EVERYTHING YOU NEED TO KNOW ABOUT THE PROGRAMMATIC SUPPLY CHAIN

AUTHORS
Emily Yri - Senior Marketing Director, APAC, PubMatic
Genelle Hung - Head of Demand, JAPAC, Twitter MoPub

OBJECTIVE

The IAB SEA+India Programmatic Council established the Education Sub Group to create a comprehensive guide to programmatic for buyers. This guide breaks down the basics of programmatic - so buyers can better evaluate the benefits and value to their businesses.

To facilitate this, we've broken down programmatic into the following key sections:
- Part 1: The Programmatic Supply Chain
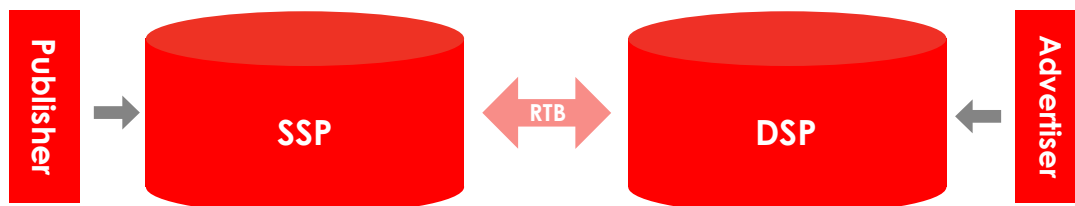- Part 2: Data and Targeting
- Part 3: Brand Safety

In the first part of this series, Emily Yri, Senior Marketing Director, APAC, PubMatic and Genelle Hung, Head of Demand, JAPAC, Twitter MoPub unpack the parts of the Programmatic Supply Chain.

PART 1: PROGRAMMATIC SUPPLY CHAIN

1.WHAT DOES A BASIC PROGRAMMATIC SUPPLY CHAIN LOOK LIKE?

A basic programmatic supply chain involves the following players:
- Agencies / agency trading desks
- Demand side platforms
- Supply side platforms
- Publishers

> **The automated, data driven buying and selling of digital inventory.**

2. WHAT DOES A DSP DO?

A DSP (Demand-Side Platform) is a company that handles automated media buying for advertisers using unified targeting, data, and RTB (Real Time Bidding) optimization via a bidding algorithm.

3. WHAT DOES AN SSP DO?

An SSP (Supply-Side Platform) is a full-stack software platform used by publishers to automate the buying and selling of digital advertising inventory across channels, screens and ad formats. SSPs provide ad decisioning and ad serving functionality, as well as quality controls and analytics.

4. WHAT OTHER PLAYERS COULD YOU FIND IN THE SUPPLY CHAIN?

One might also have the following in the programmatic supply chain:

- Ad Server - A computer or web server that stores, maintains, and serves digital advertising assets; manages delivery pacing for rules-based advertiser campaigns and provides reporting on campaign performance.
- DMP (Data Management Platform) - Platforms that collect, manage, optimize, organize, segment and share large amounts of first- and third-party data, making the data flexible and actionable to perform a range of services including advanced targeting of consumers across digital platforms.
- ATD (Agency Trading Desk) - Specialized media buying groups most commonly working within (or for) an advertising agency; serve as a managed service layer between an agency and a demand-side platform (DSP) or other audience buying technology.

5. WHAT STEPS HAVE BEEN TAKEN TO ENSURE TRANSPARENCY IN THE SUPPLY CHAIN?

Over the past couple of years, the IAB has introduced the following initiatives to ensure better transparency along the programmatic supply chain:

- Ads.txt / App-ads.txt: Prevents domain spoofing by identifying authorised sellers of inventory. View article here.
- Sellers.json: Identifies direct vs. authorised resellers of inventory. View article here.
- Supply Chain Object: Helps buyers remove anonymity in the supply chain. View article here.
- Buyers.json: Decreases malvertising in the ecosystem by telling publishers where an ad came from . View article here.

6. HOW DOES PROGRAMMATIC BIDDING WORK?

Programmatic bidding has evolved over the years, from the waterfall model to header bidding:

- The waterfall refers to the traditional programmatic method of ad buying. The waterfall organizes ad sources in a way that is meant to yield the highest CPMs for advertisers and increase revenue for publishers.
- Header bidding is a programmatic tactic that allows publishers to control how their inventory is priced and accessed by offering it to multiple demand sources simultaneously. It can be implemented either in the header of a page or on a technology provider's server before making calls to an ad server.

7. HOW DO PROGRAMMATIC AUCTIONS WORK?

Programmatic auctions can be either 1st or 2nd price auctions:

- The winners of programmatic auctions can be determined on either a 1st price basis – where the winner pays the price they bid, or a 2nd price basis – where the winner pays 1 cent more than the second highest bid.

8. WHAT ARE THE BUYING MECHANICS OF PROGRAMMATIC?

Programmatic inventory can be bought and sold in a variety of ways, including:

- OMP (Open Marketplace) - Publishers take a part of their inventory to the open market for multiple demand partners to bid on it.
- PMP (Private Marketplace) - PMP is an invitation only real-time auction. Publishers send an invite to various advertisers and demand partners to place their bid on the available inventory.
- PG (Programmatic Guaranteed) - Programmatic or automated guaranteed is where the premium inventories are exchanged. The publisher chooses one buyer and guarantees a number of impressions for a fixed (negotiated) price.
- Programmatic Direct - Programmatic Direct is a direct deal between seller and buyer, eliminating the need for ad exchange parties. Again, the publisher invites buyers but there is no bidding involved. Mainly, it's a subset of programmatic advertising which is accompanied by two other types.

9.   WHAT CAN YOU BUY PROGRAMMATICALLY?

All digital advertising can now be transacted programmatically, including:

- Mobile web and desktop display and video
- Mobile app display and video
- CTV
- Digital out of home
- Audio
- AR/VR

10. WHAT ARE THE KEY BENEFITS OF PROGRAMMATIC FOR BUYERS?

- Cost efficiencies
- Better targeting
- Real-time campaign optimisation and insights
- Better scale
- Automation frees up human involvement for more strategic tasks