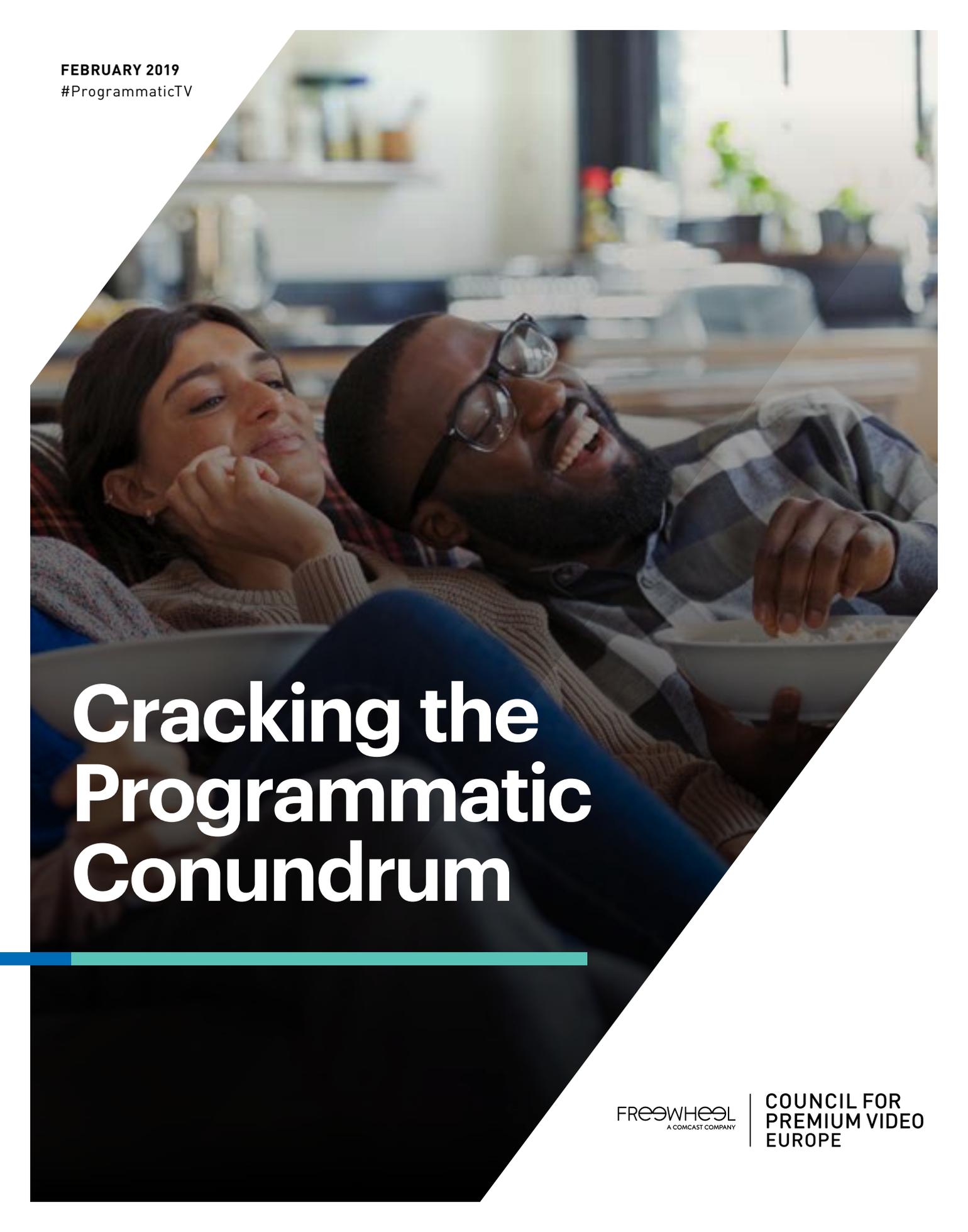


FEBRUARY 2019  
#ProgrammaticTV

A photograph of a man and a woman sitting at a table in a cafe, laughing heartily. The man is wearing glasses and a plaid shirt, and the woman is wearing a beige sweater. They are both holding bowls of food. The background is a blurred cafe interior with shelves and plants.

# Cracking the Programmatic Conundrum

FREEWHEEL  
A COMCAST COMPANY

COUNCIL FOR  
PREMIUM VIDEO  
EUROPE

# SUMMARY

This paper outlines three strategic approaches being taken by premium video broadcasters and pay TV operators to incorporate programmatic trading and how the rest of the ecosystem stands to benefit:

- Using programmatic advertising to grow local markets
- Automating processes to manage inventory more efficiently
- Harnessing programmatic technology to boost the overall value of the market

## Introduction

**AS AUDIENCES INCREASINGLY MOVE BETWEEN MULTIPLE SCREENS TO ACCESS THEIR FAVOURITE CONTENT, REACHING THEM HAS BECOME MORE COMPLEX THAN EVER — ESPECIALLY YOUNGER, MORE DIGITALLY FOCUSED INDIVIDUALS.** This is often cited as one of the main reasons for adopting programmatic trading, with smart technology seen as a way to engage these 'lost' audiences. Yet doing so can also make programmatic feel like a conundrum: it is frequently used to realise an opportunity but how and why one uses automation in the premium video space is nuanced. This is not about a shift in audience value: intelligent use of data can deliver valuable targeting, and should only enhance that value. Employing premium programmatic strategies are instead driven by prevailing market forces, budget allocation and inventory management practices.

