

# Agents of Change: The Rise of the Programmatic Media Agency

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In association with **IPONWEB**

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## EXECUTIVE SUMMARY

It's a time of challenge and opportunity for agencies. A crowded ecosystem, and clients considering whether to in-house their media buying activity are clear causes for concern. However, for those agencies that can tackle these issues head-on and differentiate themselves from the crowd, the rewards are huge.

Of course, that's easier said than done. This report, in association with IPONWEB, was undertaken to examine how agencies are looking to set themselves apart from their competition, and answers some key questions, including:

- Can owning their programmatic buying technology help agencies survive?
- What are agencies' top priorities over the coming year?
- Which areas of your business help you differentiate from competition?
- How has programmatic technology changed the demands clients place on their agencies?

As the issues of transparency, fraud, and brand safety persist, we see that it is those agencies that are building out their own programmatic tech capabilities, who stand to gain the most. It is they who not only have a more in-depth understanding of the programmatic buying ecosystem, but who also are building closer relationships with publishers, offering clients more unique capabilities, and performing better across key business areas.

At a time when every agency is seeking to prove to clients that they are worth their salt, it is excellence in the areas we have just mentioned which could be the key to securing or maintaining business.



**Hugh Williams**

Senior Data Analyst, ExchangeWire Research

## FOREWORD BY IPONWEB

The future of the advertising industry has never been harder to predict, but two things are certain: brands will continue to advertise; and there are more changes to come.

Before the internet, and the advent of digital advertising, the velocity of ongoing change in the advertising landscape experienced by brand marketers and their agency partners seemed manageable. Since then, we have seen titanic shifts in buying practices, strategies and concerns of advertisers and agencies, as well as the rise of global technology players and a continuous stream of disruptive technologies.

Today, the automation of buying and selling media has revolutionised the industry and introduced hundreds of new players into the value chain. Ad tech companies and global consulting firms are vying for position with media agencies to have the 'direct client relationship'. In 2017, consultancy groups [invested over USD\\$1.2bn](#) in marketing and advertising M&A according to the marketing consultancy R3, and just last month, [Accenture announced its move into the media buying arena](#) with the launch of its programmatic ad buying unit — a direct threat to the traditional agency model.

It's clear that media agencies still play an important role and have developed many of the trading practices that we use today. The level of technical competence within each of the agency groups has been expanded, and, today, most of the experienced digital media traders sit inside the agencies, something the competition will find difficult to match. Moreover, with investments of over USD\$1.8bn in 2017 in M&A from major holding groups, media agencies continue to grow their technological capabilities so that they may provide additional services and deliver superior outcomes to their clients.

The application of technology was introduced as a way to get more accurate targeting, reduce waste, and improve transparency, however, there has also been the addition of more complexity into the ecosystem.

With this research, we hope to provide a snapshot of how important technology is for addressing many of the major issues media agencies are facing, creating new value for clients, and gaining advantage over their agency peers.



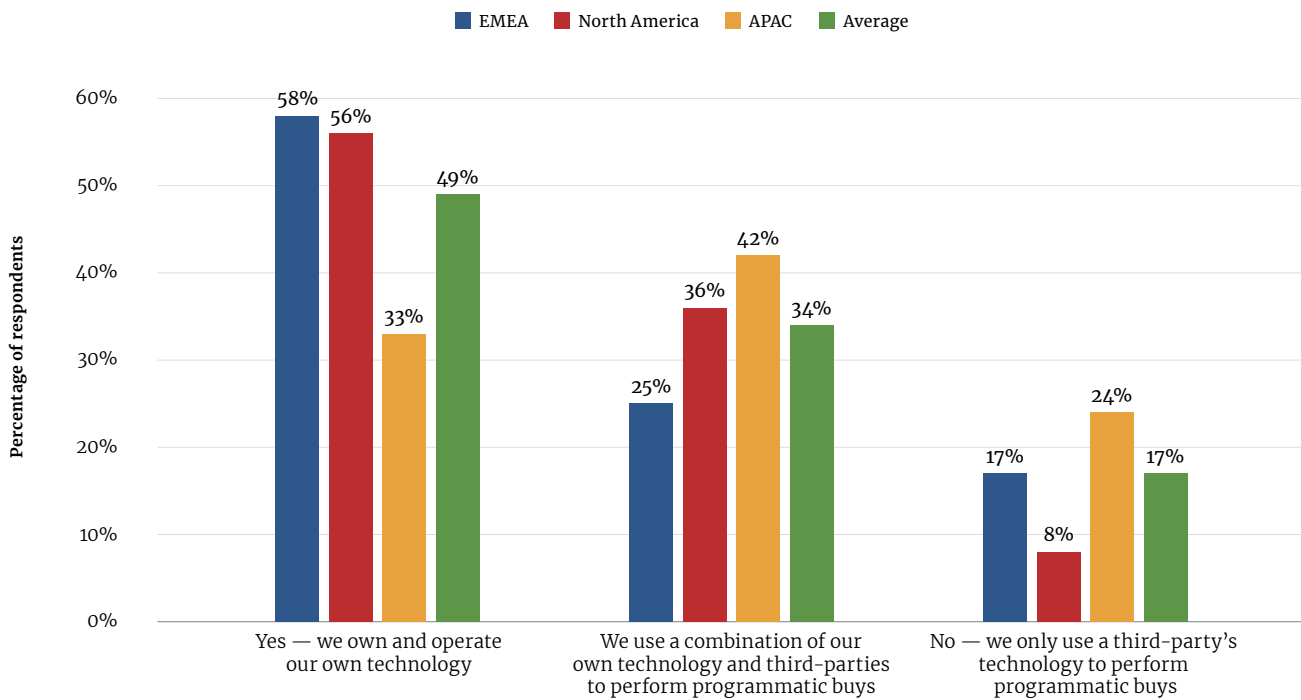
**Brian Fitzpatrick**  
GM Demand, IPONWEB

**FINDINGS**

**Agencies are owning their programmatic buying technology**

Today, almost half (49%) of agencies say they are only using their own technology to carry out programmatic buying (figure 1). A further 34% are using a combination of their own technology and third parties to perform programmatic buys, with just 17% exclusively using third party technology.

**Figure 1: Do you use your own technology to perform programmatic media buys?**



On a regional basis, agencies in EMEA are leading the way when it comes to use of their own technology, with 58% doing so to perform their programmatic media buys. North American agencies aren't far behind (56%), while APAC respondents prefer to use a combination of their own technology and third parties for their programmatic buying.

With Western agencies typically earlier adopters of new technology than those in APAC, it is no surprise a greater proportion own and operate their own programmatic media buying technology, as they have had longer to master the processes. We would therefore expect to see the number of APAC agencies using their own technology for programmatic media buys increase within the next couple of years.

