admonsters

playbook:

Private Marketplaces & Advanced Studies in Programmatic Video

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introduction

Welcome back to the exciting world of programmatic video! And there's no snark in our tone there—according to **eMarketer**, programmatic channels will account for 28% ($2.8 billion) of all U.S. digital video ad spending in 2015. But you shouldn't just be excited by revenue figures—a hefty percentage of those billions will be transacted through private marketplaces, which are paving the way to the future of digital video buying and selling... And likely TV transactions as well.

In our last **playbook on programmatic video**, we delved into the basics of integrating the channel—understanding how programmatic video differs from display due to the presence of the player—as well as what to look for in an ad tech partner, **VPAID errors** and other issues. That playbook isn't necessarily a prerequisite for understanding this installment, but knowledge gleaned will come in handy.

Basically there are two ways to programmatically transact a video ad: through the open market and via private marketplaces. In the open market, publishers can offer inventory to a large number of buyers sitting on an RTB-powered exchange or leverage a managed service in which a partnering company (DSP, SSP or other) uses auctions to fill an agreed-upon amount of inventory in a similar fashion to a network deal. In private marketplaces (PMPs), the buying pool is limited, with a tag or Deal ID used to enter the "VIP Room." In addition, advertisers can guarantee against a number of factors: price floor, number of impressions and even audience segments.

This playbook dives deeper into private video marketplaces and the mechanisms (Deal ID) that power them. We'll look at why video PMPs are so popular with both advertisers and publishers as well as the advantages and challenges around Deal ID. In addition, the Playbook will dive into the notion of programmatic direct, particularly as it relates to PMPs and Deal ID, while examining in-development capabilities around guaranteeing against audiences using programmatic-based transactions. We'll also discuss the potential for programmatic TV and mobile PMPs.

Finally, we'll leave you with some suggested best practices for PMPs and ideas for future integrations of new technology in this fast-changing space. Overall, this playbook aims to aid digital revenue specialists as they translate strategic business and monetization goals into practical executions that smartly leverage available technology and partner companies. That's right: we want to show you how to transform the qualitative into quantitative.

02 what's a playbook?

A playbook is an extension of what the AdMonsters community has been doing at our conferences for more than 14 years. A playbook solidifies what has made our events "must attend" for many digital strategists. By bringing people together to share learnings and best practices in a focused way, people can create a plan and avoid hours—if not days—of doing research on their own.

The AdMonsters playbook concept takes existing AdMonsters content (from conferences and AdMonsters.com) and, with the help of the AdMonsters community, "crowd sources" a document that outlines best practices on a particular topic. Our belief is that this will allow for a free exchange of ideas with the benefit of curation for accuracy. This document does not get into specifics around individual solution providers intentionally.

Great effort has gone into writing the playbook in a fashion that applies to as many publishers as possible without becoming too general. In a technology-driven industry like digital advertising, information quickly becomes obsolete. The intention is that, based on the feedback of the AdMonsters community, the next version of this playbook will start to take shape and, with additional contributors, grow in both depth and breadth. Publication of future versions will be scheduled based upon the needs of the community.

03 The Power of Private Marketplaces

In the coming years, all transactions of standard ad units will be automated in some fashion, whether through RTB-based exchanges/marketplaces—open and private—or other programmatic outlets. Despite its many variations (pre-roll, mid-roll, out-stream or inline before you get into features such as length and skippapbility), video at its heart is a standard unit. An ad call for a video is an ad call for a video; differences in preferred players between browsers won't inhibit the ability to transact programmatically. Direct-sold guaranteed deals are likely to persist, particularly if a campaign has a time-sensitive element, but programmatic offers great incentives for both buyers and sellers.

Private marketplaces are essential to realizing advertisers' goals because they offer control, targeting and transparency. A video PMP offers the equivalent of a VIP room—a whole bunch of high-value perks that you can't get in the open marketplace, but you gotta pay extra to get in. And increased control, smarter targeting and transparency—of which there's little in the open marketplace—are worth paying a premium for, especially when the resource in question is scarce.