This paper discusses three approaches taken by premium video broadcasters and pay TV operators that are already delivering success as their businesses have been quietly transforming. Although the shift to programmatic trading is reliant on technology, it is the change in sales and operational strategies that have driven positive outcomes. Each method will explore key challenges, results drivers, and any related myths. As the proportion of media allocated to direct sold and programmatic continues to grow in the ecosystem, the lessons of these applications will be essential to boost planning effectiveness and harness the efficiencies of automation.

This paper is a first in a series of outputs that the FreeWheel Council for Premium Video, Europe (FWCE) will be releasing to address the benefit to all in growing the programmatic ecosystem.

“There are benefits for sellers who embrace automated sales, especially with today’s fragmented audiences when manual operations can become very time consuming. Programmatic should not be seen as a do or don’t. Those who fail to embark will face an uncertain future.”



**MIRANDA CONROY**  
*Nordic Head of AVOD Monetization & Business Development*  
 Nent Group

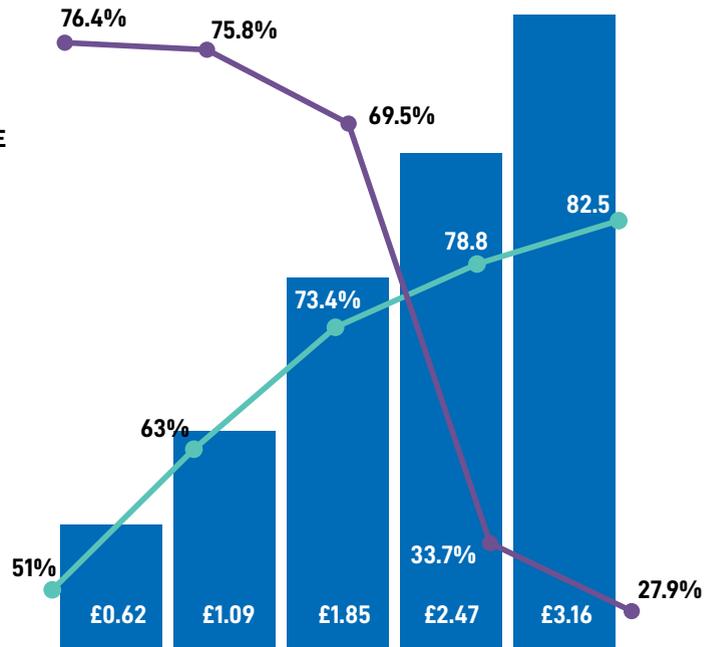
CHART 1

### UK Programmatic Digital Video Ad Spending, 2016–2020

billions of £, % change and % of total digital video ad spending

■ PROGRAMMATIC DIGITAL VIDEO AD SPENDING ■ % CHANGE  
 ■ % OF TOTAL DIGITAL VIDEO AD SPENDING

Note: digital display ads transacted via an API, including everything from publisher-erected APIs to more standardized RTB technology; includes advertising that appears on desktop/laptop computers, mobile phones, tablets and other internet-connected devices; includes advertising that appears before, during or after digital video content in a video player.



Source: eMarketer, Dec 2018

## Broadcasters and Pay TV Operators: Core Attributes

So what is it about premium video that creates these nuances and unique approaches to programmatic?

1. The high value content that broadcasters and pay TV operators manage is dominated by long-form content, but also includes live events and simulcast channels. The advertising experience is similar across linear and digital, with multiple ad pods (involving several ads) inserted into content. This can create a clash management challenge – i.e. no two brands from the same category or worse, the same advertiser from different sales channels delivered into the same pod.
2. Broadcasters and pay TV operators have set a high bar in terms of user experience - this is both due to their long-standing direct relationship with audiences and existing regulations. This makes the premium video inventory they offer highly brand safe.
3. Historically broadcasters and pay TV operators have been in full control of the supply/demand relationship and so are accustomed to planning very early in advance. Being very heavily regulated means they cannot hand over complete control of the ads that are delivered on their platforms to agencies or advertisers. There are several categories such as alcohol, betting, HFSS (high fat, salt, sugar) products that can only be placed within certain content or at certain times (i.e. after 9.00pm). The repercussions for not adhering to this can be severe.
4. Premium video providers have an extensive and very complex footprint of endpoints. These include devices which have been less exploited by programmatic buyers due to their inability to track or measure users: Over-The-Top (OTT) devices, Set-Top-Boxes (STBs), IPTV. This wide range of devices, in addition to the high-quality user experience that broadcasters and pay TV operators, require has led them to create complex ad management processes.
5. They have invested significantly in using registration and feedback data to understand their end users whilst maintaining a positive user experience. This rich first-party data is one of their most valuable assets, which they are therefore reluctant to expose within programmatic channels, unless safety can be guaranteed.

