



SURVEY REPORT:

**THE STATE OF
PROGRAMMATIC
MEDIA BUYING**

DECEMBER 2017

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Background and Methodology

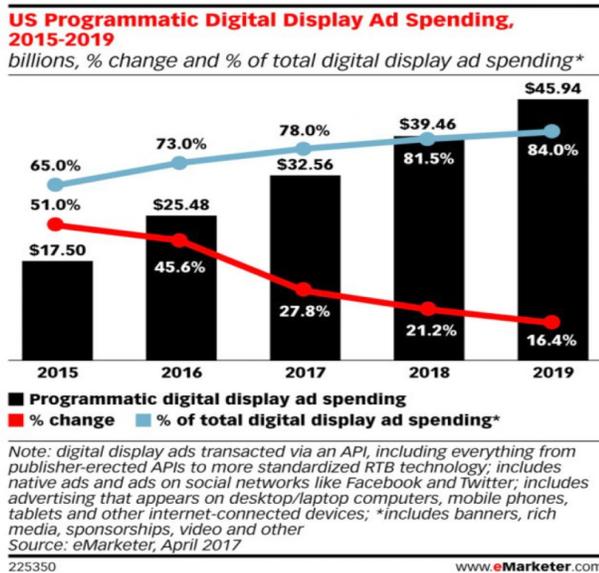
In June and July 2017, the ANA conducted a survey to get a baseline understanding of programmatic buying by the overall ANA member community, including how programmatic buying is being measured and staffed and the level of transparency marketers have into their programmatic buying initiatives.

In total, 149 client-side marketers participated in the survey. Respondents have a median of 21 years of experience in marketing. More than two-thirds of respondents (67 percent) report their job level as director or above.

Approximately 66 percent of respondents focus their marketing on B-to-C efforts, 13 percent on B-to-B marketing, and 21 percent on both B-to-B and B-to-C. A total of 48 percent of respondents work at companies with annual U.S. media budgets under \$100 million, and 52 percent work at companies with media budgets of \$100 million and more.

Programmatic media buying is defined as *the automation of media buying and selling processes and decisions, enhanced through data*. The growth of programmatic buying has been well documented.

- In its latest forecast, eMarketer estimates nearly four of every five U.S. digital display dollars will transact programmatically in 2017, totaling \$32.6 billion. By the end of the forecast period, that share will rise to 84 percent.¹
- Programmatic display spending will reach nearly \$33 billion in 2017. Forecasts predict that spending will reach over \$45 billion by 2019.²



Programmatic advertising is designed to make advertising more targeted and relevant to make buying more efficient. The term *programmatic* can apply to anything from display to digital out-of-home to television. Programmatic is often described as the ability to reach the right audience with the right message at the right time. By using technology and data to automate media buying, it theoretically becomes much easier and cheaper for a brand to reach its target audience.

Before the advent of programmatic advertising in 2007, if an advertiser wanted to buy media inventory from a publisher, it would do this manually and directly. This could be a tedious process, which involved negotiations, insertion orders, manual

¹eMarketer: "eMarketer Releases New Programmatic Advertising Estimates." <https://www.emarketer.com/Article/eMarketer-Releases-New-Programmatic-Advertising-Estimates/1015682>

²Ibid.

Background and Methodology

tracking, and long wait times. Now brands or agencies use a demand-side platform (DSP) to decide which impressions to buy and how much to pay for them, while publishers use a supply-side platform (SSP) to sell ad space. These two platforms are then matched up in real time.³

However, programmatic advertising is not without its downsides. The industry is rife with jargon, the programmatic supply chain involves various intermediaries, and many marketers have a difficult time making sense of the field. This lack of transparency led Procter & Gamble's chief brand officer Marc Pritchard to issue a call to arms on the industry to clean up "the murky media supply system" and improve areas such as viewability, ad fraud, and measurement.⁴ Brand safety concerns have led to a shift to "programmatic direct buys," where digital media buyers can purchase specific inventory directly from a publisher like *The New York Times* if they want to lock in a price on ads they know they'll want, or to make sure they've got the right placements for a planned campaign.⁵ Programmatic direct buying provides more control over ad buys and guarantees those buys will deliver agreed-upon premium inventory. For publishers, going direct allows them to retain their relationships with advertisers by offering the same premium supply via programmatic ads.⁶

Concerns around transparency and ad fraud also mean that brands are increasingly transitioning from managed buys to running programmatic buying in-house.⁷ Companies including EA, Target, and Unilever have all developed in-house programmatic expertise, with Target even activating its own first-party data so that agencies and its vendor partners — brands that sell products in Target's stores — can use it to guide media buys.⁸ Many companies, however, don't have the desire, budget, talent pool, or bandwidth to bring programmatic buying in-house. Many prefer to partner with technical experts to plan and execute their programmatic campaigns, either outsourcing entirely or defining their own hybrid approach. Regardless of staffing structures, programmatic advertising is here to stay.

³Marketing Week: "What Is Programmatic? A beginner's guide." <https://www.marketingweek.com/2017/03/27/what-is-programmatic/>

⁴Ibid.

⁵Ad Age: "Google Says Programmatic Direct Is Due for a Rise in 2017." <http://adage.com/article/digital/google-programmatic-direct-rise-2017/307111/>

⁶MediaPost: "Trends Shaping Programmatic's Future." <https://www.mediapost.com/publications/article/294461/trends-shaping-programmatics-future.html>

⁷Marketing Week.

⁸Ad Exchanger: "Approaching the Bullseye: Target's First-Party Data Play." <https://adexchanger.com/ad-exchange-news/approaching-bullseye-targets-first-party-data-play/>

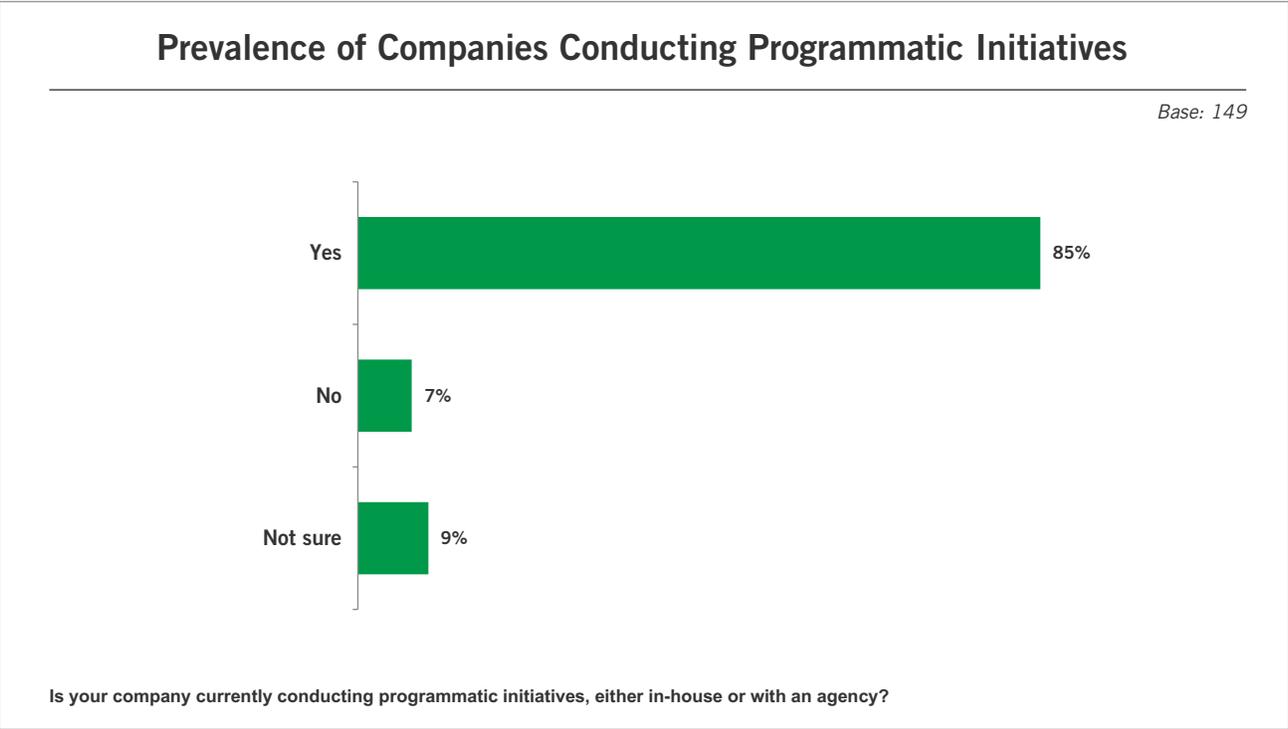
Key Findings

- A great majority (85 percent) of respondents stated that their company is currently conducting programmatic initiatives, either in-house or with an agency.
- The top cited benefits of programmatic buying are better audience targeting, the ability to build audience reach, and real-time optimization.
- Companies are focusing their programmatic media buying on online display on a desktop (85 percent), followed by mobile display (74 percent), online video on a desktop (71 percent), and mobile video (62 percent).
- A large majority (78 percent) of respondents are either concerned or very concerned about brand safety issues in programmatic buying.
- More than a third of respondents (35 percent) have reduced the role of external agency(ies) as a result of the expansion of their in-house capabilities for programmatic buying. This is a notable increase from the ANA/Forrester 2016 study that found only 14 percent of ANA marketers doing this.
- Most respondents have one staff member who devotes 100 percent of his/her time to programmatic initiatives and three employees who work on programmatic initiatives as part of their other work responsibilities.
- Only 40 percent of respondents are comfortable or very comfortable about the transparency they receive with their programmatic media investments. A third are uncomfortable or very uncomfortable. Those who said they were uncomfortable cited factors including hidden costs, too many middlemen, and uncertainty on where ads actually run.
- 19 percent of respondents have opted in to an undisclosed programmatic model with their agency/agency trading desk, which typically refers to media purchased on an advertiser's behalf that does not disclose the actual closing/winning bid prices, only the final price, which can hide margins and fees. The 2016 ANA/Forrester survey indicated that 34 percent of respondents had opted in to an undisclosed programmatic model. The ANA is aware that many marketers have made changes to programmatic buying practices to address media transparency concerns, and, specifically, fewer marketers are now opting in to undisclosed programmatic deals.