Matt Simpson, Joint CEO Investment, EMEA, Omnicom, feels that we are seeing higher agency use of their own programmatic technology as agencies look to “fill the gaps that are left in between and around the tech suppliers”. He continues “The market is saturated with excellent third party tech solutions for programmatic media buying. Most clients now have a requirement to use more than one DSP, this is commonly because of walled garden access or unique data or channel provision. In these cases, an agency looks to seamlessly pull together data to make informed and holistic decisions (some call these meta DSPs). Equally, there is a clamour to reduce the reliance on DSPs and SSPs

orchestrating payments. If you can build technology that means direct publisher payments can be made then the amount paid to both DSP and SSP can be significantly reduced”.

Carol Chung, SVP, Media Technology, NA Programmatic Lead, Digitas, adds “We believe in building tech that allows advertisers to claim more ownership over their secret sauce, make more efficient buying decisions, generate more relevant messaging, and avoid wastage by avoiding fraud. Owning technology allows us to bring forth a client first approach with the agility, resources and talent to ensure we’re building technology that solves for client needs.

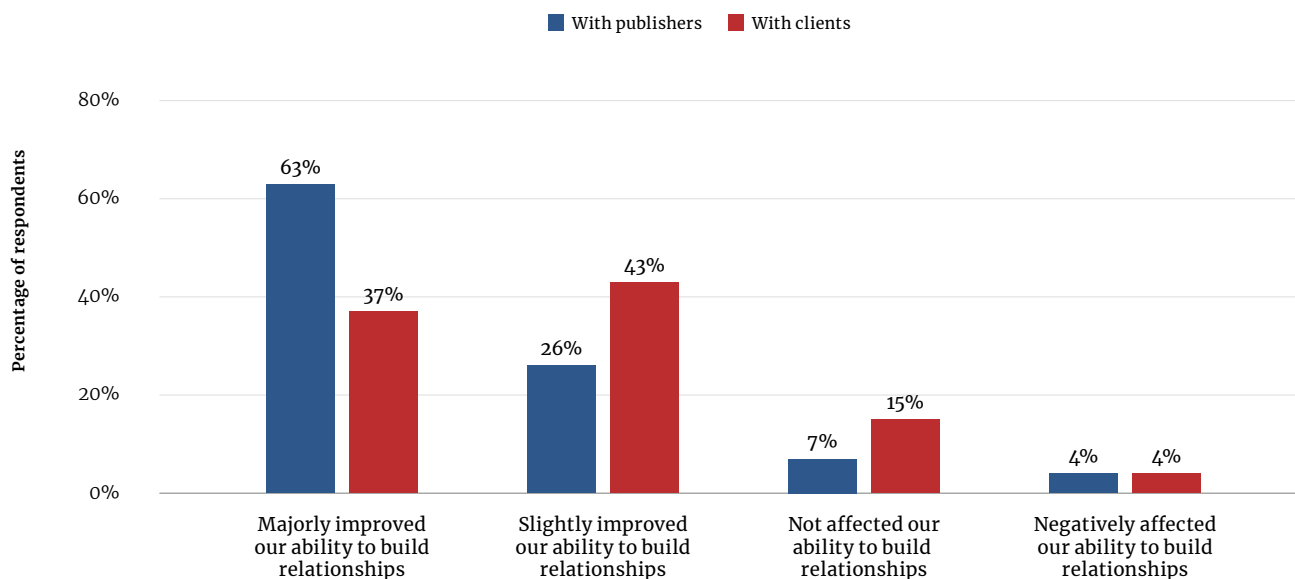
Although using your own technology is the most popular means of performing programmatic buys, the majority of respondents (51%) still either use third parties, or a combination of their own technology and third parties, for programmatic buying. So other than tech ownership, what are the differences between those who own and operate their own programmatic buying technology, and those who do not?

### Owning your technology forges stronger publisher relationships

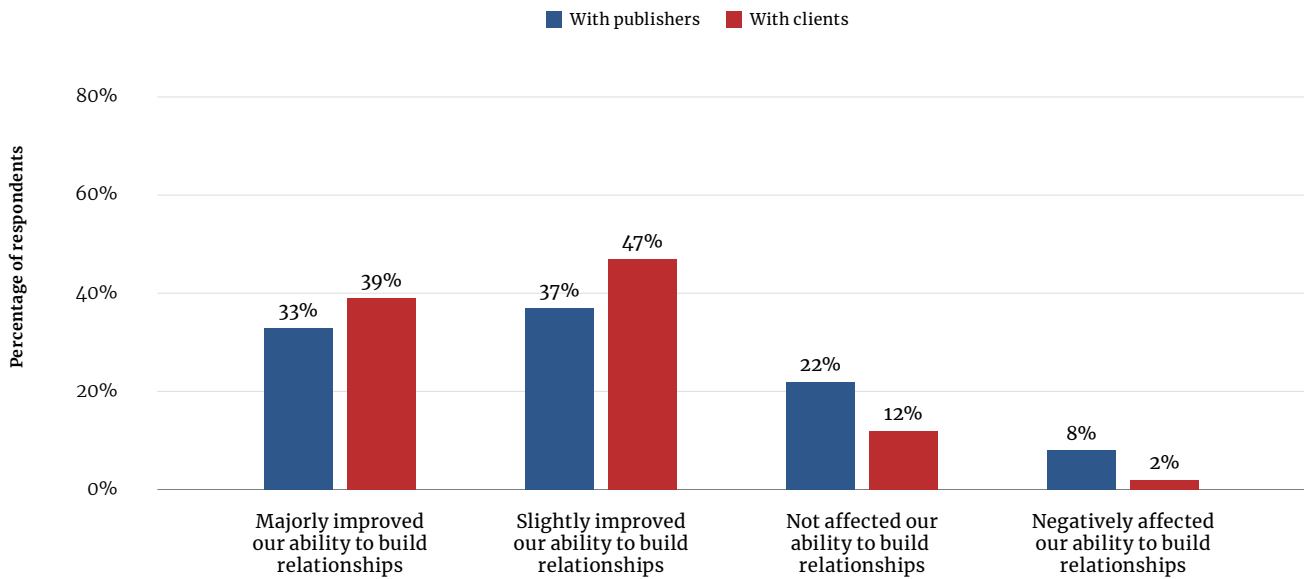
Almost two-thirds (63%) of those who are exclusively using their own technology say that programmatic media buying tech has majorly improved their ability to build relationships with publishers (figure 2a). This is in comparison to 33% of those who do not exclusively use their own programmatic buying technology (figure 2b).

In explaining this, Carol Chung says “The endeavor to build custom programmatic technology requires a deeper understanding and appreciation for the platform, ecosystem and the players. In order to build something that functions successfully, you have to understand not just how the technology works, but also how inventory is sourced and priced. It quickly becomes clear that efficiencies can occur simply through the strengthening and deepening of publisher relationships. It’s not enough to just create PMP deals with a wide variety of publishers. In order to ensure delivery, it’s important that teams are working together with suppliers to set parameters, priorities and targeting to maximize opportunities”.