In effect, a PMP is a bridge between revenue strategy and tactics, enabling operations professionals to rise up from the execution trenches. Understanding how PMPs work and how to best leverage them to meet advertiser goals while drawing larger budgets will aid ops' transformation into a (or even "the") key revenue center for media companies, particularly as bigger and bigger chunks of video (and TV) dollars flow through programmatic channels.

What's Premium Video?

Ah, the age-old question—what does this vague and arbitrary term premium mean? For the purposes of this playbook, we mean broadcast-quality video. This doesn't necessarily mean something that was shown on TV, but something that features TV-level production.

To take advantage of the dramatic increase in video spend, many legacy print or digital-only publishers have upped their high-quality video production. Programmatic proves a great channel for these publishers to draw video-hungry advertisers to their nascent video content, and PMPs offer enhanced control and revenue.

In other words, we're not talking about user-generated content and compilations of cat clips. (Well, maybe if they have a coherent storyline and relatable protagonists... No, no cat videos!)

The Power of Private Marketplaces

Advertiser Interest

If you have experience with display private marketplaces, you might wonder what the big hubbub is on the video side. While display PMPs often struggle for demand and repeat orders, video PMPs are thriving.

This mainly has to do with the economic nature of video: while the supply of display inventory has a nasty reputation for being infinite, the supply of "premium" video inventory can barely keep up with demand—some will argue that it doesn't. Digital video performance can also be easily compared to TV ad performance—sight, sound and motion has been the mantra of TV advertisers for decades.

To satisfy their video thirst, advertisers have entered the programmatic video market. Agencies and trading desks have discrete budgets devoted solely to programmatic channels. Private marketplaces offer them priority access above the open marketplace (and potentially above direct-sold guaranteed) with well-regarded publishers that boast quality inventory and audiences. Such transparency is virtually non-existent in the open marketplace, and brand safety is a higher advertiser concern in video versus display.

While the open marketplace allows advertisers to hunt down their audiences via their first-party data, in PMPs, they can layer in section-level targeting and use their priority access to edge out competitors. In addition, they can target in real-time against demographics, which allows for reporting that compares more easily to TV spend and GRP-based buys. Finally, buyers can set price floors, and then optimize over time to get the most from their buck.

Publisher Benefits

Did we mention there's a lot of advertiser spend zipping through programmatic video channels? Sure, many a digital publisher can sell out of their video inventory through direct sales, but ignoring the programmatic market means they're leaving money on the table. Since advertisers are willing to pay a premium for advanced targeting and priority access, it makes little sense not to build them a VIP room… Or rather, a private marketplace.

Publishers might join the world of video PMPs before the open video marketplace; some publishers completely eschew the open programmatic marketplace in favor of PMPs. Imbued with video budgets, trading desks or DSPs will reach out to negotiate PMP deals with publishers. It's well-known in advertising that you need to meet the buyers where they want to spend their money (though you can also entice them into new channels.)

Transparency and brand safety also works both ways. Video is typically publishers' most valuable inventory and users' favorite content, so therefore they must be extra careful that unsavory ads and advertisers stay away. A crappy display ad (recoil at the memories of belly fat!) can be quickly blown off, but an offensive video ad could be 15-30 seconds of pure user-alienating poison. Working in a PMP, publishers are sure of the advertisers coming through the door and likely will be able to perform more creative quality assurance.

04 deal ID

The tag was the mechanism that originally brought PMPs to life, but it's been pushed to the side in favor of Deal ID, which has facilitated executions and helped scale the channel. You've probably heard a bunch of mixed feelings about Deal ID; while one industry resource called it a "panacea" another publisher suggested tags were easier to deal with.

At this point of time, Deal ID maintenance is a very manual and sometimes frustrating process. The tool is a work in progress as standardization initiatives around a set of macros are slogging their way through the industry. Flawed as it may be, Deal ID is extremely useful and opens the door to not only a ton of revenue, but also the future of transacting video. So comfort yourself in the knowledge that you can prepare for the most common breakdowns and workarounds.

