

PMGUIDE

2016 PERFORMANCE MARKETING GUIDE

Programmatic

IN ASSOCIATION WITH

 **Rakuten**
Marketing

There are various definition variations of the term 'programmatic advertising' depending on whether you are talking to a DSP, an SSP, publisher, advertiser, agency or otherwise.

In short, it refers to the use of software to purchase digital advertising, as opposed to the traditional process involving human negotiations and manual insertion orders to trade inventory across the web.

Most of programmatic's work can be found in display advertising, which has evolved hugely since the 1990s. Previously it was common for advertisers and agencies to buy inventory directly from publishers. However, we are firmly in 'the programmatic era', where automation will account for [63% of display ad spending this year in the UK](#).

Display advertising has become a principal marketing channel for advertisers, with forecasts from [eMarketer](#) predicting £2 billion to be driven by programmatic in the UK during 2016.

While there is plenty to be said about the convenience and efficiency of automating some of the processes that required a great deal of manual work, recent studies point to this being fuelled by the growth of mobile display ad spend, which is increasingly being traded via automation.

Deciphering the jargon

To understand the ins and out of the programmatic ecosystem, marketers need to grasp the terminology associated with it.

Ad exchange

This is where publisher inventory is sold in auction. An ad exchange is a marketplace used to buy and sell display ads.

RTB (real-time bidding)

Buying and selling online ad impressions can be done through RTB auctions, that commence and conclude in the time it takes a webpage to load.

DSP (demand-side platform)

A system which plugs into the ad exchange allowing advertisers and agencies to access the RTB ecosystem to buy ads in real time.

SSP (supply-side platform)

A system which allows publishers to access the RTB ecosystem to manage their yield and sell ad inventory in real time.

DMP (Data management platform)

A data warehouse which gathers all types of data and exports it in digestible and useful information for marketers to refine and optimise their campaigns.

The bigger picture

On a more general level, changing consumer habits are playing a huge role in the adoption of programmatic as marketers devise strategies to take advantage of trends like the rise in smartphone penetration, and increasingly sophisticated technology which facilitates communication in real time.

The graph below demonstrates the complexity of the consumer journey. Ever-changing consumer demands coupled with ever-evolving technology has caused further diversification of consumer touchpoints, which appear to be mounting up.



According to research from Deloitte, [76% of adults in the UK own a smartphone](#), and with an average of [7.4 connected devices](#) per household, there is pressure on marketers to make the most of communicating in a plethora of ways.

Mobile devices have become embedded in consumers' lives as they can access the internet on the move; shopping, at work or on public transport. Therefore, being able to reach consumers at the optimum moment, in real time, is a huge opportunity for advertisers, and one that programmatic buying has facilitated.

Relevancy is key and programmatic can hit the right audience at the right time, driving better conversion rates for brands across a diverse set of inventory sources; from traditional display and mobile to video, social and native.

Here are just three of the main benefits worth noting:

Maximising of budget and efficiency

Programmatic allows advertisers to target consumers across mobile and desktop devices seamlessly, communicating with relevant ads at scale and at the opportune moment.

This in turn drives efficiency, reducing overall advertising costs and delivering higher ROI. However, trading programmatically alone won't instantaneously drive these efficiencies; marketers should first review data insights from previous display campaigns and build strategies around these learnings.

Programmatic campaigns should not be built from the top down, but rather from the ground up; through defining campaign KPIs and goals. Once established, marketers should determine how they will achieve this, and divide budget according to strategies. Because programmatic ad buying is executed in real-time, ongoing campaign analysis should be carried out to continually test, refine and optimise campaigns.

Meaningful advertising

The RTB (real-time bidding) process allows media buyers to be incredibly granular with the audience they are targeting. For instance, layering in either first, second or third-party data that provides a consumer's age, gender, location and interests allows marketers to drill down and segment individuals within a blink of an eye.

Such an approach can help to create more impactful forms of advertising, relevant to specific consumers, rather than just a highly generalised audience segment.

Transparency and insights

Using an automated buying system captures extensive results, including how well audiences have engaged with the ad, the best time of day and day of the week to target users as well as facilitating A/B creative testing.

There is an abundance of insights and transparency marketers can take away from the performance metrics delivered.

Challenges

Programmatic ad buying may represent the future of ad trading in some senses, but it is not without its hurdles.

Ad fraud, brand safety and viewability are all commonly cited issues for marketers adopting programmatic; all three standing as bi-products of an automated selling environment, where the bulk of activity takes place without human supervision.

But as programmatic matures, those driving spend into it have come up with ways of conquering their challenges and minimising the risk attached to their sizeable investment.

Solutions like machine-learning technologies can identify fraudulent patterns and avoid them by understanding where leads are converting into sales. Those that don't on a repeated basis can be analysed in an effort to stop any fraudulent activity at the source.

