR OWN WORDS

“Programmatic is not just RTB. It’s streamlining communications—both from a technological standpoint to make sure there is less manual work involved like signing I/Os—but also figuring out opportunities to execute processes between publishers and clients better and discover best practices.”

– DIRECTOR OF OMNICHANNEL MARKETING, LARGE MEDIA AGENCY

“I value the machine-to-machine, automated process. It removes variability of human decisions and is based on algorithms... and it helps us scale and adjust to rapidly changing budgets and needs.”

– SENIOR DIRECTOR OF MARKETING, DIGITAL PUBLISHER

▼ Content Optimization

WHAT IS IT?

- The optimization and delivery of content—including advertising offers, contextually relevant creative treatments and the presentation of appropriate messages—to individual audiences, as based on their expressed or inferred demographic, psychographic, transactional or behavioral profiles

HOW IS IT EVOLVING?

- Growing rapidly, marketers see great potential in content-related use cases: 47 percent of panelists reported their organization is using a programmatic approach to content optimization today and 69 percent predict they will do so within two years
- Marketers are actively personalizing messages for retargeting—the practice of serving specific ads and messages to consumers based on their inferred purchase intent. Over time though (and accelerated by organizational process realignment and other developments) personalized treatments will be used to engage with all consumers (those explicitly known and not) for both brand and performance objectives; and
- Content will ultimately emerge as a leading opportunity for brand differentiation, although data governance—and respecting consumer targeting preferences—will be critical to success

IN THEIR OWN WORDS

“In order to be relevant marketers need to get into the content business and develop interesting and compelling content that makes consumers want to engage with them. Programmatic tools are now enabling that content to be leveraged for maximum impact.”

– CMO, PROGRAMMATIC CONTENT PRODUCER

“The real value of programmatic advertising is providing a personalized ad experience by delivering real-time capabilities for our partners so that the most relevant ad gets to the right person at the right time.”

– PRESIDENT, PROGRAMMATIC PUBLISHER SOLUTIONS PROVIDER

“Dynamic creative and being able to message match is something that will continue to grow. And that’s something that’s good for the consumer and for the advertiser.”

– INSURANCE MARKETER

Programmatic's growth has been encumbered by internal organizational hurdles that are progressively fading from relevance.

When the programmatic issue is framed reflexively—that is, when the question is “Why *haven't* you done more with programmatic?” rather than “What are your ideal plans for using programmatic in the *future*?”—technologists, advertising sales teams and marketers tend to have a series of stock answers at the ready:

“More than anything or anyone else, our sales team is standing in the way of our attempts to do more with programmatic. They're threatened by what technology can do”

“If someone could only substantiate how this all makes our product more valuable, then I'd be onboard. But until then...”