Detailed Findings

Prevalence

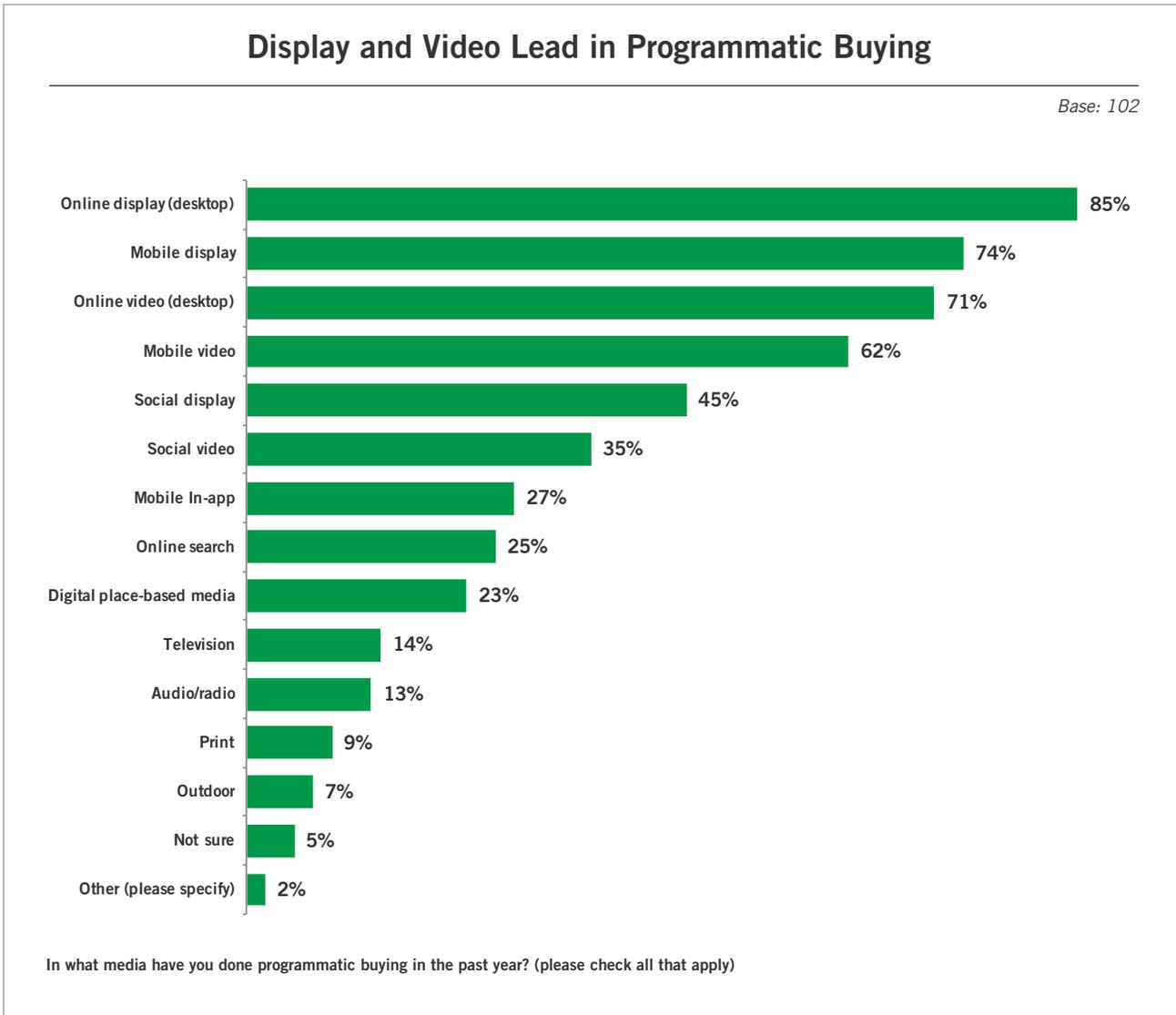
A great majority (85 percent) of respondents stated that their company is currently conducting programmatic initiatives, either in-house or with an agency.



Detailed Findings

Programmatic Media Channels

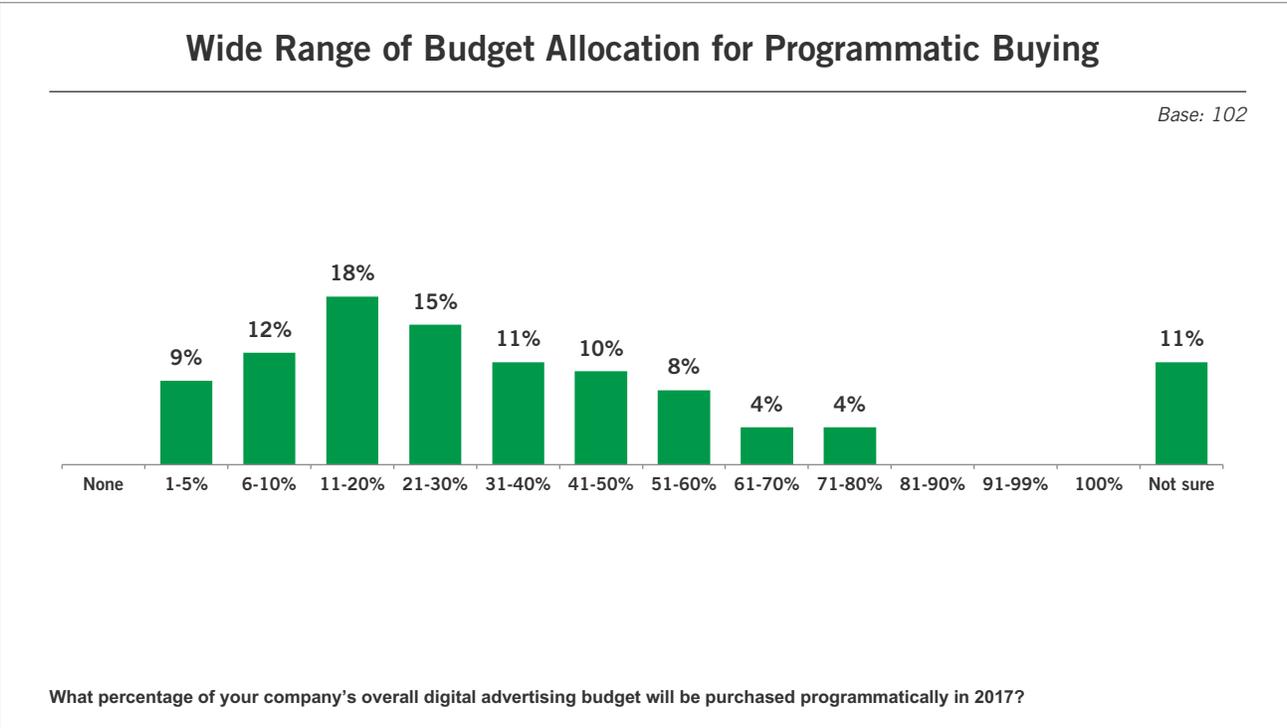
Programmatic buying spans a large array of channels, with display and video dominating. The most common type of programmatic media buying channels are online display on a desktop (85 percent), followed by mobile display (74 percent), online video on a desktop (71 percent), and mobile video (62 percent).



Detailed Findings

Budget Spend on Programmatic Buying

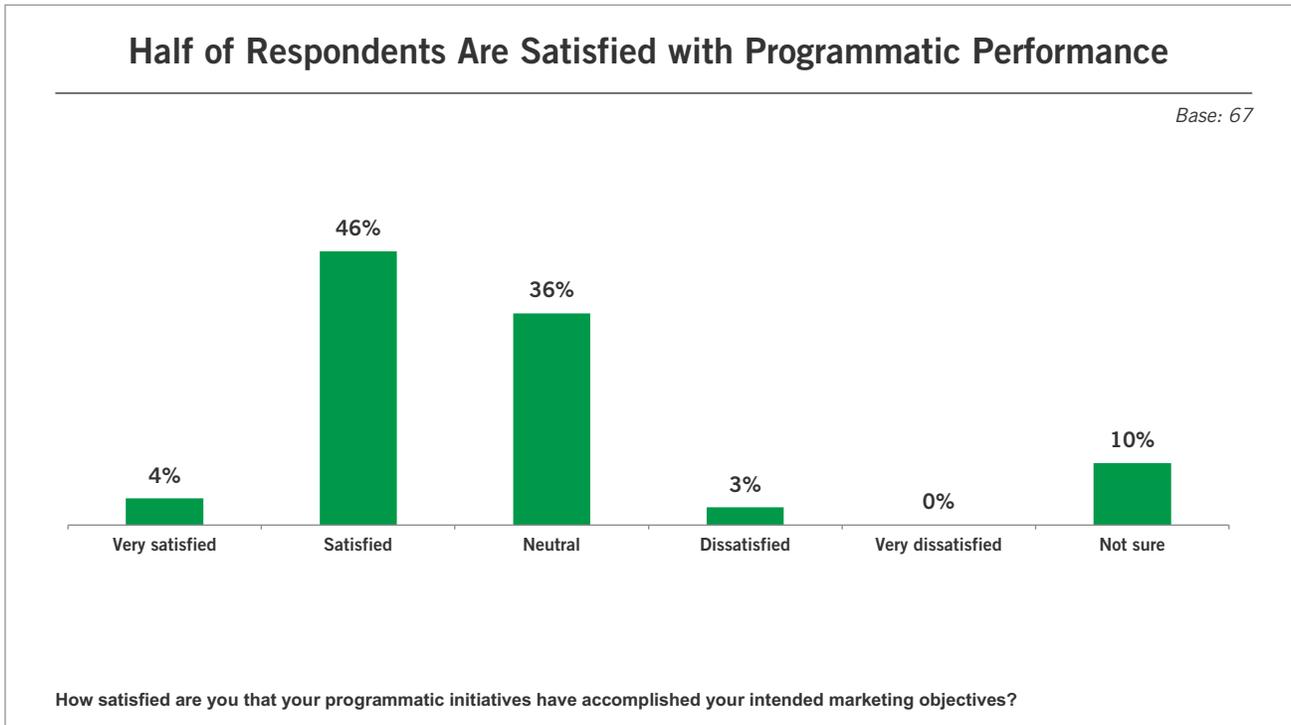
Budget allocations to programmatic advertising vary widely, indicating a range of commitment by brands. One-third (33%) of respondents spend between 11 and 30 percent of their digital advertising budget programmatically, but this varies by channel.



Detailed Findings

Satisfaction with Programmatic Performance

Half of respondents are either satisfied or very satisfied with the performance of their programmatic campaigns, but 46 percent are also neutral or not sure about the satisfaction of their programmatic performance. Concerns about transparency, brand safety, and the general opaqueness of programmatic advertising likely contribute to the large number of “neutral or unsure” respondents.

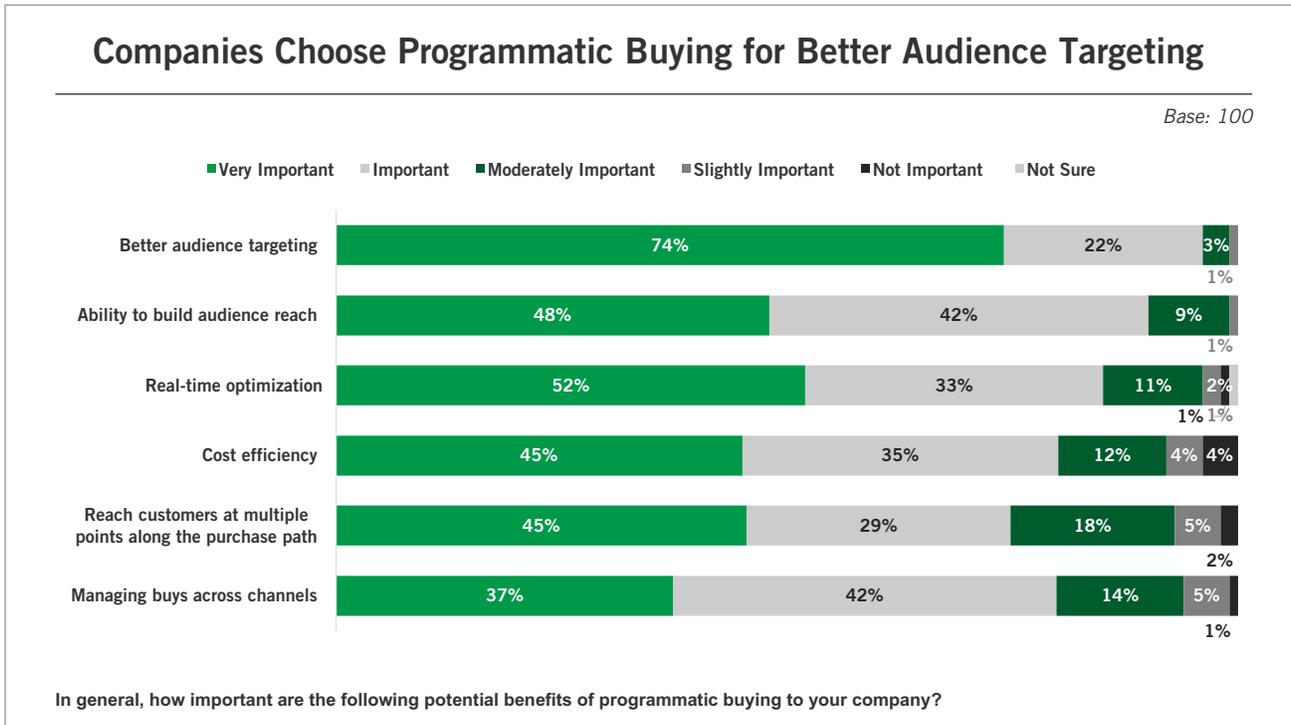


Note: Chart may not add to 100 percent due to rounding.

