



WHITEPAPER

Bringing programmatic
efforts in-house with
an on-premise solution

What in-housing is

In-housing simply means bringing a company's activities conducted by an external third-party back into the company, by acquiring the resources to manage the external activities. In the digital advertising industry, however, various players define in-housing in different ways. For instance, in a survey by Advertiser Perceptions conducted in January 2018, about a third of 700 agency professionals defined in-housing as using enterprise software to manage programmatic trade.

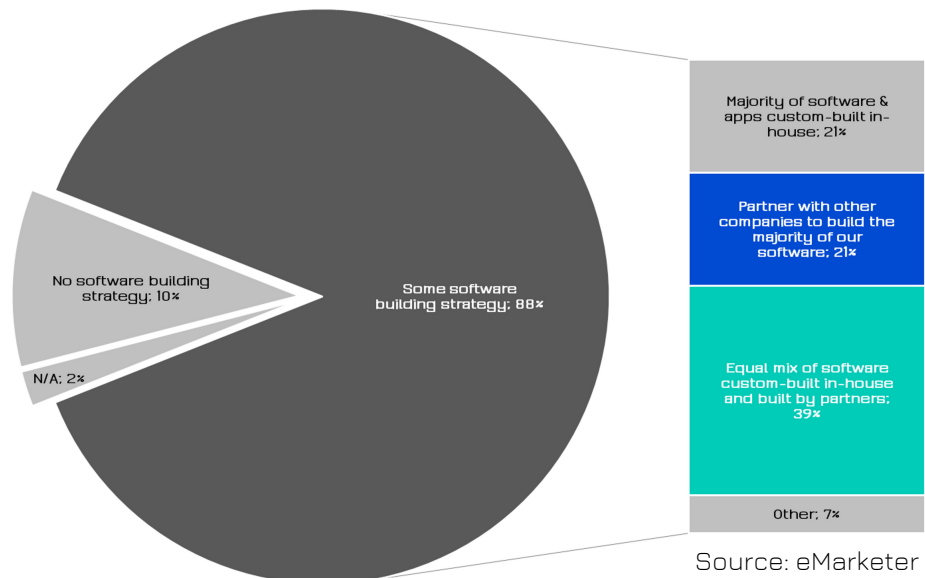


The Interactive Advertising Bureau (IAB) defines fully autonomous in-house programmatic capability as in-housing “where the ad-serving tech stack is owned and/or operated by the brand and integrated with media strategy, ad operations, optimization and stewardship – all internal functions.”

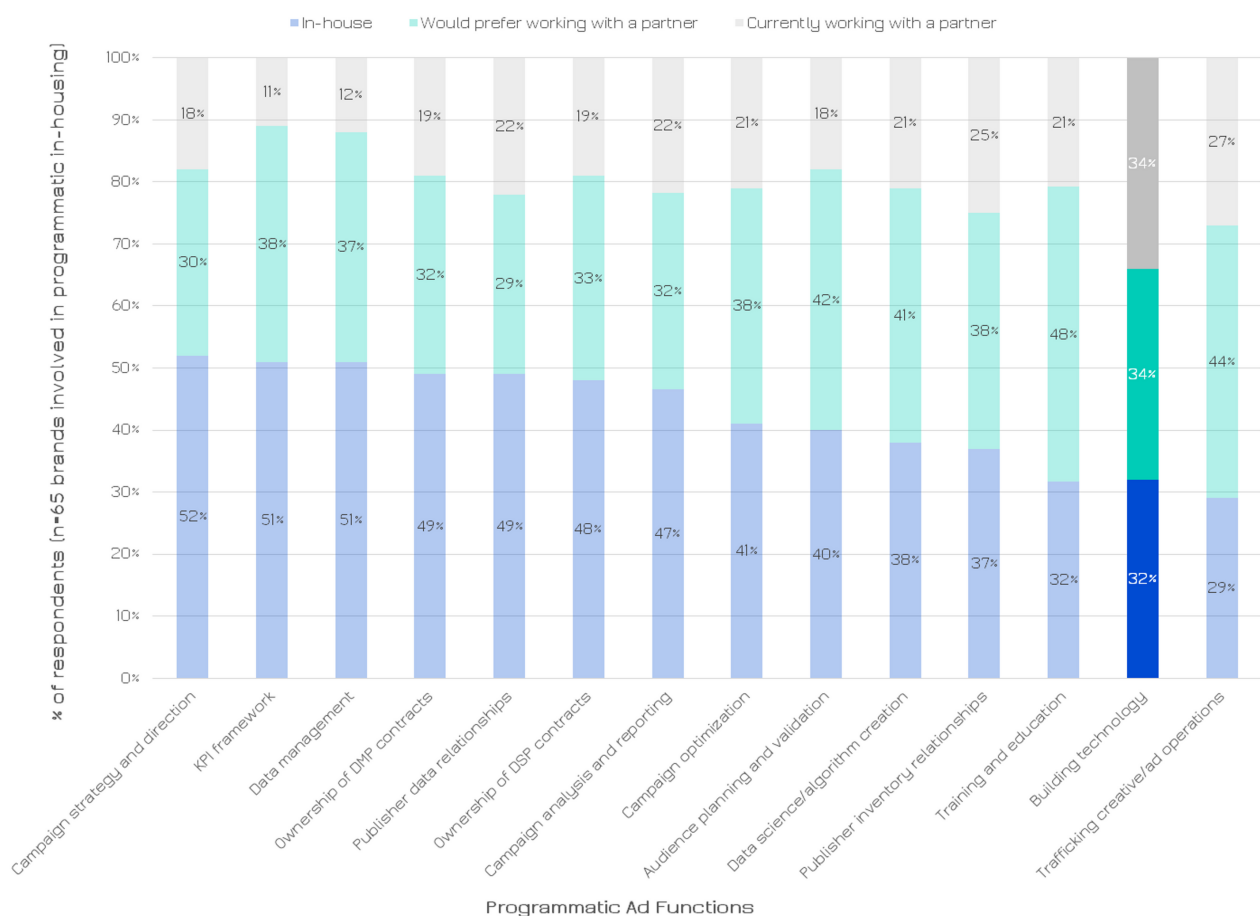
Operated in-house capability of a company typically refers to one or many solutions provided by vendors on a subscription model, where the infrastructure on which the solutions reside belongs to and is operated by the vendor, but the solutions themselves are operated by the company.