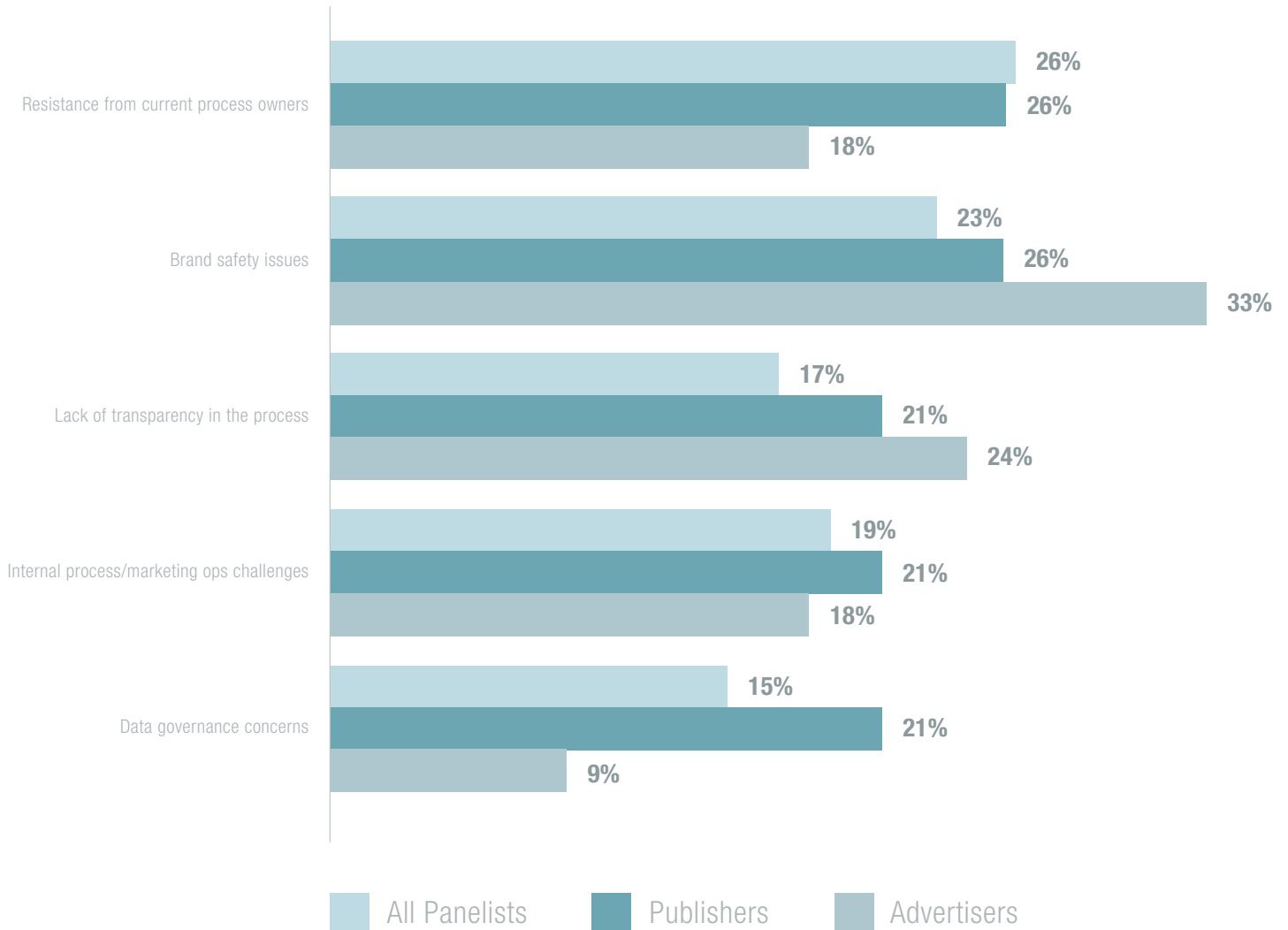
“All we need is help building the business case for what this helps us accomplish with the customer. Oh, and then we have to tear down processes that were built over 50 years ago.”

Marketing technologists—early adopters of programmatic solutions and singers of its praise—sometimes malign constituents of the more traditional media and marketing ecosystem as standing in the way of progress. Traditional media professionals, likewise, accuse digital natives of overstepping their bounds and not understanding important business legacies. But while these perspectives may both be valid, they also create a tension-filled environment inhospitable to cooperation (and deployment of programmatic strategies that address unified business needs).

“People who grew up on the programmatic side are from ad ops and they're just defending their turf—essentially, they're peeing on everything and claiming it,” explained a supply-side platform executive. “But the industry needs to be integrated rather than waging a war between the nerds and the cool kids. Art and science together makes this work. No one should talk badly about the other side—or work against their objectives.”

While these legacy tensions still lurk in many quarters, though, the functional obstacles from which they ostensibly spring may exist more in the murky “conventional wisdom” than the real world. Active opposition from sales teams and other “current process owners,” for example—often said to be the most substantial obstacle to broader publisher-side programmatic adoption, and validated as such by our research panel—was cited as an active inhibitor by only 26 percent of panelists. And only 18 percent of advertiser panelists said they're actively struggling with internal marketing operations challenges—suggesting that substantial hurdles that existed only a few years ago may have gone by the wayside.

Panelists: Which pain points, if any, are inhibiting your organization’s adoption of programmatic approaches today?



Despite progress on multiple fronts, meaningful issues are still hindering more widespread programmatic adoption.

While some legacy organizational hurdles may be diminishing, a number of meaningful issues continue to inhibit more robust adoption of the programmatic approach on both the demand and supply sides of the industry. They include:

▼ Challenge

▼ Potential Resolution

<p>Publishers Fear Diminished Pricing Power, Margins; are hesitant to expose higher classes of inventory to programmatic exchanges for fear of eroding value of their properties and audiences</p>	<p>Publishers are beginning to embrace “programmatic direct” technologies, exposing premium inventory to marketplaces where guaranteed inventory can be secured with strong pricing and placement controls. Adoption of new features in existing demand-side platform (DSP) and supply-side platform (SSP) technology will lead the way, followed by more experimentation and adoption of automated guaranteed technologies over the next 12-18 months</p>
<p>Viewability: purchased impressions may appear too quickly, underneath other content or not within the viewable portion of the browser (i.e. “below the fold”) such that the impression is not actually delivered, despite the marketer’s investment. The issue of viewability is impacting marketers’ willingness to devote too much budget to programmatic efforts that cannot be guaranteed to deliver the return (or even the impression) that they expect</p>	<p>New technology is offering advertisers ways to measure the “viewability” of ads—whether or not digital display ads are “in view” for a certain period of time. Marketers are also increasingly investigating third-party audit and verification tools that report standard minimum thresholds—all while a broader industry conversation is underway on the topic of standard viewability metrics (with publishers insisting on maintaining “a seat at the table” for that discussion)</p>
<p>Advertising Fraud: Recent reports have shown that a significant amount of exchange inventory has been transacted on behalf of robotic traffic—impressions and clicks created by “zombie” computers that replicate the behavior of site visitors. Fake impressions and clicks add significant cost for marketers while providing no value</p>	<p>Viewability standards guaranteed by credible third-party measurement companies are continuing to improve, and are attracting wider adoption from the demand side. While marketers can pursue deals that restrict buying to trusted inventory suppliers in the short run, universal viewability standards will solve this issue for marketers over the long term, while simultaneously providing publishers with the ability to price quality inventory accordingly and, ultimately, capture more brand dollars</p>

<p>Legacy Incentive Structures: On both the supply and demand sides of the market, certain functions have been traditionally rewarded on the basis of benchmarks that have been rendered functionally obsolete by the automation benefits offered by programmatic. Media agencies compensated partially for managing complex and time-consuming manual insertion order processing, for example, are not rewarded by pursuing more streamlined approaches to supporting ad operations. The same dilemma exists on the supply side, where structures exist to promote large, one-time revenue opportunities—but not necessarily transformative efforts to elevate the sustainable platform for long-term revenue generation</p>	<p>Some newer methodologies (automated guaranteed, unreserved fixed-rate, etc.) offer more human control over programmatic buying processes, including pricing, deal negotiation and order management. The combination of controls over pricing and demand-side participation is providing publishers with more reason to sell higher classes of inventory programmatically. On the demand-side, agencies are rapidly restructuring to add skilled programmatic operators</p>
<p>Format Proliferation: The multitude of advertising formats, lack of unified standards around creative unit requirements, new tablet and mobile formats and explosion of new “native” ads are hindering programmatic efficiency in digital advertising. For the demand side, running campaigns that require creative execution beyond IAB standard units is expensive, time consuming and requires manual work. On the supply side, publishers must adjust their content management systems and ad serving platforms to accommodate unique display units, video units and “native” high-impact formats—an expensive and laborious process.</p>	<p>Although broad adoption helped standard-setting in programmatic RTB, new formats are impeding programmatic enablement of many campaigns. Some evolution may occur as the result of standardizing more formats—enabling demand-side players to plug into to suppliers and deliver their content seamlessly. Innovation in customer engagement approaches will continuously introduce new formats, but as standards are established for existing formats the high value work of integration can be devoted newer, disruptive approaches.</p>

WHERE IS PROGRAMMATIC HEADING?

Though interest in the programmatic approach is already widespread, its potential for future growth remains substantial. The following five trends are likely to set the tone for programmatic’s (r)evolution—and broad influence across different marketing and media disciplines—over the next two to three years.

With mobile playing an increasingly central role as an audience touchpoint, cookies are receding as the fundamental programmatic “control point”—heightening the critical importance of new, standardized solutions for cross-device audience identification, tracking, insight and segmentation.

WHY?

Marketers are increasingly embracing the concept of *omnichannel* customer engagement—through which they seek to build a consistent, relevant long-term interaction with consumers across multiple devices—and mobile is occupying a central role in that effort. But while the programmatic *approach* naturally complements the channel-agnostic value proposition of “omnichannel,” most tools used to facilitate programmatic buying in the desktop environment are dependent on digital cookies as the centerpiece of the audience identification and segmentation effort. Within the confines of most mobile browsers and app environments, though, cookies are functionally irrelevant for advertising purposes—with no universal standard yet in place to provide corresponding support for longitudinal audience identification, tracking, insight and segmentation.

HOW?

