Programmatic Advertising: An Industry Survey

MATC Final Project

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Literature Review

Programmatic is a broad term that refers to the automated process of buying and selling advertising that has emerged as a major force in the online advertising and publishing industries over the past three years. The rate of programmatic’s stunning ascent and revenue growth has outpaced academic study, and leaves the field ripe for much-needed research. For perspective, consider that in Europe, “the IAB [Interactive Advertising Bureau] predicts that the share of ads bought through programmatic technologies could rise ... and reach up to 60 to 75 per cent of total digital display advertising by 2017” (Chahal, 2014). For the United States, “Interpublic Group of Cos. buying arm Magna Global projects that programmatic spending will reach $9.8 billion in the U.S. this year, or about 20% of the overall digital-ad market” (Peterson & Kantrowitz, 2014). According to the IAB, U.S. revenue for Internet advertising was $42.8 billion, and exceeded all other advertising media including broadcast television (PwC and the Interactive Advertising Bureau [IAB], 2014). “According to MAGNA GLOBAL research, the worldwide market for programmatic and real-time advertising solutions is expected to triple to US$33bn by 2017” (Attia, 2014).

Clearly, programmatic will represent an increasingly significant share of advertising revenue over the next few years. However, adoption of programmatic by advertisers and agencies has outpaced academic research on the subject. While some industry surveys exist that explore programmatic from the perspective of advertising buyers, relatively little is known about publisher attitudes toward programmatic.
Background

With the emergence of online display advertising in 1994, came the possibility that machines could someday automate the placement of ads over the Internet. At first, ad placement was direct, with advertisers communicating their ad placements to website publishers using traditional technologies such as email and telephones and the proverbial three-martini lunch.

Gradually, ad-serving technologies developed that made it easier to schedule flights of display ads across multiple websites at the same time. This permitted the evolution of companies that specialized in aggregating the supply of online ads from multiple website publishers and selling it to advertisers at scale. These companies came to be known as ad networks.

Further advances in ad serving technologies allowed ad networks to communicate with each other and participate in exchanges where they could buy and sell ad space from each other. These exchanges became virtual markets where the supply and demand for online display ads could be matched efficiently. Initially, ad exchanges and their trading partners profited handsomely by filling unsold remnant inventory on publishers’ sites cheaply and charging advertisers a significant mark-up buried in the overall CPM (cost per thousand) of the transaction (O’Hara, 2013).

On either side of this supply and demand market, companies built software platforms that enabled the transactions. The supply side platforms (SSPs) worked on behalf of publishers to help them monetize their inventory. The demand side platforms (DSPs) worked on behalf of advertisers to help them cost-effectively reach
the right audiences (Marshall, 2014). Together, SSPs and DSPs brought new automated efficiencies to the online advertising industry and competed alongside traders and ad networks in the ad exchanges for the opportunity to buy and sell ads programmatically.

1994 was also the year that Netscape invented the browser cookie for use in their Mosaic web browser as a means for enabling an online shopping cart for e-commerce (Tipton & Krause, 2003). Cookies are simple text files that are sent by a website to a user’s browser, where they are stored primarily for the purpose of identifying a returning guest to a website, along with information about that guest’s previous visits. First-party cookies are those that are set by the domain being displayed in the browser’s address bar. Third-party cookies can be set when content, such as a display ad, is sent from a third-party domain, such as an ad server. Advertisers can deliver ads targeting specific online behaviors that may indicate consumer purchase intent using both first and third-party cookies (Brain, 2014).

The wide-spread use of cookies permitted the emergence of data tracking companies that can analyze log files of internet users’ web browsing histories to determine their interests and possible future online behaviors. These online behaviors can be matched with offline behaviors to form a broad picture of an individual’s lifestyle and habits. One data provider, Acxiom, has developed a massive database of consumer behaviors. For about 96 percent of American households, Acxiom’s databases contain, “the names of their family members, their current and past addresses, how often they pay their credit card bills, whether they own a dog or a cat (and what breed it is), whether they are right-handed or left-handed, what
kinds of medication they use (based on pharmacy records)...the list of data points is about 1,500 items long” (Pariser, 2011).

By combining digital buying and selling of advertising through ad exchanges, with data that originated from companies like Acxiom, the industry was able to offer advertisers the opportunity to automate the process of delivering ads to select target audiences. “Programmatic marketing lies at the intersection of data and technology and was born out of the need to deliver highly targeted, relevant marketing across multiple channels” (Chahal, 2014).

These advanced targeting capabilities moved exchanges beyond remnant inventory clearance, and into the premium advertising business. “For advertisers, being able to find the ‘auto intender’ in the 5-trillion-impression haystack of the Web meant new performance and efficiency. For publishers, this was another way to further segregate audience from the valuable content they created” (Tipton & Krause, 2003).

To understand programmatic advertising, one must realize that the ads are being delivered individually, one at a time, to consumers based on data that targets them as members of ideal audiences. Two people, sitting next to each other and visiting the same website, might see two totally different ads, based on their individual cookie profiles. For example, a consumer who visits websites about golf might be a good prospect for targeted ads from a golf manufacturer. By setting up an automated buy through the ad exchanges, that manufacturer can deliver a display ad targeting that consumer with golf ball ads based on the cookies present on the consumer's browser. At the same moment, another visitor to the same website
might receive an ad for a Ford F-150 based on their cookie profile that suggests they are in-market for a new truck. The market resolves these programmatic buying and selling decisions in less than 200 milliseconds (Adotas, 2014).

By allowing programmatic to deliver value in the form of better targeting, the industry has begun to move away from thinking of it as a method for clearing unsold remnant. Martin Kelly, CEO of Infectious Media was quoted in Marketing Week saying, “For many marketers, programmatic advertising is a way to buy leftover, or ‘remnant’, inventory. But this misses the strategic opportunity of using data to fulfill a wider marketing objective” (Kelly, 2014).

One promise offered by programmatic is that it can introduce a level playing field across the buying and selling landscape in which price is more fluid and objectively determined. “Programmatic auction technology has the potential to create a fair, efficient marketplace that exposes buyers’ true valuations of seller assets. It also enables real-time sale of inventory on an impression-by-impression basis, using data to target specific visitors on a site versus having to buy impression blocks served to all visitors of a site” (Randol & Roark, 2014).

**Classifying Programmatic Advertising Transactions**

In 2013, the IAB’s Programmatic Publisher Taskforce, chaired by Alanna Gombert of Conde Nast, worked on developing a classification system to help demystify the techniques involved in programmatic buying and selling (Goldstein, 2013). The result was a paper authored by Jeffrey Goldstein of Yahoo! that groups
programmatic into four types of transactions, each with unique and discrete features:

1. Automated Guaranteed
2. Unreserved Fixed Rate
3. Invitation-Only Auctions
4. Open Auctions

For purposes of clarity, this paper will adhere to the IAB’s classification system when naming the various types of programmatic transaction types. The IAB paper defines Automated Guaranteed as being similar to a traditional direct sale, with the exception that the RFP, campaign trafficking and fulfillment are all handled through an automated technology platform. The inventory is reserved at a fixed rate for a specific advertiser.

Unreserved Fixed Rate is similar to the Automated Guaranteed in that the rate is fixed between a publisher and advertiser, but the inventory is unreserved and available through the exchange.

Invitation-Only Auction leverages an auction model rather than a fixed rate, but the inventory is only available to a predetermined list of bidders. Also known as a private exchange or private marketplace, Invitation-Only Auctions allow publishers more control over the ads and advertisers they accept on their sites.

Open Auction is an auction model in which the publisher’s inventory is made widely available to all bidders in an open marketplace. Open Auctions were the first type of programmatic transaction to enable Real-Time Bidding (RTB).
As Jack Marshall explains in Digiday, “real-time bidding refers to the buying and selling of online ad impressions through real-time auctions that occur in the time it takes a webpage to load” (Marshall, 2014).

Unfortunately, there is very little information available about the types of programmatic advertising that publishers are currently deploying. Anecdotal evidence suggests that the Open Auction still predominates, but there is little statistical evidence or survey data to support that claim. Even less is known about publisher’s future intentions as they weigh their options for utilizing programmatic to sell ever-larger quantities of inventory.

**Research Question 1: What types of programmatic advertising sales are publishers currently deploying, and what are their intentions in the near future?**

**Publisher Sales**

For publishers and their direct sales teams, programmatic has presented an existential threat. Initially, many publishers offered their remnant inventory for sale through the ad exchanges in hopes of monetizing all of their available ad space. For many, the unexpected consequence was that their existing pool of direct advertisers figured out that they could buy ads on the same websites for a fraction of the cost if they bought those ads through remnant auctions instead of paying a premium and buying directly from the publisher’s sales team. The results for publishers were falling CPMs and the ominous spectacle of losing premium direct customers only to
find their ads showing up as remnant on their own sites. “A lot of publishers have existing direct sales forces in place – many of whom are worried about becoming obsolete, losing their jobs to machines. How publishers build their programmatic sales capability, compensate sales people, and set budgets is important not only for them but to the ecosystem as a whole” (Gombert, 2014).