**Figure 2a: Those who exclusively use their own programmatic buying technology: Programmatic media buying technology has...**



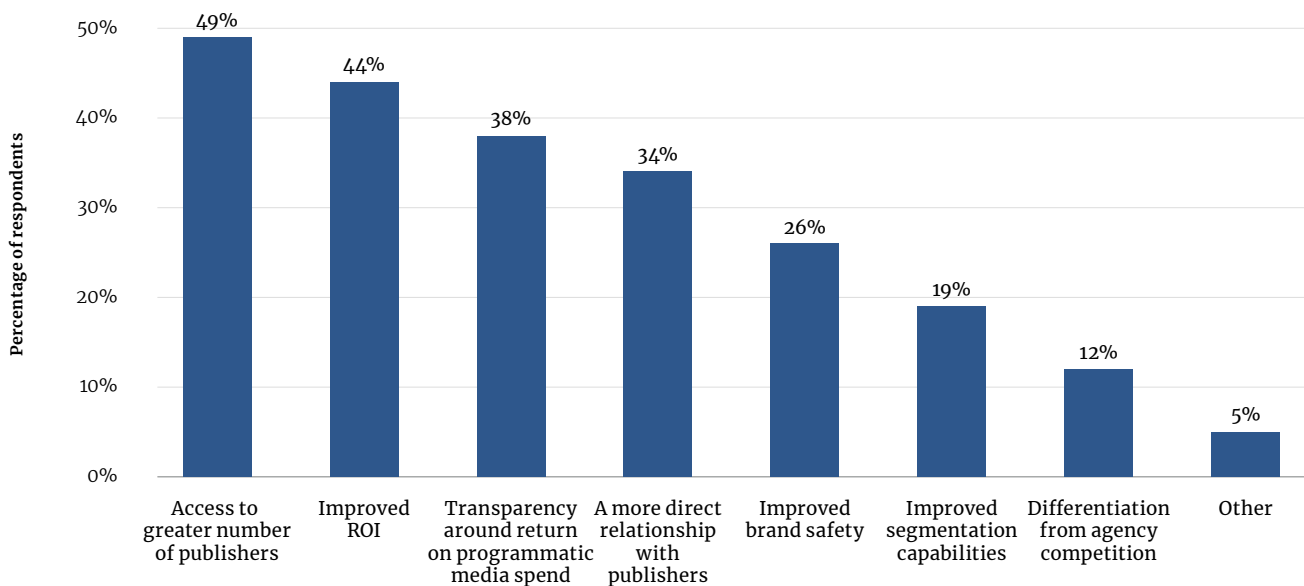
**Figure 2b: Those who don't exclusively use their own programmatic buying technology: Programmatic media buying technology has...**



What's more, **figure 4** shows that 59% of agencies owning and operating their own programmatic buying technology rate their direct relationships with publishers as 'extremely strong' (this drops to 31% for those who don't own and operate their own programmatic technology), while 50% rate their number of publisher partners as 'extremely strong' (this drops to 33% for those who don't own and operate their own programmatic technology).

In the battle for differentiation in the eyes of advertisers, an agency's relationship with its publisher partners could prove crucial, especially given that 49% of respondents say that access to a greater number of publishers is a key benefit to effective programmatic buying technology in the eyes of their clients (**figure 3**).

**Figure 3: In your experience, which of the following benefits to effective programmatic buying technology do your clients feel are the most important?**



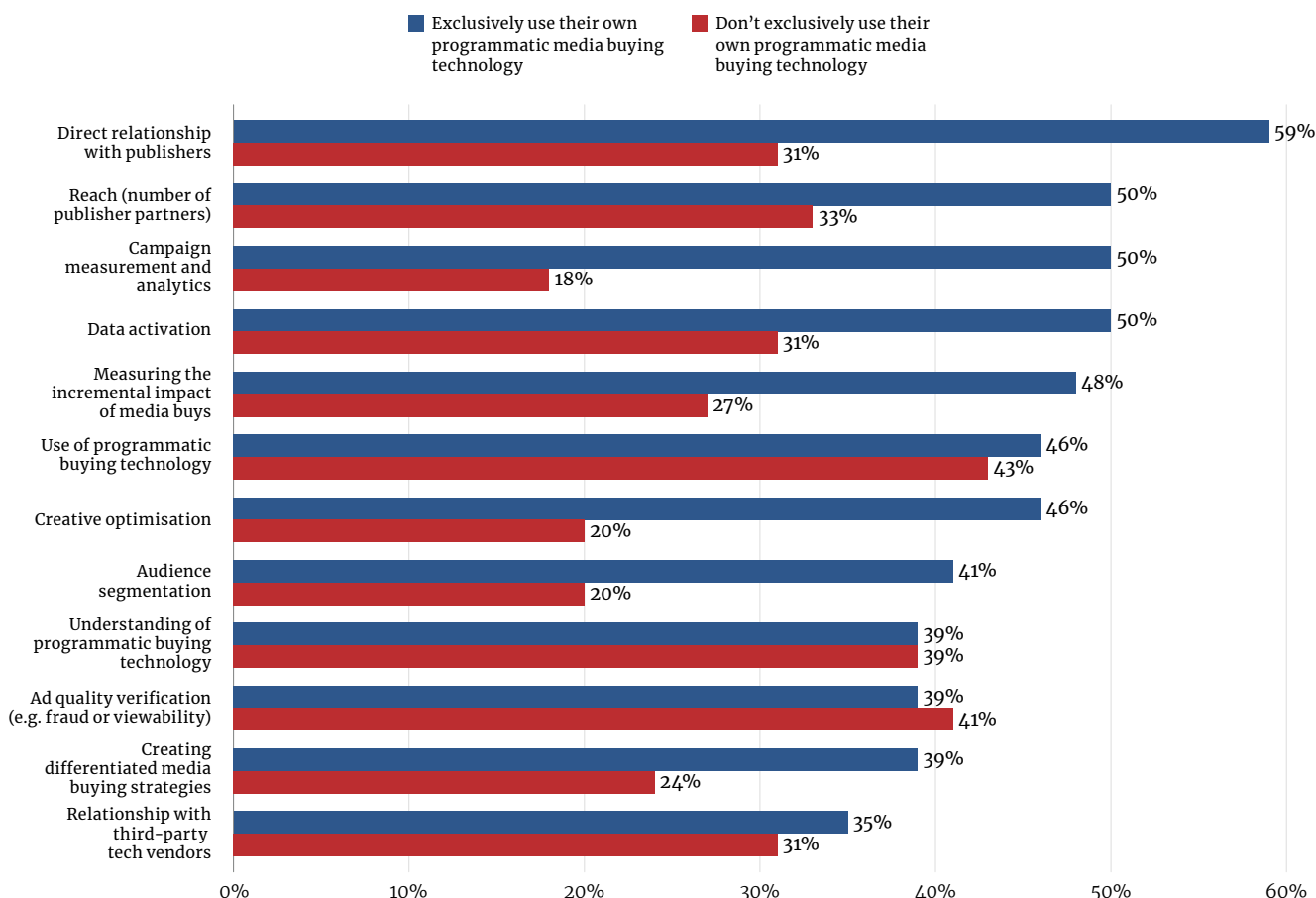
Gautham Maediratta, COO, APAC, Mindshare also sees the advantage for agencies with better publisher relationships. He says “building strong partnerships with relevant publishers is critical to ensuring that your clients get a disproportionate advantage in the marketplace, beyond pricing. Many leading publishers are true partners and not just vendors, and often make strong contributions in less tangible areas, such as consumer insight, research and innovation”.