While no dominant solution has yet emerged for “cookie-less” audience engagement across devices, various approaches are emerging to support persistent insight into audience attributes—a critical input to content optimization efforts aimed at reinforcing advertising relevance. Increasingly, marketers are experimenting with a combination of these approaches in an effort to maximize their audience targeting effectiveness within parameters dictated by both technology, data availability and evolving consumer-interest norms (particularly with respect to process transparency and “opt-out” preferences). These approaches include:

- **Unique device identifiers (UDIDs):** Digital indicators that are specific to a *device*—typically a mobile phone or tablet, but potentially inclusive of all digital platforms—rather than a browser or individual user (as based on expressed or inferred cookie data). Challenges abound, though, as these ID formats vary according to device manufacturer (and have already been succeeded, to a degree, by parallel tracking tools developed by manufacturers exclusively for marketing purposes, such as Apple’s “Identifier for Advertisers”). Critics point out, likewise, that the value of device-centered tracking may be limited given consumers’ utilization of *multiple* devices—as well as their tendency to share these technologies
- **Cross-device insight and attribution:** Proprietary solutions, usually developed by dedicated third parties, to establish persistent “keys” that allow for cross-channel user attribution and, in some cases, support holistic campaign execution. Some of these models rely on personally identifiable information (PII) elements, such as an email address, to enable an audience “match” which may then be anonymized for digital targeting (typically with the same third party offering an independent “safe haven” for that processing), while others focus on aggregating only “non-PII” campaign data to attribute campaign effectiveness
- **“Lookalike” modeling:** Compares expressed individual-level data (and observed behavioral data collected under tightly specified collection policies) with broad audience insights in an effort to map audience attributes to similar behaviors expressed by broad consumer populations—effectively marginalizing the need for persistent individual-level tracking.

WHEN?

Ongoing—though investment and adoption of non-cookie solutions should accelerate substantially over the next 12 months (in concert with continued migration of media consumption to mobile and tablet platforms). Panelists noted that faster innovation has been stalled, to a degree, by challenging legacy operating structure on the demand side—groups working to test persistent tracking solutions in support of advertising, for example, are often independent of those managing consumer recognition for site-side applications—though these challenges are diminishing as more organizations move to centralize marketing technology management and supplier management strategies.

IN THEIR OWN WORDS

“The biggest thing that has me nervous is the fact that consumers are moving away from doing their Web usage on computers and migrating to mobile devices where cookies are non-existent or unreliable and browsers are defaulting to ‘off.’ Programmatic doesn’t work without cookies. We’re hoping that programmatic will become viable in the mobile space using device IDs as opposed to cookies.”

— DIRECTOR OF INTERACTIVE MARKETING, FINANCIAL SERVICES COMPANY

“Forecasting the death of the cookie is old hat. But for programmatic to work, we have to understand the identity of a person and their uniqueness online, whether that’s through a cookie, marketing ID or some other device. But we do know we need something to replace the cookie.”

— DIRECTOR OF CUSTOMER ACQUISITION, GAMING COMPANY

“Matching audience members across mobile and other devices is, for us, the Holy Grail. We know who our customers are from a database standpoint but it’s still hard to connect them to external devices—and no one has come up with a solution that’s lock-proof. But we’re working on it, because ultimately, mobile consumers are the most valuable.”

— SENIOR DIRECTOR OF MARKETING, DIGITAL PUBLISHER

The programmatic approach has grown equally addressable to all media types—paid, owned and earned—as well as channels, with television and mobile representing the most transformative likely pillars of future growth.

WHY?

- Consumers are coming to expect rich, relevant interactions across all marketer touchpoints—and marketers are growing increasingly aware of the value of data and their ability to leverage it to drive unified consumer engagement across *advertising, transactional and informational media*
- The tools and data assets that enable audience identification and targeting in the digital media world are effectively extensible to all other channels, assuming appropriate contributions and cooperation are offered by content and data carriers—traditional publishers, cable and satellite providers, wireless carriers, etc.—supporting those vehicles
- Enterprise marketers are actively working to apply the “optimization and accountability” benefits of the programmatic approach to its largest and fastest-growing budgetary line items: typically, brand-oriented television advertising and the mobile channel, respectively.

HOW?

By investing in a marketing technology infrastructure and supporting business processes that place the “consumer” (whether a customer, prospect or anonymous visitor) at the center of an engagement strategy, leveraging a combination of available data, media channels, optimization platforms and business rules to activate a messaging strategy dictated by the consumer’s interests. This requires:

- **Addressable data** aggregated from multiple audience touchpoints, including various media channels (both owned and sourced from third parties) and proprietary resources (e.g. customer databases)
- **Data aggregation and segmentation platforms**—such as a data management platform (DMP)—to aggregate, normalize, segment and deploy disparate data sources for optimal messaging execution (leveraging a set of pre-established business rules)
- **Internal business strategy** focused on uniting infrastructure across marketing, advertising, media buying, business development, CRM, sales and other functions; and
- **Cooperation among business partners** (including agencies, media buyers and telecom carriers) who are engaged in the value proposition behind segment-level audience engagement.

