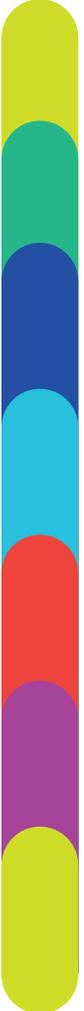


Ownership*shift*

A manifesto for advertisers who want to take charge of their digital advertising.

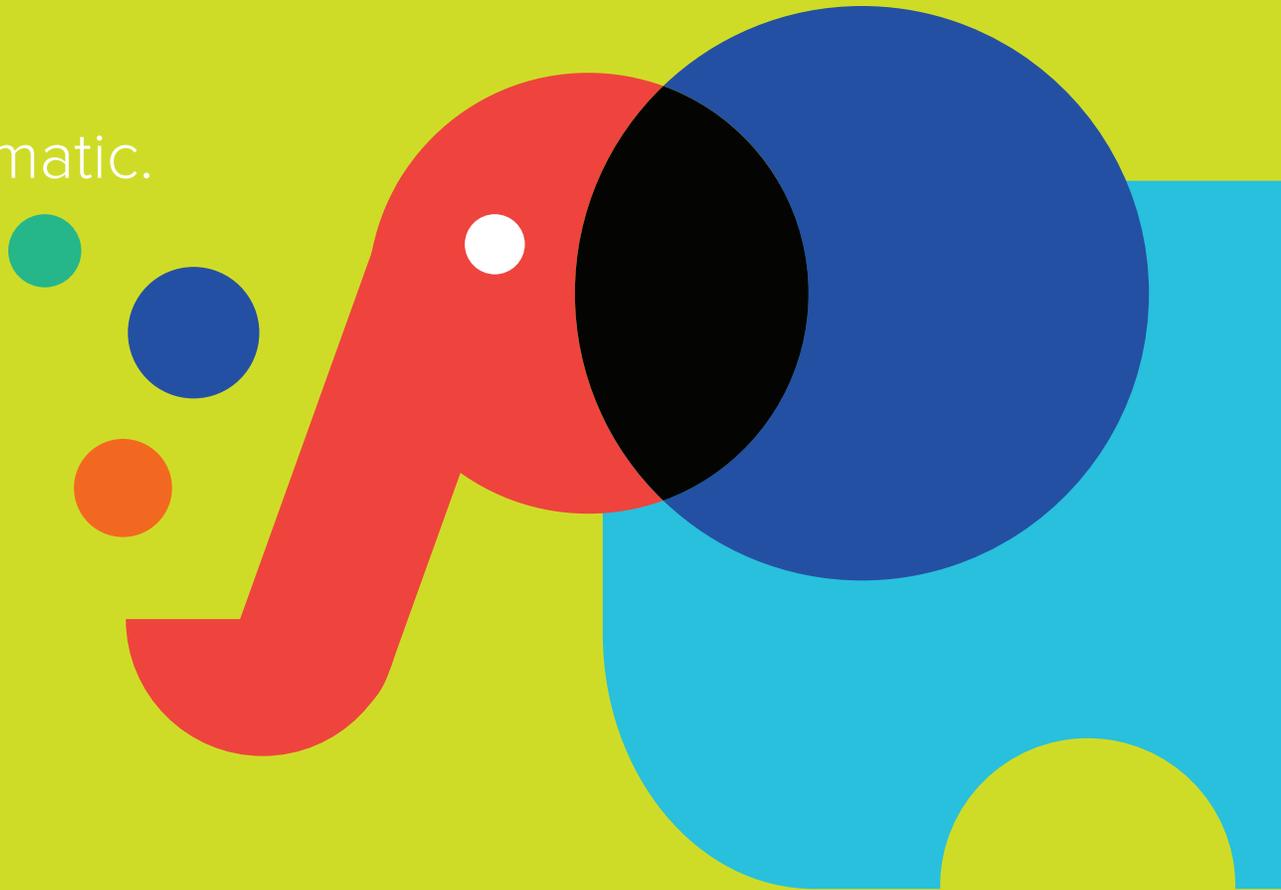
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Introduction

Addressing the elephant
in the room: Lack of cost
transparency in programmatic.



Introduction

Can we address the elephant in the room?