Many publishers see programmatic as a double-edged sword. On one hand, they can’t afford to pass up the revenues available in the programmatic markets to fill their unsold inventory. On the other hand, they don’t want to risk undermining their premium direct business by giving their existing customers a back door to buying their websites at discount rates. One solution many publishers are willing to test is the Invitation-Only Auction (also known as private exchanges), whereby the publisher can control which advertisers are able to bid on their inventory. The Invitation-Only Auction allows the publisher to assemble a white list of hundreds and even thousands of active bidders from programmatic auctions and expose remnant inventory to them for purchase, while blocking existing premium customers from bidding on, or even seeing the inventory available through programmatic.

One school of thought is that the technology stack automating ad operations will make it easier to manage the transactional aspects of ad sales through programmatic, thus freeing the sales team to focus on strategic opportunities and creative initiatives rather than ad operations. “The role of sales people is likely to evolve to become increasingly focused on growing and maintaining relationships with buyers and move away from a transactional media sales role. This means sales
people will become trusted advisers to buyers to help them invest their campaign budgets through the most appropriate mix of channels. Programmatic will become part of the portfolio of things that sales people sell” (Gombert, 2014).

In this way, the sales team will be able to focus more of its time and attention on higher-value creative strategies that differentiate them from their competition. The sales team that embraces programmatic gets out from under the burden of transactional operations and emerges as a creative asset for the publisher.

“To ensure that publisher sales people don’t fear “programmatic”, it is important to ensure all direct sellers are trained to sell programmatic and to understand the value-creating opportunity this creates for them” (Gombert, 2014).

*Folio* magazine detailed three separate models being explored by publishers. Conde Nast has set up its Catalyst Desk like a startup within the larger sales organization, and hired a dedicated team to focus on programmatic sales. Tech Media has one sales engineer dedicated to working with agency trading desks, while the rest of the team focuses on direct sales, but continues to train and embrace programmatic technology. Hearst uses 3 sales engineers, who work directly with ad operations and are fully dedicated to the programmatic marketplace, while interfacing and supporting the existing direct sales teams (Folio, 2014).

The IAB’s Programmatic Publisher Taskforce published a whitepaper that explores the possibility that sales organizations move through three distinct phases on the road to embracing programmatic. In the first phase, the organization builds out its operational capabilities for programmatic with little or no involvement of the direct sales team. In the second phase, the publisher ads dedicated programmatic
sales staff that focuses on the channel within the organization. In the second phase, these dedicated programmatic sellers can be perceived to be in competition with the direct sales team, so compensation structures that limit conflict and ensure appropriate incentives are a management challenge. In the third phase, the programmatic team moves into the role of sales engineers supporting the direct sales teams and helping manage the operational and transactional opportunities while leaving the creative and strategic account management to the direct sellers (Gombert, 2014).

As the role of programmatic continues to evolve within sales organizations, it is important to educate account executives about the positive aspects of automation, and to demonstrate a commitment to the core strengths of account executives as relationship builders who add value to the partnership through their knowledge and creativity. Technology must be viewed as a tool that eliminates the tedium and headaches of ad operations, while freeing the sellers to work toward their strengths as the front line in retaining premium customers (Gombert, 2014).

**Research Question 2: How is the publisher’s business structured operationally to manage programmatic advertising?**

**Cross-Platform Convergence and Programmatic Growth**

The convergence of digital delivery and data-driven targeting that allows programmatic to succeed for online display ads is the formula for another type of convergence: programmatic ad placement for TV, radio, and mobile. “To move brand
dollars, programmatic technologies have to grow up and advance to other forms of media, like TV and radio” (Peterson & Kantrowitz, 2014).

The current limits on TV, radio, and mobile in the programmatic space will be overcome by technology changes in the near future. “Programmatic technology allows for the automation of cross-platform buying and selling of digital advertising via real-time bidding, which allows for a cost-effective way to take advantage of audience targeting” (Folio, 2014). This is equally true for digital delivery of any Internet-based advertising format, including audio and video.

Last year, Pandora announced it was generating 70% of its $128.5 million in quarterly revenue from mobile (Peterson, 2013). The Internet radio giant has already demonstrated the potential of data-driven ad placement in both audio and display formats. On the video front, candy maker Mondelez (maker of Cadbury and Oreo) announced it would use programmatic ad placement for all of its online video advertising in an exclusive deal with the online video exchange firm Tubemogul starting in 2014. Further, it will be using Tubemogul’s programmatic software for buying ads across all of its media channels (Joseph, 2014).

Some predict that mobile programmatic will grow fastest. “Another report from market research company IDC and ad platform PubMatic suggests that because a lot of mobile inventory is already sold through exchanges and therefore has real-time capabilities, programmatic buying will continue to penetrate the mobile ad market more rapidly than the wider internet. It predicts spending on mobile real-time bidding will almost quadruple in 2014” (Chahal, 2014).
However, TV, radio, and mobile formats are still trailing far behind online display in the programmatic arena largely due to a lack of standards. In particular, video ad delivery is a muddle of formats, devices, and technology, all lacking the standardization required by a programmatic exchange. Recent attempts to standardize video trading using formats such as Video Player Ad Interface Definition (VPAID) and Video Ad Serving Template (VAST) show promise, but there is still work to be done before a programmatic market for video threatens the revenue of the broadcast advertising industry (Chahal, 2014).

Still, confidence in the convergence of TV and video formats in the programmatic arena remains high among industry analysts. “Internet connected TV is going to be a reality. It will dramatically change the ad industry forever. Ads will become interactive and delivered to individual TV sets according to the user,” quoting Google VP for global media Henrique de Castro (Pariser, 2011).

Programmatic will gain a foothold anywhere that digital delivery of TV meets a demand for data-driven advertising. Peterson & Kantrowitz (2014) noted that Hulu has used private exchanges experimentally to auction off video ads. They also commented that ABC announced, during its fall upfronts, that it would use programmatic to sell some of its digital video content. “Even some traditional TV ads are getting automated. Cable carriers such as Comcast enable automated ad targeting against on-demand videos. And satellite carriers DirecTV and Dish Network sell some TV inventory programmatically.” (Peterson & Kantrowitz, 2014)

This convergence of media under an automated advertising umbrella is critical to the future of programmatic because it will allow better comparisons
across screens to allow marketers to optimize their whole spend. Currently, most advertising is spent in separate silos, with one budget and one buyer for TV and another budget and buyer for print, and yet another for online. In theory, programmatic can allow all of this media buying to merge together under one unified system, allowing the planners a deeper understanding of which media are performing and which are not.

“Yahoo! is developing a new platform designed to be an alternative to existing ‘demand-side platforms,’ which allow advertisers to manage their online ads. One of the key differentiators will be to allow advertisers access to multiple forms of online advertising on one platform, which means on media plan will cover display, video and native advertising across all devices” (Chahal, 2014).

In what may be the largest sign of convergence, MAGNA GLOBAL announced in February 2014 its partnership with comScore, Experian Marketing Services, and Rentrak (TV set-top box data) to build a cross-platform set of data that encompasses online, video, radio and TV coupled with offline consumer data (MAGNA GLOBAL, 2014). Clearly, growth in programmatic will come in the form of expansion into TV, radio and mobile where digital delivery is growing rapidly and data-driven ad technology will make programmatic a foregone conclusion. The resulting convergence will result in ad buying that can truly weigh the brand effectiveness of different media on a level playing field.

Demand for programmatic may be increasing, across all screens and media, but it is important to measure the changes in publisher allocation of inventory to programmatic. In some cases, publishers may decide that the risks of undercutting
direct local sales by opening up more inventory to programmatic is too great and would yield a net loss of revenue. In other cases, the publisher may already be experiencing a downturn in direct local sales, and may be eager to sell more inventory through programmatic channels.

**Research Question 3:** What percentage of a publisher's revenue is coming from programmatic advertising, and what percentage of a publisher's inventory is being used for programmatic advertising?

**Advantages of Programmatic**

Unlike auctions that position blocks of ads in aggregate prior to the flight dates, real-time bidding enables advertisers to make buying decisions down to the second. RTB produces entirely new opportunities for control over the marketing process. “Marketers can make decisions to alter campaigns in real time by thinking about how it changes their strategy, where they would now want to buy inventory, what audience they want to buy and how much they want to pay” (Chahal, 2014).

Combining this flexibility with market intelligence and near instant responsiveness provides a clear advantage to the marketing professional that is largely responsible for the recent growth of programmatic and adoption by advertisers. The real-time nature of programmatic RTB also provides the marketer with access to real-time analytics that can be correlated more accurately with brand-related events in the news and social media.
This data-driven media buying allows for campaign optimization decisions that are more responsive to market conditions. It also opens the door for marketing automation systems to optimize ad campaigns against real-time data gathered through brand research. “One of the biggest shifts in programmatic advertising over the past 18 months has been the uptake from brand advertisers. ... The opportunity to combine smart buying technology with the guarantee that ads will appear on premium publisher sites in high-impact formats excites brand marketers” (Chahal, 2014).

