

## Report into the programmatic in-house trend

*Does it point to a broken media agency model, and if so what replaces it?*



“

*We have an antiquated media buying and selling system that was clearly not built for this technology revolution. We serve ads to consumers through a non-transparent media supply chain with spotty compliance to common standards unreliable measurement hidden rebates and new inventions like bot and methbot fraud.*

Marc Pritchard, Chief Brand Officer, P&G

”

“

*In-housing is something that all brands are considering for some point on their programmatic journey, it's what this means to them which makes the difference.*

Attila Jakab, Managing Director, Infectious Media

”



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# *Introduction*

**With global digital advertising spend forecast to overtake offline spend, and programmatic already surpassing direct digital buying in the most advanced markets, the media buying industry is aimed at a programmatic future.**

However, there are well publicised challenges to this future. Issues around media quality and hidden margin have become regular news in the marketing press, overshadowing the adtech industry's impressive growth.

Many have pointed to advertisers in-housing programmatic as a reaction to these challenges. Has the friction between the old media buying approach and the new auction-driven model left advertisers craving complete ownership of the buying process? And if so, what is the place for the old model of scale and negotiation skills in a new world of technology engineering, analytics, and data science?

With general advertiser determination to take more control and transparency of their programmatic buying, many have been left struggling to define what in-housing in programmatic actually means. To some advertisers it means simply amending their existing agency contracts, where others see it as the traditional model of building a complete internal team.

# Methodology

We surveyed 214 decision-making brand advertisers to discover their views on agencies, in-housing, and their solution to bring the “antiquated” world of media buying up to date.

We wanted to find out what advertisers want from programmatic that they are not already getting, and what model best suits this new media buying world.

The surveyed advertisers had:

- responsibility over their brand’s programmatic advertising
- responsibility of programmatic activity in EMEA or North America or APAC
- programmatic budgets exceeding \$100k/year

For a full breakdown of our respondents, see Appendix.



# SURVEY FINDINGS

## ADVERTISERS FEEL A LOSS OF CONTROL WITH PROGRAMMATIC ADVERTISING

.....

**84%**

advertisers want more control over their programmatic advertising

**63%**

struggle to get data transparency

**66%**

don't receive enough financial transparency

## THE TRADITIONAL AGENCY MODEL IS BEING PUSHED TO BREAKING POINT

.....

**71%**

of advertisers think agencies have struggled to adapt to programmatic

**73%**

think agencies don't accurately measure programmatic

# SURVEY FINDINGS

MEDIA AGENCIES HAVE FAILED TO DEVELOP TECHNOLOGY TO OFFER CLIENTS A COMPETITIVE ADVANTAGE  
.....

75%

of advertisers feel that mass-market technologies offer little competitive advantage

A LOT OF PEOPLE ARE TALKING ABOUT IN-HOUSING, BUT VERY FEW MANAGE IT FULLY IN-HOUSE  
.....

1.4%

of surveyed advertisers are managing their own programmatic advertising in-house

THE IN-HOUSING TREND IS BEING DRIVEN BY ADVANCES IN TECH AND TALENT, NOT JUST A LACK OF CONTROL AND TRANSPARENCY  
.....

69%

think the advances in programmatic tech has been a key factor in advertisers taking more control, slightly outweighing those who think lack of transparency and control is a driving force

IDEAL PROGRAMMATIC MODEL: ADVERTISERS SEE MORE VALUE IN MANAGING PARTNERS AND STRATEGY THAN IMPLEMENTATION  
.....

96%

of advertisers see the need for agency help in multiple areas

“

*If it is a non-disclosed model, we do not have full visibility of the data, meaning that the tracking of price performance, savings calculations and any year-on-year fluctuations, are impossible.*

”

WFA member,  
Quoted in WFA Report:  
Programmatic & Trading Desks, 2017



## Insight 1

# Advertisers feel a loss of control with programmatic advertising

*84% of advertisers want more control over their programmatic strategy*

### QUESTION

*Would you benefit from more control over your advertising?*

Control over programmatic advertising has become a major talking point for advertisers in recent years. Understanding how and where budget is being spent has always been a challenge for media buying, but has the technology of programmatic advertising compounded this issue?

90% of advertisers are reassessing their programmatic advertising contracts to gain more transparency over their agency's media buys. (WFA, 2016/7)

### FINDING

**84%**

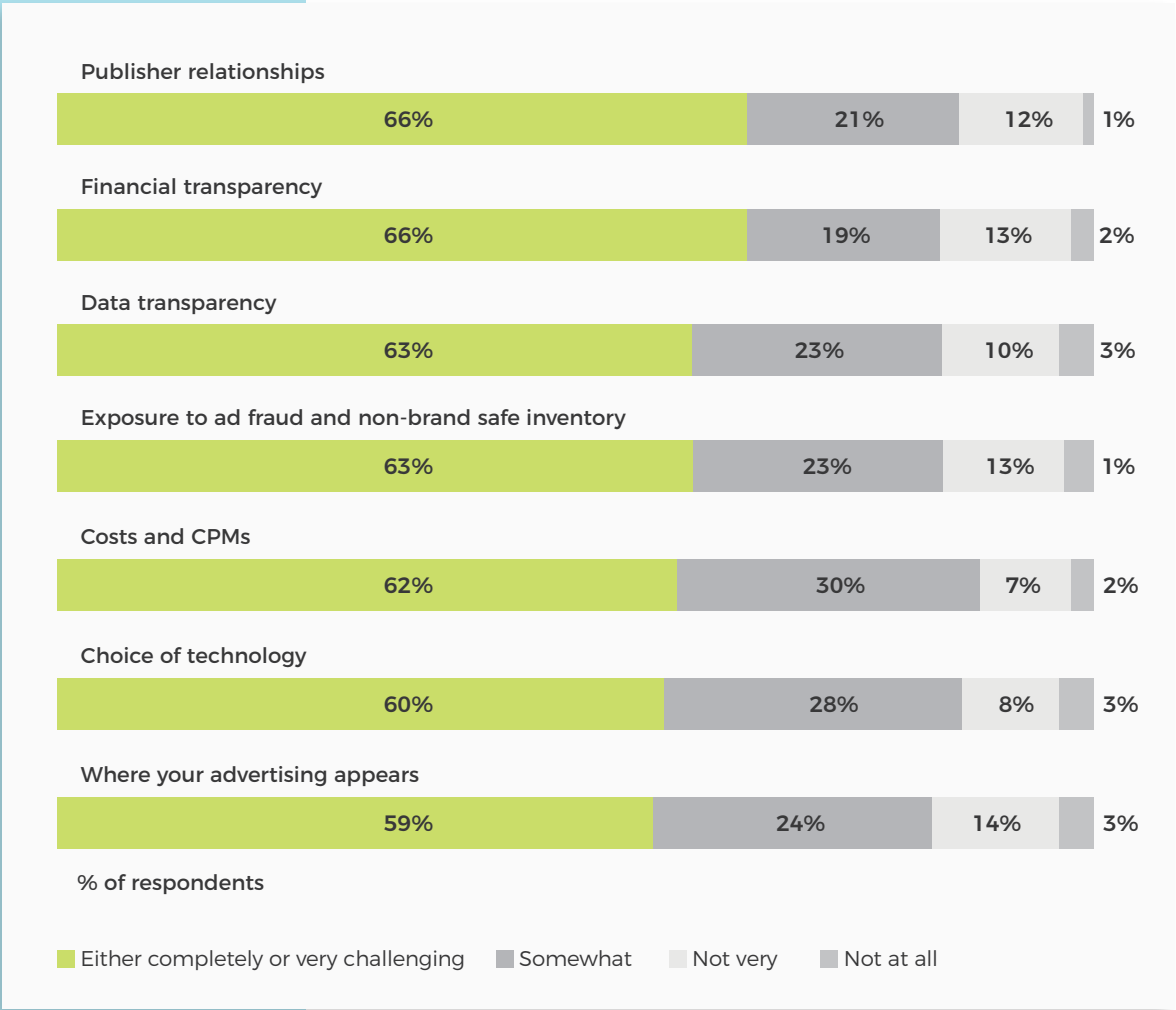
would considerably or completely benefit from more control