What Is It?

It's only a number; an integer. That's it—a series of digits that refers to a negotiated agreement hammered out by buyer and seller. Deal ID (short for—you'll never guess—"Deal Identifier") establishes a PMP by enabling programmatic inventory to be packaged.

Basically it's an insertion order for automated platforms mapping out unique parameters of deal (potentially dozens of parameters, including specific advertiser[s], minimum price, section of site, etc.), but it looks more like a line item when attached to an impression. When executed, it's a string or token passed on by the SSP in the bid call to the bidder (DSP), allowing filtration of orders larger than a single impression. There's no real difference between Deal IDs for video and display.

Better Than Tags

Who doesn't love tags? Perhaps the better question is... Who does love tags? Tags are still occasionally used for PMPs, typically if there is no integration between a preferred SSP and DSP. However, Deal ID has become the preferred mechanism for several reasons.

- **Workflow efficiencies.** One Deal ID may contain the information of several tags. Deal IDs can account for dozens of targeting parameters, while before you'd need a separate tag for each one. And more tags can lead to more problems, especially when...
- **Tags break.** It's a harsh fact of digital advertising—bad tags can ruin page loads and might even break the player. As pointed out above, Deal ID is just a number, not a command or piece of code. The number means something within the SSP and DSP, but that's all—no interfering in other business like player execution.
- **Lower latency.** Again, Deal ID is not executing, just sending a signal. A slow-loading tag can gum up the works and cost a site users when pre-roll fails to load. In video this is exponentially more frustrating than most display ad fails.
- **Direct reporting.** One key advantage of Deal ID for advertisers is that performance analytics come directly to them through their DSP's user interface; with tags, advertisers would have to rely on publisher reporting and may not receive all the data they desired. This can also help with...
- **Optimization.** Programmatic advertising allows advertisers and publishers to adapt more quickly to campaign reporting. Both sides can near-instantly adjust a variety of parameters based on what they see coming in. (However, this can also lead to issues...)

05 how a private marketplace works

- Through its SSP, a publisher creates the actual Deal ID number and shares it with the advertisers, media agency or trading desk. The opposite party enters the Deal ID into their DSP.

- Impressions are classified into Deal ID based on selling rules, making it into a targetable unit. An impression may actually have a list of Deal IDs (e.g., run-of-site vs. section), which means multiple PMPs will be running concurrently and must be evaluated against each other. Publishers must make sure their technology partners will allow these auctions.

- The SSP will make parallel calls to a variety of DSPs—your SSP must have this capability because DSPs don't always bite at impressions with corresponding Deal IDs. There could be another element in the inventory that makes the DSP say, "Let's skip." To cut down on latency, an SSP will call multiple DSPs at once.

- An aligned DSP or DSPs will send back a bid; this does not necessarily mean a creative is forthcoming (see VPAID errors). The SSP must wait for a creative to come back before deciding on an overall winner.

- Price is often the decider in auctions, but the winner in a private marketplace may not be the highest bid. A negotiated deal with impressions delivered over a short time period could take precedence. Therefore bids can be weighted, and when dealing with concurrent PMPs, the auctions themselves can be given different levels of priority.

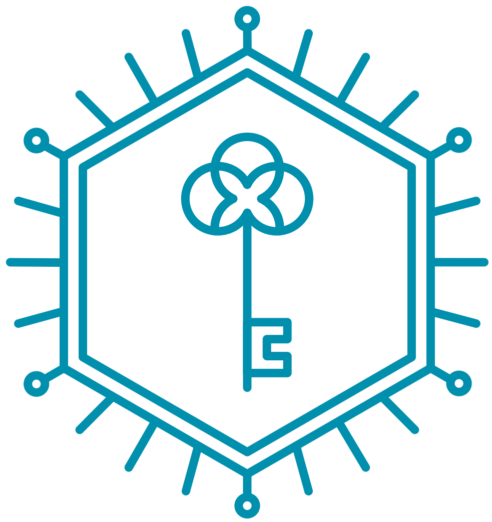
- Video ad served! Both publisher and advertiser can examine the performance over time and decide if any parameters should be adjusted.