Other advantages of RTB are efficiency and reliability. “Using exchanges and other ad tech, [marketers] can access a huge range of inventory across a wide range of sites and cherry-pick only the impressions they deem most valuable to them. That cuts down the number of impressions wasted on the wrong users but also minimizes the need for costly and unreliable human ad buyers.” (Marshall, 2014).

This reliance on RTB as a tool for branding is a recent phenomenon. “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” (Winterberry Group, 2013).

The changing role of RTB means that a larger percentage of brand budgets will flow toward programmatic in the future. “Many of the business rules and practices around auction-based programmatic buying stem from its origin as a
platform to trade remnant inventory, typically at low value. However the
programmatic auction platform is being used more and more by both buyers and
sellers to transact a wider range of inventory, including “premium” or high value
inventory” (Randol & Roark, 2014). One of the results is that transactions that used
to be handled as direct buys are shifting over to become programmatic.

There is no academic data and limited industry data to help us understand
how publishers perceive the various advantages of programmatic advertising sales.
It is crucial to understand how they perceive the opportunities programmatic offers
in order to understand why they may or may not offer their inventory for sale
through programmatic technology.

**Research Question 4:** What advantages does programmatic advertising offer
to publishers?

**Disadvantages of Programmatic**

One fear from the publisher’s perspective is that programmatic RTB will
drive down CPMs as premium dollars flee in favor of lower costs on the exchanges.
This was definitely true when the exchanges were primarily dominated by remnant
inventory at below-market value. But data-driven selling through RTB is changing
that dynamic. “At Hearst, the company is seeing very large CPMs from clients who
buy them programmatically because they pay fair value for the media they receive
thanks in part to the strength of their content brands” (Folio, 2014).
Another fear marketers experience is that programmatic advertising means that the buyer loses control of where their advertising will run. This also may impact premium publishers who feel that their content is undervalued in a programmatic landscape that places a premium on audiences rather than content. In an open auction environment, where the buyer is bidding based on reaching a specific cookie indicating a select audience segment, using price as the determining factor, there is nothing to prevent an ad from running in a context that the advertiser might not consider “brand safe.” For example, a brand’s marketing team might determine that their brand is most effective when positioned adjacent to mainstream news content. They fear that a programmatic advertising strategy might position their ads on sites that feature less desirable content, hurting both the brand and the premium publisher who loses business (Siebelink & Belani, 2013).

Another factor that impacts both marketers and publishers alike is the fear that programmatic advertising reduces the accuracy of delivery and introduces the opportunity for mistakes in ad placements, incorrect geo-targeting, poor audience targeting, and potential fraud. When advertising is purchased programmatically, there must be an inherent trust in the technology. A marketer has very little ability to “see” and verify the independent delivery of millions of ad impressions. Nagging fears that the ads aren’t being delivered properly, due to software bugs, limitations of technology, and human error are common among marketers. In such an environment, it is also possible to introduce intentional fraud. Unscrupulous publishers might poison the well for premium publishers by defrauding advertisers.
using technologies that trick ad servers into counting impressions that aren’t ever seen by a human (Siebelink & Belani, 2013).

Privacy is also a hot topic where publishers are concerned. Programmatic advertising thrives in an environment that maximizes access to personal information about an individual’s online and offline behaviors, including their credit history, purchase history, financial status, and other signals in the data that might indicate intent to purchase. Publishers face some risk by enabling the collection and distribution of private information about their audiences. Publishers may fear that programmatic advertising enhances the risks inherent in data collection (Siebelink & Belani, 2013).

Programmatic has room for growth in the area of transparency and reporting standards. Currently, a lack of transparency prevents buyers and sellers from understanding the cost of inventory and the value advertisers place on inventory, because the ad stack in the middle has so many fees and mark-ups built into the CPM. Because the mark-ups and fees aren’t standardized they can artificially mask price movements on the supply and demand sides, leading to fundamental inefficiencies in the market (Randol & Roark, 2014).

“Programmatic transactions should offer at least the same level of transparency as direct guaranteed deals, so that all participants can optimize yields and buys across different channels. One potential solution is for CPMs to be broken out to buyers and sellers net of fees with fees itemized separately on top” (Randol & Roark, 2014).
Reporting standards are yet another problem that adds to the challenges facing programmatic. Brand advertisers have grown discontent with reports that contain only clicks and impression counts. They are seeking more standardized brand metrics such as purchase intent and brand awareness. Unfortunately, the digital media industry has lagged in establishing a set of unified brand standards and that is holding back a considerable amount of brand spending (Attia, 2014).

“To scale the market and create value for all, the digital advertising industry must ensure increased transparency in the programmatic auction ecosystem – over fees, net CPMs and the bidding process itself” (Randol & Roark, 2014). It must also establish standards that brands can reliably use as measures of brand-building campaigns in order to tap deeper in the ad dollars of brand marketers. Those standardized reporting metrics must permeate the entire buy and selling chain, all the way from the publisher’s reports through to the trading desk’s reports back to the advertiser’s brand team. A common set of marketing-oriented reports across the spectrum will greatly enhance the ability of brands to shift dollars into programmatic.

**Research Question 5: What problems or concerns do publishers perceive in deploying programmatic advertising?**
**Marketers are still playing catch-up**

Programmatic has evolved much faster than most publishers and marketers, and there is a huge gap in many organizations between traditional ad operations, traditional marketing skills, and the newer opportunities presented by programmatic. “We have seen a lot of research showing that the biggest hindrance for the uptake of programmatic advertising is the understanding and knowledge of the marketer. This is a damning indictment on the programmatic industry as we have made things too removed from the marketer’s day job” (Kelly, 2014).

In many cases, advertisers aren’t even aware of the depth to which they are currently leveraging programmatic in their own buys. “An ISBA study, in conjunction with Infectious Media, finds that over a third of advertisers who responded are unaware of the proportion of their online campaigns that involve real-time advertising” (Chahal, 2014).

A study conducted by IAB Europe in conjunction with AppNexus and WARC had similar results. “More than half of marketers say they have a weak grasp of programmatic with a quarter having never heard of it. A third of agencies and publishers identify skills shortages as a constraint, and despite the growth in digital advertising budgets, one-third of respondents say that budget challenges are preventing a larger shift to programmatic” (Chahal, 2014).

Confusion about programmatic and its applications is quite common among publishers, marketers and advertising professionals. Even among those who claim to understand programmatic, there are still huge gaps of knowledge and as programmatic technology gets more sophisticated, this knowledge gap may widen.
“This year the Association of National Advertisers surveyed 153 marketers and found that only 26% of respondents said they knew what programmatic buying is and have actually used it. The other 74% ranged from either being completely oblivious, aware but unclear or in need of education” (Peterson & Kantrowitz, 2014)

There is no doubt that the growth of revenue in programmatic has outpaced the adoption of its principles and potential by the majority of advertising and marketing professionals. Knowing more about the overall attitudes that publishers have toward programmatic advertising might help illuminate a more detailed understanding of their planning, their ad operation’s structure, and their future intentions in the programmatic space.

**Research Question 6: In general, do publishers feel that programmatic advertising is having a positive or negative impact on their revenues?**
Methodology

In order to answer the research questions posed in this paper, a 17-question online survey was constructed using Survey Monkey. The survey is included in Appendix A. The survey was available online by invitation only, and invitations to participate were distributed by Borrell Associates via email through their existing relationships to digital media publishers. Borrell Associates is a research and consulting company that works with over 700 media properties to provide qualitative and quantitative data and recommendations about the state of online and traditional advertising. Borrell Associates provided an email list of industry publishers as the target audience for the survey.

Two rounds of emails were sent to the target publisher list. Borrell Associates sent the first email on December 15, 2014 to notify publishers of the survey and invite them to participate. The second email was sent one week later and served as a follow-up reminder to participate.

The survey, constructed in Survey Monkey and distributed via email to web publishers, sought answers designed to help resolve the research questions identified in the literature review. Included in Appendix B and C respectively, is the email invitation as well as the consent form used to engage survey participants using an email list of web publishers provided by Borrell Associates. UNC’s Institutional Research Board (IRB) prior to conducting the survey approved the survey, invitation, and consent form.

The goal was to get surveys completed by between fifty and one hundred online publishers. Based on previous experience by Borrell Associates, they
anticipated reaching the goal in fourteen days. The survey met the goal and achieved 154 starts and 102 complete responses by January 6, 2015, when the survey was closed. Borrell Associates then aggregated the data, stripped out all personally identifiable information (PII) and provide the data to William Ammerman, who then compiled and analyzed the data, and presented the results in this paper.
Results

By January 6, 2015, the survey received 154 starts and 102 completions from professionals in the digital publishing business. Combined, they represented annual digital advertising revenue of nearly $500 million per year, with an average of $5.6 million annually per publisher. The respondents embodied a broad cross-section of the online publishing business, and were associated with traditional newspaper, TV, radio, printed/online directories, national pure-play sites, and out-of-home publishers.