According to eMarketer, just 2.5% of all US linear TV ad spending (or \$1.75 billion), will flow via programmatic channels this year. By 2020, programmatic will account for 6.8% of all linear TV ad dollars, or \$4.73 billion. Interest is there, but the infrastructure and legacy methods of transacting are keeping programmatic buying from skyrocketing in the next 24 months.

2019 is expected to be a pivotal year in terms of programmatic TV with solid advances in the US and EU.

## PART 1 – Growing Local Markets

**BUSINESS HISTORY HAS SHOWN THAT TO TAP INTO A NEW MARKET EFFECTIVELY, ONE MUST REDUCE THE BARRIERS TO ENTRY.** Linear TV advertising may be considered expensive by some marketers but its value is unparalleled due to its exceptional reach and audience impact [see the FWCE's earlier publication [Demystifying Premium](#)]. Much of the advertising success of large online platforms has been their ability to scale their volume of advertisers by having them plan and run their own campaigns – but these online platforms do not have access to the premium inventory delivered to highly engaged audiences that TV providers are able to offer. Through addressability and automation, television, in all its forms - linear, OTT, IPTV - now has the opportunity to broaden its appeal and access through programmatic channels.

So, who is seeing success by moving in this direction?

In the UK, Sky is using AdSmart (a proprietary addressable advertising platform) to serve a new market of advertisers keen to access quality video environments but have not previously considered a nationwide advertising campaign. These advertisers, with increased efficiency and reduced costs, are able to address a smaller proportion of Sky's audience because they don't need to focus on national reach. By honing in on a particular segment, which could be geographical, ethnic or a specific demographic, they can still achieve the impact most relevant to them. And Sky advertisers seem to be enjoying these benefits. Of the more than 10,000 addressable campaigns that have been aired, 74% of the advertisers are new to TV advertising and with a 70% rebooking rate, they are clearly embracing the value.

Whereas other media providers have embraced open marketplaces to leverage the maximum demand, broadcasters and pay TV operators are taking a different approach to ensure the necessary controls are in place. A programmatic guaranteed\* workflow allows the level of standardisation and automation required to scale with a broader set of advertisers, without sacrificing all of the compliance and nuances of premium video (e.g. generation of creatives, approval workflows etc.).

**While the barriers to entry are being lowered, any strategy to offer automated access to advertisers needs to consider how to support the planning, booking and executing of a targeted campaign through to demonstrating value.**

Programmatic when executed well can provide a tremendous opportunity to broaden ad sales particularly on OTT and other streaming platforms. Through a better understanding of the viewer via deeper data layers that broadcasters and platforms can provide, if utilised in a transparent way, programmatic TV can deliver campaigns effectively and provide a great ad experience. It benefits all in the value chain from advertisers to publishers, as well as the viewers.



**JAMIE WEST**  
*Deputy Managing Director*  
Sky Media UK

\* See appendix for definition of the programmatic models

## PART 2 – Making More Inventory Available

**BROADCASTERS HAVE ESTABLISHED A REPUTATION OF PROVIDING SUPERIOR ENGAGEMENT ENVIRONMENTS FOR THEIR ADVERTISERS.** This is not just due to the singular focus the viewer has with the content but also because the ad breaks are curated to be highly effective — usually without the viewer’s direct awareness. The TV viewer typically watches an appropriate number of adverts that are aligned with content, separated by industry to avoid dilution or conflict, frequency capped to guard against frustrating repetition, and targeted to optimise relevance where addressable.

Maintaining the clear value this curation provides across multiple campaigns requires both a deft touch, often supported by algorithm-based technology, and also requires high quality inventory to support it. From a broadcaster stand point, the ad operations team needs a proportion of unallocated inventory to maintain their reputation for unparalleled view-through-rate (VTR) and full campaign delivery. The lower the spare capacity, the higher the risk that a targeted campaign with restrictions will not be able to deliver as it competes with all other campaigns.

Sophisticated transactional forecasting allows campaign delivery risk to be managed, but like financial investments, past performance does not fully predict the future. As one gets nearer to the delivery date, the more awareness one has of the actual near-term level of audience viewing, as well as the cross-campaign impact on available inventory.