What Do You Guarantee?

Typically a price floor (a guaranteed price would fall under "preferred deal"), though occasionally a number of impressions.

Sell-Side Targeting

Publishers can leverage site-level targeting or even first-party audience segments. However, too many targeting parameters and a small pool of inventory is a bad match—the number of impressions delivered will likely come out puny, especially considering that the advertiser will probably use its own first-party data as well. Some publishers suggested run-of-site normally performs admirably—pretty much, let the advertisers roam free in the VIP room.



06 pain points

As we mentioned earlier, a Deal ID is the automated equivalent of an insertion order, and as we all know, insertion orders can be the bane of ops' existence. It's not surprising then that most troubleshooting occurs in the setup.

How easy Deal IDs are to set up is debatable—some resources say it's even easier than setting up direct-sold campaigns, while others suggest establishing a Deal ID makes putting together a direct-sold campaign look like a piece of cake. Your experience will likely depend on your stack as well as your demand-side partners.

A checklist of possible error points (including the ones below) will develop as you execute more of these, but go in with an idea of chief potential issues. Also ask your peers (perhaps at AdMonsters conferences or on the AdMonsters forum, wink wink) about their common pitfalls to add to your list. In addition, it's quite handy to break the list up into supply-side, demand-side and provider issues.

- When a Deal ID refuses to execute, the first spot to examine is any place potentially involving human error. Creating a Deal ID is a manual process, which then requires manual insertion into both the SSP and DSP. Progress can be stymied from the start if the wrong Deal ID is entered or there's some other kind of miscommunication. This is (depressingly) common, as many times a publisher might have several Deal IDs with a certain client and confusion could rear its ugly head.

- To even work with Deal ID, APIs are needed to connect the preferred SSPs and DSPs. PMPs can still be executed when a DSP and SSP are not integrated, but must be done through (groan) tags. If you're planning a PMP and want to use Deal ID, make sure there's a hookup between your SSP and the advertiser's DSP.

- Each SSP and DSP has its own twist on what can be done with Deal ID, notably via the targeting parameters. Try to match up your SSP's features with your advertiser's DSP to avoid surprises.

- Publishers may find it frustrating to communicate with trading desks, which are usually tasked simply with programmatic execution. PMPs require communication between buyer and seller, and relationship management is typically a specialty of media agencies. The liaison will adjust over time, especially as some trading desks are being folded into holding companies' various media agencies.

- Publishers and advertisers have the ability to tweak campaign parameters in real-time, but they should communicate and make the adjustments together. Otherwise, for example, a publisher might wonder why their private marketplace partner is rejecting all the inventory sent their way when a DSP has changed something as simple as target geography.

Sidebar: Mobile PMPs

Video is primed to become the champion of mobile revenue. Similar to desktop, many broadcasters and premium video providers can directly sell the majority of their mobile inventory. However, programmatic can enable additional targeting vectors—most notably, geolocation to the latitude and longitude—that may enthuse advertisers. Think CPG advertisers as well as retailers.

In addition, users can't really "tab over" or ignore mobile pre-roll—to some extent they're a captive audience. That makes PMPs a very appropriate tool—while publishers want to grab advertisers VIP room spend, they also want to be secure about the advertiser and creative appearing before their captive users.

Most publishers currently segregate desktop and mobile PMPs, partially because of the creative involved (no Flash video in mobile, though Flash is falling out of fashion on desktop as well) but also because of advertiser goals and targeting objectives. For publishers trying to drive more mobile revenue, mobile PMPs that leverage lat/long data could prove a boon.

07 programmatic direct

Too often programmatic and automatic are used interchangeably. By definition programmatic means having or following a plan or program; therefore programmatic transactions are only automatic in the sense that they are following a program. The program itself is rarely automatic—you could argue that's the case with a repeat buy and deal that requires no additional setup. Of course, many a publisher will tell you with PMPs such repeat business is very rare currently.