Exhibit 1

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<thead>
<tr>
<th>Traditional Media Associated with Digital Publishers' Businesses</th>
<th>Number of Responses</th>
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<tr>
<td>Newspaper</td>
<td>![Graph showing responses for different media types]</td>
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<td>TV</td>
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<td>Radio</td>
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<td>Printed/Online Directory</td>
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<td>No traditional media, local pure play</td>
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<td>No traditional media, national pure play</td>
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<td>Other (please specify)</td>
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Exhibit 2

Of the respondents who revealed their annual digital revenues, more than half (54.5%) claimed to have annual digital revenue of $1 million or less, about one quarter (26.1%) claimed digital revenue between $1 million and $10 million, and 19.3% claimed digital revenue over $10 million per year as seen in Exhibit 2. These revenue tiers seem to have significant influence over respondents’ survey answers, as shall be demonstrated.

Annual revenue appears dependent on the traditional media businesses in which the publishers were engaged, as shown in Exhibit 3. Respondents who were associated with newspapers reported the highest annual digital revenue at more than $17 million per year, followed by those associated with radio at $11 million, and then TV at $8 million per year. Directory publishers and those in pure-play (national and local) businesses reported the lowest average digital revenues, at or below $4 million per year. However, respondents were able to choose multiple
traditional media categories in their responses, so discrete revenue assignments by media may be unreliable.

Exhibit 3

<table>
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<th>Annual Digital Revenue by Media</th>
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<td>$2,000,000</td>
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Research Question 1

The paper’s first research question asked, “What types of programmatic advertising sales are publishers currently deploying, and what are their intentions in the near future?” A large number of respondents (31.4%) indicated that they didn’t currently employ programmatic sales at all, but that number dropped by 5 points to 26.5% for those who don’t intend to use programmatic sales in the next 12 months.

Among publishers who indicated they currently employ programmatic sales, the most popular response was “open auction,” with 42.2% of respondents. For
2015, “open auctions” remained the most popular response at 43.1% of respondents. The number of respondents who expect to use “invitation-only auctions” (also known as private marketplaces) in 2015 increased almost 10 points, from 20.6% to 30.4%. The number of respondents who expect to use “automated guaranteed” in 2015 increased 8 points from 24.5% to 32.4%. The number of respondents deploying unreserved fixed-rate auctions was projected to remain unchanged at 27.5%.

**Exhibit 4**

![Bar chart showing types of programmatic sales employed.](image)

By examining the respondents based on their revenue tiers from Exhibit 2, we see that the mix of programmatic sales types projected for the next 12 months is heavily influenced by the amount of digital revenue they are currently generating. For publishers who reported $1 million or less in digital revenue, 45% reported that
they don’t employ programmatic, while that percentage fell to 13% for publishers between $1 million and $10 million, and 6% for publishers over $10 million in digital revenue. Publishers over $10 million reported much higher employment of all types of programmatic sales than the other tiers.

Exhibit 5

Research Question 2

The second research question asked, “How is the publisher’s business structured operationally to manage programmatic advertising?” Most publishers (55.3%) indicated that they have no ad operations personnel currently dedicated to programmatic sales. This result is consistent with the previously mentioned finding that nearly a third of publishers don’t employ programmatic ad sales at all.
The overall average for all respondents was 1.2 ad operations people dedicated to programmatic sales. Among those publishers who indicated that they did have ad operations personnel dedicated to programmatic, the average was 2.6 people.

Exhibit 6

![Bar chart showing the number of operations employees dedicated to programmatic advertising.]

Most respondents (69.4%) indicated that they had made no change to the number of ad operations personnel dedicated to programmatic. For 2015, 25.9% of respondents indicated that they planned to increase the number of ad operations personnel dedicated to programmatic, while the number who indicated they would make no change fell more than 16 points to 52.9%. This suggests an increased awareness of the need to add dedicated ad operations personnel to manage programmatic sales.
A plurality of respondents (34.5%) indicated that they don’t have anyone assigned to manage programmatic sales. Only 16.7% indicated that they had a dedicated manager assigned exclusively to manage programmatic sales, while an additional 35.7% indicated that the responsibility for programmatic sales fell variously between a national sales manager, VP of sales, general sales manager, director of sales, or an ad operations manager. Among the 13.1% of respondents who chose “Other,” they specified titles including VP of programmatic, digital sales manager, and digital media planning operations manager.

Exhibit 7

Revenue appears to have an impact upon how a publisher’s business is structured operationally to manage programmatic advertising. After removing data
from respondents who don't employ programmatic sales, publishers with annual digital revenue in excess of $10 million are more likely to have added dedicated ad operations personnel to manage programmatic.

Exhibit 8

Exhibit 9 shows only those publishers that provided an answer to the second survey question about their digital advertising revenue. It shows that publishers with digital revenues in excess of $10 million are more likely (46.7%) to have a dedicated manager assigned to programmatic sales, compared to those with between $1 million and $10 million (22.2%), and those with $1 million or less (5.3%). Similarly, publishers in the $10-million+ tier are much more likely to have a senior executive (VP of sales, GSM, of DOS) running programmatic compared to smaller digital publishers. Smaller publishers are more likely to have no one dedicated to managing programmatic, while publishers in the middle tier ($1
million to $10 million) are more likely to have programmatic sales assigned to their ad operations manager.

Exhibit 9

<table>
<thead>
<tr>
<th>Relationship Between Digital Revenue and Programmatic Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>No one</td>
</tr>
<tr>
<td>0% to $1MM</td>
</tr>
</tbody>
</table>

Percentage of Respondents by Revenue Tier

Research Question 3

The third research question asked, “What percentage of a publisher’s revenue is coming from programmatic advertising, and what percentage of a publisher’s inventory is being used for programmatic advertising?” For most respondents, programmatic sales represented a small portion of overall digital
revenues, with the average reporting 12.4% of their digital revenues currently being generated from programmatic sources. The median response was only 5.0% of digital revenue coming from programmatic sales. 31.3% of respondents indicated that none of their digital revenue is currently coming from programmatic. Even if the non-zero responses are eliminated, the average percentage of revenue being generated by those employing programmatic sales is still only 18.1%.

Exhibit 10

Exhibit 10 makes clear that, for most digital publishers (69.8%), programmatic sales accounts for a small portion (10% or less) of their digital revenues. For a smaller number of publishers (12.5%) programmatic revenue
accounts for more than 30% of overall revenue, making it a critical part of their operations.

Exhibit 11 shows that the size of the digital publisher seems to have directly impacted their responses regarding programmatic revenue. Larger digital publishers ($10MM +) indicated that programmatic sales accounted for a higher percentage of total revenue on average (16.3%), while medium sized publishers ($1MM to $10MM) indicated programmatic sales were slightly less (14.4%), and small publishers (0 to $1MM) reported less still (10.7%).

**Exhibit 11**

<table>
<thead>
<tr>
<th>Publisher’s Revenue Tier</th>
<th>Percentage of Digital Revenue from Programmatic Sorted by Publisher Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10MM +</td>
<td>16.3%</td>
</tr>
<tr>
<td>$1MM to $10MM</td>
<td>14.4%</td>
</tr>
<tr>
<td>0 to $1MM</td>
<td>10.7%</td>
</tr>
</tbody>
</table>

Exhibit 12 demonstrates that over the next 12 months, the majority (73.3%) of digital publishers anticipate that their programmatic sales will increase. Only a
tiny fraction (2%) responded that it would decrease, with the balance responding that programmatic revenue would remain the same or that they didn’t know.

Exhibit 12

<table>
<thead>
<tr>
<th>Change in Programmatic Revenue over Next 12 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase</td>
</tr>
<tr>
<td>Decrease</td>
</tr>
<tr>
<td>Remain the same</td>
</tr>
<tr>
<td>Don't know</td>
</tr>
</tbody>
</table>

- 73.3%  
- 18.8%  
- 5.9%  
- 2.0%
These predictions of growth in programmatic sales are related to the size of the digital publisher. A higher percentage (87.5%) of larger publishers ($10MM+) indicate they believe programmatic revenue will increase, while only 60.4% of smaller publishers (0 to $1MM) share that view.

Exhibit 13

Shifting focus from revenue to inventory, the majority of respondents (52.8%) indicated that programmatic sales consumes 10% or less of their total inventory, as seen in Exhibit 14. Looking just at those respondents who indicated that they employ programmatic sales, the median answer was that 25% of total
inventory goes to programmatic. A smaller group of publishers (22.5%) indicated that more than 30% of their inventory was sold programmatically. Publishers with more than $1 million in digital revenue were slightly more likely to indicate a higher percentage of their inventory was being used programmatically than smaller publishers.