WHEN?

Incrementally over the next 24 months and beyond. Several pivotal entities to this development (cable companies and wireless carriers, for example) are new to the programmatic space—and will need to get comfortable with higher levels of partner integration required to support its deployment at scale. Cross-device audience recognition innovation will spur faster development, as well, though it will likely be some time before a substantial share of TV inventory is planned, purchased and executed according to “real-time” programmatic business rules.

IN THEIR OWN WORDS

“The next big moment in the evolution will be when you can advertise and retarget and engage audiences seamlessly across different channels and screens.”

— CMO, MARKETING TECHNOLOGY PROVIDER

“[Programmatic] is creating automation, applying audience data, providing real-time reporting and optimizing campaigns based on audience data. But right now, it doesn't fundamentally change the TV advertising business except for making planning and buying workflow easier.”

— PROGRAMMATIC TV SOLUTIONS PROVIDER

“We haven't yet focused analytics internally, but we want to personalize content on our website, for example. There are a lot of great site-side programmatic optimization cases that we haven't even started scratching the surface on yet.”

— INSURANCE MARKETER

“Just think about the growth of tablets. This will be super disruptive—we need to find new ways to measure, standardize and facilitate the optimization of content as a consumer moves from TV to tablet to website to mobile device. There's a huge opportunity here to get programmatic, branding and measurement aligned—and no one really owns it right now. [The combination of] disruptive devices and a changing marketplace is a perfect storm to solve some problems.”

— CEO, LARGE AD NETWORK

Recognized increasingly as the “fuel” that powers audience-centered programmatic efforts, data will continue to grow in strategic value—heightening the importance of strong management platforms and enterprise governance strategies focused on ensuring access to (and security of) that critical resource.

WHY?

Data, which is leveraged to provide both aggregate and individual-level audience insights, is a critical resource in driving customer engagement and advertising relevance. And its continued availability has been threatened by a combination of factors: potential government regulation (like that which would require affirmative consumer “opt-in” as a precursor for any kind of data collection and storage), heightened Internet browser privacy standards (which default to “do-not-track” settings, seriously undermining the viability of those tools as platforms for programmatic media) and marketer-side lapses in data security and adherence to expressed consumer preferences (which undermine consumer trust and erode popular support for marketing innovations that leverage individual data—even in those cases when these “lapses” are inadvertent or the product of extraordinary acts of third-party malfeasance).

HOW?

Through developing enterprise-level data governance strategies (and an oversight infrastructure) to responsibly manage, nurture and protect these assets at a priority level consistent with the value they drive for the organization. Such strategies will be required among marketers, publishers and third parties supporting the practice of programmatic, and will typically require:

- **Maintenance of an evolving “map” of customer information**—documenting the provenance, type and tactical use case applicable to each data asset
- **Development of a unified data strategy**—that addresses all data inputs, cross-organizational use cases, best practices and regulatory guidelines
- **An infrastructure to support marketing data use**—leveraging technology and personnel resources (including DMPs), workflow processes and partner interactions to optimally leverage, but also protect, critical information assets
- **Inclusion of all enterprise stakeholders** in the development of data governance practices, including business leaders, customers, functional leaders within each line of business and third-party partners; and
- **Development of a “data culture”** that values continuous learning and improvement—leveraging new information as available to continually reinforce and safeguard corporate data assets.

WHEN?

Now and ongoing. “Data governance” maturity among data aggregators and programmatic marketers varies widely—with the most advanced levels of sophistication in place, typically, within organizations that have been victimized by costly data breaches (or data management infractions) in the past. But data’s critical importance to the programmatic enterprise—78 percent of panelists said proprietary “first-party” data was central to the practice, and 66 percent offered the same sentiment with respect to “third-party” data—is actively driving investment in holistic governance infrastructure as a means of shoring up data security and providing a flexible mechanism for supporting rights management, process transparency and consumer choice.