### Ownership drives performance

The benefits of owning and operating your own programmatic buying technology also extend beyond stronger publisher relationships. Figure 4 shows that a significantly greater proportion of those using their own technology for programmatic buys rate their performance as ‘extremely strong’ versus those who do not exclusively use their own technology across:

- Campaign measurement and analytics
- Data activation
- Measuring the incremental impact of media buys
- Creative optimisation
- Audience segmentation

**Figure 4: Percentage of respondents rating performance in the following areas as “Extremely Strong”**





This high level of performance across multiple areas could be a big pull when attracting clients for agencies using their own technology. Differentiation is hard to achieve in the crowded agency ecosystem; however, if those using their own programmatic technology can showcase these performance levels to prospects, then they will achieve differentiation from the half of agencies not using their own programmatic buying technology.

Explaining the gap in perceived performance, Gautham Maediratta highlights that “there are several areas where industry solutions don’t go far enough or hold themselves to a high enough standard. Data activation and audience segmentation are two areas that we at Mindshare constantly talk about. Very few third party data providers offer a granular view into how segments are defined from a recency, frequency and statistical relevance perspective. In those areas it becomes hugely beneficial for us to have internal data activation and audience segmentation tools like [m]Platform”.

Similarly, Matt Simpson says “developing your own tech enables you to pursue those areas that you believe make the biggest difference to client outcomes. We tend to build where we believe there is a lack of available market options. Often that is because it is not in the interest of a third party to develop it”.

### Tech owners pursuing perfection

Those using their own technology to perform programmatic buys are also more likely to see added benefits over the next 12 months, as they are being more aggressive in pursuing their media buying and client offering priorities.