**Crucially, over time, effective forecasting provides an awareness of how all the current campaigns are pacing which means the business can afford to reduce the proportion of unallocated inventory with minimal risk.**

The operational demand of pursuing late direct sales against changing inventory is far from ideal, so what is the solution? This is one where programmatic comes into play. Private Market Places (or PMPs) enable a broadcaster or pay TV provider to open up more of its premium inventory while keeping its direct-sold commitments safe from undue risk. By making this inventory available only after direct-sold commitments are accounted for makes it relatively scarce to buyers so it comes as no surprise that such inventory is in high-demand for bidders, particularly compared to the other media options accessible to Demand Side Platforms (DSPs).

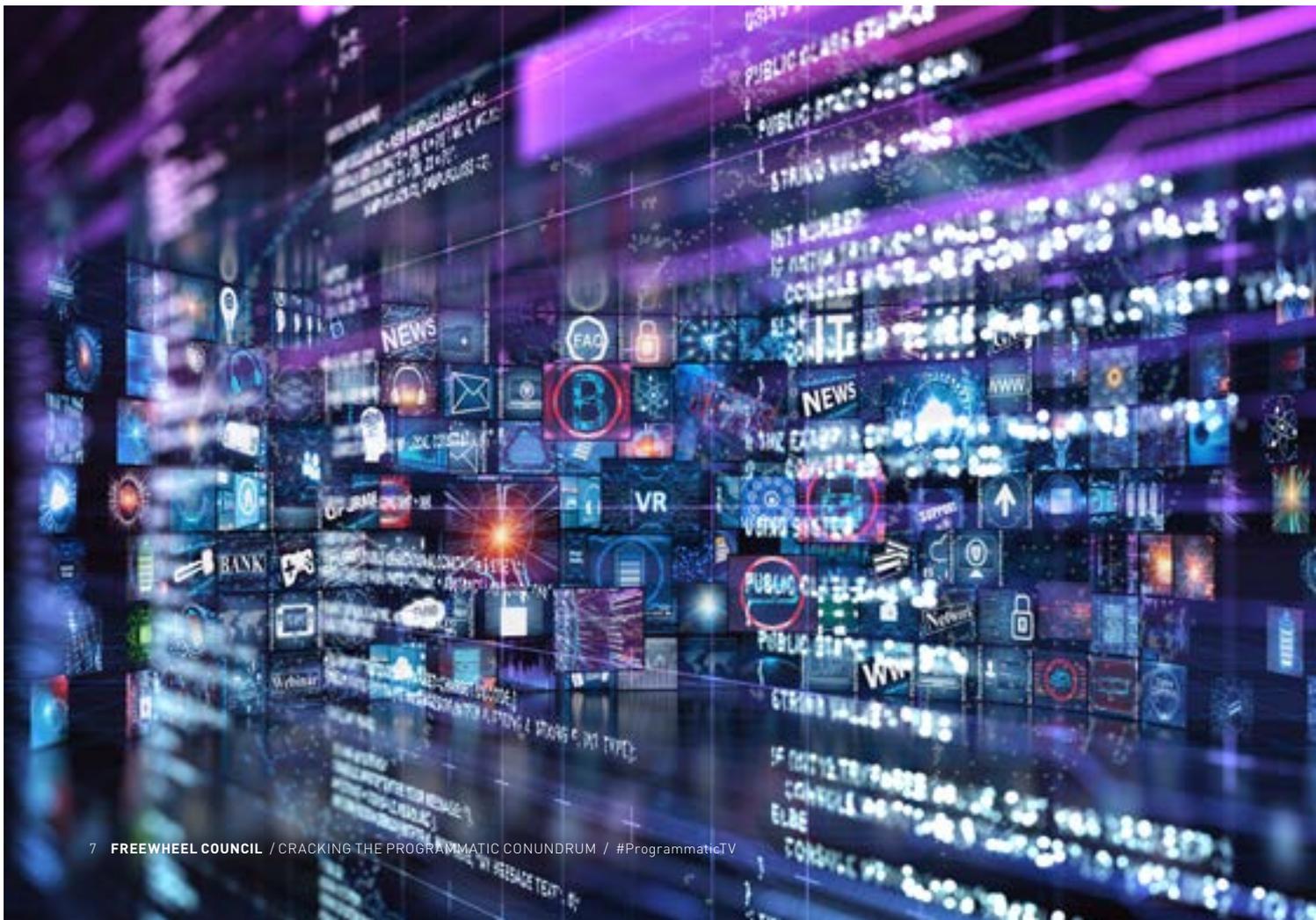
Therefore, the opportunity and expectation for the DSPs is not one of cheaper access to premium inventory but one of higher performance against their client’s demand. By tapping into premium video while recognizing its core attributes, they can deliver impactful campaigns through increased access to the environments and audiences that advertisers wish to reach. DSPs that do not invest in enabling these audiences as part of their portfolio are missing out on the most valuable viewers in brand-safe environments.

Too often industry players try to apply tools designed for programmatic display advertising to TV. But programmatic buying practices cannot be simply translated to live TV on digital channels. For example, DSPs need to build a robust infrastructure with the capacity to manage high level of concurrent viewings, as well as delivering the right ad, to the right people, at the right pace.