Exhibit 14

Examining the predicted change in programmatic as a percentage of inventory, the majority (52.0%) of respondents believe that programmatic will increase as a
percentage of their overall inventory over the next 12 months. A slightly smaller, but significant portion (31.6%) believed programmatic would remain the same, while only a small fraction (6.1%) believed it would decrease as shown in Exhibit 15.

**Exhibit 15**

![Change in Programmatic Inventory over Next 12 Months](image)

Larger publishers ($10MM+) were more likely to believe that programmatic sales would consume a higher percentage of their inventory over the next 12 months than medium and small publishers, as seen in Exhibit 16.
67% of larger publishers ($10MM+) anticipated an increase in programmatic sales as a percentage of their overall inventory, while 57% of medium-sized publishers ($1MM to $10MM+) agreed. Fewer small-sized publishers (41%) believed programmatic sales would increase as a percentage of inventory over the next 12 months, and these publishers were nearly as likely (39%) to believe that the percentage of inventory for programmatic would remain the same. Few publishers of any size believed programmatic would decrease as a percentage of their inventory over the next 12 months.

Exhibit 16
Research Question 4

The fourth research question asked, “What advantages does programmatic advertising offer to publishers?” The top response was that 51.0% of publishers hoped to achieve increased overall revenue from programmatic sales. To achieve increased overall revenue, publishers must believe that inventory sold programmatically will be worth more per thousand than alternative methods for monetizing that same inventory.

Exhibit 17
Beyond revenue, the second highest response was that publishers expect to achieve greater access to quality advertisers. One of the write-in “Other” responses emphasized this point, stating:

*We're being bought by agencies that would have never purchased our sites and it's allowing us to take less business from the bottom feeding ad networks.*

Streamlined ad operations, cost savings and better value for customers were each selected by approximately one fifth of respondents.

Responses were definitely impacted by publisher size as demonstrated in Exhibit 18. Large publishers ($10MM+) were significantly more likely to identify the advantage of greater access to quality advertisers than medium and small publishers. Small publishers were more likely than medium and large publishers to choose “None of the above” because many small publishers aren’t using programmatic sales at all. The advantage of increased revenue was the most popular choice among large, medium and small publishers.
Because increased overall revenue was the top choice by the majority of respondents, it is worthwhile noting that the average programmatic CPM reported by respondents was $4.88 (after removing answers of “zero” as outliers). The majority of respondents (58.6%) indicated that their average programmatic CPM was $3.00 or less.
Exhibit 19

Research Question 5

The fifth research question asked, “What problems or concerns do publishers perceive in deploying programmatic advertising?” The most popular response, by 34.3% of respondents, was the concern that programmatic sales commoditizes their product and undermines their value proposition as premium publishers. This was followed closely, by 33.3% of digital publishers who are concerned that they don’t have the personnel with the expertise to manage programmatic sales.
Almost one-third (30.4%) of respondents expressed concern that programmatic sales will undermine direct advertiser relationships, and 28.4% thought that programmatic sales will cause CPMs to drop. Uncertainty about which programmatic sales model to employ was chosen by 26.5% of respondents. Concerns about fraud, transparency, and privacy were each selected by fewer than 25% of respondents.

**Exhibit 20**

![Concerns about Programmatic Sales](image)
Examining concerns based on the size of the publisher revealed that large publishers ($10MM +) are equally concerned about programmatic undermining their direct relationships and their own lack of personnel with expertise as their most popular responses, while commoditizing their product was their forth most popular concern. Medium-sized publishers ($1MM to $10MM) saw lack of expertise and fraud as their top two concerns. For small publishers (0 to $1MM), the primary concern was commoditizing their product followed by a concern that CPMs would drop as a result of programmatic sales.

**Exhibit 21**

![Perceived Disadvantages of Programmatic](chart.png)
Research Question 6

The sixth research question asked, “In general, do publishers feel that programmatic advertising is having a positive or negative impact on their revenues?” Overall, publishers’ views were skewed positively toward programmatic’s impact on their revenue. Nearly 44% responded that programmatic was having a very positive or somewhat positive impact on their revenue, compared to only 10% who responded either somewhat negative or very negative.

However, ambivalence and uncertainty are major factors in publisher attitude’s toward programmatic’s impact on their revenue. Over 46% of respondents either don’t know what programmatic’s impact is on their revenue or they believe the impact is a mixture of positive and negative.

Exhibit 22

Impact of Programmatic Sales on Revenue

- Very positive: 18%
- Somewhat positive: 26%
- Mixed: 20%
- Somewhat negative: 6%
- Very negative: 4%
- Don’t know: 26%
Small publishers (0 to $1MM) were most likely to choose “Don’t know” followed by “Mixed” as their top choices, making them the most ambivalent group. They still leaned either very or somewhat positive (22%) versus very or somewhat negative (13%). Medium publishers ($1MM to $10MM) skewed the most positive, with 75% either very or somewhat positive versus only 6% very or somewhat negative. 71% of large publishers ($10MM +) were either very or somewhat positive with none on the negative side.

Exhibit 23
Conclusion

Programmatic advertising represents a huge and growing segment within the global advertising industry, but relatively little academic research has been conducted to explore how it impacts digital media publishers. Through an online survey completed by 102 digital publishing executives, we have gained certain insights into the strategies, tactics and attitudes driving programmatic sales within their organizations.

First, it is clear that attitudes toward programmatic advertising are changing. The percentage of publishers who don’t employ programmatic ad sales is dropping, and the variety of programmatic advertising strategies they plan to employ is increasing. While many publishers plan to continue using open auctions and unreserved fixed rate tactics, significant numbers plan to also begin using automated guaranteed and invitation-only (private marketplaces) in the next twelve months.

It is also apparent that adoption of programmatic advertising is also closely related to the size of the digital publisher. Larger publishers (over $10MM), on the whole, are more than twice as likely to employ programmatic strategies, and they have the largest appetite for all varieties of programmatic tactics. Conversely, smaller publishers, with fewer resources, are less likely to use programmatic advertising at all, and when they do, they are more than twice as likely to employ open auctions as any other tactic.

It isn’t entirely clear whether a lack of resources is preventing smaller publishers from using programmatic, or whether their failure to embrace
programmatic is responsible for their smaller revenues, and it wouldn’t be fair to speculate. Nonetheless, the survey demonstrates that a vast majority of smaller publishers (60%) have no one dedicated to programmatic advertising sales, while 100% of large publishers have someone responsible for programmatic sales, with about 8 in 10 assigning responsibility to a dedicated manager or senior executive. The number of employees dedicated to programmatic operations is also highest among larger publishers, while smaller publishers frequently respond that they have no one at all dedicated to programmatic operations. For middle-sized digital publishers ($1MM to $10MM) the largest percentage has programmatic advertising assigned to their advertising operations manager.

The majority of respondents don’t plan to change the number of personnel dedicated to programmatic operations in the next twelve months. Of those who do plan to increase the number of personnel dedicated to programmatic, they are most likely to be larger publishers. Clearly, resources and having dedicated management focused on programmatic advertising are closely related to the size of the publisher in question.

In terms of revenue, programmatic still represents a small but growing percentage of a publisher’s overall digital revenue. Almost 70% of respondents report that programmatic accounts for 10% or less of their overall digital revenue, while nearly 3 in 4 digital publishers anticipates that programmatic will increase as a percentage of overall digital revenue in the next 12 months. Larger publishers report that programmatic represents a larger portion of their digital revenue than
medium and small publishers. Larger publishers are also the most bullish, when it comes to their belief that revenues will increase in the next twelve months.

In terms of inventory, many of the same patterns that exist relative to revenue are also evident for the amount of inventory going to programmatic advertising. For most publishers, programmatic advertising consumes a relatively small portion (10% or less) of their inventory. Also, it stands to reason that the publishers that are making the most revenue from programmatic are dedicating the most inventory to it, as the survey demonstrates. Larger publishers are most likely to believe the percentage of their inventory going toward programmatic will increase over the next 12 months. Small publishers are nearly evenly split 40/40 over whether their programmatic inventory will increase or remain the same in the next twelve months.

Regarding the perceived advantages of programmatic advertising, on the whole over half of publishers were most confident in their ability to increase revenues through programmatic sales. The ability to attract quality advertisers by exposing inventory through programmatic channels was also a popular choice. Interestingly, larger publishers were the most likely to identify both increased revenue and greater access to quality advertisers as advantages of programmatic sales.

In terms of concerns about programmatic sales, the top concern overall was that programmatic advertising commoditizes the digital product and undermines the publisher’s value proposition as a premium publisher. But for large advertisers,
they were most concerned that they have a lack of expertise with programmatic and that programmatic will ultimately undermine their direct relationships.

Apparently, the advantages of programmatic outweigh the concerns for most publishers, because over four times as many publishers responded that programmatic was having a positive impact on their revenue as responded that it was having a negative impact. Nonetheless, a plurality of respondents (46%) said that programmatic was either having a mixed impact on revenue or that they didn’t know, revealing a wide-spread ambivalence and uncertainty about programmatic shared by many publishers. That ambivalence was most pronounced among small publishers, while large and medium sized digital publishers were most likely to believe programmatic was having a positive impact on revenues.
Limitations

A major limitation of this study was the lack of existing academic research regarding programmatic advertising, its strategies and tactics, and attitudes about it among publishers. In formulating the literature review and research questions, the study had to draw heavily on data provided by corporations and industry publications – many of whom may have a biased motive behind their information.