Owned in-house solutions are usually on-premise, where the software and the infrastructure both fall under the company's care. The technology stack driving the solution can either be built or bought.

Surveyed in Fall 2018 by Constellation Research, about one fifth preferred to build within the company while another one fifth of decision makers preferred to work with an external vendor for technology development. Two fifths had an equal mix of built and bought software.



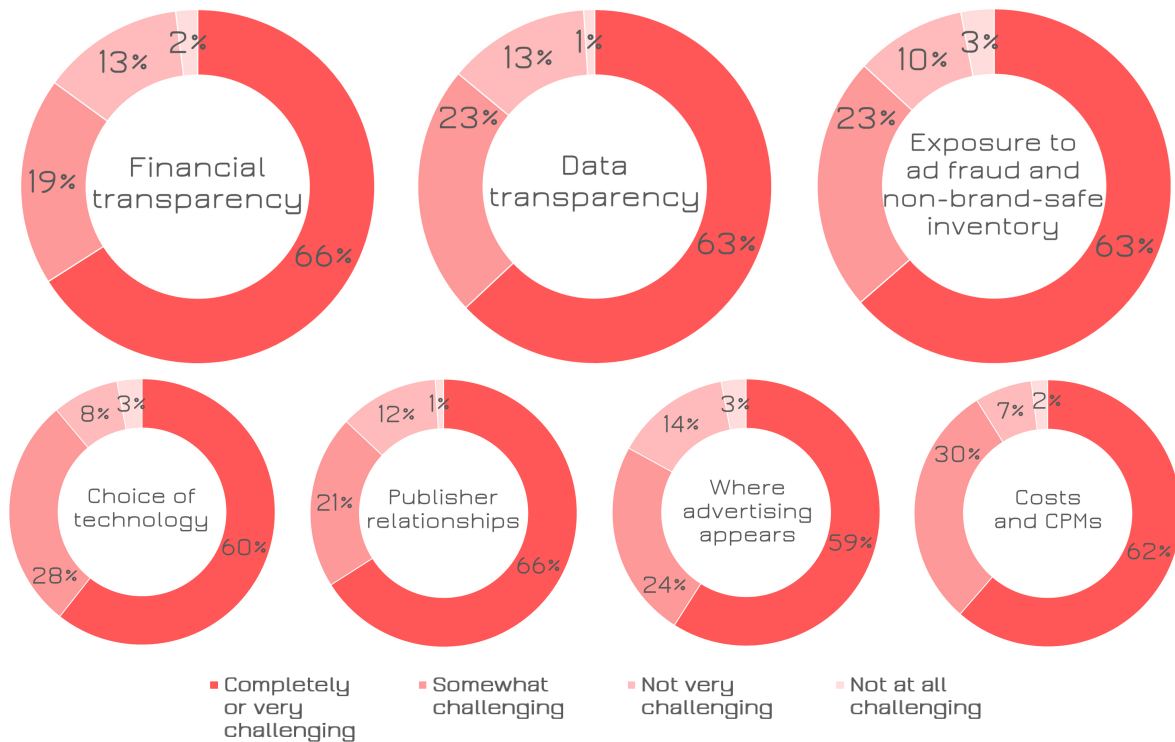
In a previous survey by the IAB, about 68% of respondents indicated that they are currently working with or would prefer working with an external vendor for building technology. About half of the same respondents, however, prefer to maintain control over the contracts with trading partners as well as campaign strategy and direction.