“Programmatic for live TV is not yet real-time, it requires important investments from all programmatic players to build the appropriate infrastructure that will enable programmatic demand and the ability to approve ad creative across the right audiences.”



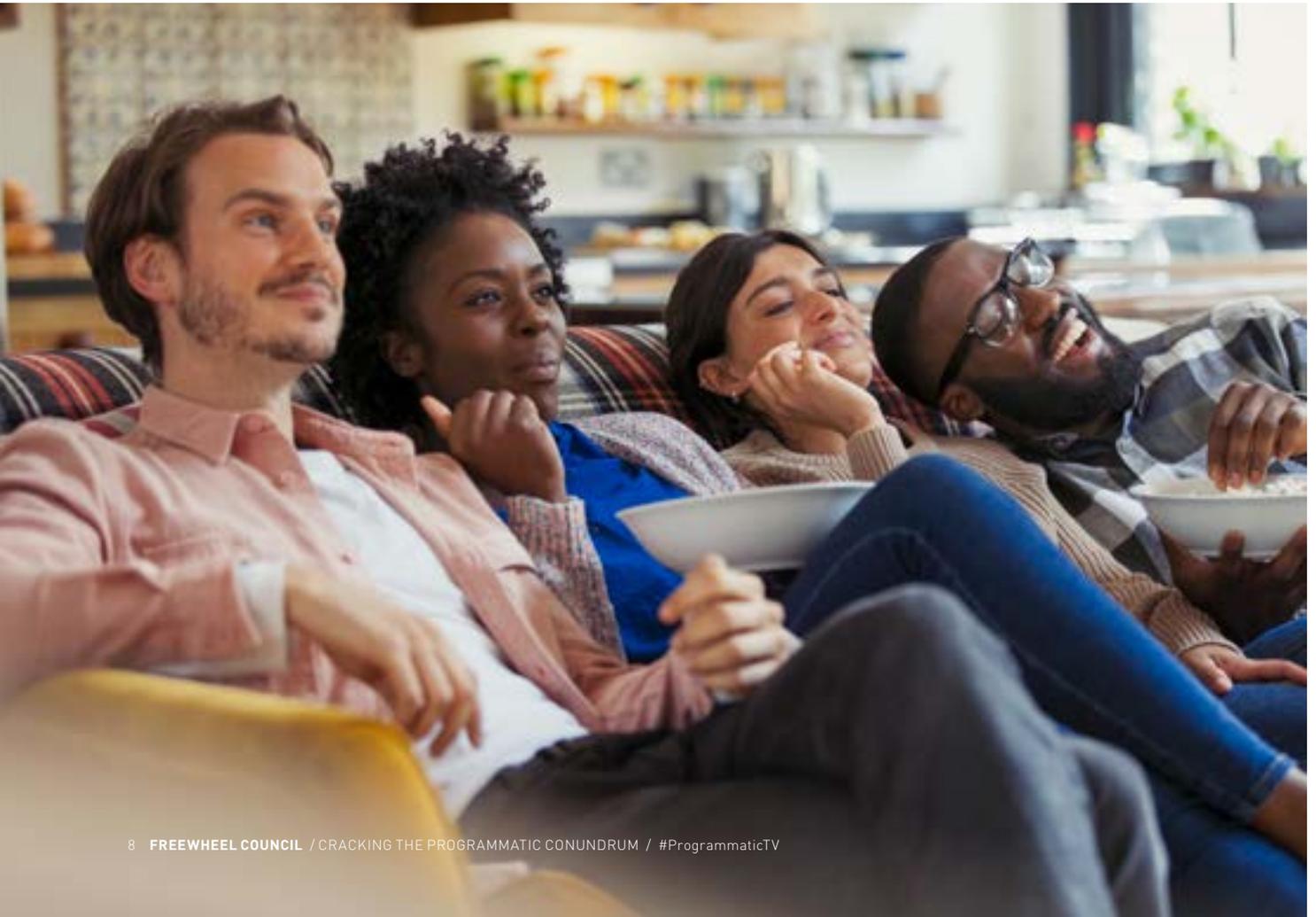
**DAVID FISHER**  
*VP Digital*  
Discovery International  
Networks/Eurosport



## PART 3 – Growing Overall Market Value

**THROUGHOUT THE INVENTORY SELLING PROCESS, PREMIUM VIDEO PROVIDERS NEVER LOSE THE KEY ELEMENTS OF THEIR VALUE PROPOSITION: THEIR AUDIENCE AND THE QUALITY OF IMPACT WHEN REACHING THEM.** What varies is the price paid for buying early and at scale. Upfront trading is the historical model and this provides significant benefits for both the buyer and seller: buyers secure a discounted price and control over a significant level of in-demand inventory; sellers have guaranteed revenue and also secure a share of the buyers' budget before it is spent elsewhere. The next stage of direct sales allows the broadcaster and advertiser to collaborate on optimising results using the broadcaster's knowledge of their inventory and audience, against the available budget.