Another limitation of the study was that it relied on a relatively small sample of digital publishers. Over 700 surveys were sent out to industry executives, 154 surveys were begun, but only 102 completed surveys were received. A significant number of surveys were abandoned after the first or second question. Most likely, this was due to the format of the survey in Survey Monkey, which revealed questions sequentially. It can be surmised that some respondents simply didn't want to spend the time on completing the survey once they discovered there would be a long series of questions. Response rate might have been improved by providing a progress bar or some indicator that would have encouraged respondents to complete the survey.

The survey was also limited by the rapid pace of technological growth in the programmatic industry. The entire project took over six months to complete, and during that short period of time a number of new and important questions have emerged in the space. Advancements in data collection related to video, broadcast television, over-the-top video and subscription video-on-demand (SVOD) are making it possible for a programmatic TV marketplace to emerge. Future studies should definitely anticipate inquiry into the impact of programmatic on the
traditional broadcast television model, as well as the use and collection of data regarding users and their video consumption behaviors by cable companies, dish networks, and ISPs.

Acknowledgements

Borrell Associates was instrumental in facilitating this industry survey by graciously providing the email lists of digital publishing executives, without which this survey could not have been conducted. Specific thanks to Gordon Borrell, Kip Cassino, and Greg Harmon of Borrell Associates for their support.

Additionally, sincere thanks to my advisors and thesis committee without whom this project would not have been possible:

Joe Bob Hester, Associate Professor and Committee Chair
UNC School of Journalism and Mass Communication

John Clark, Executive Director of the Reese News Lab
UNC School of Journalism and Mass Communication

Kip Cassino, Executive Vice President
Borrell Associates
Appendix A

Survey Form

Programmatic Advertising Survey 2015

Let’s begin.

This survey is designed to assess the state of programmatic advertising from the perspective of publishers of digital media. We define digital media as any online, mobile or interactive advertising format. "Pure-play" refers to companies that sell local advertising but are not owned by traditional local media such as newspapers, TV and radio.

1. What type of traditional media company (or companies) are you associated with? (Select all that apply.)
   - Newspaper
   - TV
   - Radio
   - Printed/Online Directory
   - No traditional media, local pure-play
   - No traditional media, national pure-play
   - Other (please specify)

2. Approximately how much revenue will your organization generate from digital advertising sales in 2014?

3. Approximately what percentage of your overall digital revenue is currently being generated by programmatic sales?

4. In the next 12 months, do you expect digital revenue from programmatic sales to increase, decrease, or remain the same?
   - Increase
   - Decrease
   - Remain the same
5. *Approximately what percentage of your online advertising inventory is currently being sold through programmatic sales?*

6. *In the next 12 months, do you anticipate the percentage of your online advertising inventory that is sold programmatically to increase, decrease, or remain the same?*
   - Increase
   - Decrease
   - Remain the same
   - Don’t know

7. *The Internet Advertising Bureau (IAB) has defined 4 types of programmatic ad buying/selling. What types of programmatic sales does your organization currently employ? (Select all that apply.)*
   - **Automated Guaranteed.** (Also known as programmatic direct or programmatic guaranteed.) The deal is negotiated directly between buyer and seller, the inventory and pricing are guaranteed, and the transaction is automated.
   - **Unreserved Fixed Rate.** (Also known as preferred deals or first right of refusal.) The transaction happens within an exchange environment, but has a pre-negotiated price.
   - **Invitation-Only Auction.** (Also known as private marketplace or private auction.) Similar to an Open Auction, but the publisher restricts participation to a select group of pre-approved advertisers.
   - **Open Auction.** (Also known as open exchange.) The publisher makes inventory available to any bidder on the exchange.
   - We don’t employ programmatic sales.
   - Other (please specify)

8. *In the next 12 months, what types of programmatic sales does your organization intend to employ? (Select all that apply.)*
   - **Automated Guaranteed.** (Also known as programmatic direct or programmatic guaranteed.) The deal is negotiated directly between buyer and seller, the inventory and pricing are guaranteed, and the transaction is automated.
   - **Unreserved Fixed Rate.** (Also known as preferred deals or first right of refusal.) The transaction happens within an exchange environment, but has a pre-negotiated price.
☐ **Invitation-Only Auction.** (Also known as private marketplace or private auction.) Similar to an Open Auction, but the publisher restricts participation to a select group of pre-approved advertisers.

☐ **Open Auction.** (Also known as open exchange.) The publisher makes inventory available to any bidder on the exchange.

☐ We don’t employ programmatic sales.

☐ Other (please specify)

---

9. **How many ad operations employees do you have dedicated to programmatic advertising full time?**

---

10. **Have you changed the number of employees you have dedicated to ad operations due to programmatic sales?**

☐ We have increased the number of employees dedicated to ad operations as a result of programmatic sales.

☐ We have decreased the number of employees dedicated to ad operations as a result of programmatic sales.

☐ We have made no change to the number of employees dedicated to ad operations as a result of programmatic sales.

---

11. **In the next 12 months, do you plan to change the number of employees you have dedicated to ad operations due to programmatic sales?**

☐ We plan to increase the number of employees dedicated to ad operations as a result of programmatic sales.

☐ We plan to decrease the number of employees dedicated to ad operations as a result of programmatic sales.

☐ We have planned no change to the number of employees dedicated to ad operations as a result of programmatic sales.

---

12. **In your organization, what employee is most responsible for management of programmatic sales?**

☐ We have a dedicated manager exclusively to manage programmatic sales.

☐ Our national sales manager also manages programmatic sales.

☐ Our VP of sales, general sales manager or director of sales manages programmatic sales.
Our ad operations manager manages programmatic sales.
☐ We don't have anyone assigned to manage programmatic sales.
☐ Other (please specify)

13. What is the average cost per thousand (CPM) you are receiving for ads sold programmatically?

14. Which, if any, of the following are concerns that you have in general about programmatic sales? (Select all that apply.)
☐ Fraud
☐ Lack of transparency about how much the advertiser is paying for the inventory
☐ Data collection and privacy concerns
☐ Lack of personnel with expertise
☐ Uncertainty about which programmatic sales model to employ
☐ Concern that programmatic sales will cause CPMs to drop
☐ Concern that programmatic sales will undermine direct relationships with advertisers
☐ Programmatic sales commoditizes our product and undermines our value proposition as a premium publisher
☐ None of the above
☐ Other (please specify)

15. What is the primary advantage you hope to achieve through programmatic sales?
☐ Increased overall revenue
☐ Streamlined ad operations / easier to manage campaigns
☐ Cost savings / reduced expenses
☐ Greater access to quality advertisers
☐ Better value for customers
☐ None of the above
☐ Other (please specify)
16. Overall, what impact do you think programmatic advertising is having on your online advertising revenue?

- Very positive
- Somewhat positive
- Mixed
- Somewhat negative
- Very negative
- Don’t know

17. Please feel free to add any additional comments about this survey or programmatic sales in general.
Appendix B

Email Survey Invitation Form

Dear [NAME],

What’s happening with programmatic selling? Borrell Associates is conducting a survey looking at publisher attitudes and predictions about programmatic selling and how it will impact your business. We would like TVB members to participate. As a thank-you for your participation, Borrell will send you a summary of the survey results.

The survey takes less than 10 minutes to complete. All results will be reported anonymously. Please use this link to participate in the survey: [SURVEY LINK].

Please direct any questions about the survey to Greg Harmon, senior research analyst at Borrell: XXX-XXX-XXXX.
Appendix C

Electronic Consent Form

You are invited to participate in an online survey on programmatic advertising. This is a research project being conducted by Borrell Associates. It should take approximately 10 minutes to complete.

PARTICIPATION
Your participation in this survey is voluntary. You may refuse to take part in the research or exit the survey at any time without penalty. You are free to decline to answer any particular question you do not wish to answer for any reason.

BENEFITS
For participating in the survey, Borrell Associates will send you a summary of the survey results.

RISKS
There are no foreseeable risks involved in participating in this study.

CONFIDENTIALITY
Your survey answers will be sent to a link at SurveyMonkey.com where data will be stored in a password-protected electronic format. Survey Monkey does not collect identifying information such as your name, email address, or IP address. Therefore, your responses will remain anonymous. No one will be able to identify you or your answers, and no one will know whether or not you participated in the study.

At the end of the survey you will be asked if you are interested in providing additional contact information for a follow-up interview by Borrell Associates. If you choose to provide contact information such as your phone number or email address, your survey responses may no longer be anonymous to the researcher. However, no names or identifying information would be included in any publications or presentations based on these data, and your responses to this survey will remain confidential.