IN THEIR OWN WORDS

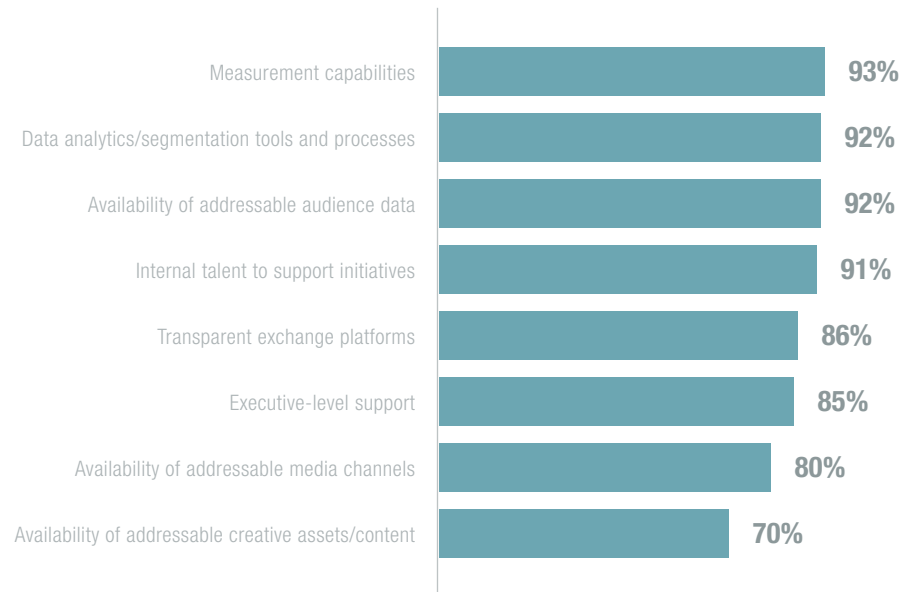
“Online audience creation is passé for us at this point. It’s become the table stakes. Now we’re looking to leverage new types of first-party data—such as prospecting information from the direct mail world—to understand and engage consumers.”

– INSURANCE MARKETER

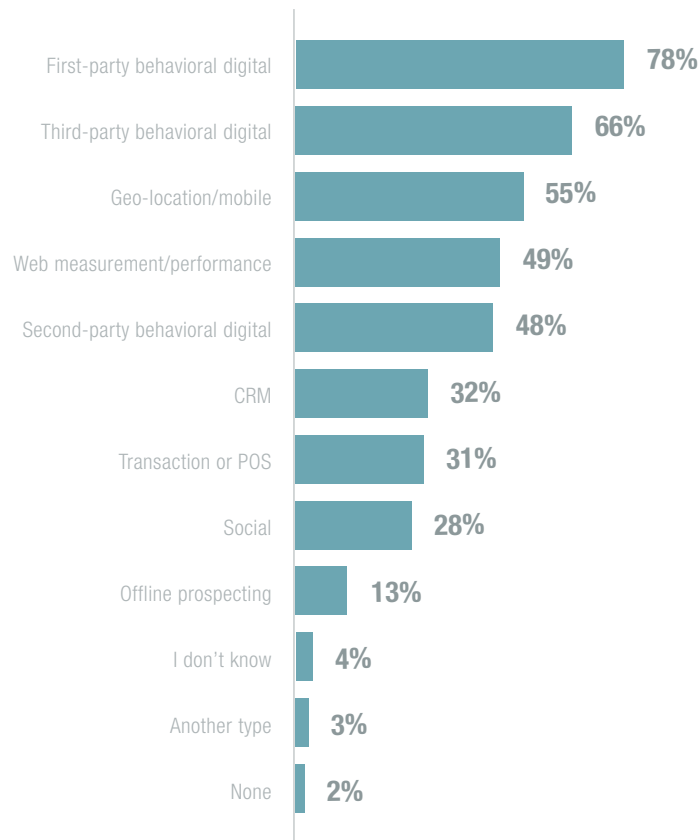
“[The] question is, who will be able to parse and curate enough scaled data with unique IDs by device to merchandize behavioral targets? For a world moving quickly beyond the desktop, data availability is critical for programmatic to continue to make gains.”

– CMO, PROGRAMMATIC CONTENT PRODUCER

Panelists: How important are each of the following to building and supporting a fundamental “programmatic” capability?



Panelists: Which of the following data types are fundamental to supporting “programmatic” approaches today?



With a robust array of supporting technologies in place (or in development), the next major wave of innovation will focus on the development and optimization of business processes and organizational structures that support programmatic execution.

WHY?

While organizations have invested in disparate technologies and practices to elevate their tactical programmatic marketing execution, they often remain constrained by organizational structures not aligned to leverage these resources (or the related data, tools or technologies) holistically. Typically, this includes:

- Manual processes occurring simultaneously in adjacent marketing departments (including media buying transactions, for example, that require high-touch human and relationship-based decisioning, rather than machine-driven execution of established business rules tied into marketing strategy)
- Misaligned sales compensation and incentive structures, through which programmatic efforts can be construed as a threat to direct sales inventory availability and revenue opportunities; and
- Procedural “workarounds” designed to address the needs of legacy media.

HOW?

