

RTB screening guide: how to vet supply sources

A buyer's guide to understanding programmatic buying and how supply sources can be screened to maximize success and minimize risk

Executive Summary

Outside of direct publisher bookings, ad networks and exchanges represent two of the most commonly used and scrutinized sources of online display media supply. However, unscrupulous business practices, channel conflict and instances of adverse brand association have fuelled an ongoing struggle within the buying community to substantiate their reliance on ad networks and exchanges.

The rise of standardization

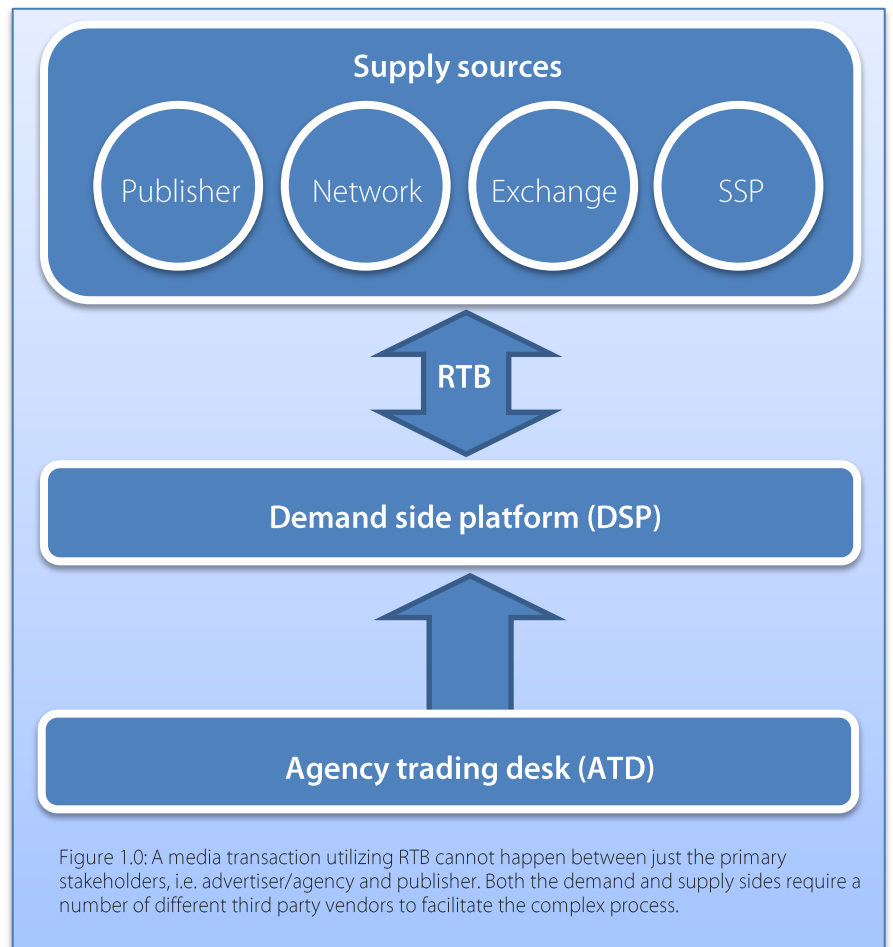
In late 2010, the Interactive Advertising Bureau recognized the industry's need for greater transparency into the inventory acquisition and disclosure practices of networks and exchanges and released the Quality Assurance Guidelines to provide buyers with a standardized taxonomy and framework for evaluating inventory quality. For the first time, advertisers and agencies had a means to not just vet their supply sources, but a mechanism to take action for non-compliance.

Meanwhile, advances in targeting technologies have given birth to a data-driven buying model that allows advertisers to bid on qualified display media at the impression level in real time (RTB).

Culminating from the exchange concept, the real-time bidding (RTB) process is facilitated by demand side platforms (DSPs) that media buyers can access through automated buying platforms or agency trading desks (ATDs).

Compared to the traditional network or exchange, the volume of inventory that flows through a DSP is far greater. As illustrated in Figure 1.0, DSPs don't work with just one supply source (e.g. one exchange). To truly be efficient, they must rely on multiple sources, which enables them to accumulate data-driven audience segments at scale.

Because the supply sources that DSPs leverage are made up of the same sources that buyers have traditionally put under a microscope (supply acquired through networks, exchanges and the like), due diligence is still required to assess inventory quality and safeguard your brand.