QUESTION

How challenging are the following aspects of programmatic advertising?

FINDINGS



## FINDINGS SUMMARY

66%

lack access to financial transparency

Financial and data transparency in media buying has become a contentious topic in the last couple of years. Despite the efforts made by the industry to open up programmatic practices, two-thirds of our surveyed advertisers feel that they do not receive enough transparency of the media they buy, and the fees it incurs.

Having this transparency is very important as it allows accurate measurement of impact in comparison to other channels. It also provides the data for improved insights, allowing advertisers to enhance campaign performance.

63%

struggle with gaining data transparency

Simplifying the relationship between advertisers and publishers is a challenge for 66% of advertisers. Advertisers want a part of the relationship to realise benefits such as: better access to inventory, the ability to negotiate better rates, and a better flow of data.

63% of advertisers struggle to control their exposure to ad fraud and non-brand safe inventory. With media quality being a hot topic in the industry, this finding is to be expected.

66%

of advertisers find it difficult to get ownership of publisher relations

“

*The lack of transparency across the digital ecosystem has resulted in consumers receiving poor and disruptive digital ad experiences, leading to an erosion of trust and the proliferation of ad blocking.*

”

Luis Di Como, SVP of Global Media at Unilever

## *The Fix*

### **PRIORITISE SUPPLIERS WHO CAN PROVIDE THE TRANSPARENCY YOU NEED**

Be cautious of inventory suppliers that are hesitant to provide full data. Without this, you can't distinguish between what is specifically driving performance, and what is delivering fraudulent impressions.

### **MAKE SURE PARTNERS BUILD OPEN AND ACCESSIBLE RELATIONSHIPS WITH PUBLISHERS**

Each step in the supply chain takes a margin and can inhibit data gathering, but does it add value? Make sure you have access to relationships with key inventory suppliers for an efficient and transparent supply chain.

### **GET ACCESS TO THE REPORTING TOOLS YOUR MEDIA BUYER USES**

A good platform should allow you to delve into the raw data to run your analysis on what is working, and what isn't. This requires internal analytical skills, but you will understand your programmatic advertising better, and be able to quickly improve your campaigns.

## Insight 2

# The traditional agency model is being pushed to breaking point

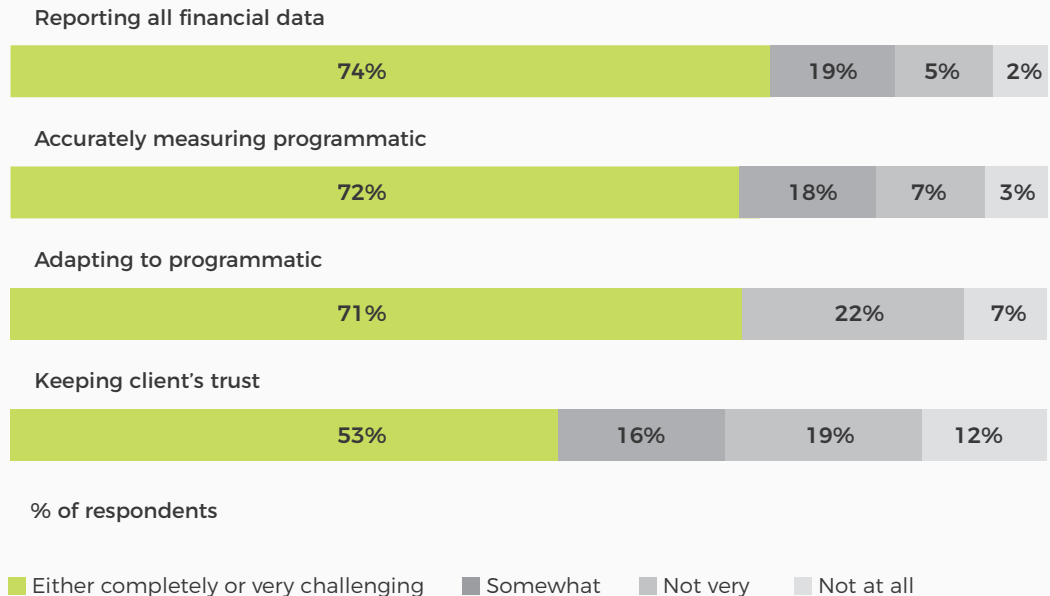
*71% of advertisers think agencies have struggled to adapt to programmatic*

### QUESTION

*How challenging have the following been for media agencies?*

The 2016 landmark study by the Association of National Advertisers (ANA) revealed the fracturing relationship between advertisers and their media agencies. They discovered “non-transparent business practices” with agencies often receiving non-disclosed rebates on the media they buy.