**Figure 5: Percentage of respondents rating the following areas as “High priority”**

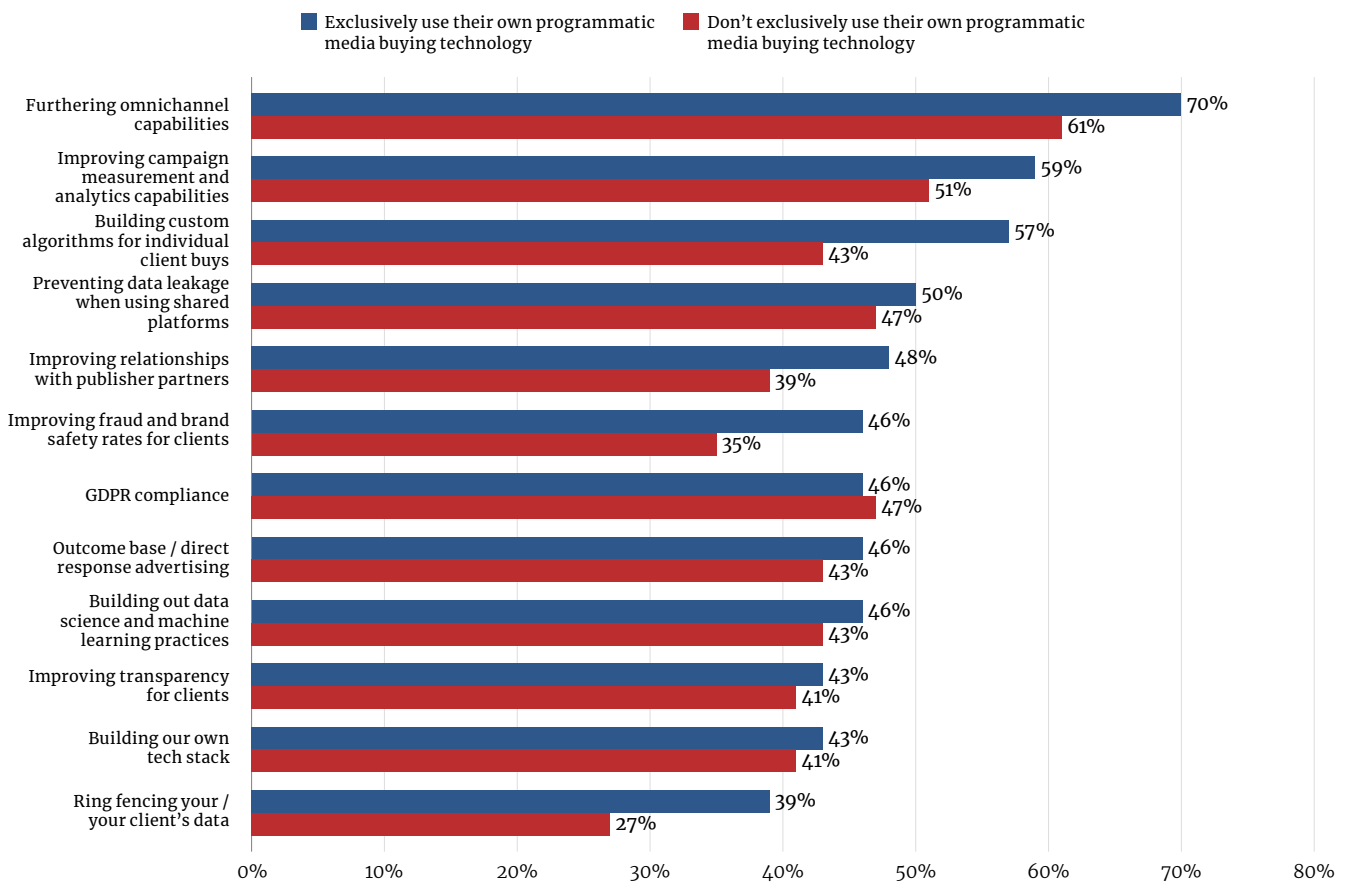


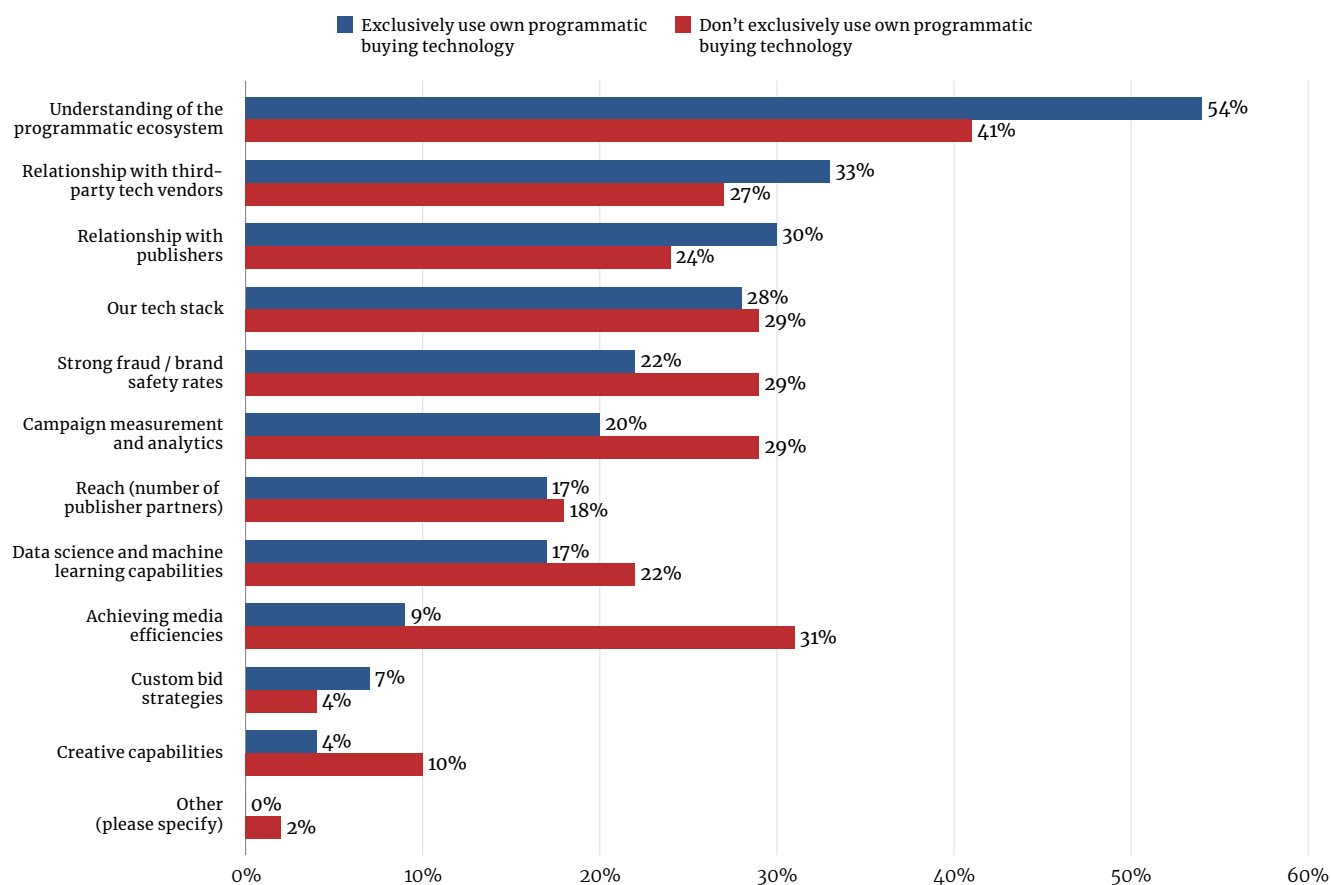
Figure 5 shows that tech-owning agencies are more likely to cite each development area, other than GDPR compliance, as a higher priority than those not exclusively using their own technology for programmatic media buys.

This suggests that those using their own technology have the confidence to push the tech to deliver more for them and their clients over the coming year. The areas where this difference is most evident are:

- Furthering omnichannel capabilities
- Building custom algorithms for individual client buys
- Improving relationships with publisher partners
- Improving fraud and brand safety rates for clients

Combined with their superior performance across key areas (as discussed above), if agencies using their own tech can leverage their stack to help them excel in these high priority areas over the next 12 months, they will be able to further differentiate themselves from competitors still using third party technology for programmatic media buys.

**Figure 6: How do you differentiate from other agencies?**



In addition to better performance and more ambitious priorities, 54% of agencies using their own technology are looking to differentiate through their understanding of the programmatic ecosystem. While 41% of those using third parties to support their programmatic buys also cite this as a differentiating factor, the proximity to the buying

process gained by using your own technology means it is the platform owners who are creating differentiation through their knowledge of the ecosystem. This has resulted in agencies using third party technology turning to media efficiencies, and measurement and analytics, to differentiate (figure 6).

There are also regional splits when it comes to how agencies are differentiating. While European agencies are looking to differentiate through their understanding of the programmatic ecosystem, North American agencies are looking to their relationships with publishers, and those in APAC at brand safety and fraud rates.

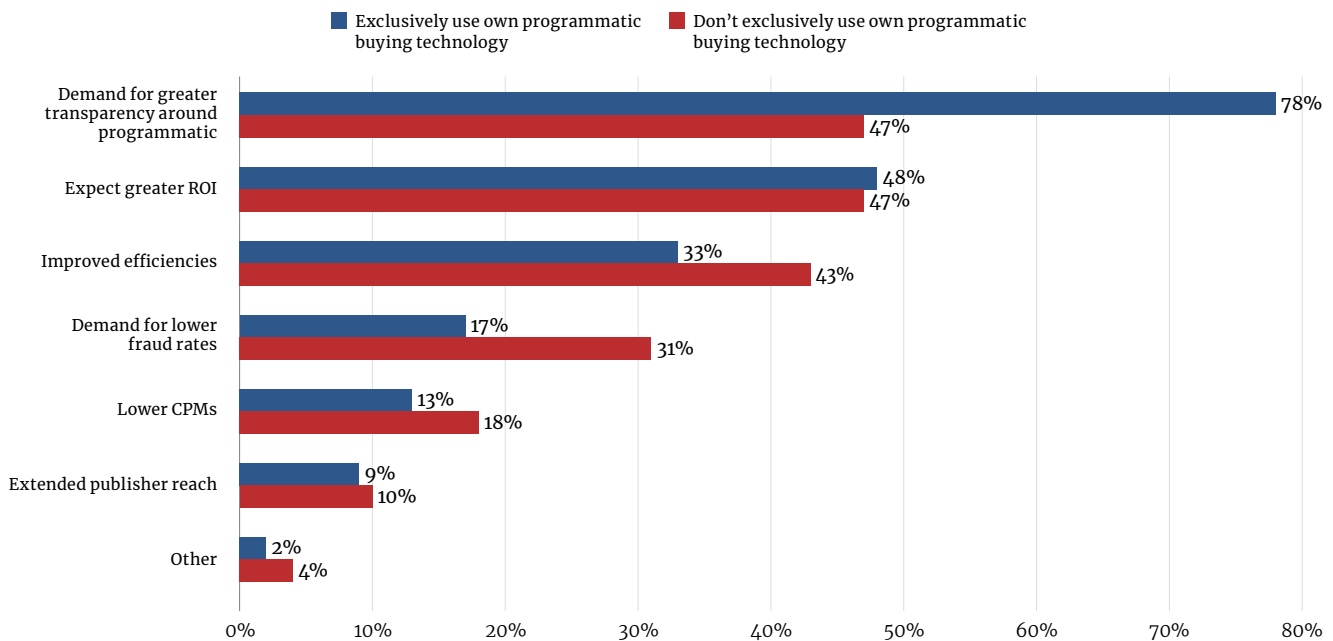
Matt Simpson notes that EMEA agencies may look to differentiate through their understanding as “the complexities of the European marketplace, such as currency, language, and market specific publishers/technology, in conjunction with market specific ways of working, may have resulted in European’s feeling they know more”. He says it could also be due to the fact that North America and APAC are “more likely to use managed service providers as part of their programmatic offering to do more specialised areas such as mobile, native, and audio, whilst we are more likely to use self-service platforms in EMEA”.