The RTB Screening Guide: How to Vet Supply Sources, is the first edition in our series of screening guides that tackles the real-time bidding process. Whether you are an advertiser, agency, ATD or DSP, no matter how far removed you are from the process, if you are in the business of procuring online media for the purpose of RTB, asking the following questions will arm you with valuable information upon which to formulate partnership decisions that will maximize success and minimize risk.

The mechanics of RTB: an overview

New rules of accountability

The world of RTB is one where buyer must beware. Agency Trading Desks (ATDs) alone are accountable for what they buy and how it performs. This model offers no middleman to look to for dispute resolution or make-goods. With RTB, more so than any other model, it is essential that buyers closely scrutinize the supply for which they are bidding.

Flow of accountability



Because RTB places priority on whether an impression meets specific audience criteria using a slew of data sources, environment and other characteristics that have been traditionally associated with quality and performance can be overlooked.

Factors like ad visibility, user frame of mind, site quality, page subject matter and more can all influence performance and brand safety.

This underscores the importance of screening supply sources up front to make certain they are responsible and accountable pools from which you can safely bid on audience without worry.



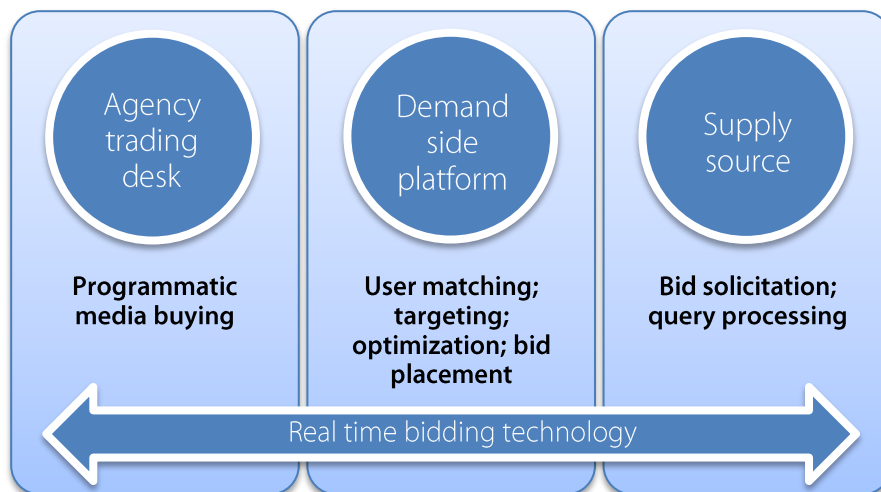
Media quality doesn't always get screened up front due to the data driven nature of RTB and without context, data doesn't always provide a comprehensive picture.

The question of technology

In the RTB model, supply sources like Networks and SSPs, which are typically associated with advanced targeting and optimization technologies, are primarily regarded as just that: supply sources. The assumption is that ATDs and DSPs bear the lion's share of the technology required to facilitate RTB.

While this may be true, supply sources themselves require bid solicitation technology that enables them to effectively manage bids to their inventory and maximize the value of RTB for buyers.

Call-out mechanisms, bid query standards and quality assurance protocols are all technology driven attributes that supply sources apply to enhance the efficiency of the bidding process. And because standards and capabilities vary across sources, buyers need to be aware of the differences to make better informed media selection decisions.