### FINDINGS

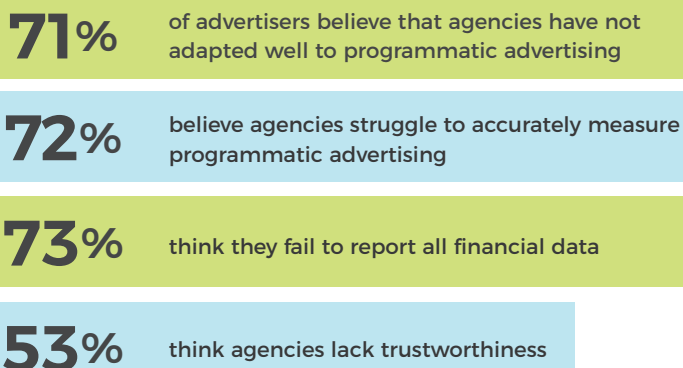




Nearly three quarters of advertisers believe they don't receive full transparency on the financials of the media bought on their behalf, supporting the claims made by the ANA.

As programmatic rewrites how media buying is conducted, 71% of respondents feel that agencies have struggled to adapt. The survey reveals this in one key area: measurement. 72% feel that agencies don't accurately measure the impact of their campaigns.

## FINDINGS SUMMARY



## *The Fix*

### ASSESS HOW AGENCY PARTNERS ARE ADAPTING FOR PROGRAMMATIC BUYING

- Ask what they have done to build engineering, analytics and data science skills within their teams
- Review the value a partner brings, don't just make decisions based on their cost as a percentage of media spend
- Assess your agencies remuneration model. If it is a percentage of media, does this provide enough revenue to remove the need for them to make margin in a non-transparent way? When agencies need to prioritise inventory based on the rebate they receive, it is harmful to a brand's advertising performance

- When signing contracts with an agency, make sure you fully understand the media buying process, and you can audit this on both the financial and data side.

### WEIGH UP THE PROS AND CONS OF USING SPECIALIST AGENCIES

Although they may provide transparency and control, and have uncommon expertise in digital advertising, it can leave advertisers with the extra workload of managing multiple agencies.

## Insight 3

# Media agencies have failed to develop technology to offer clients a competitive advantage

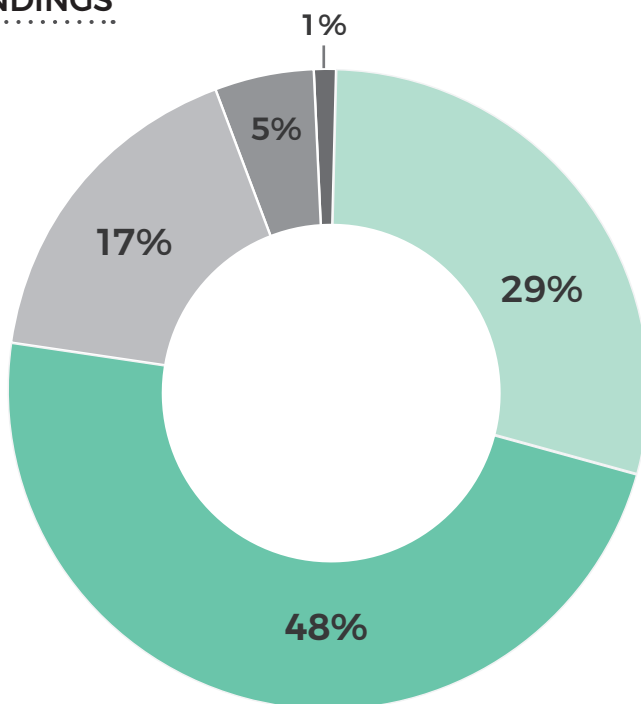
*75% of advertisers feel that mass-market technologies offer little competitive advantage*

### QUESTION

*Do you agree or disagree with the following statement:  
“Media agencies use programmatic technology that is available elsewhere”?*

### FINDINGS

Research and advisory firm Forrester reported that the major DSPs on the market “offer their own version of the same thing”, where the “differentiation is subtle” between competing technologies. A limited number of agencies have gone to specialist ‘DSP builders’ to provide a bespoke platform, but few have the internal capability to create technology from the ground up.



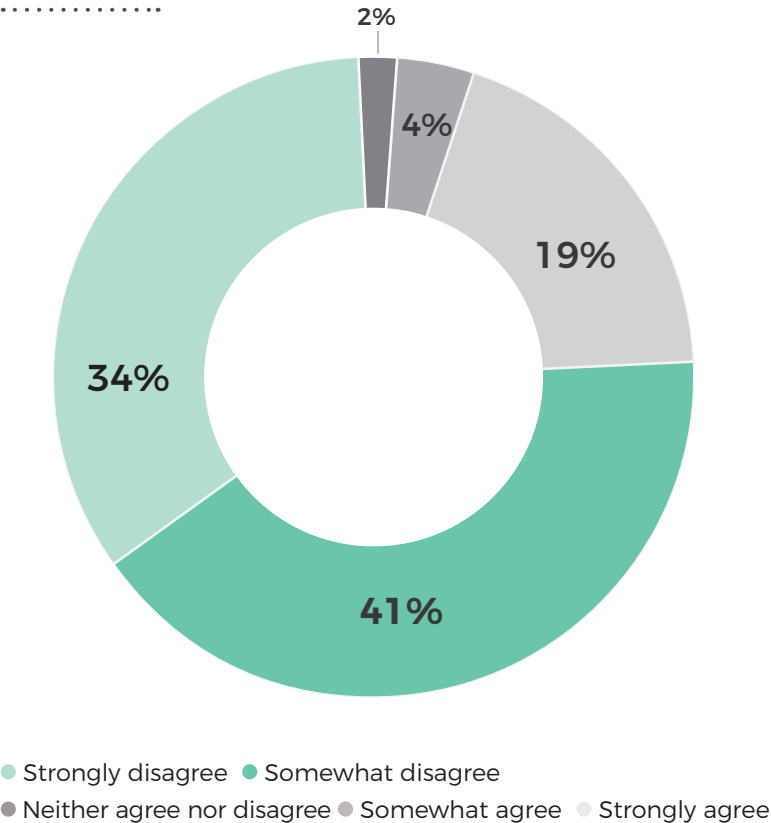
● Strongly agree ● Somewhat agree ● Neither agree nor disagree  
● Somewhat disagree ● Strongly disagree



QUESTION

*Do you agree or disagree with the following statement: “Off-the-shelf programmatic technologies provide advertisers with competitive advantage”?*

FINDINGS



FINDINGS SUMMARY

**76%**  
of advertisers feel that media agencies don't use proprietary programmatic technology

**75%**  
think that off-the-shelf platforms do not provide advertisers with competitive advantage

The previous findings reflect the marketplace assumption that most media agency's internal technology tends to be a white labelling of one of the major DSPs.

Three quarters of advertisers are buying their programmatic media from off-the-shelf platforms through their media agencies. These advertisers are but one of thousands using each platform, so will have little or no direct communication with the technology company itself.