Meanwhile, Gautham Maediratta says that strong brand safety and fraud rates in APAC could be put down to the fact that “fraud is directly proportionate to media CPMs”. He says “some of our largest media markets have low CPMs and, as such, fraud tends to be lower in APAC (Australia and Japan are outliers). We strongly recommend that any inventory we buy (IO or programmatic) goes live with third-party ad verification and third-party audience verification. Given that APAC has a significant supply-skew it is easier to balance scale, quality and value than in other parts of the world”.

### Transparency issues remain prevalent

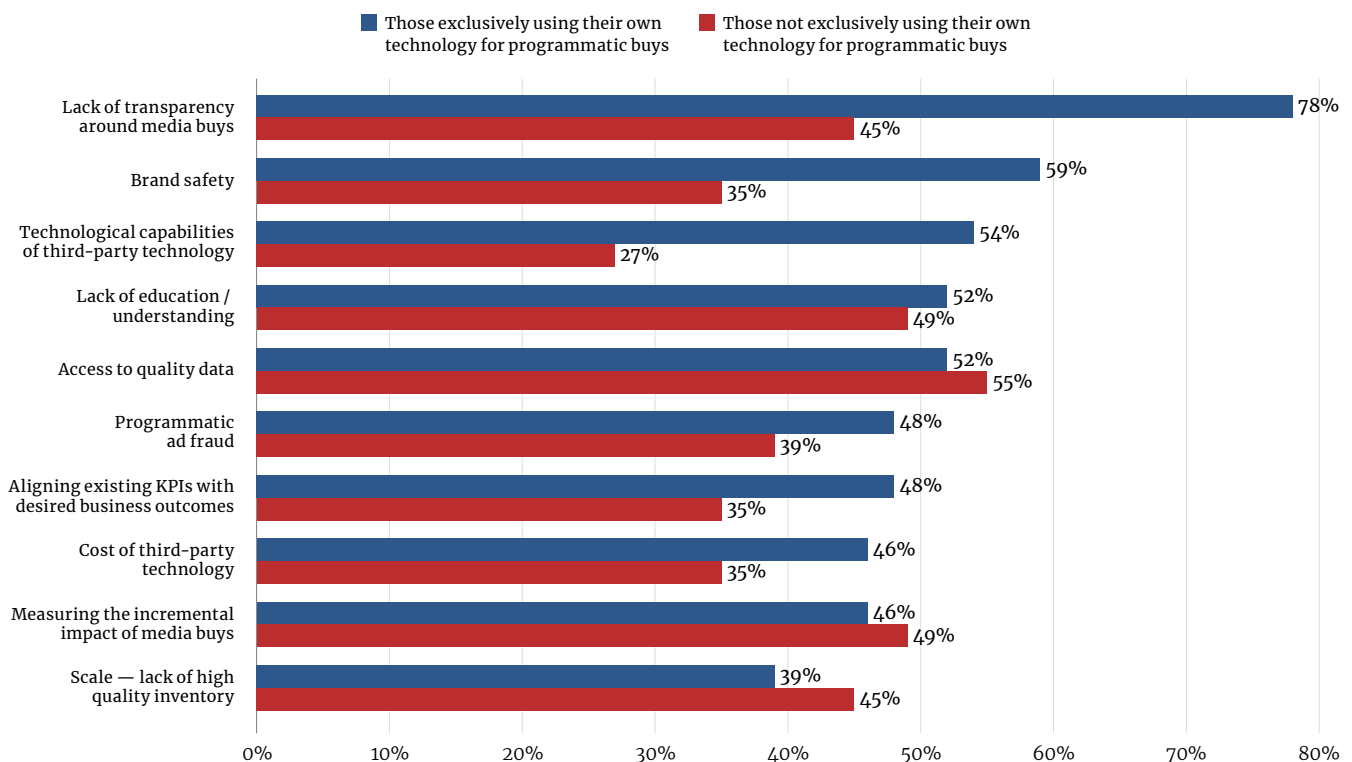
Transparency is still a massive issue in programmatic. The greatest demand being placed upon agencies is that of greater transparency around programmatic media spend, an expectation of 63% of our respondents’ clients.

**Figure 7: How is improving programmatic buying technology changing the demands brands are placing on their agencies?**



However, the most striking difference in expectations between the clients of tech owners, and non tech owners, is the demand for greater transparency around programmatic media spend (figure 7). We hypothesise that this could be put down to the proximity to the buying process experienced by agencies using their own technology for programmatic buys. Figure 8 shows that far more of this group cite a lack of transparency around media buys as a major challenge, compared to their counterparts who don't own their programmatic buying technology. The proximity to the buying process has made tech-owning agencies more aware of the issues around transparency in their media buys, and they have communicated these to their clients, who are now demanding that transparency increases.

**Figure 8: Percentage of respondents rating the following areas as a “major challenge”**



Although transparency is obviously a challenge when navigating programmatic buys, having hands-on knowledge of the process, and the less transparent aspects of programmatic, should help tech owners shift their buying tactics to gain more visibility and control going forward.

Our thought leaders, however, feel that transparency is already being achieved. Matt Simpson says: “Lack of transparency is now one of those perceptions that is largely not representative of the real market conditions, certainly not from an Omnicom Media Group perspective. We have been offering clients full visibility for a long time now, but there are too many interested parties propagating the non-transparent myth for it to go away.

I think there is a lack of understanding over proprietary platform fees. When an agency builds tech then it is not done in a way that can be transparent at component level to advertisers. Most costs are not linked to volume and as such, how can you show an advertiser their fair share of a £10m platform build”.