How to vet supply sources: 10 essential questions

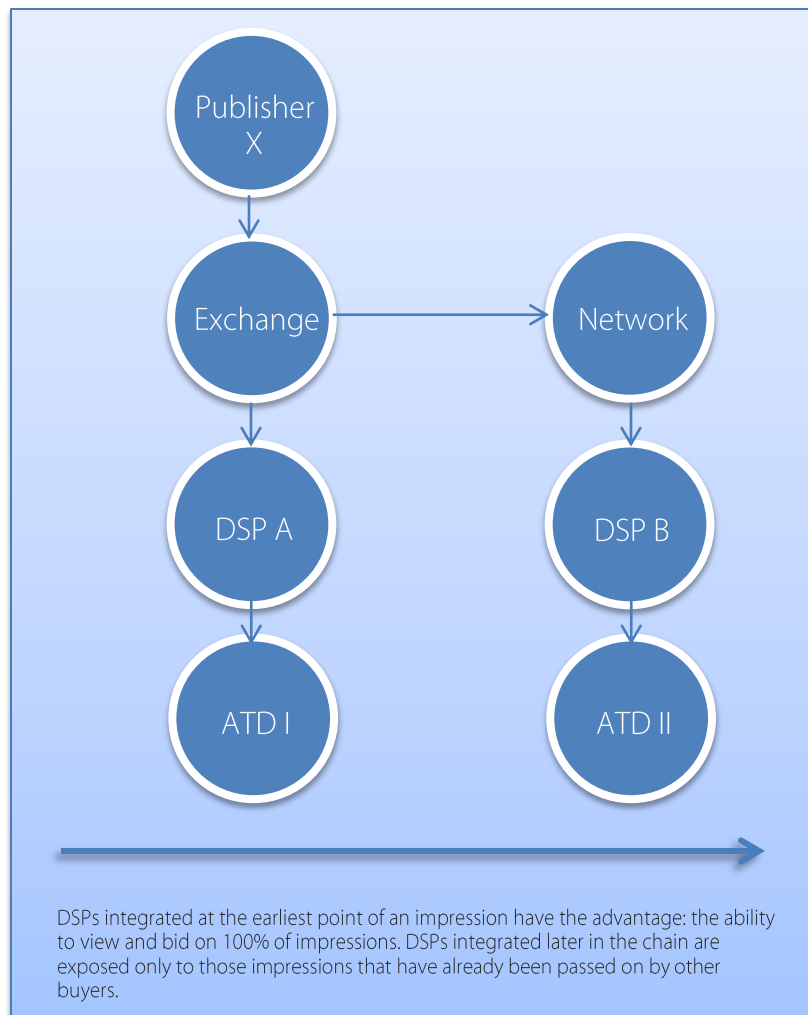
The practice of vetting supply sources is not a novel concept. Industries ranging from agriculture to finance all rely on third party suppliers to some degree and thus, have mechanisms in place to evaluate them on an ongoing basis. Online media is no different. While buying conditions and processes can change, one thing that will remain constant is supply. By screening supply sources up front, regardless of the buying model, you can take control of the efficiency of your buy and prevent compromised brand association.

To help you get started, we've outlined 10 hard-hitting questions and the reasons why you should be asking them to help you evaluate the quality of RTB supply.

1. **What are your inventory acquisition and vetting practices?** *Because DSPs provide one-stop access to multiple supply sources, be sure that you have full transparency into each of those sources' inventory acquisition and vetting practices since these variables can impact the quality, cost and performance of your media buy.*

Illustrative example

Publisher X uses both an exchange and a network to monetize its indirect impressions, where the network receives any impressions that are not purchased through the exchange. The exchange is integrated into DSP A, which ATD I is connected to. The network is integrated into DSP B, which ATD II is connected to.



In this example, ATD II is at a disadvantage. It is only exposed to impressions that have been turned down by ATD I. The characteristics of the supply connected to its DSP have put ATD II at an unfair disadvantage concerning the indirect inventory being made available from Publisher X.

2. **Are there any standards or guarantees associated with your supply?** *Is the supply source open to any and all inventory or is it scrutinized for attributes related to placement, prominence and context? Are above the fold or viewable impressions guaranteed?*
3. **How is your inventory made available for RTB?** *There are many ways a supply source can make its inventory available for RTB. The two most common ways are:*
 - a. **Direct DSP Integration:** *supply source uses its own in-house technology to integrate with a DSP.*
 - b. **Indirect DSP Integration:** *supply source distributes inventory to other supply sources directly integrated with a DSP; supply source uses third-party technology platform to integrate with a DSP.*

And not all DSP integrations are created equal. The farther removed a supply source is from the DSP, the less control it has over platform stability, bid solicitation mechanisms and demand optimization - all factors that can impact not just the efficiency, but also the ROI of your RTB buy.