Detailed Findings

Benefits of Programmatic Buying

The top cited benefits of programmatic advertising are better audience targeting, which 96 percent of respondents said was very important or important, the ability to build audience reach (90 percent), and real-time optimization (85 percent). These findings were similar in the ANA/Forrester 2016 report “The State of Programmatic Buying.”



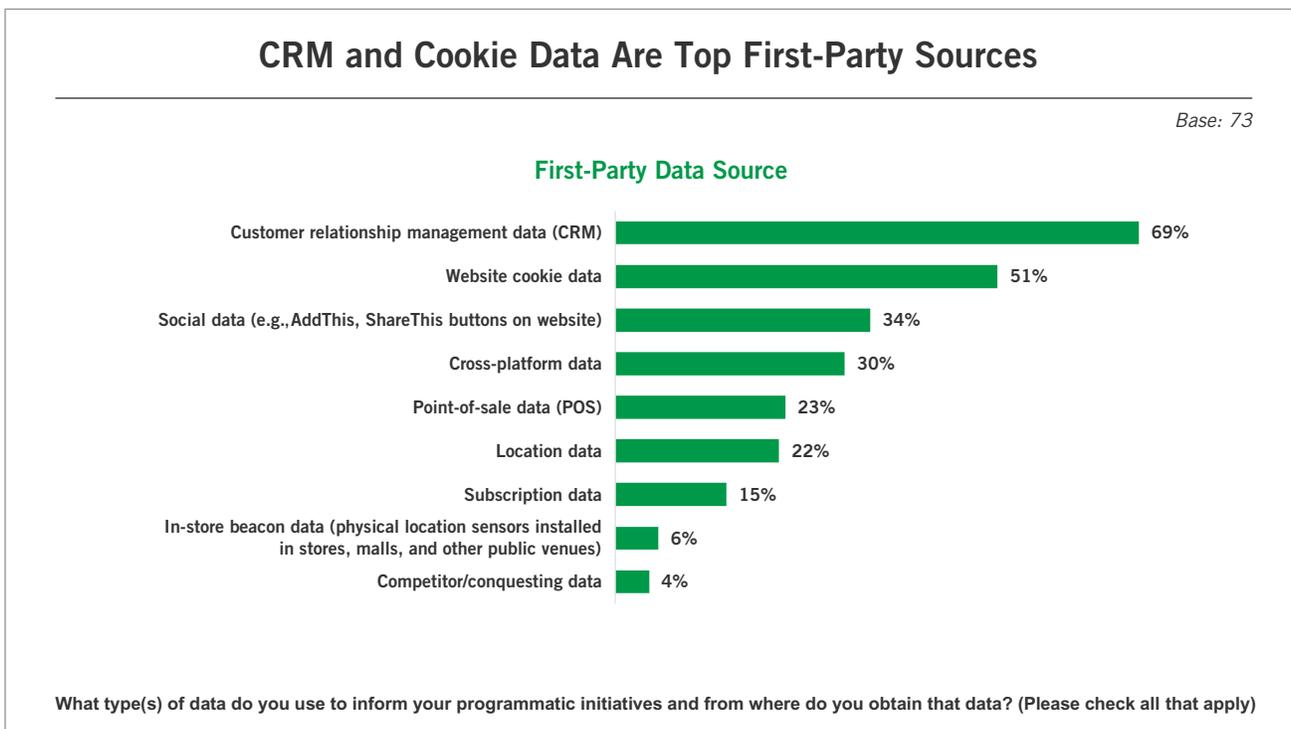
Note: Chart may not add to 100 percent due to rounding.

Detailed Findings

Data Sources that Guide Programmatic Buying

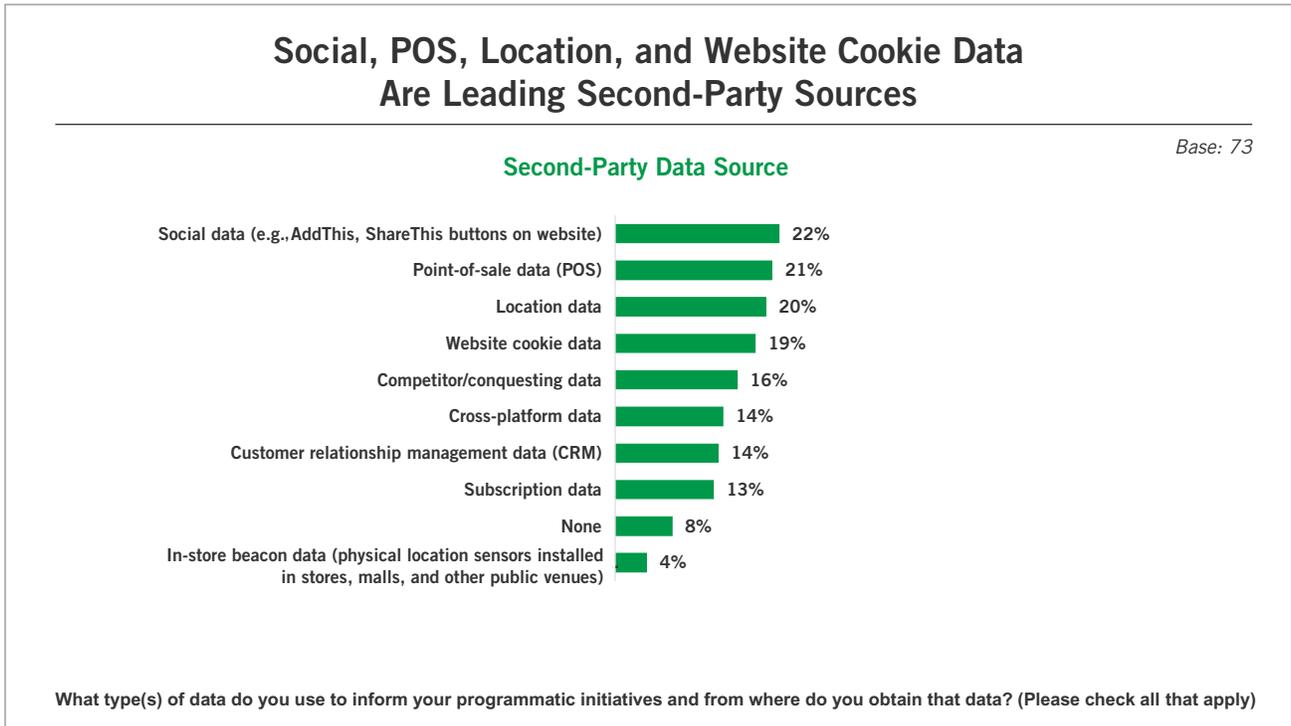
As the saying goes, you are only as good as your data. Marketers can target users programmatically by looking at individual traits or behaviors, or at external variables that may come into play when defining the ideal customer. First-party data is data that results from a one-to-one relationship between a marketer and consumers. It often includes personally identifiable information (PII). Second-party data is first-party data that belongs to another entity or the blending of two companies' first-party data for their mutual benefit. Third-party data is data purchased or licensed from data providers.

The most common first-party data sources are customer relationship management (CRM) data (69 percent), website cookie data (51 percent), and social data (34 percent).



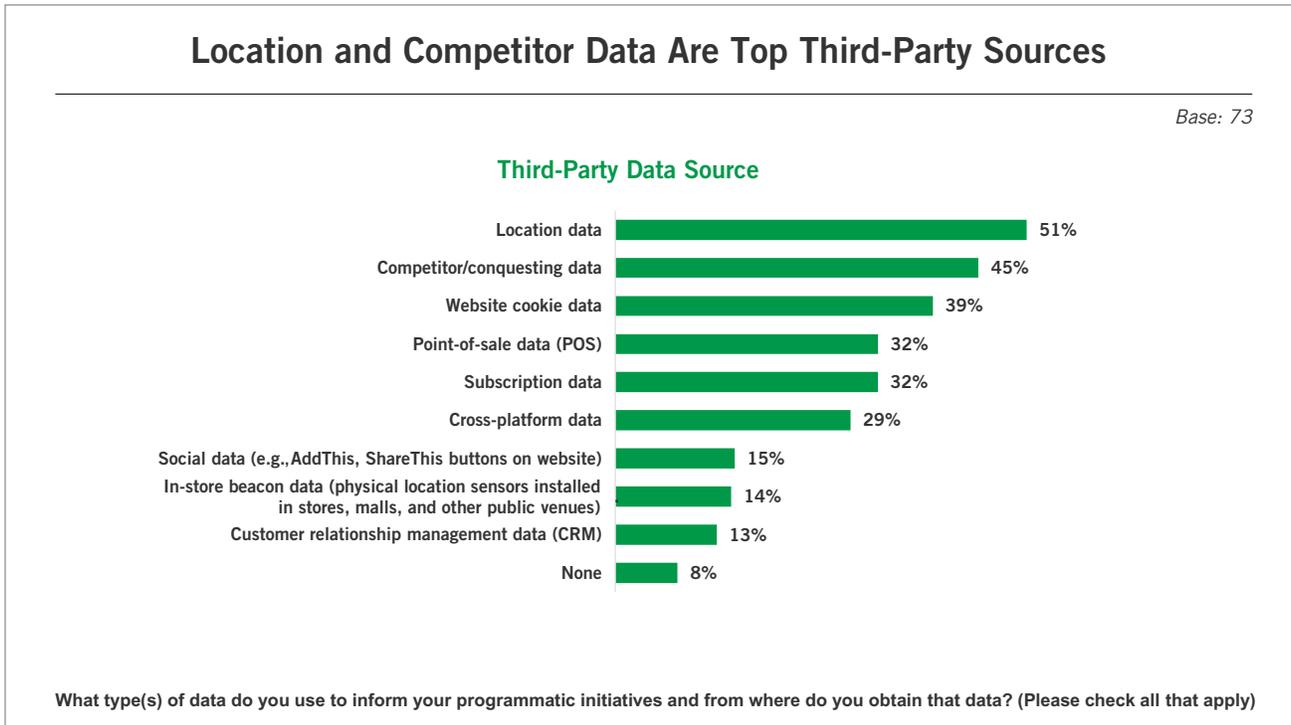
Detailed Findings

The most common second-party data sources are social data (22 percent), POS data (21 percent), location data (20 percent), and website cookie data (19 percent).