In terms of brand safety, undesirable websites can be blacklisted and thanks to the transparency of the process, any harmful brand activity is easily identifiable.

As for ad viewability (the proportion of ads actually 'viewed' by web users) this is an industry-wide issue, and one that is causing key stakeholders to align with each other to provide a solution. One touted so far is an audience measurement metric, so planners can buy by audience (GPRs) instead of by impression.

Conclusion

Consumers expect brands to recognise their activities and personalise their shopping experience through relevant messaging, products and promotions regardless of whether they are interacting with a company in a store, on the web, on a mobile device, or via social media.

Automation has become paramount in a world of increased network connectivity and the proliferation of digital devices, where personalisation and relevancy is the main goal for marketers.

More often than not, display advertising is siloed from the marketing mix. However, the rapid adoption rate of programmatic will result in advertisers taking a more channel-agnostic strategy. The sophistication of technology, an ability to drill into locational or demographic data, combined with strong creative and tailored messaging, makes programmatic ad-buying a very attractive proposition.

Programmatic is showing no signs of disappearing, and according to [Forrester](#), Europe will be picking up the pace as 61% of display ads will be traded programmatically by 2020.

Video advertising will be a key medium, with a large amount of these ads set to be sold and executed programmatically. The automation model is also being adopted by other areas of the marketing mix as a means of improving efficiency, with TV being an obvious example.

Although programmatic TV ad spending hasn't made a dent on how TV inventory is bought in the UK, the focus on automation and data-driven processes shouldn't be overlooked and we can expect it to play a much larger role in the next decade.

Case study



The following is an award-winning campaign conducted between Rakuten Marketing's Display team and the Body Shop in 2015. The campaign claimed a 2016 Performance Marketing Award in the Most Effective Use of Programmatic category.

Challenges

The Body Shop has seen international success. It has been able to carve a name for itself as an expert within the beauty field. However, the level of discounting across all channels had been quite extensive. The brand wanted to reduce promotional messaging in order to drive full-price sales, increase the average order value (AOV) and focus more on skincare products, whilst tapping into new audiences.

Four key objectives were pinpointed:

- Drive full-price sales by reducing discounting across product ranges and introduce a more brand-led strategy through new product launches.
- Raise awareness for new skincare and beauty ranges.
- Tap into new audiences with the aim of driving customer acquisition as part of the 'first touch' in their consumer journey.
- Build customer loyalty and drive repeat purchases, tailoring communications around consumer behaviour in order to drive value from the customer base.

Solutions

Rakuten Marketing's Display team set out by designing and building a bespoke and granular programmatic campaign around The Body Shop's marketing calendar, tailored to each objective and integrated into its marketing mix. A full-funnel strategy would ensure the customer had a consistent brand experience throughout their purchase journey.

Through splitting targeting based on consumer site visits and adjusting Rakuten Marketing buying algorithms around key behaviours, we would drive the most value.

Here are some of the campaign's key features:

Programmatic buying through exchanges: Rakuten Marketing identified the need to use an array of differentiated inventory and supply through partnering with DSPs. By layering key third-party segments from multiple data partners and utilising private marketplaces, we were able to build the reach necessary for the beauty retailer's desired customer profiles, maximise coverage in specific fields and minimise wastage.

Creative innovation: By moving away from the discount messaging and building more brand-led stories for product ranges, the creative and messaging became a crucial element to achieving success. Rakuten Marketing produced a selection of highly sophisticated creative by building out banner iterations and delivering them to the audience programmatically in order to determine the optimum creative for the target audience.

Ad-Mapping Platform (AMP): Rakuten Marketing used its proprietary and award winning AMP – a "decision-engine" tool which makes context-dependent decisions that revolutionise the consumer journey – to serve personalised, dynamic ads in real time, prioritising the customer experience while simultaneously increasing ad engagement. The dynamic ads were then A/B tested against the client's own static banners to determine which ads influenced higher purchase rates and drew in new customers by measuring lifts in engagement, click-through rates and ROI.

Results

Programmatic buying was pivotal in providing an environment to test creative and messaging scenarios at scale. Refinement in real time allowed us to minimise budget wastage and deliver a 360-degree view of the customer journey throughout the funnel.

With the use of effective programmatic buying, they saw the following results:

- Prospecting and retargeting combined worked together to drive new customers down the funnel, leading to an increase of 99% in new customer revenue.
- Prospecting saw a 9% year-on-year increase in revenue, and retargeting a 78% increase in ROI year on year.
- The campaign achieved a 51% higher engagement rate, 143% higher CTR and 163% higher ROI, compared to benchmarks on a similar beauty competitor.
- Up-weighting full price ads (and decreasing promotional usage) led to an increase in full price and new customer orders. Full price sales made up 39% of total revenue, compared to 28% for promotional messaging.

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