With everyone in the industry using the same technology there is less scope for differentiation and innovation.

“

*All the vendors represent the same kind of clients, and the differentiation is subtle. Everyone is building their own version of the same thing that clients want.*

”

Richard Joyce, Forrester Analyst,  
in “Forrester DSP Wave 2017”





## *The Fix*

### **DON'T ALWAYS SETTLE FOR WHAT YOUR AGENCY PROVIDES**

Bring your own technology to the table. This can be from speaking to DSPs to see what is best for you, to as much as writing your own algorithms.

### **GET BEHIND THE HEADLINE**

By talking to trusted industry sources, consultants and analysts, you will be able to understand when to invest in new technologies, and when their promise is yet to be fully realised.

### **INFLUENCE THE TECH ROADMAP**

If you have a specific need, encourage your technology supplier to build it for you. For this, you'll need a direct relationship with the developer of the adtech.

“

*Taking programmatic in-house is very different to an area like search. There, the ecosystem is dominated by Google so there's no need for brands to pursue new data sources.*

*“In programmatic, it's the opposite. Working out the best choice from a glut of inventory partners on a global scale isn't easy. And then you've got brand safety and measurement still to consider.*

*“Plus, the ecosystem moves with incredible speed, and keeping up requires work. Your stack today is not going to be your stack next year.*

”

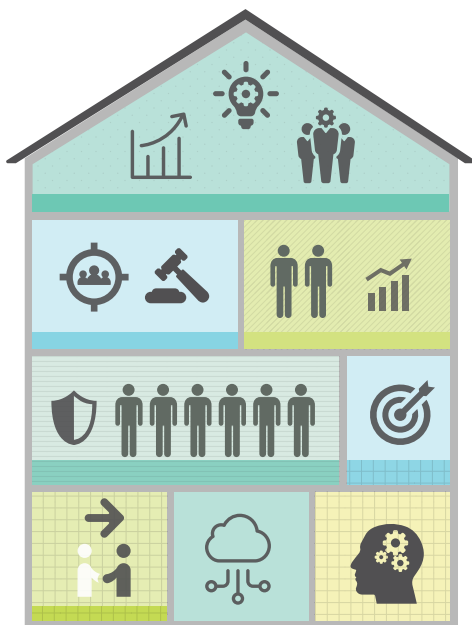
**Attila Jakab, Managing Director, Infectious Media**

# Advertisers talk about in-housing, but very few fully manage it in-house

*1.4% of surveyed advertisers are managing their own programmatic advertising in-house*

What does in-housing mean to advertisers? The obvious parallel can be drawn with in-housing search marketing. With search it's pretty simple to define. The vast majority of activity is run on one platform, and when the advertiser directly employs the people running campaigns on that platform, they are in-house. However, with programmatic it is not that simple.

To define programmatic in-house we need to look at what needs to be done and who does it. With a global advertiser starting from scratch this can include everything from system integration and platform contract procurement, to daily optimisation and creative trafficking.



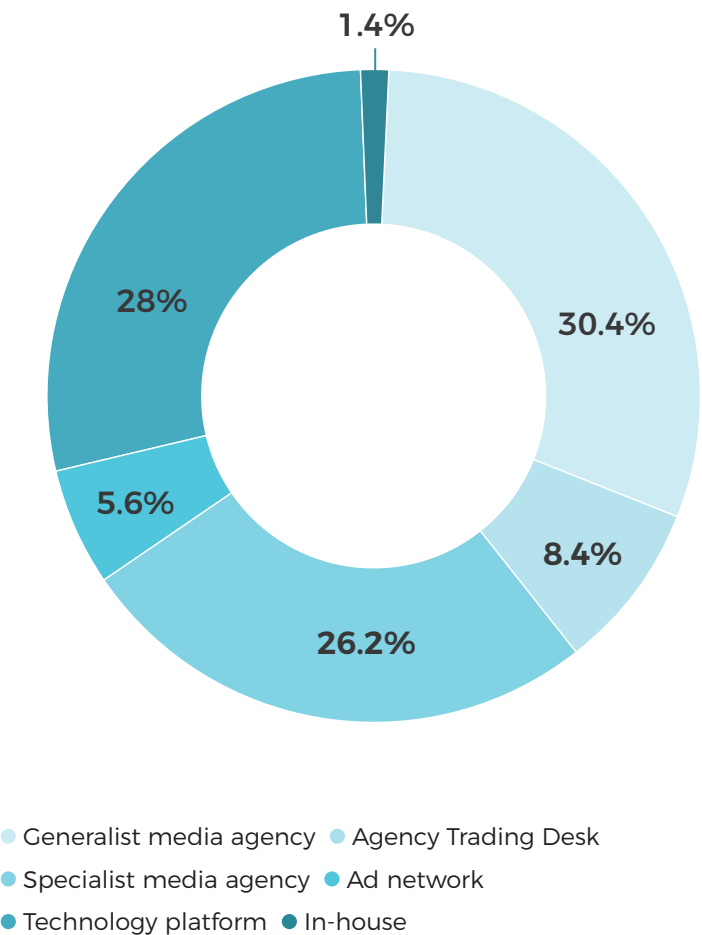
**QUESTION**  
.....

*What is your  
main method  
of programmatic  
buying?*

**FINDINGS**  
.....

Should we only define an advertiser who does all of this as in-house, or is it more of a spectrum?

In an attempt to firm up the in-house definition means we asked the advertisers to self-select between the following options:



## FINDINGS SUMMARY

.....

# 1.4%

1.4% of surveyed advertisers are  
managing their own programmatic  
advertising in-house

1.4% buying in-house looks like a relatively small number given the recent news coverage. However, we were forcing advertisers who picked “in-house” to define it as one might define search in-housing, i.e. not buying through an agency or through a tech platform or a specialist.