Detailed Findings

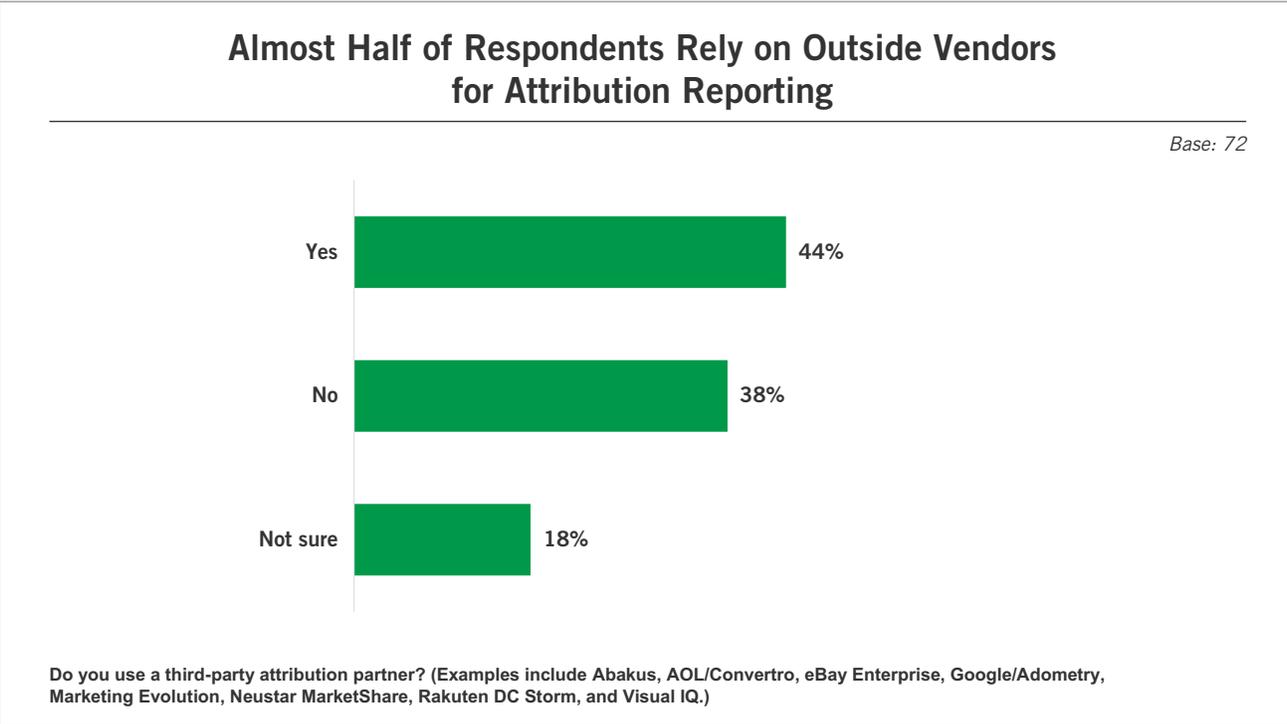
The most common third-party data sources are location data (51 percent), competitor/conquesting data, which is serving an ad adjacent to a competitor's ad or editorial content (45 percent), and website cookie data (39 percent).



Detailed Findings

Marketing Attribution in Programmatic Campaigns

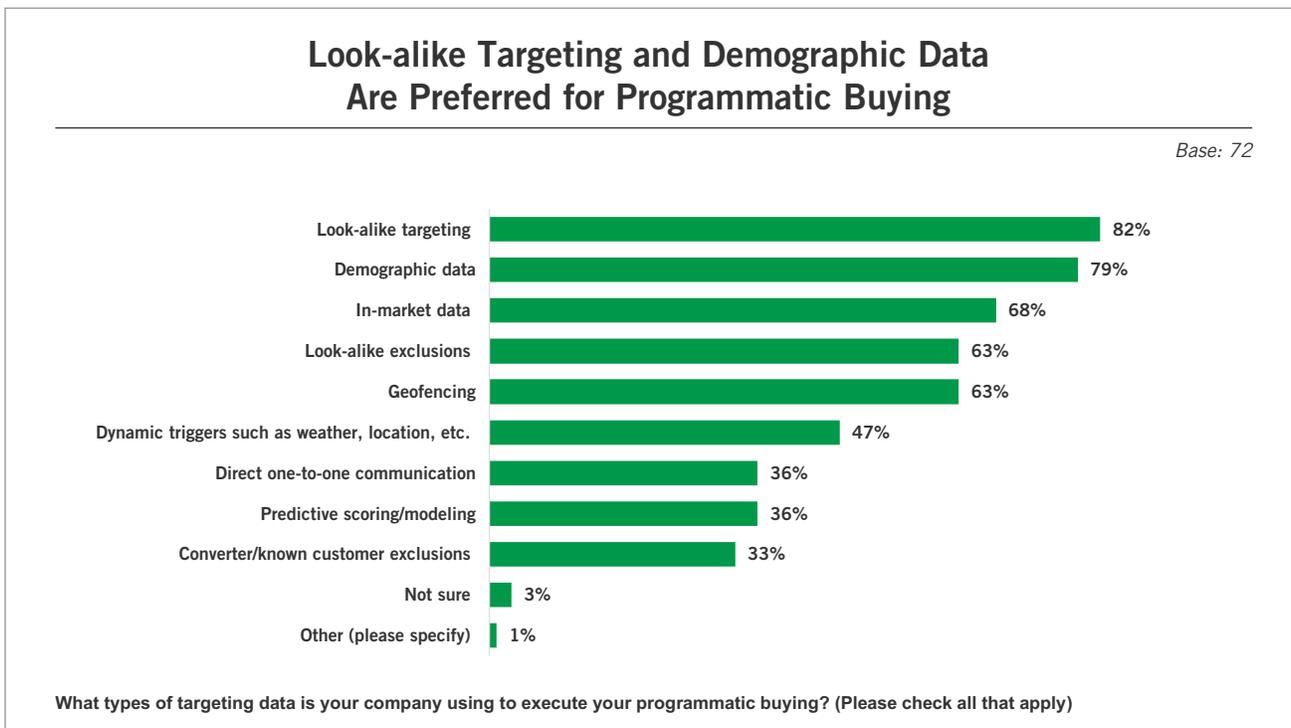
Attribution solutions are designed to let marketers determine the value of paid media impressions and other marketing touchpoints along the consumer path to purchase. Forty-four percent of respondents use a third-party attribution partner to assign value to incremental media impressions. Thirty-eight percent of respondents do not use a third-party attribution partner, and 18 percent of respondents are unsure if their company contracts with an attribution partner.



Detailed Findings

Targeting Data

Targeting data lets advertisers deliver their message to whom they want, when they want. Look-alike targeting (targeting an audience similar to an advertiser’s known customers) is the most common type of targeting data used in programmatic campaigns (82 percent), followed closely by demographic data (such as gender, age, race, income, education, employment, or geography, 79 percent), and in-market data (users with intent or propensity to buy a product or service in the near term, 68 percent). Look-alike exclusions (excluding an audience based on specified online behaviors or data) and geofencing (delivering ads within a defined geographic boundary using longitude and latitude as reference points) were also popular types of targeting data at 63 percent each.



Look-alike targeting	Targeting an audience similar to an advertiser’s known customers
Demographic data	Data such as gender, age, race, income, education, employment, or geography
In-market data	Users with intent or propensity to buy a product or service in the near term
Look-alike exclusions	Excluding an audience based on specified online behaviors or data
Geofencing	Delivering ads within a defined geographic boundary using longitude and latitude as reference points
Dynamic triggers such as weather, location, etc.	E.g., If sunny in location A, serve ad B to user C; if cloudy, serve ad D
Direct one-to-one communication	Connecting an advertising message with a specific user ID
Predictive scoring/modeling	An advertiser starts with verified data on users and their habits, activity and/or purchase history and this is scored and trained into a predictive math model
Converter/known customer exclusions	The exclusion of known customers who recently made a purchase

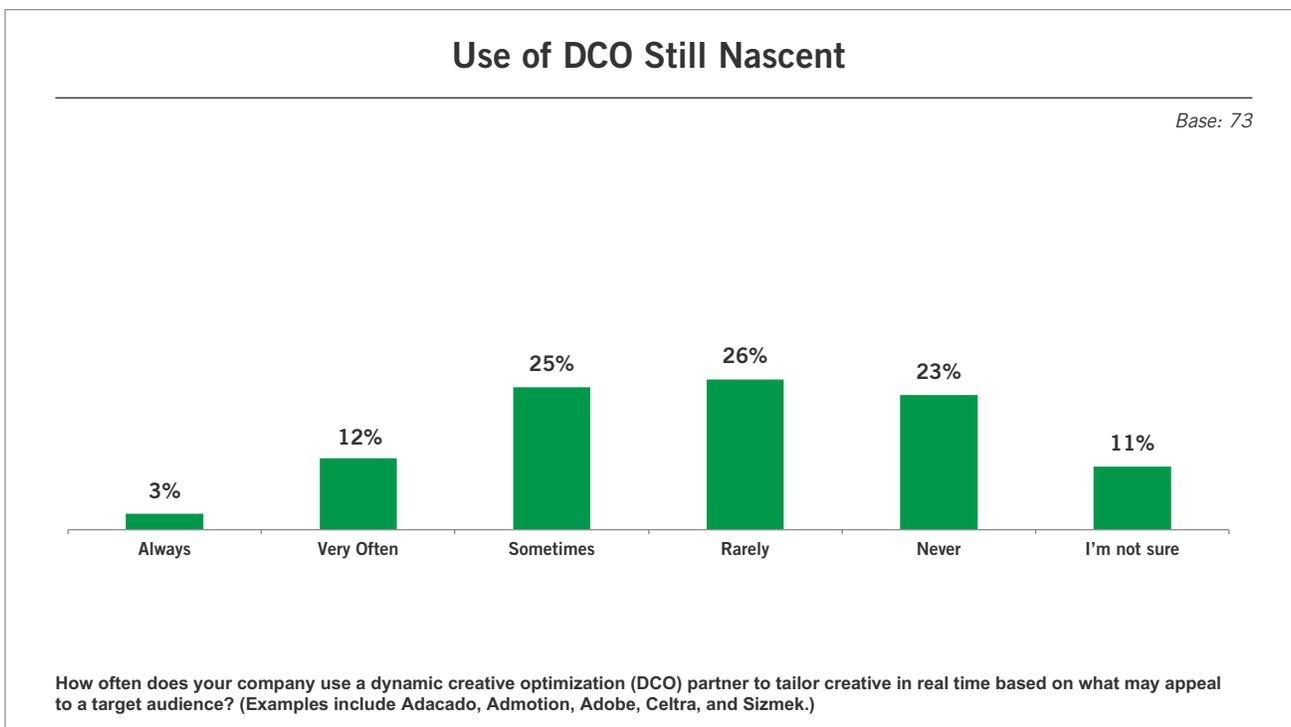
Detailed Findings

Use of Dynamic Creative Optimization (DCO)

Dynamic Creative Optimization (DCO) is a form of programmatic advertising that allows advertisers to optimize the performance of their creative using real-time technology.⁹ The use of DCO is still in the early stages, but we can expect to see more companies moving in this direction as they begin to realize the full potential of programmatic advertising. Test variables commonly include graphical elements, ad copy, colors, and click-through actions.

Programmatic buying and DCO can open up a variety of opportunities for targeted ad copy to be served to the right person at the right time, and it can necessitate breaking down internal silos to bring tech and creative teams together to produce better ROI on campaigns.

Three percent of respondents use this technology always, 12 percent use it very often, 25 percent use DCO sometimes, 26 percent use it rarely, and 23 percent never use DCO.