Why to in-house programmatic

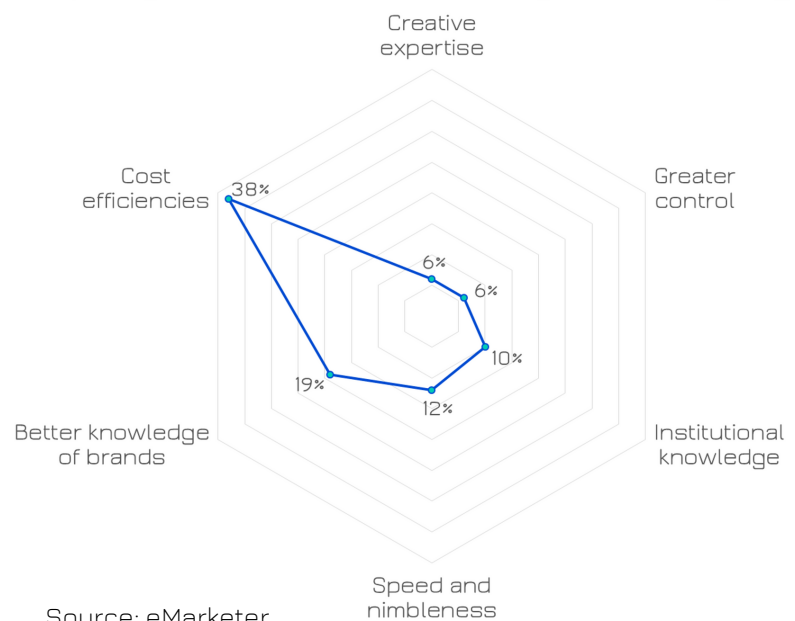
As per trends from 2015, the trend of bringing programmatic in-house is still on the rise. In Europe, about 63% of publishers, 62% of agencies and 43% of advertisers that do not operate programmatic in-house are considering the transition to an in-house model by the third quarter of 2019. The following charts give us some insights as to why an institution would want to in-house its programmatic efforts.

Challenges of Programmatic Advertising According to Brand Advertisers Worldwide
Aug 2017 (% of respondents)



The underlying theme of reasons in both these data sets are the possibilities for financial gain through cost-cutting and increased transparency, alongside improvements in data management and brand safety.