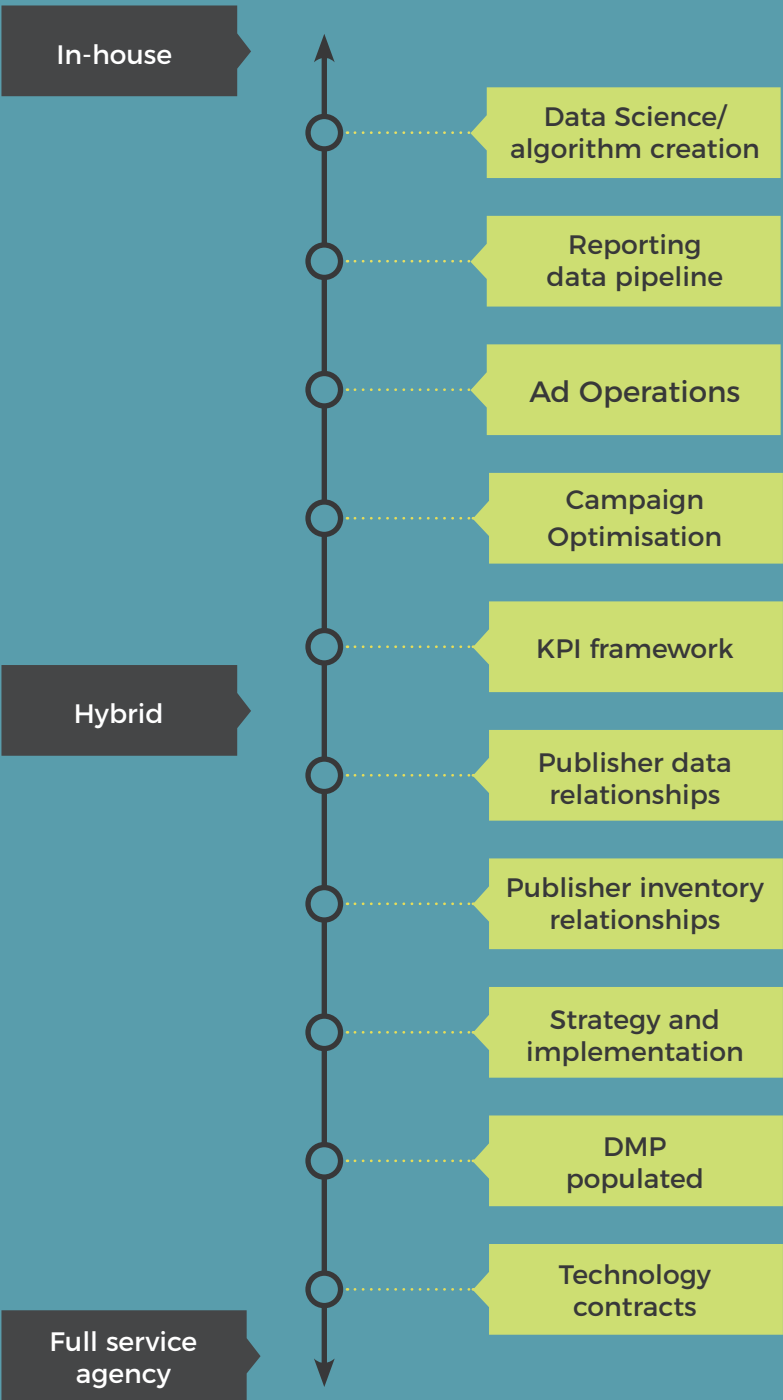
“

*There are many levels to having an ‘in-house programmatic operation’ - we believe in-housing programmatic boils down to how much of the resource and how many of the commercial agreements an advertiser owns themselves (in relation to their programmatic activity). It’s important to note that for many brands a 100% in-house model may not be appropriate and a different model of ‘in-house programmatic’ may be more appropriate.*

”

Wayne Blodwell, Founder & CEO,  
The Programmatic Advisory

In reality advertisers are using the term “in-house” as to mean being placed at some point on the below ladder, and usually towards the bottom of it.





# The in-housing trend is being driven by advances in tech and talent, not just a lack of control and transparency

*69% think the advances in programmatic tech has been a key factor in advertisers taking more control*

WPP chairman, Martin Sorrell, has stated in-housing is a 'short-lived trend' and motivated by wider economic conditions. However, there is increasing support for the theory that the agency model fails to adequately support brands in programmatic advertising.

So what is driving this desire? Cost, transparency, control, the availability of an alternate solution, or all of the above?



## QUESTION

.....

*How important are each of the following factors in the emergence of in-housing?*

## FINDINGS

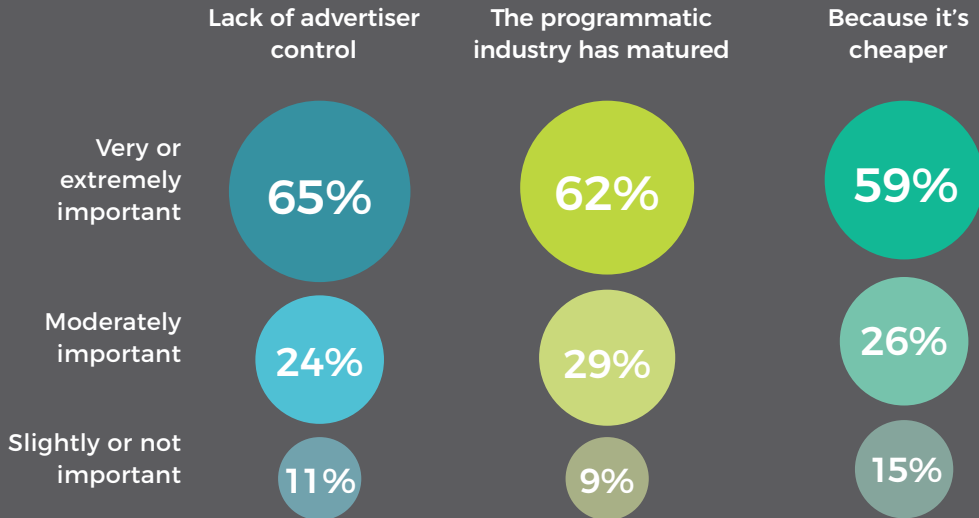
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## QUESTION

*How important are each of the following factors in the emergence of in-housing?*

## FINDINGS



“

*Programmatic is relatively new for us. Two and a half years ago, we were not internally set up enough to let our agencies deliver the best; we didn't challenge them enough. Now, we are working with the same partners, but we know much more about programmatic and we constantly challenge our partners. Agencies have tons of expertise — use it.*

”

Nicola Saraceno, SVP of Global Retail Marketing, Luxottica

## FINDINGS SUMMARY

**71%**

the availability  
of qualified staff

**69%**

the advances in  
DSPs and DMPs

**68%**

lack of transparency  
in the agency model

**65%**

lack of advertiser  
control

Our survey provides encouraging news that the emergence of in-housing can in part, be attributed to improvements of the adtech industry. Advances in programmatic technologies and the increased prevalence of experienced talent are viewed as the major factors. Although they still just outweigh the more often quoted challenges of advertiser control and transparency.

It shouldn't be surprising that as the clamour for an alternate solution to the Agency Trading Desk model reaches a crescendo, that businesses have adapted to offer this.