CONTACT
If you have questions at any time about the study or the procedures, you may contact Greg Harmon, senior research analyst at Borrell: XXX-XXX-XXXX.

ELECTRONIC CONSENT: Please select your choice below. You may print a copy of this consent form for your records. Clicking on the “Agree” button indicates that

- You have read the above information
- You voluntarily agree to participate
- You are 18 years of age or older

☐ Agree

☐ Disagree
### Appendix D

1. What type of traditional media company (or companies) are you associated with? (Select all that apply.)

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<th>Answer Options</th>
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<th>Response Percent</th>
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answered question: 102
skipped question: 0

Write-in responses for Other

- Digital Advertising - PPC
- Digital Out of Home/Digital Place Based Out of Home

2. Approximately how much revenue will your organization generate from digital advertising sales in 2014?

<table>
<thead>
<tr>
<th>Answer Options</th>
<th>Response Count</th>
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<tbody>
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<td>US Dollars</td>
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answered question: 91
skipped question: 11

mean: $5,579,704.55
median: $1,000,000.00
mode: $1,000,000.00
range: $10,000.00 - $55,000,000.00

outliers removed from data: 3
3. Approximately what percentage of your overall digital revenue is currently being generated by programmatic sales?

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<table>
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<tbody>
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<td><strong>range for non-zero responses</strong></td>
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4. In the next 12 months, do you expect digital revenue from programmatic sales to increase, decrease, or remain the same?

<table>
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<th>Response Count</th>
<th>Response Percent</th>
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<tr>
<td>Increase</td>
<td>74</td>
<td>73.3%</td>
</tr>
<tr>
<td>Decrease</td>
<td>2</td>
<td>2.0%</td>
</tr>
<tr>
<td>Remain the same</td>
<td>19</td>
<td>18.8%</td>
</tr>
<tr>
<td>Don't know</td>
<td>6</td>
<td>5.9%</td>
</tr>
<tr>
<td><strong>answered question</strong></td>
<td>101</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>skipped question</strong></td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>
5. Approximately what percentage of your online advertising inventory is currently being sold through programmatic sales?

<table>
<thead>
<tr>
<th>Answer Options</th>
<th>Response Count</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Percentage</strong></td>
<td></td>
</tr>
<tr>
<td><em>answered question</em></td>
<td>89</td>
</tr>
<tr>
<td><em>skipped question</em></td>
<td>13</td>
</tr>
<tr>
<td>mean</td>
<td>17.6</td>
</tr>
<tr>
<td>median</td>
<td>10.0</td>
</tr>
<tr>
<td>mode</td>
<td>0</td>
</tr>
<tr>
<td>range</td>
<td>0</td>
</tr>
<tr>
<td>mean for non-zero responses</td>
<td>25.7</td>
</tr>
<tr>
<td>median for non-zero responses</td>
<td>25.0</td>
</tr>
<tr>
<td>mode for non-zero responses</td>
<td>5</td>
</tr>
<tr>
<td>range for non-zero responses</td>
<td>0.5</td>
</tr>
</tbody>
</table>

6. In the next 12 months, do you anticipate the percentage of your online advertising inventory that is sold programmatically to increase, decrease, or remain the same?

<table>
<thead>
<tr>
<th>Answer Options</th>
<th>Response Count</th>
<th>Response Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase</td>
<td>51</td>
<td>52.0%</td>
</tr>
<tr>
<td>Decrease</td>
<td>6</td>
<td>6.1%</td>
</tr>
<tr>
<td>Remain the same</td>
<td>31</td>
<td>31.6%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>10</td>
<td>10.2%</td>
</tr>
<tr>
<td><strong>answered question</strong></td>
<td>98</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>skipped question</strong></td>
<td>3</td>
<td></td>
</tr>
</tbody>
</table>
7. The Internet Advertising Bureau (IAB) has defined 4 types of programmatic ad buying/selling. What types of programmatic sales does your organization currently employ? (Select all that apply.)

<table>
<thead>
<tr>
<th>Answer Options</th>
<th>Response Count</th>
<th>Response Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automated Guaranteed. (Also known as programmatic direct or programmatic guaranteed.) The deal is negotiated directly between buyer and seller, the inventory and pricing are guaranteed, and the transaction is automated.</td>
<td>25</td>
<td>24.5%</td>
</tr>
<tr>
<td>Unreserved Fixed Rate. (Also known as preferred deals or first right of refusal.) The transaction happens within an exchange environment, but has a pre-negotiated price.</td>
<td>28</td>
<td>27.5%</td>
</tr>
<tr>
<td>Invitation-Only Auction. (Also known as private marketplace or private auction.) Similar to an Open Auction, but the publisher restricts participation to a select group of pre-approved advertisers.</td>
<td>21</td>
<td>20.6%</td>
</tr>
<tr>
<td>Open Auction. (Also known as open exchange.) The publisher makes inventory available to any bidder on the exchange.</td>
<td>43</td>
<td>42.2%</td>
</tr>
<tr>
<td>We don’t employ programmatic sales.</td>
<td>32</td>
<td>31.4%</td>
</tr>
<tr>
<td>Other (please specify)</td>
<td>2</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

answered question 90
skipped question 12

Write-in responses for Other

Contesting with sponsors
Unsure
8. In the next 12 months, what types of programmatic sales does your organization intend to employ? (Select all that apply.)

<table>
<thead>
<tr>
<th>Answer Options</th>
<th>Response Count</th>
<th>Response Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automated Guaranteed. (Also known as programmatic direct or programmatic guaranteed.) The deal is negotiated directly between buyer and seller, the inventory and pricing are guaranteed, and the transaction is automated.</td>
<td>33</td>
<td>32.4%</td>
</tr>
<tr>
<td>Unreserved Fixed Rate. (Also known as preferred deals or first right of refusal.) The transaction happens within an exchange environment, but has a pre-negotiated price.</td>
<td>28</td>
<td>27.5%</td>
</tr>
<tr>
<td>Invitation-Only Auction. (Also known as private marketplace or private auction.) Similar to an Open Auction, but the publisher restricts participation to a select group of pre-approved advertisers.</td>
<td>31</td>
<td>30.4%</td>
</tr>
<tr>
<td>Open Auction. (Also known as open exchange.) The publisher makes inventory available to any bidder on the exchange.</td>
<td>44</td>
<td>43.1%</td>
</tr>
<tr>
<td>We don't employ programmatic sales.</td>
<td>27</td>
<td>26.5%</td>
</tr>
<tr>
<td>Other (please specify)</td>
<td>3</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

answered question 90
skipped question 12

Write-in responses for Other
- Contesting sponsor sales
- Unsure
- Unsure, but considering an invitation-only format
9. How many ad operations employees do you have dedicated to programmatic advertising full time?

<table>
<thead>
<tr>
<th>Answer Options</th>
<th>Response Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Employees</td>
<td></td>
</tr>
<tr>
<td>answered question</td>
<td>85</td>
</tr>
<tr>
<td>skipped question</td>
<td>17</td>
</tr>
<tr>
<td>mean</td>
<td>1.16</td>
</tr>
<tr>
<td>median</td>
<td>0.00</td>
</tr>
<tr>
<td>mode</td>
<td>0</td>
</tr>
<tr>
<td>range</td>
<td>0 - 8</td>
</tr>
<tr>
<td>mean for non-zero responses</td>
<td>2.59</td>
</tr>
<tr>
<td>median for non-zero responses</td>
<td>2.00</td>
</tr>
<tr>
<td>mode for non-zero responses</td>
<td>1</td>
</tr>
<tr>
<td>range for non-zero responses</td>
<td>0.25 - 8</td>
</tr>
</tbody>
</table>

10. Have you changed the number of employees you have dedicated to ad operations due to programmatic sales?

<table>
<thead>
<tr>
<th>Answer Options</th>
<th>Response Count</th>
<th>Response Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>We have increased the number of employees dedicated to ad operations as a result of programmatic sales.</td>
<td>15</td>
<td>17.6%</td>
</tr>
<tr>
<td>We have decreased the number of employees dedicated to ad operations as a result of programmatic sales.</td>
<td>1</td>
<td>1.2%</td>
</tr>
<tr>
<td>We have made no change to the number of employees dedicated to ad operations as a result of programmatic sales.</td>
<td>59</td>
<td>69.4%</td>
</tr>
<tr>
<td>Don't know</td>
<td>10</td>
<td>11.8%</td>
</tr>
</tbody>
</table>

answered question 85
skipped question 17
11. In the next 12 months, do you plan to change the number of employees you have dedicated to ad operations due to programmatic sales?