Carol Chung agrees, noting that “on our end, we provide our clients full transparency to how we engage with platforms in terms of costs. We do this by offering our clients data ownership and full ability to audit via log files and platform access. We have been working with platforms and suppliers to improve the cash flow transparency beyond the agency to DSP transaction. This means digging into supply path optimisation, better understanding how auction dynamics work, and how to ultimately game the system on behalf of our marketers. While there are ways to do this through manual bid strategies, we are investing in technology to help us automate bid decisions based on maximum transparency”.

On the other hand, Gautham Maediratta feels that transparency issues are still prevalent. He says “the broader industry has a lot of room for improvement. Looking at the programmatic bid-stream we often see poor data in the bid-stream (wrong categorisation, limited technographic data, URLs that only reflect the domain, wrong or limited location data). When we were setting up our programmatic services practice we worked closely with GroupM to define a set of parameters that publishers would need to adhere to for us to buy inventory from them. These ranged from measurable formats (VPAID, VPAID JS, MRAID etc.) to wholesome bid-stream data”.

While the same hypothesis of proximity to the buying process can be used to explain the differences between how the two groups view the issue of brand safety in figure 8, it is also interesting to note the differences in opinion around the technological capabilities of third-party technology. Here, more than half (54%) of those exclusively using their own technology for programmatic buys view this as a major challenge, while only 27% of those not doing so share this opinion.

This suggests that those who are using their own technology to perform programmatic buys are doing so because they find third parties cannot provide the full spectrum of capabilities they are demanding for their programmatic buying. On the other hand, agencies using third parties find that their vendors are meeting their programmatic buying needs, and therefore continue to use these vendors, rather than adopt their own technology.

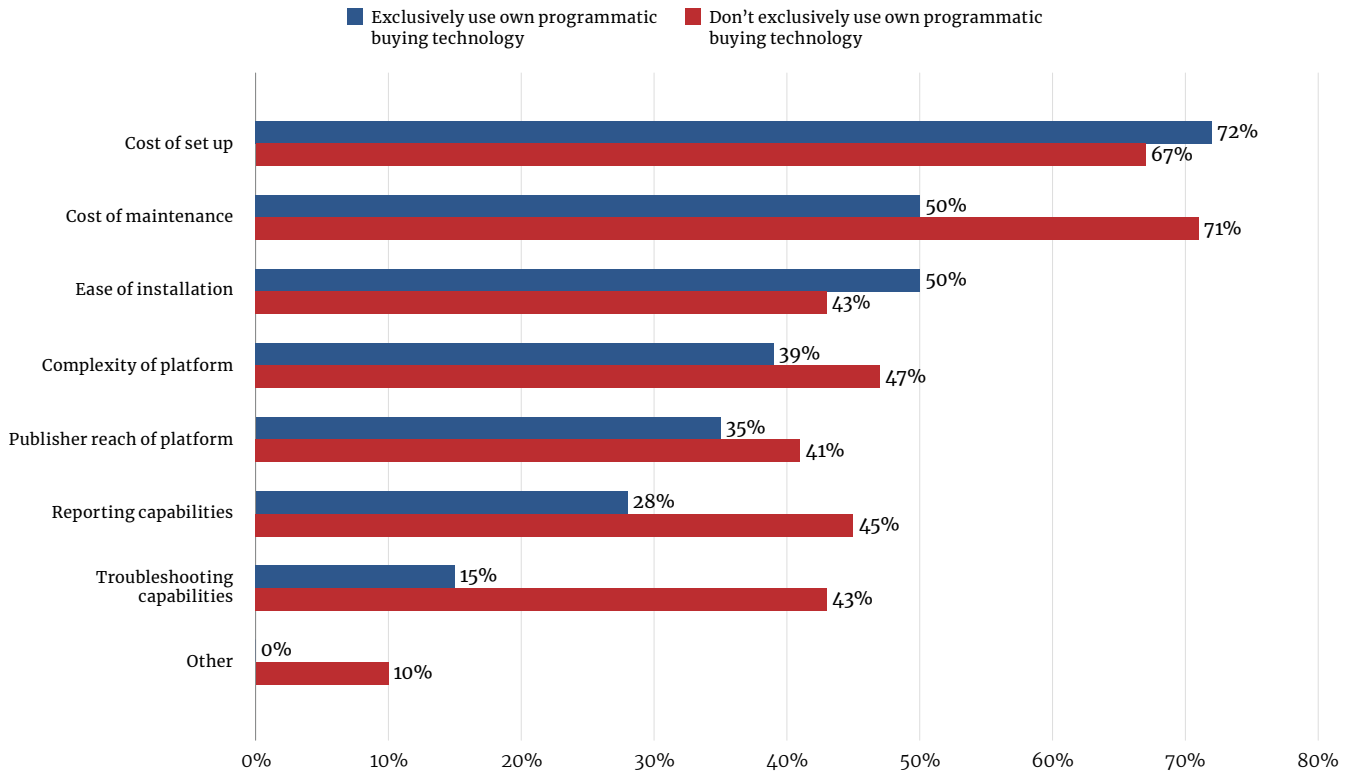
Surprisingly, for a region so advanced, North America cites the biggest challenge faced in regards to programmatic media buying was a lack of education and understanding. Carol Chung says that “we’ve found that the majority of issues within programmatic, aren’t with the tools or technology, but with the human application aspect of things. At the most basic level, we as an industry often cheat ourselves by skimping on talent and resources. One of our core principles is to ensure that programmatic campaigns are adequately staffed to promote hourly and daily optimisation.

“On a larger scale, we as an industry have become so enamored with the latest tool, that we often try to force fit it into our infrastructure without referencing why it was built and whether or not it solves a problem that we actually have. By striving to ‘keep up with the Joneses’, you end up buying what everyone is talking about, and hope that it delivers results. We should be identifying what our actual problems are, and how can we solve them specifically”.

## Making the decision

This report has shown that there are numerous performance benefits associated with using your own technology for programmatic buys. However, despite this, the majority of agencies are still working with third parties. When analysing the reasoning behind the decision to continue working with third parties for programmatic buys, we asked agencies which aspects of tech ownership had the biggest effect. Figure 9 shows that cost is the primary factor behind the decision, with cost of maintenance and cost of set up being picked by 71% and 67% of this group respectively.

**Figure 9: How do you evaluate building your own technology versus working with a third-party?**



However, cost of set up (72%) and cost of maintenance (50%) are also revealed as key considerations for agencies that opted to build their own technology. This indicates that, with experience of both options, they regard owning their own technology as more cost efficient to using a third party. If those currently working with third parties begin to realise that they could be improving cost efficiencies, then given the importance this group places on cost, the percentage of those building their own programmatic buying technology will increase.