Lack of control and transparency in programmatic are costing advertisers **millions. There, we said it.**

Truth is, advertisers as well as consumers themselves are suffering from the widespread waste and inefficiencies tied to the fragmentation across multiple intermediaries that serve the advertiser. Brands are missing out on optimal performance of programmatic and the opportunity to connect with consumers in more meaningful and measurable ways.

As programmatic continues to capture the imagination of the industry, advertisers must come to terms with these issues and take back the control of their ad performance and spend. This manifesto looks at the “*shift*” that is underway among advertisers who wish to move away from the complexity and confusion of the crowded adtech vendor landscape, and a move toward a more streamlined, performance-driven, cost-efficient model that addresses the interests of the advertiser and ultimately consumers.



Introduction

Ironically, technology has helped drive greater transparency in other industries yet digital advertising continues to turn its head to the needless layers of complexity and waste caused by an increasing number of intermediaries involved in the process. These “middlemen” control the flow of dollars and can waste up to 50% to 75% of the budget on fees and wasteful spending without actually providing value to the advertiser. Ultimately, putting their own revenue ahead of advertiser ROI.

That said, let’s be clear. The goal of this paper is to not point fingers.

The goal is to point global brand advertisers in a new direction that empowers leaders to take back control of their digital marketing, examine the benefits of consolidation and identify measures that will allow them to better leverage the power of programmatic in all its forms. The paper lays the groundwork for people *in* charge to *take* charge of their digital advertising, and to facilitate the organization’s digital transformation for the future.

I. *Ownership*

Shifting the control of technology
in programmatic from vendors
to the advertiser.



I. *Ownership*

Thirty years ago, media-buying agencies hummed along, creating value by segmenting and aggregating audiences to meet advertiser needs and serving both sides of the market quite nicely.

TV made a ton of money for advertisers so no one sweated the small stuff. Then came procurement which hammered agency margins, squeezed profits and made life all around tougher for agencies.

The biggest issue in the early days of digital was the cost of doing business in a highly fragmented, technically complex medium. Delivering a single digital ad impression required four or five times the number of people as it did in TV.

Into the vacuum flew ad networks primarily to solve for fragmentation (by bundling publishers) and technical complexity (by allowing agencies to outsource ad ops optimization).

I. *Ownership*

Just as agencies had done with TV, the ad nets aggregated inventory across media properties and resold it at a handsome profit, regroomed and resegmented. This is where the trouble began (cue *Jaws* theme):

Networks usurped the traditional role of agencies.

The agencies' point of view on networks in those days was that nets were just like publishers—send an IO. Many were site representation firms so it made sense. But agencies were, in effect, outsourcing to nets what they did internally in the past. To help maintain its grip, agencies responded by building trading desks for digital, or buying nets outright. However, when campaign control took place within agency walls, the price went up. Trading desks didn't live inside the contractual walls of agency of record, and so could take arbitrage margins. No secret.

I. *Ownership*

Advertisers have all the leverage...and they're starting to use it.

The only people with true power in this ecosystem are the advertisers themselves. They're the ones who ultimately control every single penny that gets spent in advertising, both in traditional and digital. As advertisers continue to wake up to the reality of how their dollars are being used (or wasted), they are recognizing the power that they have, and questioning how intermediaries are spending their money across the entire ecosystem. Advertisers are demanding greater accountability and want greater control and transparency. The good news is advertisers now have real options.

OPTION 1: Advertisers can draw up explicit contracts with their trading desk, specifying approved vendors and pricing plans.

OPTION 2: Advertisers can ask their media agency to manage programmatic trading directly, rather than going through the holding company trading desk. This is the option recently chosen by Mondelez which has established a dedicated trading desk team at Starcom MediaVest for its online video campaigns.