<table>
<thead>
<tr>
<th>Answer Options</th>
<th>Response Count</th>
<th>Response Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>We plan to increase the number of employees dedicated to ad operations as a result of programmatic sales.</td>
<td>22</td>
<td>25.9%</td>
</tr>
<tr>
<td>We plan to decrease the number of employees dedicated to ad operations as a result of programmatic sales.</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>We have planned no change to the number of employees dedicated to ad operations as a result of programmatic sales.</td>
<td>45</td>
<td>52.9%</td>
</tr>
<tr>
<td>Don't know</td>
<td>18</td>
<td>21.2%</td>
</tr>
</tbody>
</table>

**Answered question:** 85  
**Skipped question:** 17

12. In your organization, what employee is most responsible for management of programmatic sales?

<table>
<thead>
<tr>
<th>Answer Options</th>
<th>Response Count</th>
<th>Response Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>We have a dedicated manager exclusively to manage programmatic sales.</td>
<td>14</td>
<td>16.7%</td>
</tr>
<tr>
<td>Our national sales manager also manages programmatic sales.</td>
<td>4</td>
<td>4.8%</td>
</tr>
<tr>
<td>Our VP of sales, general sales manager or director of sales manages programmatic sales.</td>
<td>14</td>
<td>16.7%</td>
</tr>
<tr>
<td>Our ad operations manager manages programmatic sales.</td>
<td>12</td>
<td>14.3%</td>
</tr>
<tr>
<td>We don't have anyone assigned to manage programmatic sales.</td>
<td>29</td>
<td>34.5%</td>
</tr>
<tr>
<td>Other (please specify)</td>
<td>11</td>
<td>13.1%</td>
</tr>
</tbody>
</table>

**Answered question:** 84  
**Skipped question:** 18

**Write-in responses for Other**

- Sales Manager
- VP of Programmatic
- Director of Digital Strategies
- Assistant Publisher
- Digital Media Planning Operations Manager & Ad Ops Mgr,
- NA
- We have a dedicated manager, though it is not his only responsibility
- Corporate people
- Created separate business entity responsible for programmatic and other types of digital advertising
- Digital Sales Manager Two entries
13. What is the average cost per thousand (CPM) you are receiving for ads sold programatically?

<table>
<thead>
<tr>
<th>Answer Options</th>
<th>Response Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Per Thousand (CPM) in US Dollars</td>
<td></td>
</tr>
<tr>
<td><strong>answered question</strong></td>
<td>58</td>
</tr>
<tr>
<td><strong>skipped question</strong></td>
<td>44</td>
</tr>
<tr>
<td><strong>mean</strong></td>
<td>$4.02</td>
</tr>
<tr>
<td><strong>median</strong></td>
<td>$3.00</td>
</tr>
<tr>
<td><strong>mode</strong></td>
<td>$0</td>
</tr>
<tr>
<td><strong>range</strong></td>
<td>$0 $30.00</td>
</tr>
<tr>
<td><strong>mean for non-zero responses</strong></td>
<td>$4.88</td>
</tr>
<tr>
<td><strong>median for non-zero responses</strong></td>
<td>$3.00</td>
</tr>
<tr>
<td><strong>mode for non-zero responses</strong></td>
<td>$3.00</td>
</tr>
<tr>
<td><strong>range for non-zero responses</strong></td>
<td>$1.00 $30.00</td>
</tr>
<tr>
<td><strong>outliers removed from data</strong></td>
<td>1</td>
</tr>
</tbody>
</table>
14. Which, if any, of the following are concerns that you have in general about programmatic sales? (Select all that apply.)

<table>
<thead>
<tr>
<th>Answer Options</th>
<th>Response Count</th>
<th>Response Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fraud</td>
<td>23</td>
<td>22.5%</td>
</tr>
<tr>
<td>Lack of transparency about how much the advertiser is paying for the inventory</td>
<td>18</td>
<td>17.6%</td>
</tr>
<tr>
<td>Data collection and privacy concerns</td>
<td>17</td>
<td>16.7%</td>
</tr>
<tr>
<td>Lack of personnel with expertise</td>
<td>34</td>
<td>33.3%</td>
</tr>
<tr>
<td>Uncertainty about which programmatic sales model to employ</td>
<td>27</td>
<td>26.5%</td>
</tr>
<tr>
<td>Concern that programmatic sales will cause CPMs to drop</td>
<td>29</td>
<td>28.4%</td>
</tr>
<tr>
<td>Concern that programmatic sales will undermine direct relationships with advertisers</td>
<td>31</td>
<td>30.4%</td>
</tr>
<tr>
<td>Programmatic sales commoditizes our product and undermines our value proposition as a premium publisher</td>
<td>35</td>
<td>34.3%</td>
</tr>
<tr>
<td>None of the above</td>
<td>13</td>
<td>12.7%</td>
</tr>
<tr>
<td>Other (please specify)</td>
<td>5</td>
<td>4.9%</td>
</tr>
</tbody>
</table>

**answered question** 102  
**skipped question** 0

Write-in responses for Other

- Challenges of bringing SMBs on board with programmatic.
- Impact of viewable impression standard
- Lack of local businesses on site
- Low CPM
- We don’t have programmatic sales
15. What is the primary advantage you hope to achieve through programmatic sales?

<table>
<thead>
<tr>
<th>Answer Options</th>
<th>Response Count</th>
<th>Response Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased overall revenue</td>
<td>52</td>
<td>51.0%</td>
</tr>
<tr>
<td>Streamlined ad operations / easier to manage campaigns</td>
<td>21</td>
<td>20.6%</td>
</tr>
<tr>
<td>Cost savings / reduced expenses</td>
<td>20</td>
<td>19.6%</td>
</tr>
<tr>
<td>Greater access to quality advertisers</td>
<td>31</td>
<td>30.4%</td>
</tr>
<tr>
<td>Better value for customers</td>
<td>20</td>
<td>19.6%</td>
</tr>
<tr>
<td>None of the above</td>
<td>14</td>
<td>13.7%</td>
</tr>
<tr>
<td>Other (please specify)</td>
<td>3</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

100% answered question

Write-in responses for Other

Contesting revenue

We don’t have programmatic sales

We’re being bought by agencies that would have never purchased our sites and it’s allowing us to take less business form the bottom feeding ad networks

16. Overall, what impact do you think programmatic advertising is having on your online advertising revenue?

<table>
<thead>
<tr>
<th>Answer Options</th>
<th>Response Count</th>
<th>Response Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very positive</td>
<td>14</td>
<td>17.5%</td>
</tr>
<tr>
<td>Somewhat positive</td>
<td>21</td>
<td>26.3%</td>
</tr>
<tr>
<td>Mixed</td>
<td>16</td>
<td>20.0%</td>
</tr>
<tr>
<td>Somewhat negative</td>
<td>5</td>
<td>6.3%</td>
</tr>
<tr>
<td>Very negative</td>
<td>3</td>
<td>3.8%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>21</td>
<td>26.3%</td>
</tr>
</tbody>
</table>

100.0% answered question

Write-in responses for Other
17. Please feel free to add any additional comments about this survey or programmatic sales in general.

<table>
<thead>
<tr>
<th>Answer Options</th>
<th>Response Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free response</td>
<td></td>
</tr>
<tr>
<td>answered question</td>
<td>12</td>
</tr>
<tr>
<td>skipped question</td>
<td>90</td>
</tr>
</tbody>
</table>

Write-in responses for Other

Ad sellers need strategies to set the programmatic proposition to our clients apart from the competition.

I believe that programmatic sales will be the norm in the digital space within a year. We are hoping that programmatic sales will extend to the TV spot side as well. Buyers are lazy and the more streamlined we make the process the more value TV and digital will see.

If anyone is getting a $10 cpm from programmatic, please share the wealth.

In a market outside the top 75, the CPM is usually too low so we are better off bundling our digital assets locally.

Offering programmatic to our clients means dealing in much more than our own inventory. We have to staff public and private exchanges and maintain relationships with multiple audience extension network providers, to get the best swaths of inventory to meet clients’ needs.

Our company has no owned and operated inventory to place on exchanges. However, we buy from exchanges to fulfill our digital contracts. Approximately $50K of our $400k revenue is fulfilled on exchanges.

The term "programmatic sales" still seems rather broad, vague. For many questions, I was not sure whether the question was intended to address the sale of advertising impressions delivered via our own media channels or the purchase of advertising impressions via other media channels on behalf of advertising clients.

This is not a factor in our radio market and we don’t expect it to be a factor for quite a while.

This seems like data that will be used to simply push to executives. It could be structured differently to dig deeper to help work at the best models we should be employing. Just my two cents...

TV stations are benefiting from reach extension: selling single site and adding programmatic off-site advertising.

Using programmatic sales is okay for websites that not built as premium sites. Programmatic sales doesn’t work for us because of our quality and high CPM. Advertisers are happy to pay high CPM because we are able to deliver excellent results for them.

We cannot dictate how a buyer is going to buy audience. The fact is that many of the larger agencies and brands are buying programatically. To not be active in this marketplace is simply ignoring a high quality segment of the market. Over time, larger agencies in the larger markets will be buying programatically for local advertisers. However, there will always be SMB’s that looks to local media reps to help them develop strategy and manage their campaigns.
References


MAGNA GLOBAL. (2014, February 14). MAGNA GLOBAL Announces Strategic Partnership with Data Leaders comScore, Experian Marketing Services and Rentrak to