Programmatic direct is less buzzy than it sounds: it's a transaction executed programmatically with some kind of direct or negotiated component. Never forget that RTB is just a transaction tool powering auctions within exchanges; the idea behind programmatic direct is to fade the exchange and transaction tools into the background and focus on the buyer-seller relationship.

Programmatic direct can be executed multiple ways:

- Buyers purchase guaranteed inventory through some kind of storefront, which creates an insertion order that is automatically executed by the ad server.
- Negotiation leads to the creation of a Deal ID and private marketplace.

The next developmental step is blending these ideas together, creating something akin to a library of deals managed by different pubs that can be accessed via a demand-side user interface. Negotiation would be a matter of clicking boxes as publishers would set controls allowing partners to manipulate certain categories. Not only would this take out the pain of initial Deal ID setup, it would enable true real-time optimization—changes made on Deal ID parameters would be updated on both sides automatically, rather than manually like they are now.

Using data from Forrester and eMarketer, SpotXchange estimates that only 9% of digital advertising is transacted in programmatic spot markets. The rest is sold on an upfront basis, which makes sense as advertisers have yearly budgets and like to allocate the majority in advance.

For the last several years at upfronts, broadcasters have been tying digital video advertising to TV deals; this has become even more popular with the proliferations of digital GRP-based metrics allowing easy comparison between TV and video advertising reporting. In addition, digital-only or digital-first video producers have followed the same selling path via the "Newfronts."

This is actually not the best way for publishers to monetize their video inventory for a few reasons. Taking after the television model, the majority of direct-sold digital video campaigns are guaranteed based on demographics. Advertisers agree to a certain number of impressions within a demo, and only impressions that hit that demo are counted toward that number. This is then measured on a post-campaign basis. AdMonsters has detailed before that this process ends up wasting a lot of inventory for publishers (and giving advertisers "extended reach") although third-party services, ad server offerings and DMPs are employed to better target in-demo.

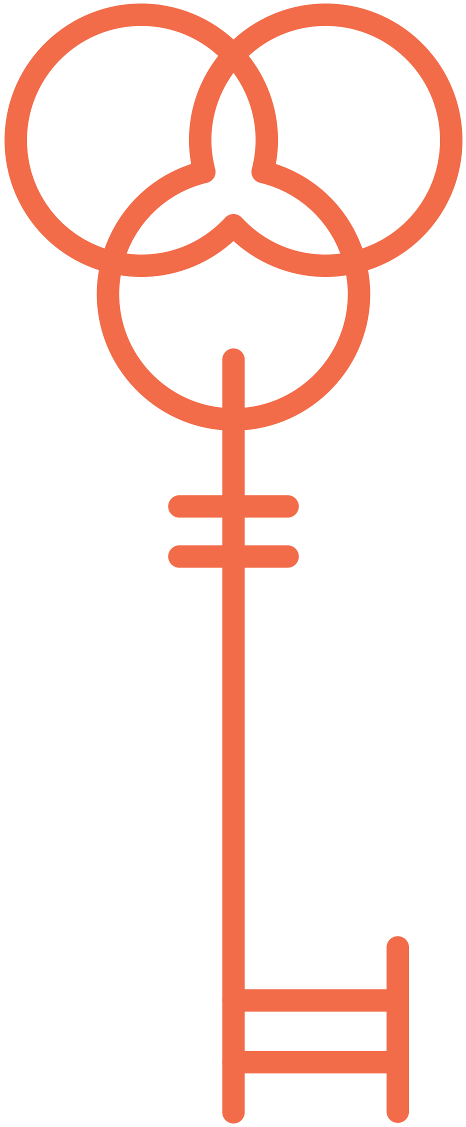
programmatic direct

In addition, we've noted throughout this playbook that advertisers not taking advantage of programmatic are effectively leaving money on the table. Advertisers have dedicated programmatic budgets and have shown they are willing to pay a premium for the privilege of the VIP room. Publishers we talked to have mixed feelings about the future of upfront transactions, with some seeing additional spend go into programmatic and spot marketplaces because they are performing. But publishers always need to be investigating how to best meet advertiser buying preferences while driving the best yield.