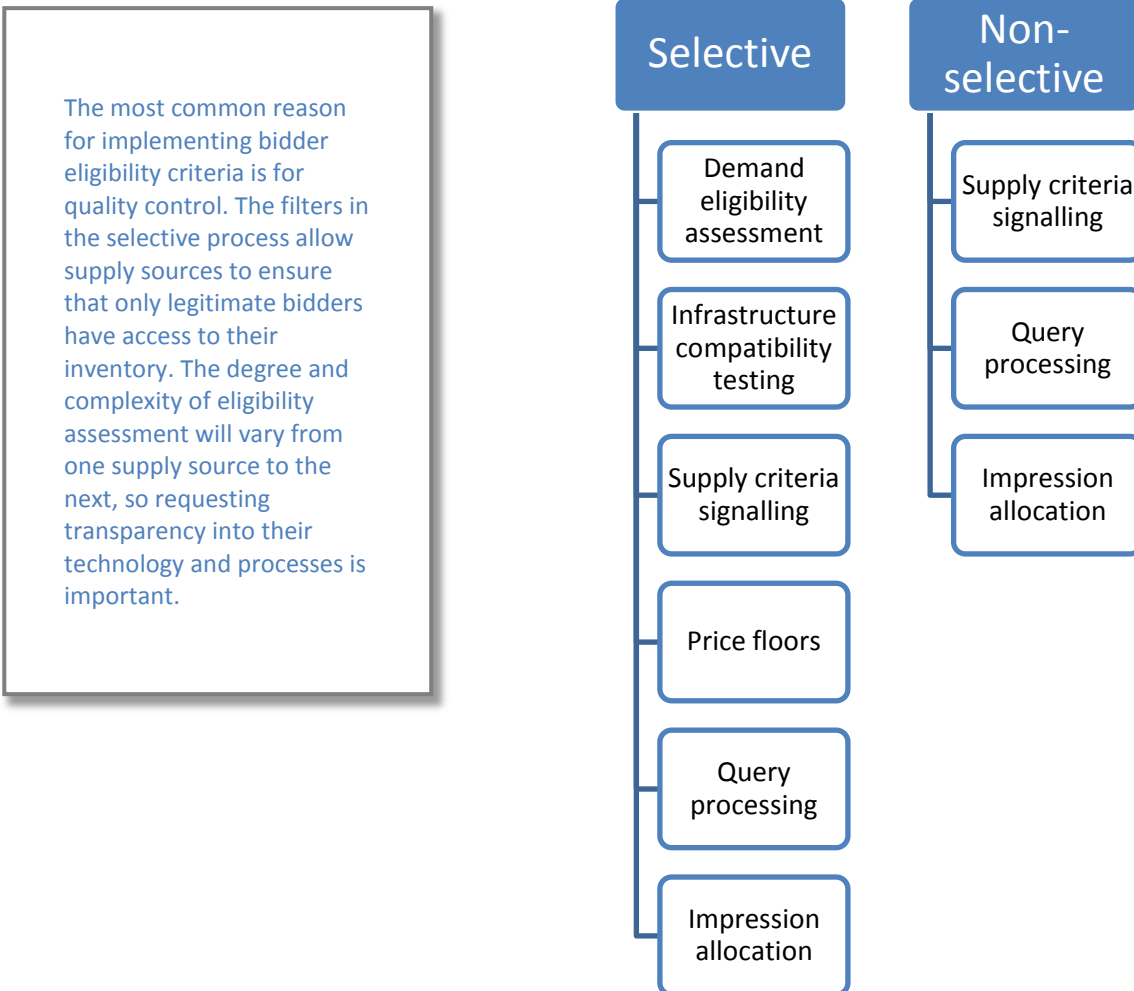
4. **What signals do you send out at bid time?** *By asking this question, you are putting the accountability spotlight on the supply source. At bid time, supply sources release various signals that qualify media for bidders to assess in real time. Through these signals, buyers have visibility into inventory and placement quality in addition to any guarantees or safeguards that they have in place. However, the type of information that supply sources release at bid time varies. So demand up front the types of signals and guarantees the supply source has to offer so they can be factored into your bid optimization strategy.*

Signals play a key role in bid strategy optimization. Here's an example of how they can help buyers balance price and value. Bids are commonly determined based on an impression's match to pre-defined audience criteria. But to optimize the bid for that impression, a buyer should also consider where it will be delivered and assign value based on those attributes. For instance, a signal that differentiates whether the impression is above or below the fold. A buyer might value an impression if it was above the fold higher than if it was below and this would impact the bid price for that impression. Paying the same price in either instance is suboptimal.

Ultimately, it is buyer who must demand that supply sources include disclosure of these and other impressions characteristics in their bid signals to aid in bid strategy optimization and the fair valuation of impressions.