Through holistic enterprise-wide process and operations alignment. Though these efforts are often time-consuming and difficult, many marketers and publishers are in the midst of “programmatic transformation” that typically includes:

- **Auditing existing processes and supply-chain partners** to identify gaps, workarounds and stress points that undermine the ability to create and action insight in a way that is aligned with the potential of technology
- **Identification of programmatic leaders** (with interdisciplinary responsibility spanning marketing strategy, media, ad operations, etc.) to manage these approaches—and their respective implementations—holistically
- **Restructuring compensation and incentive programs** to align talent, sales goals and compensation with programmatic objectives; and
- **Merging complementary marketing automation initiatives** (such as marketing resource management and other related disciplines focused on optimizing campaign scheduling, budgeting and operational functions) into the broader programmatic vision, with a focus on capturing additional cross-organizational efficiencies to drive value.

WHEN?

Now and ongoing—with the potential to continue for the next five years (in some organizations). But while some marketing and media organizations are beginning to restructure with an eye on supporting enterprise-wide programmatic use cases, these efforts are not completed quickly. “Quick wins” can build organizational support for new initiatives, but full implementation requires a structured, assertive, phased timeline.

IN THEIR OWN WORDS

“More tools doesn’t mean better tools if they don’t work together. Marketers and publishers and agencies need to take a step back and look at their infrastructure and what they want to accomplish, rather than just continuing to pick up all the latest shiny tools.”

– PRESIDENT, PROGRAMMATIC PLATFORM PROVIDER

“It’s still very siloed on the publisher end. At times, we have a hard time communicating with them because internally they’re not always on the same page. They have direct sales and programmatic sales and it’s very rare that we have a conversation that’s consistent across the two. It makes for a long and difficult journey because they don’t have the right systems in place.”

– DIRECTOR OF OMNICHANNEL MARKETING, LARGE MEDIA AGENCY

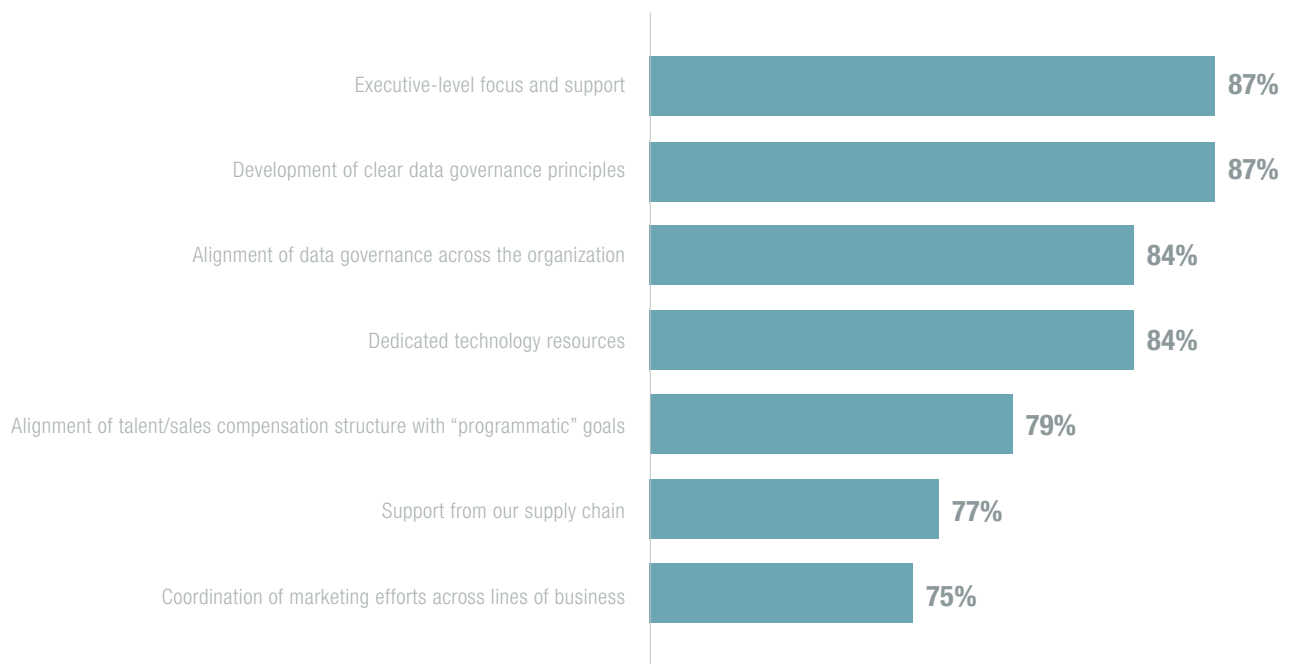
“Ultimately, the use cases will be much broader than media buying and selling. In the long run, programmatic will be about content and billing and scheduling and creative and all points in the customer engagement cycle—including optimizing the back-end functions as well as the consumer-facing ones.”