So how do you reconcile advertiser desire to buy upfront with the monetization opportunities in programmatic? Through audience guarantees executed via fully realized programmatic direct channels.

Advanced audience targeting tools are enabling real-time targeting of demographics across channels, allowing publishers to guarantee against demos in campaigns that are fulfilled through Deal IDs and private marketplaces. In addition, publishers with particularly valuable first-party audience segments could guarantee against them. The controls within programmatic direct systems would allow for real-time campaign optimization (on both sides) including price floors and other parameters controlled by Deal ID.

A big hurdle here is forecasting, which has always been a thorn in publishers' sides. However, overall improvements in forecasting and better audience knowledge through use of data management platforms suggest that upfront buying of video inventory through programmatic direct is not that far off. From there it's only a matter of time before the method makes its way across the many channels included within programmatic TV.



08 programmatic TV

For a while the term programmatic TV has been getting a lot of lip service in industry trades and conferences, but it's also caused a great deal of head scratching. Turns out, programmatic TV is one of those vague catch-alls the industry loves (remember programmatic premium?) that covers several sorta-related channels. Programmatic TV is still not completely defined and the channels laid out below are changing at a clip. Many of these are still in early stages when it comes to advertising, but opportunities for both the open marketplace and private marketplaces are quickly appearing.

- **Addressable linear television.** Many multi-service operators now offer set-top boxes that can dynamically insert advertising into live linear television because the content is being delivered digitally. From what MSO and broadcaster ops people tell us, home-built or provider solutions are rickety at best, and often limited in their offerings. Tapping into the video exchanges for programmatic buys is mainly in the experimental stages, but offers a great deal of promise, particularly when it comes to targeting demographics. But there also strict rules for TV advertising (e.g., competing advertisers cannot be featured in the same pod) that make this a trickier path to go down.

- **Dynamically inserted advertising in MSO-based video on demand.** Similar story to addressable linear television.

- **Live digital television streams.** Companies like Bloomberg have digitally streamed their TV offering for years, with advertising dynamically inserted thanks to home-built technology. Recently Dish introduced SlingTV, which digitally streams content from a selection of broadcasters. The dynamically served advertising is done in partnership by SlingTV and the broadcasters, as detailed during the opening keynote at AdMonsters' OPS conference in June 2015. This space is very nascent and definitely still developing.

- **On-demand digital television.** This is actually a prime space for video exchanges and PMPs—broadcasters like CBS have launched subscription-based services offering consumers access to vast libraries of content. The targeting is further enhanced by publisher first-party data (i.e., much beloved registration data). These services are available on desktop, mobile and connected TV.

- **Video spots within over-the-top or connected TV apps.** Another big opportunity for transacting programmatically. The biggest advertiser complaint about OTT is a lack of metrics, specifically GRPs, advertisers' preference. The major measurement companies are currently tackling these channels, but the lack of GRPs make them prime to be sold programmatically, which can take advantage of other data points for targeting.

09 best practices

We've hit you with a lot of details pretty quick. When you put this playbook down, you may not know where to go next. So here are some tips and practices that should help you focus as you conquer video PMPs.

- Liquidity is key—Make sure you have enough video inventory to work with. This may seem overly obvious, but if your initial video supply is low and you try to break it up with private marketplaces, you're only going to disappoint your advertiser partners.

- Be aware that Deal IDs are prone to errors. Make sure your communications between partners are as clear as possible, particularly when sending the actual Deal IDs. Finally, be careful when you insert data into your own SSP.

- Develop an error checklist broken into supply side, buy-side and vendor issues. Chat with your peers about the common (and uncommon) breakdowns they witness.

- If an advertiser is not getting as much inventory as desired, advise them to up their price floor or bid amount. If this is not an option, consider giving their bid additional weight within auctions or setting the priority of their PMP higher.

- Too much granularity in targeting is never a good thing in a limited pool of inventory. Be careful about leveraging site-level and first-party audience targeting in video PMPs. Sometimes run-of-site in the VIP room is exactly what your partners need.