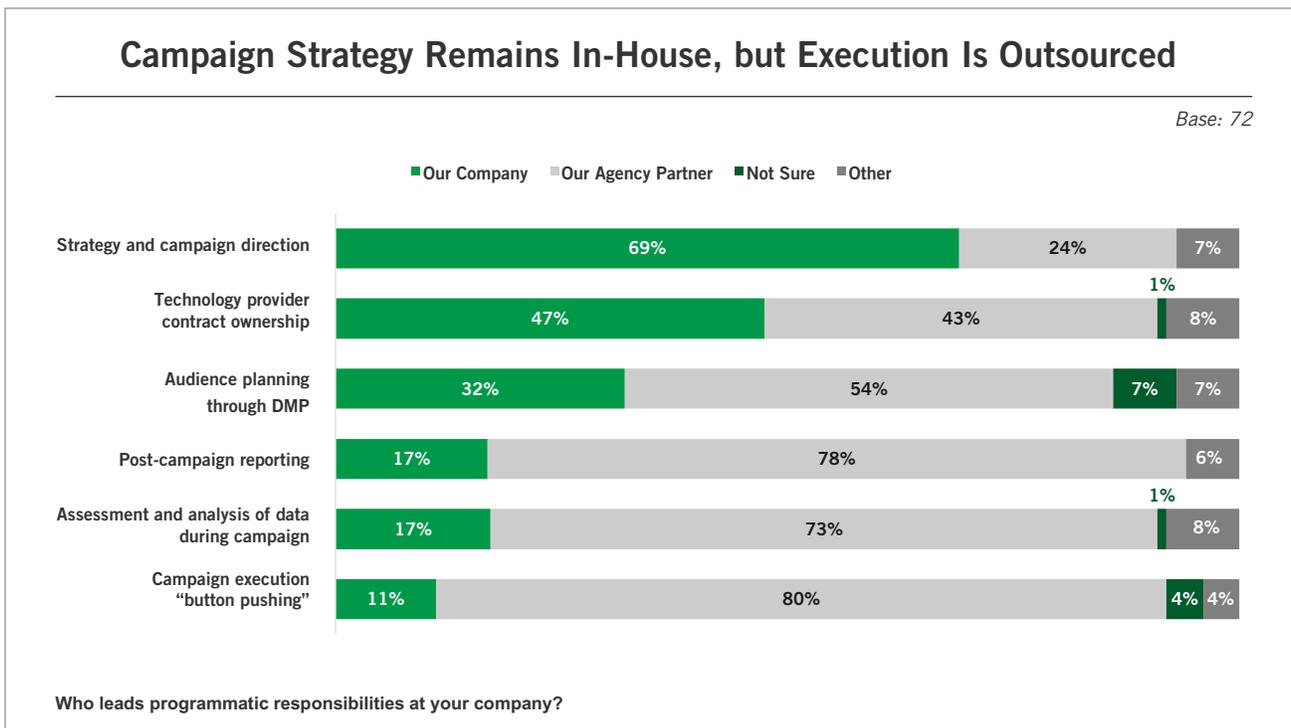
⁹ProgrammaticAdvertising.org: "Dynamic Creative Optimization: What is it?" <http://programmaticadvertising.org/2014/10/20/dynamic-creative-optimization-what-is-it/>

Detailed Findings

Ownership of Programmatic Responsibilities

Most companies prefer to set the strategy for their programmatic campaigns and many own the contracts, but agencies still play an important role in campaign execution. The majority of respondents (69 percent) handle strategy and campaign direction in-house, and nearly half (47 percent) own their technology partner contracts. In contrast, the majority of respondents tap their agency partner for campaign execution (80 percent), post-campaign reporting (78 percent), assessment and analysis of data during a campaign (73 percent), and audience planning through a DMP (54 percent).

The ANA recommends marketers own the contracts for their DMP, DSP, or both, and provide their agency(ies) with access to the platform to run the campaigns. This gives brands more leverage to demand transparency into contracts and fees as well as ease of portability in the event of an agency change.

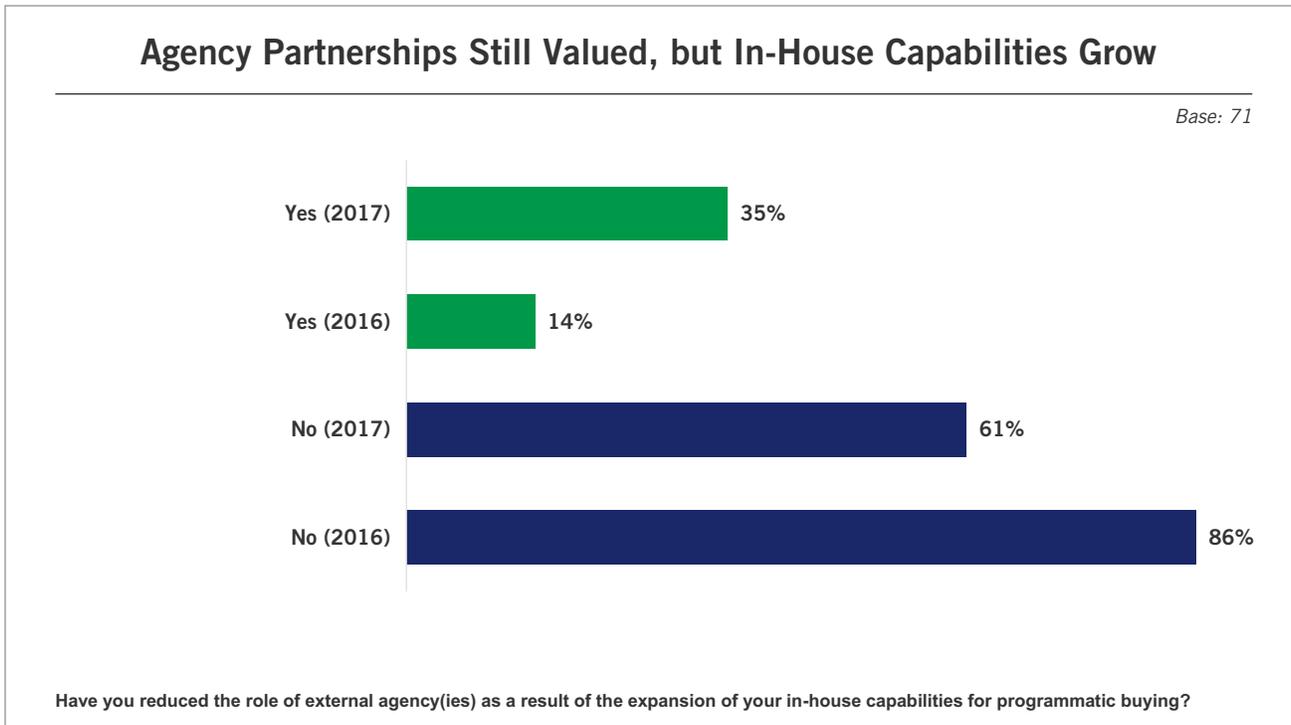


Note: Chart may not add to 100 percent due to rounding.

Detailed Findings

Staffing and Trends in Outsourced versus In-House Capabilities

More than a third of respondents (35 percent) have reduced the role of external agency(ies) as a result of the expansion of their in-house capabilities for programmatic buying. This is a notable change from the 2016 study, which reported that 14 percent of ANA marketers were reducing the role of their external agency as a result of in-house expansion.¹⁰



Note: 4% of 2017 respondents answered "Not sure," which was not an option in the 2016 survey.

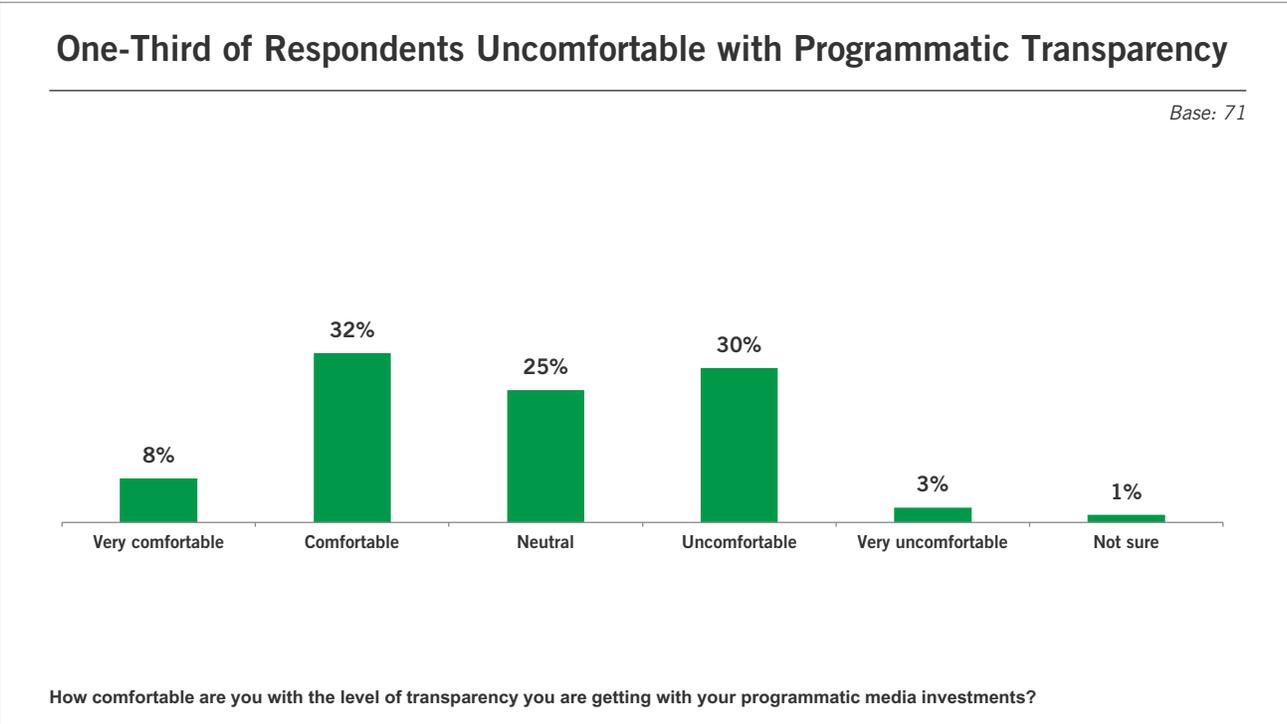
Most respondents have one full-time staff member who devotes 100 percent of his/her time to programmatic initiatives, with a range of zero to 15 full-time employees (median response of one). There are a larger number of internal staff who have at least some dealings with their company's programmatic initiatives, however. A median of three employees devote part of their time to programmatic advertising as part of their regular job duties. There is a wide range within this demographic — some companies manage with none, and others have a staff of 100 who deal with some aspect of programmatic advertising.

¹⁰ANA: "Programmatic Transforms Digital Media Buying." <http://www.ana.net/miccontent/show/id/rr-2016-programmatic>

Detailed Findings

Transparency in Programmatic Media Investments

Only 40 percent of respondents are comfortable or very comfortable about the transparency they receive with their programmatic media investments. A third are uncomfortable or very uncomfortable.



Detailed Findings

When asked why they felt uncomfortable with the level of transparency with their programmatic media investments, respondents said:

- “There is still too much opaqueness in the process. With other media buys, I know exactly where my investment was made. With programmatic buys, there is never a report that lists the websites my ads are placed on.”
- “[There is still] lots of resistance to being open on sharing actual data streams and results and allowing a third party to validate...which normally suggests there is something to hide.”
- “I don’t know what percentage of the buy goes to third-party fees.”
- “I have a lack of understanding of the day-to-day management of our programmatic spend with agencies and lack of transparency into optimization and planning.”
- “I’m not sure what sites our ads are running on and what hidden costs or fees we may be paying.”
- “I don’t feel that there’s clear data on the results.”
- “I still do not trust the quality of the inventory/placements for RTB efforts, from brand safety and viewability to contextually sound placements.”
- “[My company] did an audit and [the tech provider] refused to provide log-level data as requested for three months straight.”
- “The knowledge and reports go to our agency and we do not have the internal expertise to handle them.”
- “Despite direct contracts, a hands-on approach, and a thorough agency contract, programmatic buying is so complex that there is a high potential for hidden costs that are difficult, if not impossible, to detect.”
- “[There are] too many middlemen and layers between inventory source and buyer, including agency services that provide an unclear picture of what our working media actually is.”