Primary Benefit to US Companies of having an In-house Agency

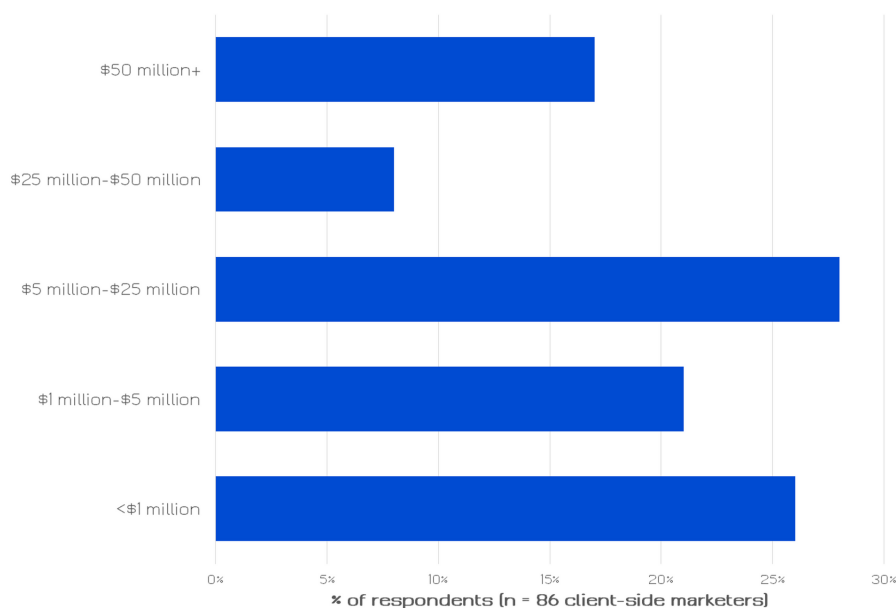


In-housing can be an expensive affair, but if advertising budgets become high enough, the ROI from an investment in programmatic in-housing can be easily justified.

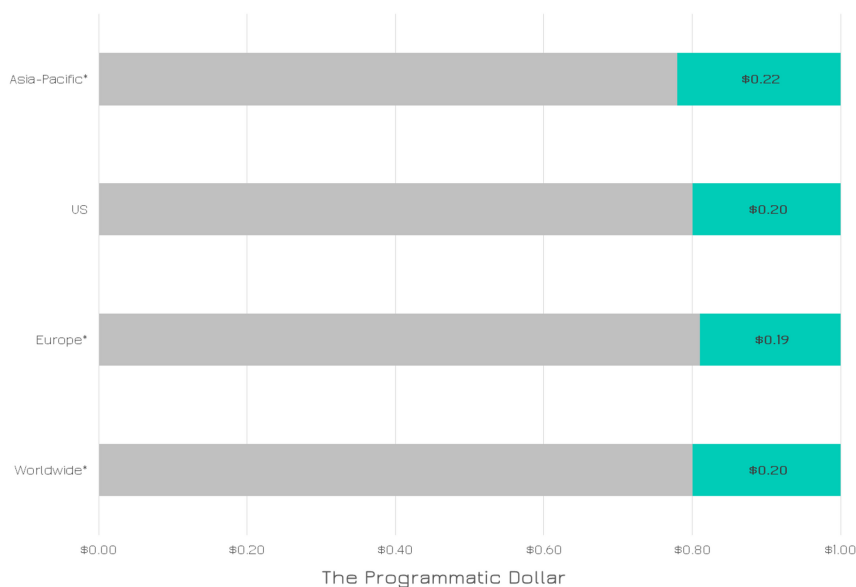
As of February 2018, trading intermediaries in programmatic have been absorbing about 20% of advertisers' spend as service fees. For a brand spending about \$5M annually on media-buying, instead of spending \$1M each year on programmatic ad fees, it may be worthwhile to purchase a tech stack for \$1M with \$150-250k on maintenance and server fees each subsequent year.

Another interesting prediction to note, according to eMarketer, is that as the content subscription culture rises, consumers may start to feel the pinch of fees, and content owners may transition towards offerings supported by ads. For content publishers, in-housing tech that is customized to sit with their legacy content-serving systems may be the best option to keep revenue streams intact.