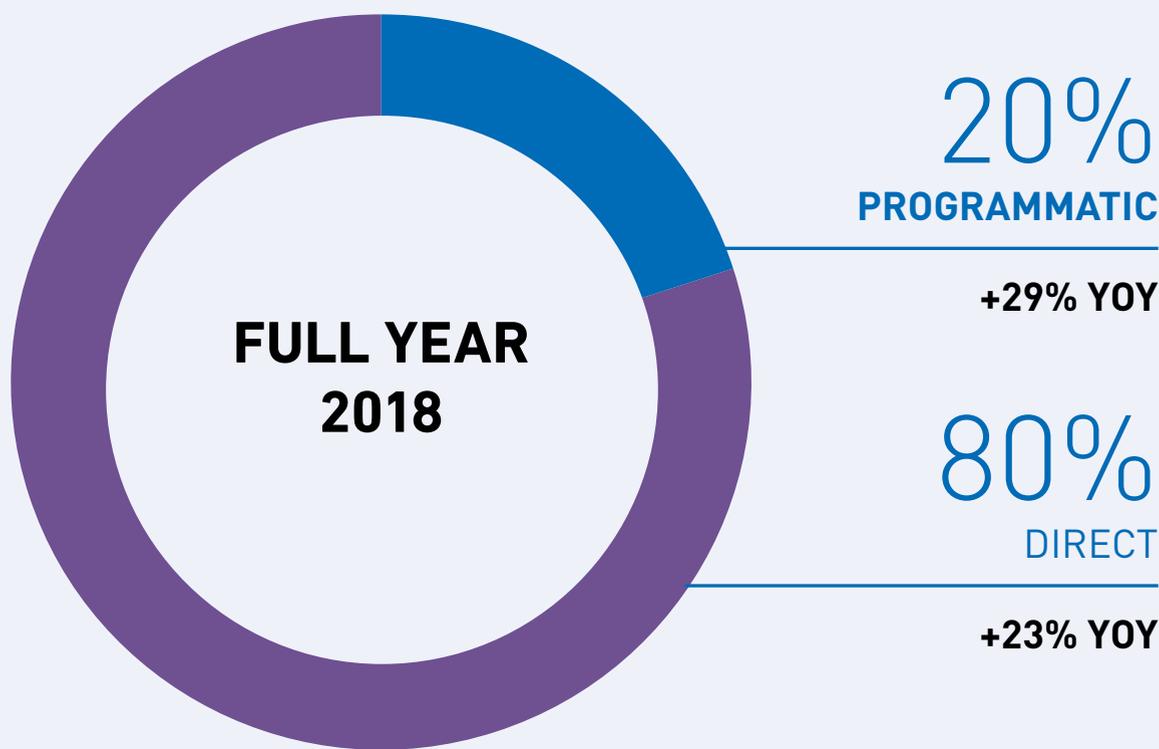
For many premium video providers, the legacy of linear commercial flow in funding content and the security of upfront spend has meant that sell-through rate is high, especially if combined with ongoing direct sales. In Europe, such inventory is highly contended and so subsequently this is not a model that has provided a significant level of spare inventory to be traded programmatically.



So, what is going to alter this dynamic? As always, the most persuasive argument for change is the ability to increase revenue without risk - but this is hard to achieve in practice. To mitigate risk requires a careful approach. Commercially, a business already knows what level of cash flow it needs and it understands the value realised during its previous upfront and direct sales. A key part is being able to forecast with confidence against future audiences and demand.

The greatest area of unknown at the upfront stage is the level and value of demand for its unallocated inventory close to the delivery date. If the demand is high, the programmer will be able to realise a level of additional margin compared to the upfront price (incl. the costs associated with inventory management). Conversely, if demand for unallocated inventory close to delivery date is low, not enough was allocated upfront, raising the possibility of wastage through unsold inventory.

## Share and Growth of Direct and Programmatic Monetization, Europe



Source: FreeWheel



With the mix of budget cycles, differing value propositions and the importance of ongoing relationships, the difficulty of managing risk against premium inventory should not be underestimated. But the potential rewards for building programmatic strategies into overall sales strategies are evident across the industry. Indeed, with its enhanced data and addressability, programmatic can compete with direct sales in terms of yield. In recent years, across the industry, broadcasters, pay TV and telco operators have initiated discussion to understand how they can enable greater targeting and addressability of linear TV households. This opportunity has only been accelerated by the rapid growth and adoption of connected TVs across markets. Increasingly, publishers are using programmatic executions against upfronts budgets committed as part of the upfront negotiation, thereby blending guarantees with dynamic delivery.

Publishers are in control of the allocation of inventory they make available to upfronts and to direct sales, allowing them to validate and balance their long-term sales strategy with shorter-term risk appetite, and the potential of inaction. Developing and testing a programmatic strategy earlier will allow for a longer learning period, which is the safest way to handle risks in a changing market.