## SUMMARY & CONCLUSION

With agencies investing in more of their own programmatic buying technology, we are starting to see disparities between those who are riding this wave, and those continuing to partner with third parties.

Perhaps the most important of these include:

- **Performance:** Those using their own technology for programmatic buys rate their performance as stronger across vital business areas, such as campaign measurement and analytics, data activation, and measuring the incremental impact of media buys, than those using third parties.
- **Relationships with publishers:** Tech-owning agencies are majorly improving their relationships with publishers, which will be key considering 49% of their clients say access to a greater number of publishers is the main benefit of effective programmatic buying technology. Better relationships with publishers will also result in improved trust around media buys, lower fraud rates, and compliance with data regulations.
- **Understanding of the programmatic ecosystem:** Agencies using their own technology for programmatic buys are more likely to differentiate through their understanding of programmatic. This knowledge allows these agencies to act as consultative partners and advisors to their clients, a role which is critical as brands are questioning the value of agencies and continue to evaluate bringing media buying activity in-house.
- **Unique client offerings:** As just mentioned, as brands weigh up the idea of bringing media buying in-house, agencies that can offer new, unique abilities can showcase their value. These include building custom algorithms for individual custom buys and designing campaign measurement tools, both of which are high priorities for agencies using their own programmatic buying technology.

As advertising budgets continue to shift towards programmatic, and marketers look for agencies to guide them through the process while driving ROI, offering new and prospective clients outstanding service across all of the above could give these agencies the edge over competition.

### The beginning of a shift

It is worth remembering that more than half of agencies are still using third parties for their programmatic buys. However, the closer the agency is to the buying process, the more clearly they can identify issues such as a lack of transparency, brand safety, and programmatic ad fraud (see figure 8). This is one of the reasons there is also a growing trend of brands in-housing their programmatic buying.

As long as this remains a key consideration for brands and agencies, we will continue to see continued adoption of agency programmatic tech-stacks. Agencies will be hoping that they can improve upon the manner in which third parties have handled issues such as ad fraud and brand safety, to an extent where brands trust them with their programmatic buying, and are not tempted to in-house the process themselves.

## Facilitating the shift

Figure 9 shows us that when considering whether to build out their tech stack, agencies currently working with third parties' main consideration is cost — both of original setup, and maintenance.

This is no surprise, given that these are not costs these agencies see when working with third parties. This is due to the fact that tech vendors do not charge for cost of maintenance (though it could be argued this is baked into the overall fees they charge), and only certain ones will charge an on-boarding fee.

However, these costs coming into play should be offset against the fact that owning your programmatic buying technology allows marketers to get closer to the buying process and sources of supply. This will help improve transparency and restore more ad spend to working media dollars. Therefore, owning their technology should drive higher client acquisition and retention rates than those using third parties, helping to cover the cost of maintenance and set up.

Rather than writing off building out their own tech stack because of increased costs, the first step for those agencies looking to take more ownership of their programmatic buying technology should be to run a thorough cost-benefit analysis, and work out the estimated total cost of ownership. When figuring these out, the improved performance, publisher relations and understanding of the ecosystem, which all make them more attractive to marketers, should be assessed alongside the financial considerations.



## ABOUT OUR CONTRIBUTORS



**Gautham Maediratta**  
COO, APAC, Mindshare

An early mover in the digital & programmatic spaces, Gautham has spent 17 years in Digital Media and about a decade helping brands create value from ad-exchanges and the open ad-tech ecosystem. Gautham joined Mindshare in 2015 to setup the Programmatic services practice for APAC, and was promoted to APAC COO of FAST, Mindshare's specialist division for all things Programmatic & Data earlier this year.

Prior to Mindshare, Gautham setup Accuen (Omnicom Media Group's trading desk) in India. Earlier in his career, Gautham helped launch Attano, a startup that was India's first Interactive Educational eBook store and had strategic roles at Microsoft India (setup and launched the Microsoft Media Network in India 2007-2011) and Yahoo! India (Sales Strategy).

Contrary to his love for high-end ad-tech, Gautham generally has a preference for most things old-school and is an avid golfer.



**Carol Chung**  
SVP, Media Technology, NA Programmatic Lead, Digitas

Carol Chung oversees both the Media Technology and Programmatic disciplines at DigitasLBI, which consists of approximately 100+ specialists across North America. Carol and her teams are responsible for programmatic strategy & execution, ad technology recommendation and implementation, and campaign process, architecture and execution. Carol provides strategic vision, feasibility consultation, recommendation and activation on media technology for clients.

Having joined DigitasLBI in 2002, Carol has accumulated hands-on experience across all facets of digital media, from strategic media planning and search engine management, to campaign execution and integration of technology platforms. She has served as a strategic consultant to clients including American Express, L'Oréal, Mattel, Taco Bell, and many more.

With over 16 years of experience in the field, Carol is a veteran in media strategy, planning, buying, operations and agency process. Carol has also worked at OMD, where she supervised large-scale digital brand initiatives on the Nissan-Infiniti automotive account.

She graduated from Tufts University with a double major in International Relations and Chinese.



**Matt Simpson**

Joint CEO Investment, EMEA, Omnicom Media Group

Matt is Joint CEO Investment EMEA, roughly translated that means he is responsible for how Omnicom Media Group and its agencies invest their clients' money and how it is activated through digital channels. His remit is to ensure Omnicom media group companies continue to deliver cutting edge digital solutions which leverage the scale of the group and can be seamlessly incorporated into agency delivery.

Matt spent the previous nine years as Managing Director of Annalect, Head of Digital of OMG EMEA, and Head of Digital OMD Group UK. These roles all focussed on digital delivery and the increasingly pervasive use of technology and data.

## SAMPLE & METHODOLOGY

The research was conducted by ExchangeWire between 4 May and 2 June 2018 and consisted of 129 respondents working in programmatic media for marketing agencies across APAC, EMEA and North America.

## ABOUT IPONWEB

**IPONWEB** is an industry pioneer and world leader in the engineering and operation of advanced advertising systems for publishers, advertisers, agencies and innovative technology companies. With more than 12 years' experience driving innovation in programmatic, RTB, and ad tech, IPONWEB is the 'behind the scenes' technology provider that many of the world's leading industry players rely on to successfully power their media and data businesses.

Visit [www.iponweb.com](http://www.iponweb.com) to learn more.

## ABOUT EXCHANGEWIRE

ExchangeWire tracks global data-driven and programmatic advertising, media buying trends, and the ad tech and mar tech sectors. Delving deep into the business of automated media trading and the technology that underpins it across multi-channels (online display, video, mobile and social), the site aims to keep readers up to data on all the latest news and developments.

ExchangeWire provides opinion and analysis on the following sector companies: specialist media buyers, ad traders, ad networks, media agencies, publishers, data exchanges, ad exchanges and specialist ad tech providers in the video, mobile and online display markets.