– PROGRAMMATIC PLATFORM PROVIDER

“If your job is copying and pasting from spreadsheets, you should worry about your job because it will be automated. Grunt work, mundane repetitive tasks—you know a computer should be doing it. Programmatic can allow a time and resource shift from low-value staff activities to higher-value roles such as strategy and analytics. By freeing up people’s time, you can do things that are more fulfilling and provide more value.”

– CEO, MARKETING AUTOMATION SOLUTIONS PROVIDER

Panelists: How important are each of the following business processes to supporting a “programmatic” capability?



Today’s ecosystem of ad technology solutions— which is multifaceted and dynamic— will continue to evolve with a focus on supporting two distinct use cases: the complex, integrated, large-scale execution needs of enterprise marketers; and the more focused requirements of smaller marketers (as well as those assembling their own programmatic “stacks”) who require the contribution of best-in-class “point” solutions.

WHY?

The complexity of today’s ad tech ecosystem is, for some participants, bewildering. Hundreds of providers— many of whom present unclear (or frequently changing) value propositions— compete to support a multitude of different functions, often undermining the ability of marketers to identify and select partners that offer the right experience and credibility to support programmatic practices at the enterprise level. The move to further consolidate a fragmented sector is likewise compounded by:

- Resistance from entrenched agency partners who may see the emergence of new technology-driven entities as a threat to their role as a strategic influencer (and manager of the marketer’s addressable budget)
- Venture capital and private equity investors who, having been invested in some of their sector assets for many years, are increasingly holding their portfolio companies accountable for *profit* contributions (or are seeking outright exit from those investments, even in cases where margins are robust); and
- The continued availability of ample investment capital in the private equity markets—and the demand, among some financial entities, to activate enterprise-focused investment strategies focused on growing “ad tech stacks” capable of meeting the needs of enterprise marketers.

HOW?

Consolidation among smaller and/or otherwise undifferentiated technology developers will rationalize the middle market and lower tiers of the ad tech sector, while enterprise technology and professional services companies (including global technology integrators and management consultancies) will continue their moves to assemble “enterprise stacks” geared to supporting strategy, program development and programmatic execution across media. Venture capital and private equity interests, meanwhile, will focus their efforts on incubating potentially transformative innovations—and building functionally-specific platforms with the goal of “owning” individual components of the programmatic process (often in line with the key programmatic use cases).

WHEN?

Over the next 12 to 18 months (though “stack-building” among enterprise providers has been well underway for the better part of the last three years).

IN THEIR OWN WORDS

“In theory, programmatic reduces the number of middle men, which is better for both the publisher and the marketer. Ultimately, though, we need a platform that plugs into as many supply sources as possible with the greatest level of transparency possible. The smaller fiefdoms cropping up today are keeping programmatic from achieving its full potential.”

– AD NETWORK EXECUTIVE

IN CONCLUSION Toward a Future of “Programmatic Everywhere”

While programmatic *buying* may be firmly entrenched as the new norm in digital advertising, marketers and media leaders are just waking up to the potential of its most transformative long-term contribution: an addressable platform to power the unified activation of audience insights, process automation and continuous optimization in support of *consumer engagement*, finally opening the door to the “new era of marketing possibility” first posited by the emergence of that first AT&T banner ad nearly two decades ago.

Ultimately, that will take the practice of programmatic beyond the bounds of the display ad—and even beyond the limits of what’s conventionally associated with paid advertising—to address a range of audience-centered applications, from marketing to e-commerce to customer service. It will, by necessity and design, unite the interests of tactical marketer, publisher and consumer with the broader strategic aims of the enterprise. It will transform long-held notions of media, data and the dialogue between company and consumer.

“Programmatic everywhere,” in short, is a real possibility. But its widespread activation—and, more importantly, its ability to drive meaningful value across audiences of scale—is not inevitable. Substantial continued innovation (and expanded effort to access, protect and integrate information resources, technology platforms and overarching business processes) will be required if the practice is ever to achieve the breakaway velocity demanded by its inherent potential. But those efforts are in the works. The real challenges ahead, for marketers and media alike, are even more vexing: How to apply the *science* of programmatic to the *art* of brand-driven advertising? And how to engage consumers as active participants in this rich, evolving dialogue?

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