2017 Annual Budget of In-house Agencies (US)



Programmatic Ad Fee Rates - Feb 2018



Source: eMarketer

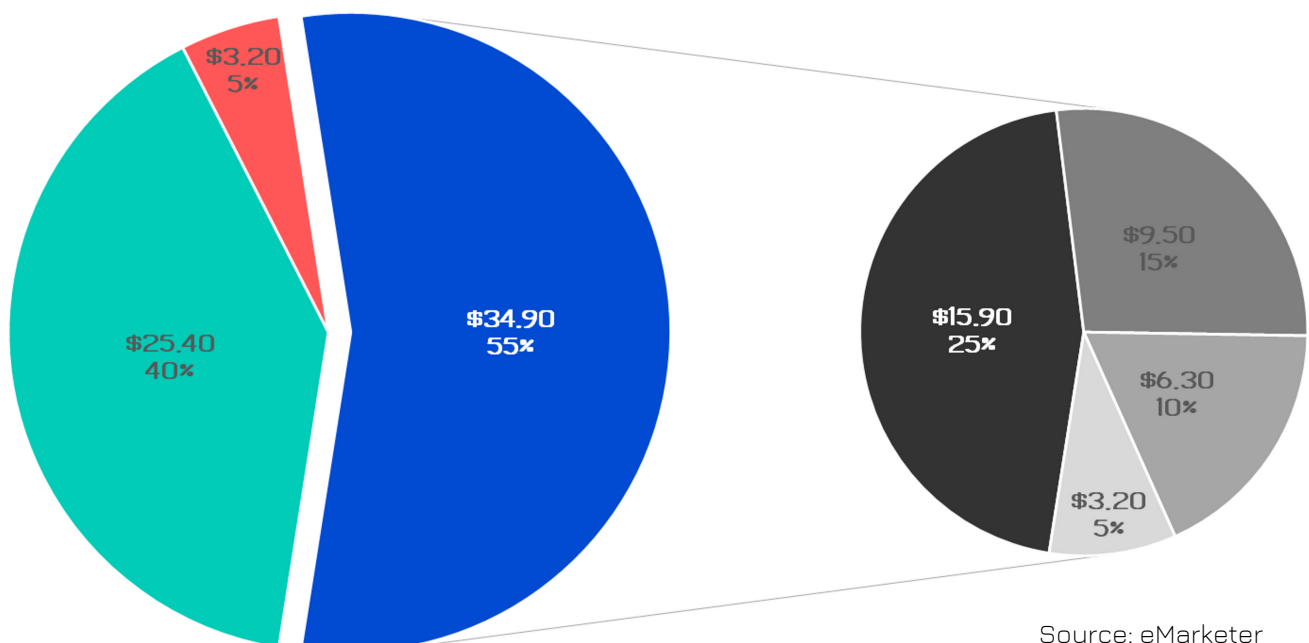
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Benefits of in-housing using on-premise

Cost efficiencies

The digital advertising supply chain has many players that each take a bite of the advertising dollar as it moves through the chain. In 2017, approximately 55% of the 63.4 billion dollars spent on programmatic advertising went towards platform expenses of some kind, or in other words, towards the "tech-tax". In-housing trading technology can shorten the chain drastically and help brands and inventory owners keep more of the dollar by cutting out the unnecessary parties in the middle.

Allocation of Programmatic Ad Fees (billions)
Worldwide by Service Partner - 2017



Source: eMarketer

- Publisher revenues (assumes zero fraud)
- Agency of record
- Data targeting & verification
- Trading desk
- Demand-side platform (DSP)
- Exchange

Transparency in operations, control over campaign management and brand safety

For advertisers, the ability to optimize campaigns in real-time is a huge driving factor to in-house media-buying. In a survey conducted by Advertiser Perceptions for the IAB, about 41% of advertisers stated it was crucial for them to have full control over campaign optimization, while 47% of the same needed control over campaign analysis and reporting, and 52% preferred to decide overall campaign strategy and direction in addition to the other two.

Moreover, predictions for 2019 include more transparency requests as brands aim to get a handle on the portion of their media spend going towards fees for trading and other services. When operations and tech are in-house, reporting can be directly accessed and in real-time, along with insights on data to improve operations. Real-time access allows advertisers to see campaign performance as it runs through a day, and change any campaign settings for better performance. This improves ROI of campaign spend.

With direct access
to a trading
platform also
comes added
benefits of
minimizing fraud
and enhancing
brand safety by
choosing which
publishers to show
the ads on.

Increased control over data storage and management

While in-housing advertising efforts typically present benefits of more control and transparency, this advantage is unique to owned in-house solutions in particular.

GDPR came into effect in May 2018 and many other countries and regions across the world are developing their own version of the data protection and privacy laws as everyone gravitates towards putting more control of a user's data into the user's hands. Not being compliant with GDPR can result in hefty fines, like the £57M fine imposed on Google in January 2019.

Publishers in-housing programmatic solutions with DMP features can get a better handle on their first-party data, which increases the likelihood of compliance. They can also use the data to know more about their audience, which helps to get better-tailored ads at a higher inventory value.

