

Cracking the Programmatic Conundrum

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What is the paper about and who is it aimed at?

The paper looks at how broadcasters and pay TV operators have embraced automated technology to enhance their offerings.

It explores three strategic approaches premium video broadcasters and pay TV operators are taking to gradually transform their businesses through programmatic.

It is the first in a series of outputs the FW Council for premium video, Europe (FWCE) will be working on, looking into the important and complex topic of programmatic TV.

What are the three approaches?

Growing local markets

- Some premium video broadcasters and pay TV operators are using programmatic to reduce TV advertising's barriers to entry.
- This allows a new market of advertisers to focus on addressable audiences (rather than gaining national reach) with an overall lower spend.
- This strategy is enabled by a programmatic guaranteed workflow which allows buyers and sellers to execute fixed-price, guaranteed transactions via the same Open RTB protocol used to enable open auction and private marketplace (PMP) transactions.

Making more inventory available

- Premium video broadcasters and pay TV operators provide superior engagement environments with curated ad breaks containing appropriate volume of advertisements, aligned to content, separated by industry, frequency capped to avoid repetition, and – if addressable – targeted for relevance.
- Maintaining the value of this curation requires a certain proportion of unallocated inventory to allow for full campaign delivery.
- Using PMPs, broadcasters can open up more of their premium inventory without putting their direct-sold commitments at undue risk, driving demand for more valuable audiences in sought-after environments than other options DSPs may have access to.

Growing overall market value

- Broadcasters value the security of upfront trading, as they have a protected share of the buyer's budget and guaranteed revenue to invest in content creation.

- Demand for unsold inventory close to the delivery date could allow the broadcaster to realise a level of additional margin compared to the upfront price, but this involves an element of risk.
- Programmatic with enhanced data and addressability can compete with direct sales in terms of yield; by allocating inventory to upfronts, direct sales and programmatic, sellers can balance their long-term sales strategy with shorter-term risk appetite, growing overall market value.

Why is this output important?

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. Interest is there, but the infrastructure and legacy ways 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.

Premium video providers are a distinct group of sellers that monetise valuable content, set a very high bar for user experience, are heavily regulated, used to being in control of the supply and demand relationships, have a complex footprint of endpoints, and have access to rich first-party data.

To date, premium video providers, have carefully managed their steady adoption of automation to avoid any value erosion, but the advantages of using programmatic as a tactic alongside traditional sales channels are clear.

"There's 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.

What is the conclusion?

This paper demonstrates that focus should first be to map the business opportunity that programmatic offers and then match it to the workflows and technology to realise it. Adoption is not about a shift in audience value or a way to access inventory cheaply. Instead it is driven by a complex combination of shifts in market dynamics, technological maturity, data availability, budget allocation, and inventory management.

Recommending automation without understanding the TV ecosystem neglects the importance of ensuring premium video providers can convey inventory value and maintain premium advertising experiences.

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

"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 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.