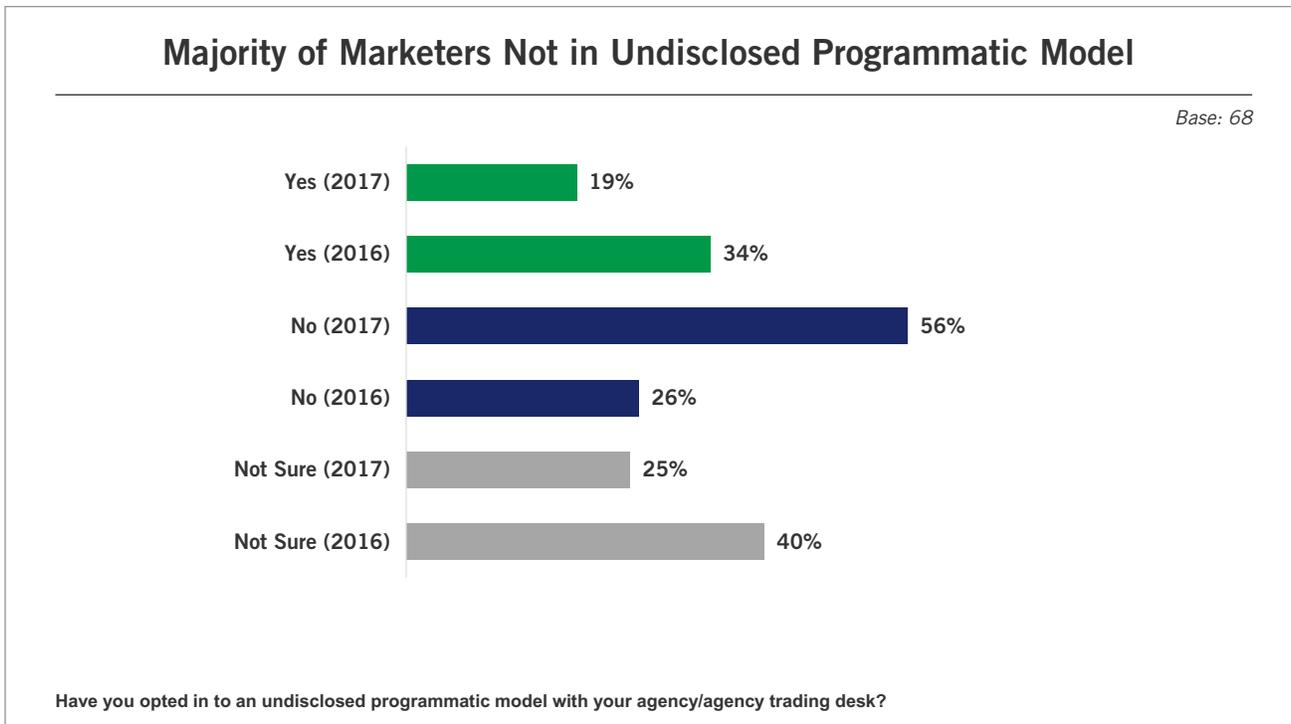
Detailed Findings

Undisclosed Programmatic Model

Nineteen percent of respondents indicated that they have opted in to an undisclosed programmatic model with their agency/agency trading desk. An undisclosed programmatic model typically refers to an arrangement where an agent and/or intermediary purchasing media on an advertiser's behalf does not disclose the actual closing/winning bid prices of media purchased, instead only providing a final price which includes margins and fees. By not disclosing the actual prices paid, margin (and potential arbitrage) is unknown and undisclosed to the client.

A 2016 ANA/Forrester survey indicated that 34 percent of respondents had opted in to an undisclosed programmatic model. In 2017, that number has been reduced to 19 percent. Additionally, 40 percent of respondents were unsure of the status of their programmatic model in 2016. This number has been reduced to 25 percent in 2017.¹¹

The ANA is aware that many marketers have made changes to programmatic buying practices to address media transparency concerns, and, specifically, fewer marketers are now opting in to undisclosed programmatic deals. ANA members are encouraged to ask questions and fully understand the tradeoffs between disclosed (more transparency) and undisclosed (no transparency but perhaps cheaper) to make the programmatic deals that are in their best interests.

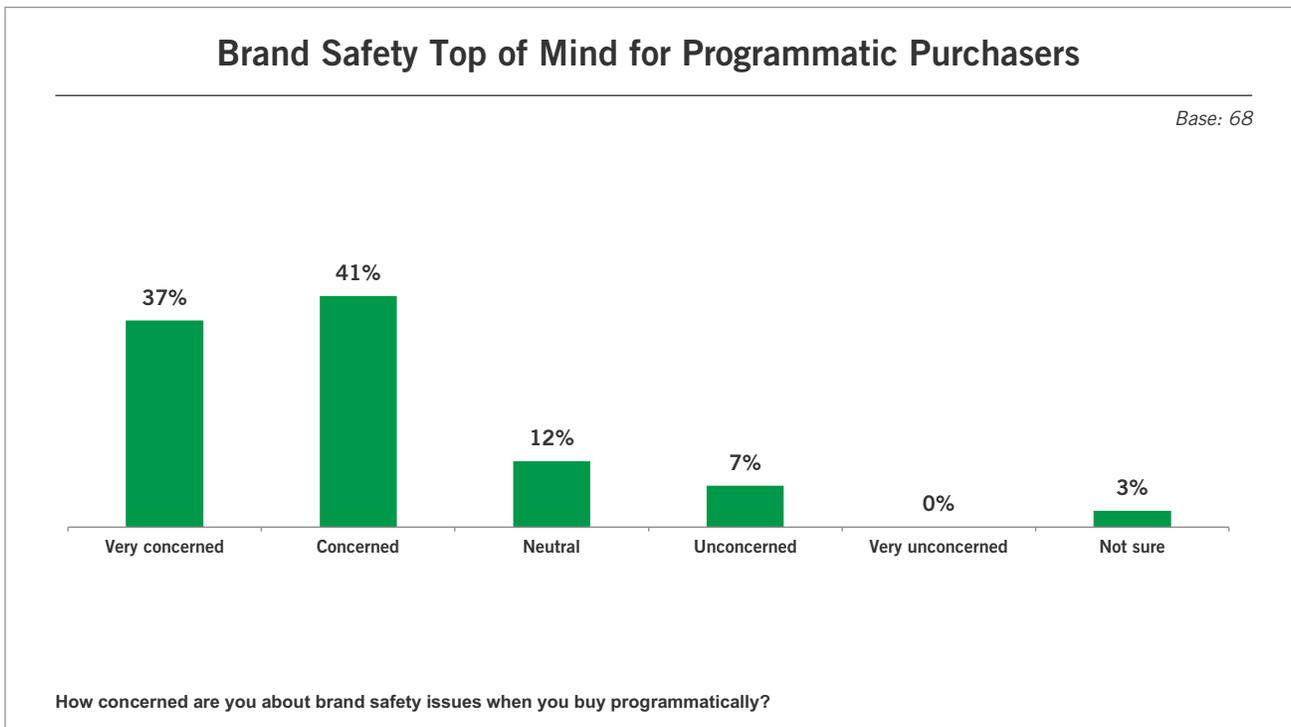


¹¹2016 ANA/Forrester survey

Detailed Findings

Brand Safety Concerns

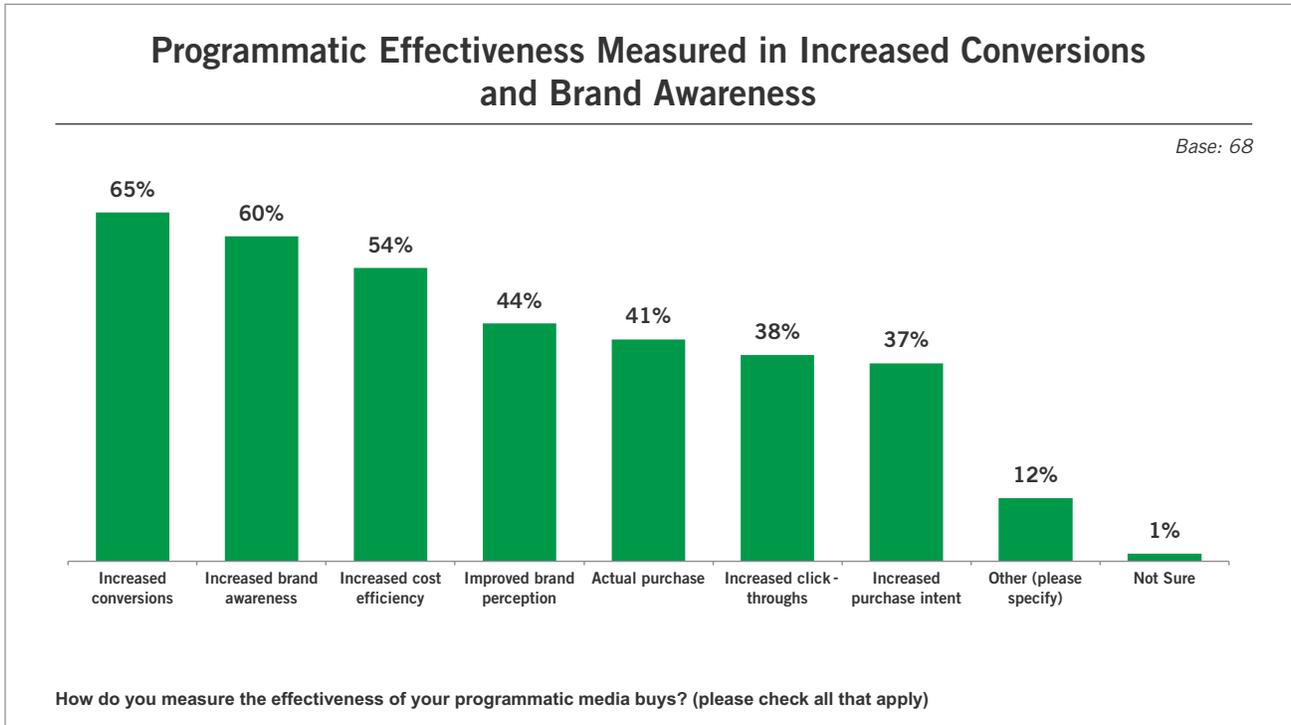
Brand safety refers to the tools and strategies that ensure an ad does not appear in a context that could potentially damage the advertiser's brand. This is crucial when it comes to online ads, because advertisers don't want to run campaigns where the ads end up next to offensive, inappropriate, or contextually negative information that hurts sales and the reputation of the brand. Brand safety has become a major cause for concern in 2017 with the publicity of high-profile cases where a company's ad ran next to racist content or recruitment videos for terrorist organizations. A large majority (78 percent) of respondents are either concerned or very concerned about brand safety issues in programmatic advertising.



Detailed Findings

Measurement of Programmatic Effectiveness

Every marketer wants to measure return on investment. Respondents to the survey measured their programmatic effectiveness largely in increased conversions, increased brand awareness, and increased cost efficiency.



Conclusions

Programmatic advertising is both an opportunity and a challenge for marketers today. It offers better audience targeting, real-time optimization, and the ability to build audience reach. However, given transparency and brand safety concerns, unlocking the best of programmatic advertising requires education and knowledge. Many marketers are taking a more proactive role in managing their programmatic investments.

A majority of companies (69 percent) set the strategy and campaign direction for their programmatic initiatives and nearly half (47 percent) hold the contracts for their technology providers like DSPs and DMPs. An important tenet of programmatic knowledge is understanding how the value of ownership and access to a company's own data enhances transparency.

Significant progress has been made by ANA members over the last two years to better understand non-disclosed programmatic models, which typically refers to media purchased on an advertiser's behalf that does not disclose the actual closing/winning bid prices, only the final price, which can hide large margins and fees. Fewer companies are choosing to enter into an undisclosed programmatic model — 19 percent in 2017 versus 34 percent in 2016.