---

## Conclusion

**WHAT IS CLEAR IS THAT THE FOCUS SHOULD BE TO MAP THE ADVANTAGES THAT PROGRAMMATIC OFFERS TO BUSINESS REALITIES, AND THEN MATCH IT TO THE WORKFLOWS AND TECHNOLOGY NEEDED TO REALISE ITS POTENTIAL.** The shifts in market adoption, technology maturity, data availability, budget allocations and inventory management are driving programmatic opportunities today, versus a path to access premium inventory cheaply.

Pursuing automation without understanding the TV ecosystem neglects the importance of premium video value and the maintaining of premium advertising experiences. An effective TV ecosystem, leveraging all trading models, in turn, funds premium content and provides buyer satisfaction whilst driving lasting trading relationships.

Advances in technology will continue to address advertisers' concerns against trust, transparency and quality, while also in protecting publishers' premium video environments.

Programmatic in premium environments is far more complex than in display, look at the intricacy of devices such as ConnectedTV, the vast array of players, formats and ad quality. As technology advances, combined with first-party data integration and greater yield optimisation, it is clear that improvements to ad quality with particular emphasis on brand safety and transparency will enable further growth in programmatic and private marketplace deals.



**PHILIPPE BOSCHER**  
Marketing/Digital/Research/Innovation  
TF1 Publicité

The premium video marketplace has time and time again proven it is the most effective place for advertisers' budget spend — which is why search, social and online platforms are all investing in premium environments to increase their share. Programmers must commit to opening up their media for new types of advertisers and offering new options for advertising spend — programmatic is proving effective at growing both.

**Programmatic is clearly not a passing trend and the strategic approaches outlined above show the powerful benefits that both buyers and sellers can draw from it.**

### MAJOR CHALLENGES OF PROGRAMMATIC BUYING ACCORDING TO MEDIA AGENCIES WORLDWIDE BY PROGRAMMATIC BUYING TECHNOLOGY OWNERSHIP, JUNE 2018

% of respondents

	PROGRAMMATIC BUYING TECH OWNERS	NON-OWNERS
Lack of transparency around media buys	78%	45%
Brand safety	59%	35%
Technological capabilities of third-party technology	54%	27%
Access to quality data	52%	55%
Lack of education/understanding	52%	49%
Programmatic ad fraud	48%	39%
Aligning existing kpis with desired business outcomes	48%	35%
Measuring the incremental impact of media buys	46%	49%
Cost of third-party technology	46%	35%
Scale—lack of high quality inventory	39%	45%

Source: ExchangeWire, 'Agents of Change: "The Rise of the Programmatic Media Agency" in association with Iponweb, July 2018

# OVERVIEW OF PROGRAMMATIC TRADING SOLUTIONS (DEFINITIONS)

## Open Marketplace

**OPEN AUCTION OR OPEN MARKET PLACE BUYING IN PROGRAMMATIC ADVERTISING ALLOWS A PUBLISHER TO OFFER ITS INVENTORY TO THE LARGEST POOL OF ADVERTISERS.** Here are some key attributes:

- No buyer restrictions and every advertiser is allowed to bid on an available impression.
- No direct relationship between buyers and sellers is required to transact via open auction.
- Buyers (advertisers, agencies, trading desks and/or DSPs) connect to an ad exchange - using the IAB's OpenRTB protocol – that seeks the highest bid, each time an impression is made available.

Open auctions often (but not always, so buyers need to understand which to plan their bidding strategy) use the second-price auction model: the buyer with the highest bid wins the auction, but the winning buyer's "clearing price" (the final price they actually pay) will be the same price as the second-highest bid. For example, suppose there are three bids in an auction: Buyer A bids \$10, Buyer B bids \$8, and Buyer C bids \$4. Buyer A, will win, but their "clearing price" (the price they actually pay) will be equal to the second-highest price, or \$8. This model encourages buyers to bid at higher prices, knowing that they'll only be charged according to the second-highest bid.

## Private Marketplace (PMP) or DEAL-ID

**A PRIVATE MARKETPLACE, ALSO KNOWN AS PMP OR IN SOME CASES DEAL-ID, IS SIMILAR TO OPEN AUCTION IN THAT IT OFFERS ADVERTISING OPPORTUNITIES TO BUYERS VIA A REAL-TIME AUCTION. KEY ATTRIBUTES ARE:**