“

*It's very heavy to have programmatic in-house.  
You need to have the right team and there's a  
shortage of people who understand programmatic.*

”

Sophie Dufouleur, Global Content & Social Media Manager, Nespresso

## *The Fix*

### DO AN AUDIT OF YOUR CURRENT POSITION

Understand your strengths and weaknesses. Ask yourselves these questions:

1. Do you have your own DMP?
2. Do you have the technical programmatic know-how?
3. Do you have analytical capabilities such as custom attribution modelling?
4. Have you in-housed search?
5. Do you have your own tech and data contracts?
6. Is your office based in the right location to attract talent?

If you have answered yes to these questions, you could be ready to go further down the in-house journey.

In-housing paid search is not the same as in-housing programmatic. Programmatic requires consideration of different areas such as supply, measurement, technology integrations, and media quality.

### ENCOURAGE YOUR AGENCY TO HELP TRAIN YOU UP

A good agency partner shouldn't shy away from helping you achieve your in-housing goals. Organise sessions for your agency to train you on topics like trafficking and campaign optimisation.

“

*Advertisers are evolving their media contracts to fully understand who owns the data, where their campaigns are being shown, and at what cost. It is becoming apparent that advertisers want a hands-on approach to their programmatic strategy.*

”

Matt Green, Global Lead - Media & Digital Marketing, WFA

# Ideal programmatic hybrid model: Advertisers see more value in managing partners and strategy than implementation

*96% of advertisers see the need for agency help in multiple areas*

**Despite seeing the agency model as broken, do advertisers still believe agencies can play a role in the future?**

We wanted to find out if, once an advertiser gets control and transparency of their spend, does it still make sense for them to fully in-house, or would they want their agency to manage some aspects.

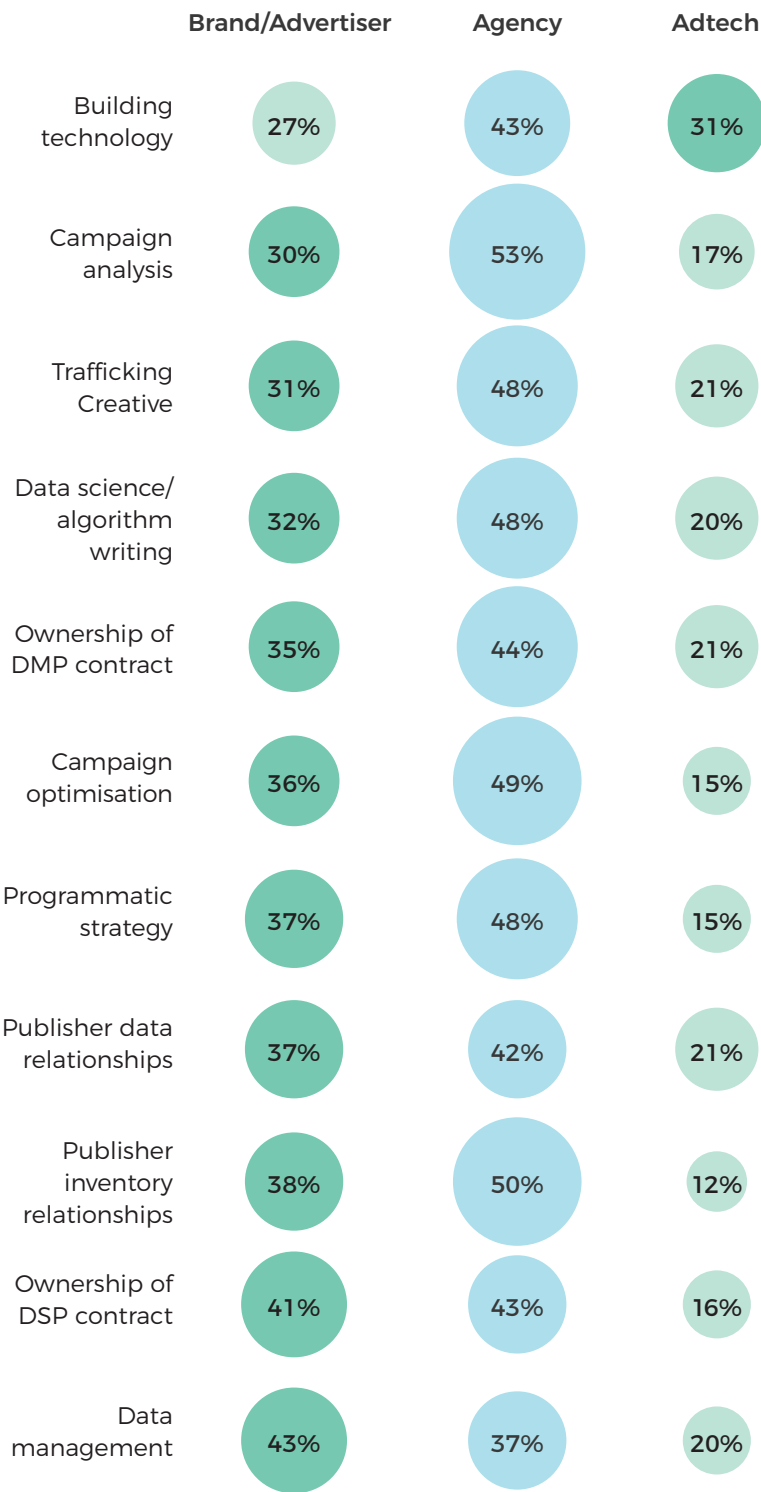
When all of the work streams of taking programmatic fully in-house were broken down, what were advertiser's preferred operating model?



QUESTION

*In your ideal  
programmatic  
set up, who  
should manage  
what?*

FINDINGS





## FINDINGS SUMMARY

96%

of advertisers need help from media agencies in multiple areas of programmatic

46%

the percentage of programmatic work that advertisers want agencies to manage

86%

of advertisers want to take full control of at least one task too

38%

of advertisers want to in-house the strategic and relationship aspects of programmatic

We found that most brands do not want to do everything themselves. However, 86% wanted to manage some aspects of programmatic advertising.

Interestingly, although there is little agreement, the aspect that most advertisers (38%) wanted to take in-house was the strategic and relationship aspects of programmatic. This includes responsibility for: data management, programmatic strategy, publisher data and inventory relationships, and DSP and DMP contracts.

There is less of an appetite (30%) for in-housing the operational, manual or highly technical work needed to do campaign optimisation, creative trafficking, analytics, data science and algorithm writing.

Our findings suggest advertisers still want help, but of the right kind and on the right things.