Most companies have their agency partner(s) manage some of the more hands-on aspects of programmatic, including campaign execution (80 percent), reporting (78 percent), data analysis during the campaign (73 percent), and audience planning (54 percent). However, more than a third of respondents (35 percent) have reduced the role of external agency(ies) as a result of the expansion of their in-house capabilities for programmatic buying. This is a notable increase from the ANA/Forrester 2016 study that found 14 percent of ANA marketers were reducing the role of their external agency as a result of in-house expansion. Understanding the programmatic process and supply chain is crucial even for those companies which outsource these activities, as this knowledge can assist companies in deciding which responsibilities are best outsourced and which should be done in-house.

Satisfaction with programmatic performance among ANA members is mixed. Half are very satisfied/satisfied, but 46 percent were unsure or neutral. This indicates that better reporting and more ROI data are needed from the industry. Forty-four percent of marketers elected to use third-party attribution partners to help determine the success of their programmatic ads. These companies help marketers determine the value of paid media impressions and other touchpoints along the consumer path to purchase.

Transparency is still a large issue for marketers investing in programmatic advertising. Less than half (40 percent) of ANA marketers are very comfortable/comfortable with the transparency of their programmatic media investments. Respondents said they didn't know where their ads were running or what percentage of their money goes to fees, or were unable to receive clear data on results.

The following recommendations can help marketers take greater control of their programmatic media investments.

Recommendations

Determine how your organization will define programmatic success.

Set a clear path forward for your programmatic initiatives. Gather intelligence on how your peers are setting expectations for their campaigns and select your benchmarks intelligently. Make sure your team develops well-defined and actionable KPIs and works with your attribution partner and technology providers if necessary to see that your campaigns are hitting the right marks.

Build internal expertise.

One of the major benefits of programmatic advertising is the ability to track the impact of a company's investment and optimize ad campaigns in real time. However, this is only an advantage if brands are able to interpret results and optimize accordingly, making the case for building expertise into your marketing team.

Own the data and knowledge.

Marketers should consider owning the contracts for the DMP, DSP, or both, and then give their agency access to the platform to run the campaigns. This gives brands more leverage to demand transparency into contracts and fees, a high degree of control over programmatic planning and execution, autonomy over tech stack and partners, the ability to directly control transaction data, and ease of portability in the event of an agency change. Please see Appendix B for specific language you can incorporate into your contract to retain rights to your data.

Understand the tradeoffs of an undisclosed programmatic model.

The ANA is aware that many marketers have made changes to programmatic buying practices to address media transparency concerns, and, specifically, fewer marketers are now opting in to undisclosed programmatic deals. ANA members are encouraged to ask questions and fully understand the tradeoffs between disclosed (more transparency) and undisclosed (no transparency but perhaps cheaper) to make the programmatic deals that are in their best interests.

Implement top performer best practices to combat bot fraud.

Bot fraud (defined as ad fraud perpetrated by automated entities capable of consuming digital content) in programmatic advertising should be a red flag for marketers. The ANA has partnered with White Ops on three separate studies to measure bot fraud in digital advertising. Findings specific to programmatic advertising are:

- In the first study, published in December 2014 and covering digital advertising activity in July/August 2014, programmatic display ads had 55 percent more bots than the study average.
- In the second study, published in January 2016 and covering activity in July/August 2015, programmatic display ads had 14 percent more bots than the study average.
- In the third and latest study, published in May 2017 and covering activity between October 2016 and January 2017, fraud in programmatic was no different than non-programmatic.

Recommendations

According to White Ops, contrary to the first two studies when programmatic buying was a strong risk factor for fraud, many programmatic platforms have instituted sophisticated security controls against bot traffic sourcing that have helped reduce fraud. Furthermore, programmatic advertising has become a much bigger part of the overall market, especially for digital display advertising. Programmatic buying represented 55 percent of digital display ad spending in 2014, with the projection of representing 78 percent in 2017 (per eMarketer).

Marketers are encouraged to read **“Bot Baseline 2016–2017 — Fraud in Digital Advertising”** and consider implementing the top performer best practices detailed in the report.

Be aware of sourced traffic.

Marketers should also be aware of sourced traffic in digital advertising buys — including programmatic buys — and clearly understand its use in their media schedules. Sourced traffic is when digital media sellers pay to acquire visitors through third parties. According to the latest ANA/White Ops study, traffic sourcing is still the top contributor to ad fraud, with 3.6 times as much fraud coming from sourced than non-sourced traffic. Marketers should demand transparency from publishers about traffic sources and build language into RFPs and insertion orders that requires publishers to identify all third-party sources of traffic. An illustration of one approach, developed by Reed Smith, the ANA’s outside legal counsel, is: “Media Company shall disclose to Advertiser and Agency in writing (and update on an ongoing basis) its practices for sourcing third-party traffic.” You should consult with your own counsel to develop specific provisions that best serve your company’s individual interests.

Follow the advertiser playbook outlined in the report “Programmatic: Seeing Through the Financial Fog.”

Earlier this year, the ANA, the ACA (Association of Canadian Advertisers), AD/FIN Solutions, and Ebiquity PLC published **“Programmatic: Seeing Through the Financial Fog.”** That study provides practical solutions to help advertisers take greater control of their programmatic investments and to investigate the costs and economics of the programmatic ecosystem. The study provides an “Advertiser Playbook” with an 11-step action plan to enhance programmatic accountability. Please see details in Appendix A.

Appendix A: Advertiser Playbook — 11-Step Plan for Enhanced Programmatic Accountability

Reprinted with permission from “Programmatic: Seeing Through the Financial Fog.”

Association of National Advertisers (ANA), the Association of Canadian Advertisers (ACA), Ebiquity, and AD/FIN, 2017.

For advertisers seeking greater transparency and accountability in programmatic media, we recommend the following playbook of action steps to set the proper governance foundation within your organization.

- 1. Clarify the advertiser/agency relationship between the agency and third parties and ensure disclosures of all conflicts of interest.** Given the level of debate in the marketplace around the fiduciary responsibilities of agency and buying partners, we recommend complete clarity on this topic with respect to programmatic media, specifically:
 - The primacy of relationship should be that of client (advertiser) and supplier/partner (agency).
 - The agency should have, at minimum, an express responsibility to act in client’s best interest.
 - The agency should have an obligation to disclose all potential conflicts of interest relating to third-party media and technology providers.
 - Advertisers should consider insisting that their agency acts as an “agent of the principal,” with the advertiser as the principal for media bought and the technologies (ad servers, DSPs, etc.) and data used. Even if an agency insists on acting as a principal in a transaction, that does not mean the transaction cannot be entirely transparent. Furthermore, it does not mean that the advertiser cannot own and control associated data. An advertiser can always demand transparency and data ownership/control when the agency is acting as a principal by stating so in the contract.
- 2. Make an informed programmatic disclosure and accountability decision.** Whether to engage and purchase programmatic media on a disclosed or non-disclosed basis is a critical decision for every advertiser. We recommend careful consideration of this decision. Advertisers which do not explicitly plan for and address programmatic disclosure will likely find themselves faced with considerable challenges to transparency.
 - As previously mentioned, in a disclosed model, you should be able to access your transaction data, fees, and costs across the supply chain.
 - In a non-disclosed model, you likely won’t be allowed access to this information, instead agreeing to accept an aggregated report for all media and services provided. The benefits of a non-disclosed model are not discussed here, as they are outside the scope of this study, but for some advertisers, that may be an appropriate and preferable model based on your goals, budgets, and priorities. Even with a non-disclosed model, you should expect, at the very least, to receive proof your ad ran in compliance with the advertiser’s inclusion or exclusion list, be able to ensure viewability, and control for fraudulent traffic. In addition, advertisers opting for non-disclosed models should put other protections in place to ensure that the agency’s media recommendations are in the advertiser’s best interest and that the advertiser is purchasing media as a principal.

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3. Clarify what programmatic disclosure and accountability means to your organization. Be explicit about what disclosure means to you. If we learned nothing else in this process, it is that terms such as “disclosure” and “transparency” can take on different meanings depending on the exact language used in the controlling contracts and SOWs.

- Be precise in what it means to your organization and in your expectations of cost, fee, and performance data that you expect to get from your buying partners.
- Conduct a comprehensive review of all existing agreements with your media vendors, agents, and service providers. This exercise will identify areas where disclosure restrictions may exist, are silent, or are not clear.
- In future RFPs, insist on transparency at the outset to head off contractual impasses once a contract is awarded.

4. Implement the “transparent” programmatic planning and buying model that’s right for your organization.

While each approach has pros and cons, advertisers do have choices on how to engage in programmatic media buying to get the level of accountability and transparency they need. Advertisers should explore and determine the most appropriate approach after careful examination with their agency and technology partners. Three primary options are:

i. In-House Programmatic Buying: While there is a continuum of “in-house” variations,¹² in general, the advertiser sources programmatic personnel and technology inside the organization. This approach will put you in maximum control, but comes with its own set of challenges and is likely not practical for many.

Pros

- Maximum control over programmatic planning and execution
- Autonomy over tech stack and ad-tech partners
- Control over targeting and transaction data; do not have to share details with other parties or partners
- Hybrid models do exist to share some of the burden with an agency partner

Cons

- Significant investment building resources and capabilities that may not be core to the advertiser’s business
- Need to negotiate and manage ad-tech contracts and partners
- Potentially less spend leverage for inventory, data, and technology

¹²In-house buying exists along a continuum, with a range of responsibilities divided up between marketer and agency. Via Labmatik, 2017, one way to see this continuum is as follows: a) full in-house activity; b) programmatic buying unit (PBU) brand-led, where the marketer oversees the bulk of related activity; c) PBU agency-led, which involves the marketer but is driven by the agency; and d) outsourced, which completely relies on the agency and may involve the use of principal-based trading units to procure and resell inventory.

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- ii. Disclosed Agreement with Agency; Advertiser Control of Tech Stack:** The foundation of this approach is a fully disclosed agreement with the media agency, with the advertiser taking the lead and ownership of ad-tech contracts with service and technology providers, specifically the DSPs, but could be extended to verification services, ad server(s) and third-party data providers, and others.

Pros	Cons
<ul style="list-style-type: none">• High degree of control over programmatic planning and execution• Autonomy over tech stack and partners; ability to choose partners based on advertiser requirements• No investment in internal capacity-building outside of tech partner management• Ability to directly control transaction data	<ul style="list-style-type: none">• Reliant on disclosed agreement terms, enforcement, and verification to ensure adequate transparency and accountability• Need to negotiate and manage ad-tech contracts and partners• Potentially less leverage for negotiating data and technology contracts

- iii. Disclosed Agreement with Agency; Agency Control of Tech Stack:** The foundation of this approach is also a fully disclosed agreement with the agency, but in this instance the agency also owns the contracts with service and technology providers. With the agreement enforced and verified via unfettered access to your log-level transaction data (or another source of verified proof of cost, fees, and delivery), this is a likely choice for many advertisers. Whether this is implemented with the agency as a dedicated trading desk/team, a managed service model, or a hybrid, we recommend the Master Service Agreement (MSA) be clear on all disclosure terms and verification.

Pros	Cons
<ul style="list-style-type: none">• Relatively simple and fast to implement• Requires little to no internal investment in specialized programmatic skills• Allows you to leverage skills, scale, and experience of agency to select and manage tech and data partners	<ul style="list-style-type: none">• Reliant on disclosed agreement terms, enforcement, and verification to ensure adequate transparency and accountability• Outsourcing programmatic planning and execution, so need tools and processes to oversee, audit, and assess buys• No autonomy over tech stack and partners• Agency has copy of your data and can leverage and aggregate to enhance its capabilities

The above are provided as three primary options for consideration. There are of course other options, hybrid models, and non-disclosed approaches that advertisers may choose to explore and implement based on their specific needs and expectations.