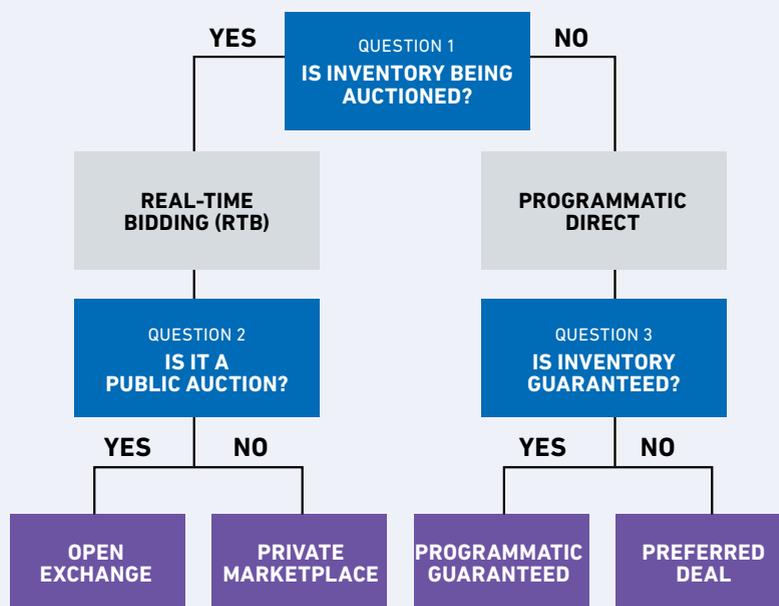
- Publishers offer their inventory only to a selected group of buyers (or trading desks).
- PMP transactions require a seller and their select buyers to negotiate the terms ahead of time (e.g. inventory type, expected volume, pricing guidance, dates, etc).
- Seller issues a physical Deal ID (e.g. "DEAL-SPORTS-0001") to the buyer to traffic into their buying platform (e.g. a DSP) in order to ensure they recognise impression opportunities that pertain to the pre-negotiated deal.

Private marketplaces offer publishers the ability to have much tighter control on which kinds of buyers, advertisers and creatives will be displayed on their site or app. PMPs offer other key benefits:

- Publishers have control over who buys their inventory, at what price, and on what properties.
- Advertisers have a clear understanding of which sites/apps their ads will be shown on, prior to the ad going live. Advertisers may also be able to secure preferred pricing and better access to inventory.

## UNDERSTANDING PROGRAMMATIC ADVERTISING IN THREE EASY STEPS

By asking three simple questions, you can identify the four main approaches to programmatic advertising and better understand the different transaction types used.



Source: eMarketer, Oct. 2018

## Programmatic and Audience Guaranteed

**Programmatic Guaranteed** is a new model in TV advertising that enables the buyers and sellers to execute fixed-price, guaranteed transactions via the same OpenRTB protocol used to enable open auction and PMP transactions but with parameters that support broadcasters' and pay TV operators' inventory sales models. Key attributes of programmatic guaranteed are:

- Pre-negotiated fixed price between buyer and seller
- Seller guaranteed volume
- Buyer will always provide an ad when inventory is offered
- The ad server will always slot the impression with the ad returned

Programmatic guaranteed transactions help a buyer ensure they will receive the required impression volume for a campaign, while giving the seller an assurance that all of the inventory allocated to the programmatic guaranteed deal will be purchased.

**Audience Guaranteed** is a form of programmatic guaranteed transaction. In audience guaranteed sales, the programmer (via the ad exchange) only sends the buyer impression opportunities that exactly matches the advertiser's target audience. The publisher uses a data management platform (DMP) to recognise the buyer's desired audience, thus ensuring that only ad inventory being viewed by the buyer's chosen audience is activated for their campaign.

**THANK YOU TO THE FREEWHEEL COUNCIL FOR PREMIUM VIDEO EUROPE MEMBERS, FREEWHEEL ADVISORY SERVICES AND PARTNERS WHO CONTRIBUTED TO THIS PAPER.**

---

## **About The FreeWheel Council for Premium Video, Europe (FWCE)**

The FreeWheel Council for Premium Video Europe (FWCE) was formed in June 2017 to serve the interest of those in the premium video industry through leadership positions, research, and advocacy. Aligned to the FWC formed in North America in 2015 (with members such as ABC, Fox and NBCUniversal), the FWCE consists of 18 members: Canal+ Régie, Channel 4, Discovery Networks International, European Broadcaster Exchange (EBX), France Télévision Publicité, Mediaaan, Publitalia, NENT Group, Next Régie, Proximus, RTÉ, Sanoma Finland, SevenOne Media, SFR Régie, Sky Media UK, Sky Media Germany, Talpa and TF1 Publicité. Across both Europe and North America, the FWC operates as an educational and organising resource to assist marketers to reach desired audiences in premium video environments, conduct research documenting the benefits of premium video and represent the interests of member publishers and the market

**For more information on the FreeWheel Council for Premium Video please visit [www.FreeWheel.tv/FWCouncil](http://www.FreeWheel.tv/FWCouncil) and follow us on Twitter @FWCouncil.**

### **FREEWHEEL COUNCIL**

FWCouncil@freewheel.tv  
@FWCouncil

### **INQUIRIES**

Emmanuel Josserand  
ejosserand@freewheel.tv