“

*In the revamped digital landscape, brands will still look to media agencies for expertise and tools but they will be less reliant, partly because some of the work will be done in-house but also because they will have ownership of the levers of control via direct contracts with DSPs and DMPs.”*

*“The change will give advertisers greater clarity than ever before on what actually works because the numbers will not be distorted by a “murky” ecosystem. That will give them the confidence to invest more, knowing that they are using the power of media to drive clear business benefits.*

”

Tom Denford, Chief Strategy Officer, ID Comms



## *The Fix*

### **WORK OUT YOUR SUITABILITY TO IN-HOUSE**

A brand needs to hire and train the right talent to fully in-house for optimisation, ad operations, data science and analysis. They need to source and manage technology. Location is key too. Will there be enough talent available where your office is based?

### **BUILD A HYBRID MODEL FIRST**

Get your own technology, data and supply relationships. Have your own access to DSPs and ensure your agency uses it. Once you are comfortable at this stage, then you can try optimising and analysing your campaign's data.

### **TEST FIRST WITH SMALLER BUDGETS**

Keep some of your monthly budget to set up and optimise your own campaign for a month. If you see success, increase the budget and start experimenting with more advanced strategies.

### **CREATE AN INTEGRATED PARTNER ECOSYSTEM**

Whatever model you decide on, don't forget to bring your existing partners with you. Programmatic needs to be planned and implemented alongside all other activity to get the most out of the data and insight available from your media.

## *Conclusion*

**With programmatic advertising now an important part of media spend, and industry commentators raising issues of mismanagement and hidden margin, brands are seeking tighter control and data transparency.**

In this report we have seen how traditional media agency ways of operating are seen as increasingly flawed, with brands moving towards in-house media buying. But, the in-house solutions being constructed still differ greatly in the amount the advertiser actually performs.

Taking on the full responsibility of programmatic in such a fast-evolving environment can be a risk. Before brands commit to a full in-house solution, they need to understand the time and investments required to achieve an effective team set-up.

There have been recent reports of major advertisers who have built an internal team, only to find themselves butting against talent and innovation limitations.

Our study shows agencies still have a role to play in managing some of the fundamental tasks programmatic entails. If brands are to future proof and proactively steer their media buying, they will still need to work with partners that can offer a complementary, transparent and added-value model.



Martin Kelly, CEO & Co-founder, Infectious Media comments:

“

*There's a real opportunity for agencies to meet advertiser need by adapting to a more hybrid approach. Addressing problems, while being flexible to advertiser requirements and appetite for in-housing, can create a working relationship that delivers smarter, more effective advertising in the future.*

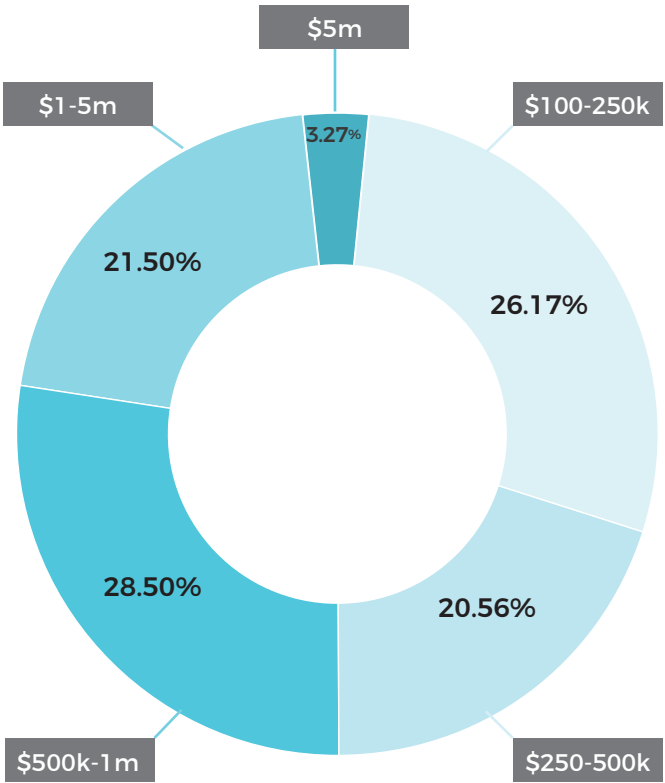
*We see the future of the media agency being modular. The agency will have all the capabilities the client needs, but brands will look at their business and recognise where they are already strong, and where they need outsourced help.*

”

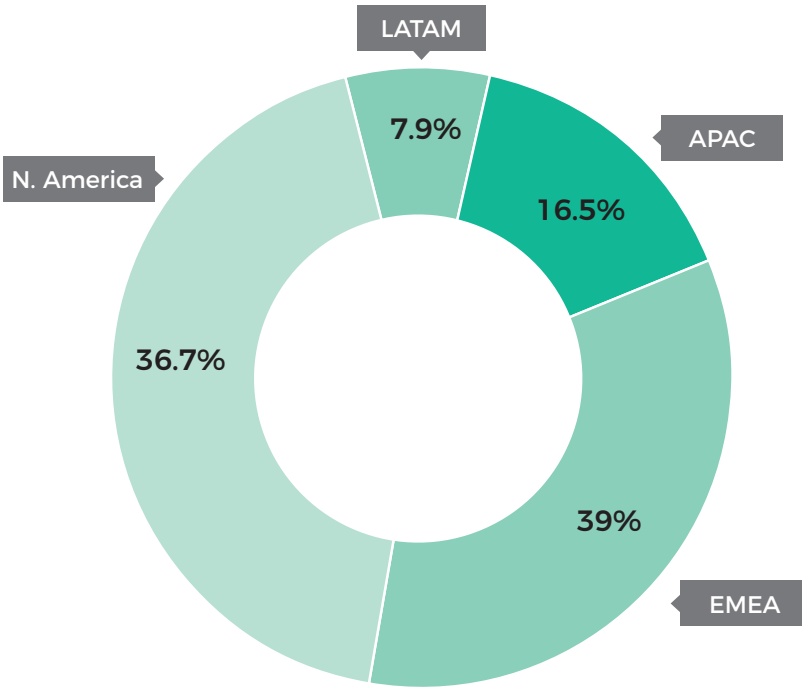
# Survey participant breakdown

Infectious Media partnered with third-party research firm, Qualtrics, to survey 214 decision-making brand advertisers, who had ownership over their brand's programmatic advertising. The surveyed advertisers represent responsibility of programmatic activity in EMEA or North America, or APAC, with programmatic budgets exceeding \$100k/year.