- Having a PMP specialist can be handy, especially as an asset in selling them. However, you'll likely have numerous Deal IDs firing at a time, and potentially will skip out on the open marketplace entirely. Anyone who works with programmatic video needs to be very comfortable in working with PMPs and Deal IDs.

- Never forget that programmatic is a research deal. Normally you wouldn't set PMPs at higher priority than direct-sold guaranteed inventory for fear of under-delivery. At the same time, experimenting with putting PMPs at the highest priority level can show you whether you have advertisers interested in paying higher amounts for certain inventory—and whether your rate card needs adjusting.

- Programmatic video, and PMPs in particular, is a fast-moving space. We've laid out the likely roadmap ahead, but keep in contact with peers and your providers about the latest developments—this is an area where it's crucial to stay ahead of the game. And hey, that AdMonsters company might have some good resources (articles, forums, conferences) in the days ahead too. Just sayin'.

10 closing thoughts

The **convergence of TV and digital video** has generated a great deal of frustration, concern and ultimately excitement. We're on the cusp of a whole new way of buying and selling sight, sound and motion, one that hopefully catches up with the diverse content consumption habits of our target audiences. The opportunity for almost all video inventory to be transacted programmatically—with all the targeting, reporting and optimization perks that come with it—is coming fast, including the promise of programmatically buying digital video via upfront audience guarantees.

At the heart of these developments are private video marketplaces and the tools that enable them. While executing Deal IDs currently requires a good deal of manual labor at the moment, the technology is coming to automate the tedious, prone-to-break tasks, while also offering additional control to both buyers and sellers.

Learning and mastering the intricacies of video PMPs and Deal IDs now is getting in on the ground floor with technology that is quickly revolutionizing the advertising world. In addition, it's closing the gap between strategy and execution, and ultimately establishing ops as the media revenue center it is destined to become.

about

AdMonsters is the global leader in strategic insight on the future of digital media and advertising technology. Through our conferences, website, original research and consulting services, we offer unparalleled in-person experiences and unique, high-quality content focused on media operations, monetization, technology, strategy, platforms and trends. Founded in 1999, AdMonsters began serving the advertising operations professional through live media and its online community. We provided a forum to share best practices, explore new technology platforms and build relationships. Today's expanding ecosystem now includes publishers and content creators, agencies, SSPs, DMPs, DSPs, RTB and service providers, technology and platform developers, advertising networks, brands, and investors.

This vibrant community is forward-looking and results-oriented. Their success depends on strategic insights about technology and monetization, and the exchange of actionable peer-to-peer best practices. AdMonsters has built its reputation on providing objective editorial leadership based on deep, real-world expertise. We have continued to evolve our editorial strategy to address the changing needs of the market and as a result, AdMonsters has attracted a highly focused audience who are at the forefront of the industry, and leading marketing partners have found AdMonsters to be a powerful channel to reach these decision makers. Today, our portfolio of integrated media solutions includes industry leading live events, our innovative Connect content solutions, email marketing programs, and more.

As of March 2015, AdMonsters is part of the **Access Intelligence** family of companies.

SpotXchange is a video advertising platform for publishers that provides ad serving, programmatic infrastructure and advanced analytic services. SpotXchange is the trusted video advertising platform offering premium publishers holistic inventory management in order to maximize revenue for desktop, mobile and connected TV inventory while driving down operational costs. Publishers leverage SpotXchange's ad serving, programmatic technology, and private marketplace capabilities to operate effectively in an increasingly complex digital ecosystem while gaining unprecedented transparency, insight and control over the buying behavior of today's leading brands. Headquartered north of Denver, SpotXchange has offices in New York, San Francisco, London, Amsterdam, Hamburg, Singapore and Sydney and is consistently the top comScore video property for video ads served.

For more information, please visit **www.spotxchange.com** and follow SpotXchange on Twitter @SpotXchange.

RTL Group, the leading European entertainment network, acquired a majority 65% stake in SpotXchange in July 2014.