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5. Enhance your MSA/media buying agreement(s) to meet your accountability needs and expectations.

Desiring a properly disclosed agreement and crafting one are two different things. We recommend you update and/or renegotiate agreements where disclosure and/or data access is prohibited or limited.¹³ A few areas to focus on include:

- **Supply Chain Disclosure:** Ensure your contract entitles you to full disclosure of all costs and fees incurred in the process of buying each media impression, and allows for review and approval of contracts with vendors, suppliers, and ad-tech partners used in the process.
- **Disclosure of Third-Party Fees:** Ensure your contract addresses whether third-party costs, such as ad-server fees, data fees, and verification fees, are to be passed through at cost or if there is an allowable markup.
- **Disclosure Requirement for All Partners:** Ensure your contract requires that any third-party contracts (DSP, ad server, etc.) adhere to the same level of disclosure as your master agreement.
- **Data Ownership/Control:** Contracts should specify that ownership/control of campaign data lies with the advertiser and should ensure transparency of, control of, access to, and portability of that data. If an advertiser wants to opt in to a non-disclosed model of media buying where it gives up some control of, access to, or portability of its data, it should do so only on a case-by-case basis. Any opt-in agreement should expressly state what rights the advertiser has to the data and what the agency and third parties may do with the advertiser's data, if different than what is stated in the MSA. Contracts should be clear whether the agency and third parties can aggregate the advertiser's data with other data it owns.
- **Audit Rights:** The advertiser's right to audit should extend to all entities covered by the master services agreement, including the Agency of Record (AOR), its holding company, and any other affiliated and related companies that are involved in the transactional chain on behalf of the advertiser, including Agency Trading Desks (ATDs), barter companies, and other trading affiliates. This should extend to third-party companies where such companies provide services for the advertiser and/or negotiate any deals with suppliers that include the advertiser's investment.¹⁴ Without this reach, it may be impossible to get full transparency, and it is certainly impossible to *know* whether there is full transparency.
- **Data Security Requirements:** Ensure your contract requires the agency and its suppliers to have adequate data security protections in place, at minimum, consistent with your other corporate policies.

¹³The ANA Master Media Planning and Buying Services Template ("ANA Template") or ACA Marketing Communications Services Agreement provides language which can be useful in addressing some of these points. Alternatively, proposed language and terms can be obtained by contacting the ANA/ACA for assistance.

¹⁴As stated in the ANA, Ebiquity, and FirmDecisions "Media Transparency: Prescriptions, Principles, and Processes for Marketers" report.

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6. Ensure your MSA/media buying agreement(s) address(es) critical programmatic media specifics. Given the complex nature of programmatic media buying, advertisers need a practical and scalable way to verify compliance of contractual terms, and evaluate and optimize media investments. As one viable approach, we recommend that advertisers demand and secure control of their programmatic transaction-level data — winning bid log data and metadata — to serve as each advertiser’s record of transaction (e.g., “programmatic invoices”). To this end, we strongly recommend that the following points be clearly addressed in your MSA or buying agreements:¹⁵

- **Log and Metadata Access:** Ensure your contract entitles you to unfettered access to log-level transaction data (event logs and associated metadata) as a key verification source of fees and costs from all buying/inventory sources, including each DSP used to execute the advertiser’s media buys.
- **Log Data Hygiene:** Ensure your contract requires that each source of log-level transaction data and metadata (e.g., DSPs) attest that the data they are providing is accurate to the best of their knowledge and has not been manipulated in any manner.
- **Log Data Partitioned:** Ensure your contract requires your log-level transaction data and metadata to be properly partitioned and siloed from that of other, potentially competitive advertisers and media buyers.
- **Log Data Delivery:** Ensure your contract requires each DSP (or buying technology/team/tool) being used by the agency and/or trading desk on your behalf to make available the requested transaction data on a timely basis.
- **Log Data Retention:** Ensure your contract requires each DSP (or buy-side technology/team/tool) used by the agency and/or trading desk on your behalf to retain this transaction data for a minimum timeframe (e.g., 12 months).
- **Log and Metadata Definition Clarity:** Ensure your contract requires all vendors and DSPs to clearly define all data fields and attributes in their transaction logs and metadata (and any other data provided), especially any fields related to costs and fees.

7. Put disclosure to work for you — access, monitor, and evaluate all your programmatic buying.

Programmatic media buying can and should have rigorous financial reporting and audit protocols. Winning bid logs (and associated metadata) are practical and scalable proxies that can serve as your “programmatic invoices” and financial receipts for media purchased on your behalf. Put disclosure to work for you, and at a minimum:

- Access and securely store your transaction data (e.g., for rolling 12 months).
- Analyze and review your transaction data (e.g., quarterly).
- Leverage your transaction data for audit purposes (e.g., as necessary).

¹⁵Sections 15.1 and 15.2 of the ANA Template are drafted in a manner to allow the advertiser to get more granular with specifics about programmatic buying and other data.

Appendix A

Once you are in receipt of your transaction data, you can better verify contract compliance and analyze, track, and optimize your investments across your digital supply chain, knowing much more about:

- Costs and Fees
 - Media/inventory — cost of each impression purchased (clearing price)
 - Targeting data — cost and vendor of each third-party data segment
 - Verification services — cost and vendor for each service deployed
 - Other ad tech (implemented via DSP) — cost and vendor for each service deployed
- Ratios and Benchmarks
 - Working/non-working spend ratio
 - Inventory/execution spend ratio
 - Data/inventory spend ratio
 - Other custom ratios
- Media Inventory Delivery and CPM details
 - Domain/URL
 - Geolocation
 - Time/date
 - Size/position
 - DSP/SSP
 - Video/mobile details
 - Action per impression (view, click, purchase, etc.)¹⁶
- Optimization Opportunities (a few examples)
 - Identify most efficient paths to purchase inventory (DSPs, SSPs, publishers)
 - Identify targeting data performers and investment thresholds
 - Identify and minimize blinded and malformed inventory
 - Identify optimal budget mix and supply chain
 - Other custom analysis

8. Build and manage a site/publisher inclusion list. An inclusion list¹⁷ is a powerful way for advertisers to maintain control of the sites, pages, and apps their ads appear on or in. Whether digital media buying is done directly or programmatically, your ad still appears on or in an app, page, video, or podcast. Who that publisher is has a lot to do with how well your ad will perform or what happens if it doesn't. If you are a major advertiser, publishers have a big incentive to be on your inclusion list and stay there.

¹⁶Note: this can/should be augmented with ad server data and/or data from attribution services.

¹⁷An inclusion list is a list of all approved websites, pages, and/or apps that an advertiser is allowing their ads to appear on or in.

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9. Assess and audit for compliance and to identify opportunities to improve. There are many types of audits, and they can be tailored to the advertiser's specific requirements and objectives. Audits track and measure performance achievements against agreed-upon KPIs (financial and/or process). Digital media audits differ from traditional media audits due to the collection methods of advertiser's data.

- A financial audit requires the technology to process the volume of data of what was purchased, at what price, and the access to that transaction data.
 - The advertiser may believe that the agency's trading desk stores all the transaction data, while the agency may believe that the transaction data lies within the billing management system. This can get even more complex if the agency uses a service provider to buy search or social media.
 - The agency may even suggest that the only data to be audited is delivery data from the ad server; however, this does not contain any financial transaction data, nor does it provide a guarantee that the media ran on the specific site it was supposed to. It is essential that the advertiser and the agency agree on what the definition of transaction data is, where it is located, and what access to that data is available to the advertiser and auditor.
- A process audit checks the planning, buying, trafficking, and reporting processes, and the technology that underpins them, to ensure the MSA is being implemented.
- Some of the technology used in campaign management may have undergone an audit from Media Rating Council. This should not be confused with an agency audit. However, the use of MRC-audited and MRC-accredited technology could be defined within the MSA.
- Be aware of all potential conflicts of interest while also ensuring that all data and technology can be validated independent from your media partners.

10. Support the creation and nurturing of cost and fee benchmarks and norms in programmatic media.

For decades, advertisers and agencies have contributed to benchmarking pools on an anonymized basis to establish norms and comparison points for media costs and performance. This valuable process could justifiably be expanded to include programmatic media.

- By contributing anonymized data, advertisers will be in a stronger position to understand the true costs of media as well as the costs and benefits associated with each part of the digital supply chain.
- Access to market benchmarks and norms should lead to the setting of more robust KPIs.
- Members of the ANA and the ACA should take the lead in contributing to pooling and benchmarking.

11. Stay vigilant — “trust but verify.” Given the changing landscape of digital media, and the potential for new service providers, DSPs, tech providers, data providers, and so on to be added (or dropped) from your media stack, we recommend a data and disclosure review on a recurring basis.

Appendix B: Sample Contract Language for Client/Agency Contracts Inclusive of Programmatic Media

The following is sample contract language to include in Master Services Agreements with agencies that provide programmatic buying services. This language is provided courtesy of Reed Smith LLP and was drafted with the recommendations in the advertiser playbook found in the “Programmatic: Seeing Through the Financial Fog” report in mind.

Programmatic Media

- a. Agency shall operate on a fully transparent basis when offering and delivering programmatic media — i.e., media placements leveraging automation, including, without limitation, those placed through digital platforms, including, without limitation, networks, exchanges, trading desks, and demand-side platforms (“DSPs”) — and in accordance with the transparency principles in this Agreement which apply to all Services provided to Client. The full chain of pricing as to the cost of programmatic media (e.g., any data costs, “programmatic tech tax” and/or other fees of agency trading desks, DSPs, exchanges, supply-side platforms, etc.) shall be fully disclosed to Client.
- b. Without limiting the foregoing, Agency shall contractually require the following with all third parties offering or delivering programmatic media or related services:
 - i. *Transaction Data Access and Delivery:* Client shall have timely and unfettered access to transaction data associated with Client’s media placements. In the Client’s sole discretion, access and/or delivery shall be made directly to Client or through the Agency. For the purposes of this Section, “transaction data” shall mean: event logs, associated metadata, and any other data, in a non-aggregated/non-commingled format, reasonably requested by Client in order to validate the media placements, including, without limitation, data costs, programmatic technology taxes and fees, and clearing price paid at the exchange.
 - ii. *Log Data Hygiene:* Each provider of transaction data shall attest in writing, upon request of the Client or Agency, that the data they are providing is accurate and has not been manipulated in any manner. All providers of transaction data shall clearly label and provide a definition of all data fields and attributes in the transaction data and promptly communicate any changes in the fields to Agency and Client in writing.
 - iii. *Log Data Partitioned:* Log-level transaction data and metadata shall be properly siloed from that of other Agency and Vendor clients.
 - iv. *Transaction Data Retention:* Transaction data providers shall retain all transaction data for a minimum of three (3) years.
- c. Except as otherwise expressly agreed herein in or in an SOW, Agency shall not charge a mark-up for programmatic services, including, without limitation, media, data, technology/platform costs, trading desk, etc. Agency shall comply (and shall cause Associated Companies to comply) with Client’s requirements as issued to Agency from time to time in writing with respect to the nature and quality of programmatic media being purchased. Agency shall cooperate with Client throughout the Term to develop and agree upon metrics and standards for programmatic services which shall be developed and improved applying best industry practice.

Appendix B

- d. Agency shall fully disclose through periodic discussions and/or writings with Client all Client-specific and industry general learnings derived from the handling by it or any Associated Company of Client's accounts. Agency shall proactively make "best industry practice" recommendations to Client from time to time in this regard. In the event that any industry standards are adopted during the Term that assist in identifying the full chain of pricing of programmatic media, Agency agrees to discuss these standards with Client promptly so that the parties can consider and, upon mutual written agreement, implement such standards.
- e. As between Client and Agency, Client shall own the transaction data.



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