*Annual  
programmatic  
budget*

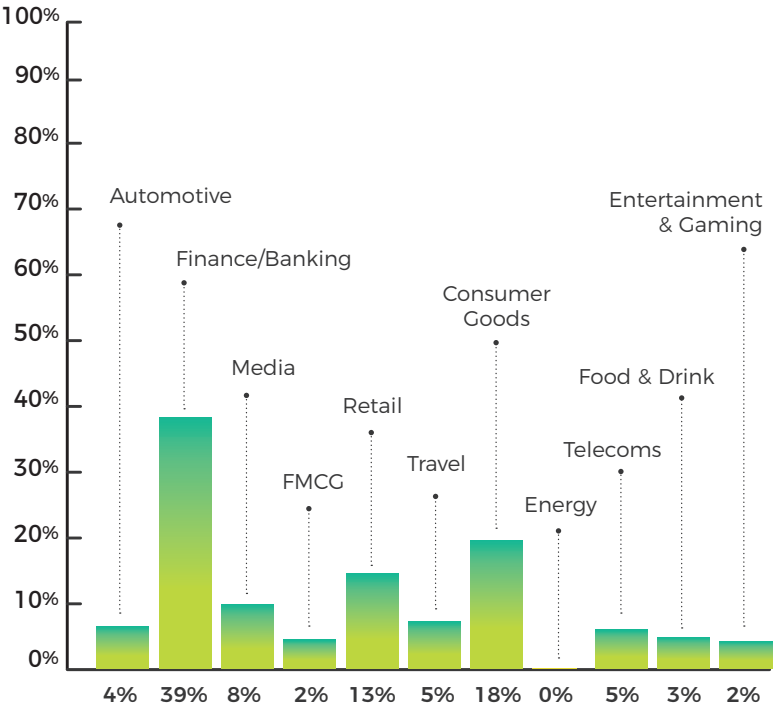


Region

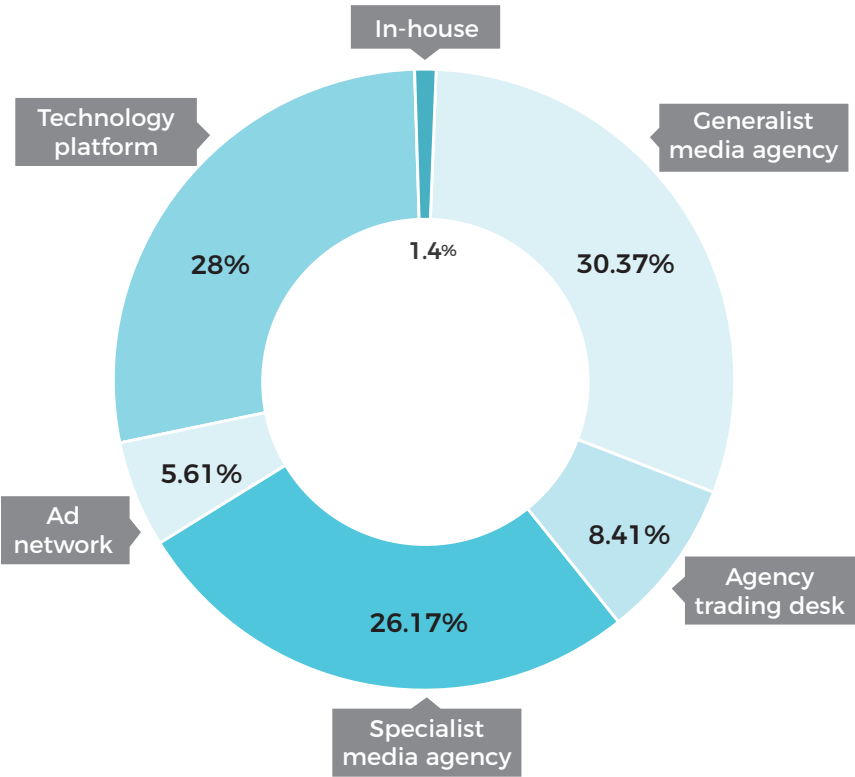


Note: Some respondents were responsible for multiple regions, but no respondents were responsible for just LATAM activity.

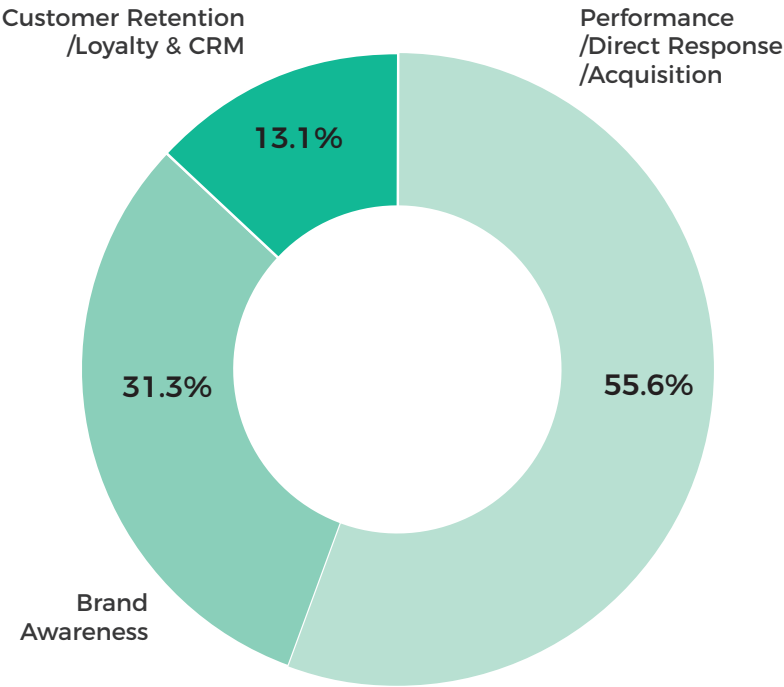
Industry



*Current  
operating model*



*Job focus*







Infectious Media is an international programmatic agency that partners with global brands to drive effective and efficient media campaigns that deliver.

Founded at the dawn of the programmatic era, Infectious Media has been built on the belief the auction model of media buying must be mirrored with a new agency model. This has led to the development of specialist teams and technology that exclusively focus on making programmatic work for advertisers.

Planned and executed correctly, programmatic is more than just a media buying tactic, it drives incremental revenue and competitive advantage across the customer lifecycle.

Infectious Media's programmatic advertising platform, Impression Desk, provides a single access point to the fragmented landscape. By streamlining insight across multiple bidders and data platforms, it equips advertisers with the flexibility to fully capitalise on the programmatic opportunity.

Infectious Media takes a consultative approach to establishing the right structure for clients and is experienced managing the transition from fully managed service to hybrid and in-house models, using its technology, expertise and modular service.

Contact us to discuss how we can help you gain control and transparency over your programmatic advertising.

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