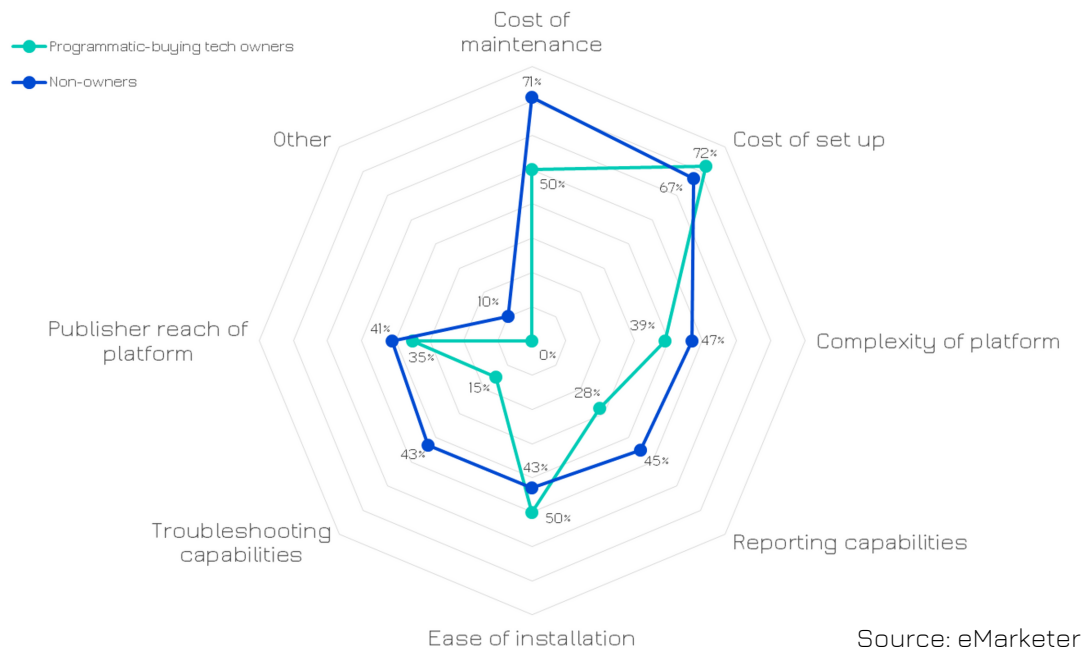
Advertisers that choose to in-house solutions also gain more insights on their audiences, either from publishers or through clicks and conversions. This data can feed into campaign revisions and optimizations to improve ROI.

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Challenges to in-housing

The in-housing of programmatic advertising efforts comes with its own set of trials, like any other business decision. When bringing external advertising activities back into the company, the challenges faced by teams are many, primarily the cost of building, set-up, and talent-sourcing.

Important Factors When Evaluating Building Their Own Programmatic Buying Technology vs. Working with a Third-Party, According to Media Agencies Worldwide - June 2018



Talent recruitment and training

At the top of the list is hiring the right people to participate and grow the programmatic in-housing effort. Key talent would include ad operations and technical expertise such as developers, server operations, and others.

Often, the lack of knowledge on how to navigate the programmatic territory, how to manage campaigns efficiently and the lack of resources to build custom features can all seem very daunting. For this reason, most companies still interested in in-housing will opt to go with a tech vendor who can build or supply a tech stack. IAd operations training and services offered by the vendor on top of the stack are truly the sweetest toppings.

Joint efforts

Important in the transition from external to in-house is that the marketing teams and C-suite level executives - if not the entire organization - are onboard with the initiative. Tech stacks cost a lot more than chump change, and it would be vital for decision makers and capex approvers to be fully convinced before any investment takes place.

Contract coordination

When in-housing programmatic, links to trade partners will need to be established anew, so the company's legal team will also need to be looped in to manage agreements with the said partners. Larger and more popular players in the industry may have long application processes and approval times, so robust planning and initiation will be crucial to the success of the in-housing endeavours.

Time commitment

The switch to in-house can sometimes take long, especially if opting to build an on-premise solution. Agreements with larger trading partners may at times also draw out longer than expected.

Infrastructure management and maintenance

On premise programmatic solutions require the software or platform to be deployed on servers that the company rents or owns, which can be an added cost. Finding a vendor that can manage the infrastructure or that has software that can at least take care of basic monitoring would be a good solution.

Another key thing to keep in mind is that infrastructure costs and the ROI from an in-house investment do not increase at the same pace. While ROI would likely grow linearly (assuming revenue is earned by the platform owner on the percentage of media spend on the platform), infrastructure costs usually increase as a step function and depend on the volume of traffic coming onto the platform. Ideally, the need to expand on infrastructure would only occur once the platform revenue cannot grow any further on the existing infrastructure, but this comes from good ad operations and top-notch supply-demand management.

A switch to an in-house programmatic solution can seem daunting due to these challenges that a brand, agency or publisher may face, and for many, these constitute the main reasons to completely shun in-housing efforts. Bring programmatic on premise is not a decision to be taken lightly, nor an easy one to navigate. However, if a player carefully evaluates each of the benefits against the status quo, can project significant monetary gain for the business with an in-house implementation and most importantly, has the right expertise to guide them, the results of in-housing programmatic could be highly favourable.

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