5. **How do you vet bidders?** *The mechanism by which a supply source vets bids to its inventory is a sign of its quality and business standards. For example, some supply sources have no bidding constraints and prefer the maximum number of bidders for every impression. This means there is less control over who has access to supply, which increases the likelihood that a conflicting or sub-standard advertiser may find its way onto a publisher's site. Supply sources that operate in such a manner will be less attractive to premium publishers and this will be reflected in the quality of their inventory. Others are more selective and implement compatibility screens to filter bidders based on*

their pre-determined eligibility, e.g. filtering bids for an alcoholic beverage brand from an impression tied to an underage demographic. The following diagram illustrates two ways supply sources can solicit bids.



6. **Do you optimize bid solicitation?** Supply sources that optimize bid solicitation in an attempt to make the most efficient use of resources can artificially skew a DSP's access to inventory. For example, consider a supply source that has the means (technology/infrastructure) to process an unconstrained number of bidders. This supply source is able to make 100% of its impressions available to every demand source it is integrated with. This gives every DSP and its associated Trading Desks an equal opportunity to bid on its impressions. Alternatively, a supply source that optimizes bid solicitation may develop rules over time that skew different pools of inventory to different DSPs in an effort to help balance load – in effect a DSP may be cut off from access to certain impressions.

7. **What auction format do you operate?** *Because auctions are designed to facilitate optimal performance for both the buyer and seller, its format speaks volumes for the quality of supply you are bidding on as well as the actual effectiveness of your bid relative to cost. In many instances, auctions are designed to maximize supply revenue and thus, don't always have controls in place to accommodate market vulnerabilities. It is imperative that buyers are not only aware of the structure of the auction, but the reasoning behind it to understand any inherent biases that can impact the performance of their media buy.*

The most common auction format in RTB is the second price auction format or Vickery auction. This format encourages the buyer to bid the highest price for each impression it wants because it will (a) give them the best chance to win the impression and (b) they'll only have to pay the bid price of the second highest bidder. This format can be altered to include a premium over the second price where the exchange may arbitrarily add an additional 5-10% above the second highest bid. There are also cases where an exchange will add additional costs to the winning bid to cover their fixed costs, (e.g. the cost of data used to augment their bid signals). Buyers should know ahead of time whether or not the auction is a true second price auction, and if any additional costs are buried into the format. Be sure to read the fine print!

8. **What are your query processing standards?** *The ability to process queries in a timely manner is an important consideration because it affects the overall cost and efficiency of your RTB buy. When a DSP makes a query for impressions, any lag in response time creates inefficiencies within the bidding process. To maximize buying efficiency, ask how query path combinations are prioritized to accommodate latencies and the standard to which they are upheld. Ultimately, the more efficient the auction and the faster bids are processed and completed, the quicker the impression displays in the user's browser – which plays directly into ad visibility and performance.*
9. **How much of your technology is licensed from third parties?** *Online advertising is a technology driven industry. Technology creates opportunities and enables buyers to extend their ROI beyond the confines of the actual media. How a supplier integrates technology within its business practices will provide you with insight into how established they are and more importantly, how invested they are in their business. Companies that have greater control over their technology are better poised to understand and anticipate issues, and to be able to develop solutions through ongoing innovation.*
10. **Define your business model.** *Knowing, up front, the business category that your supply source occupies arms you with a wealth of intelligence regarding the nature of its inventory. With so many different supply channels available, proactively eliminating those that don't complement your own values will significantly reduce risk and better position you to reach your target audience segments in the most appropriate settings where they are in the best possible mindset to receive your advertising and hopefully engage and respond.*

About Casale Media

Since 2003, Casale Media has been redefining the standard for online media quality, ad delivery management and media optimization technologies with premium services that generate measurable success for all stakeholders in media and marketing. CasaleX, the industry's first true premium exchange with real-time bidding, is a high quality, brand-safe media marketplace that gives publishing partners maximum control and advertisers premium impressions from Casale Media's roster of more than 3,000 actively monitored websites.

The company's premium advertising network, MediaNet[®], is used by eight of the top 10 U.S. online display advertisers and reaches nearly 70 percent of the U.S. online audience. One of the leading independent online media companies, Casale Media is guided by its dedication to needs-based development and quality-focused culture.