

How brands can win the ad tech power game

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Date : February 10, 2016



Brands, publishers and ad tech companies are making big strategic moves into digital advertising in order to conquer a key segment of a market that has grown – and continues to grow – very fast.

According to the latest IAB figures, online **advertising** reached a landmark €30.7 billion (£23.6 billion) in 2014, with display **advertising** outperforming all other categories with a growth rate of 15 per cent, and reaching a total value of €10.9 billion. Magna Global estimates that the global programmatic market will increase from \$29.3 billion in 2015 to \$61.9 billion in 2018, representing a growth rate of almost 21 per cent.

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In 2014, we saw a run of major announcements such as **Apple's** move into programmatic **advertising**, **Yahoo's** acquisition of programmatic video platform **BrightRoll** and **Publicis'** purchase of programmatic platform RUN.

Over the course of 2015, there were even more mergers and acquisitions as companies scrambled to take advantage of programmatic growth. Japanese e-commerce giant Rakuten boosted its US **advertising** proposition with the acquisition of programmatic-buying tool Deep Forest Media. Rubicon Project acquired search and retargeting firm Chango. News Corp bought **social** video ad platform Unruly to boost video ad views. And **AOL** made major strides in cross-platform programmatic technology for marketers and publishers with the acquisition of Millennial Media.

Companies are fighting for a seat at the Programmatic table. At AppNexus, we call this the Ad Tech Power Game (#ATPG). With an extremely fragmented and complex ad-tech market, #ATPG is set to become even more fiercely fought in the months to come.

Authoritative voice of the **digital advertising** landscape Terrence Kawaja, founder and chief executive of Luma Partners, a boutique investment bank specialised in **digital** media, recently estimated that of the roughly 2,000 companies currently operating in the ad tech market, no

more than 150 will experience a successful liquidity event. The others will either be swallowed whole by as many as 15 mega-platforms or worse still, fail altogether.

Just under half of advertisers (47 per cent), two-thirds of **advertising** agencies (64 per cent) and nearly all media agencies (92 per cent) are now using programmatic, as shown by AppNexus' recent Global Trust Report. And as both publishers and advertisers' understanding of programmatic matures, their demand for a full-stack solution that enables them to regain control over the exchange of their **digital** inventory across multiple formats (e.g. video and display) and devices (e.g. desktop, mobile, tablet) will increase too.

#ATPG is fundamentally driven by the necessity of addressing the needs of both publishers and advertisers, and the companies most likely to survive this transition will be those that will genuinely be able to provide "end-to-end" technology for them.

Publishers and advertisers will also call for a solution that enables them to simplify both real-time bidding and automated guaranteed buying and selling. While holistic yield management and analytics will help publishers to monetise their content and drive revenues, control of data and more sophisticated decision-making technologies will allow advertisers to run campaigns more efficiently and effectively.

Building a high-standard single-platform technology requires great investment in terms of time and resources, and it's extremely complicated, so not every ad tech company can, or should, endeavour to build one. Some players may decide to build a full-stack solution via acquisitions rather than build the technology organically, and this doesn't come without challenges either. In fact, those companies that are the result of multiple acquisitions and mergers will have to overcome issues such as lack of speed, complicated integrations, inadequate reporting, and insufficient buy-side liquidity. In reality, it's unlikely that any company will have created its single-platform solution from scratch, or entirely by acquisition.

In addition to a single-platform solution, both publishers and advertisers will demand proof of scale and reach, and – most significantly – the commoditisation of services and compression of pricing, as the entire rationale behind migrating a business to a single platform is to obtain efficiency and economies of scale.

Further, the market will call for greater visibility in relation to spend, performance and inventory quality. Publishers and advertisers will only benefit from migrating to single-platform partners if the single-platform partners are able to provide a more transparent ecosystem.

In order to win the Ad Tech Power Game, companies will need to effectively enable publishers and advertisers to powerbuying and selling across an array of formats and marketplaces effectively, and provide highly specialised forecasting, data management and analytics—all in one seamless solution.

Since its earliest days, ad tech has shown itself to be a dog-eat-dog industry. With the programmatic market expected to grow at the staggering rate of 20 per cent annually between 2015 and 2018 - outpacing every other category of **digital** and non-**digital advertising**,

according to a recent forecast by Magna Global - the stakes have never been higher. The race to the single platform has begun. Who will get to the finish line first remains to be seen.

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