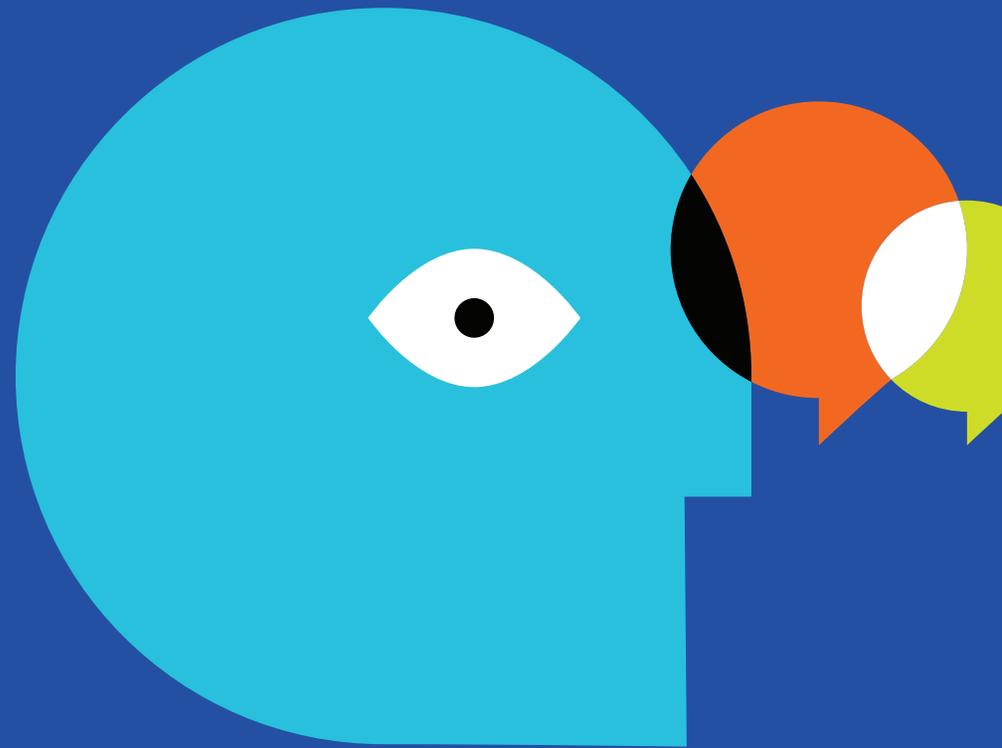
I. *Ownership*

OPTION 3: Advertisers can opt for an Enterprise Advertising Management System or what is essentially in-house audience management and media buying. The option pursued by programmatic advertisers like The Gap, Progressive Insurance and Netflix. It means making an enterprise-level technology commitment, and in some cases handling day-to-day media trading, rather than letting an agency do it on your behalf.

Bringing ad management and execution in-house doesn't mean more overhead for the advertiser or cutting out the media agency. Actually, it's a three-way partnership, with technology enabling day-to-day audience and data management, targeting and trading, the agency focusing on long-term media strategy and the advertiser owning all the data and ad management technology itself just as they do with their CRM, accounting and IT systems. Eventually, the advertiser may do the day-to-day themselves but with an enterprise technology solution infrastructure in place. For now, most advertisers are opting for professional or managed services that execute to optimize the technology and return.

II. The downside of outsourcing your technology

Why it's a losing battle and is stacked against the advertiser.



II. The downside of outsourcing your technology

At first glance, the benefits are quite attractive. Exchange-traded media is credited with bringing ease and efficiency to the display ad market but upon closer examination there is a dark and slightly dastardly force going on below the surface.

There are factors at work that could be costing advertisers billions of dollars in wasted spend. In fact, as Steve Latham, Founder and CEO of Encore Media Metrics puts it, “research shows that perverse incentives, a lack of controls and limited use of advanced analytical tools have made a majority of exchange-traded media worthless.” Worthless? That’s a bitter pill to swallow. Especially when you’re a global advertiser spending millions, if not billions on media each year.



II. The downside of outsourcing your technology

To understand how all this waste happens, you have look at the bigger picture. In digital advertising today, most money flows through agency holding companies that partner with a vast network of publishers and technology companies to fulfill campaigns. This environment creates issues for the advertiser:

ISSUE 1: IT'S NEARLY IMPOSSIBLE TO BENEFIT FROM A "BEST OF BREED" TECHNOLOGY APPROACH.

In the current world, there is no incentive for smaller, specialized vendors to work together. None. The reality is most vendors are archrivals looking to outdo one another to the detriment of the advertiser. Further, each of them charges advertisers for a wider set of features than they actually use because each vendor wants more of the advertiser's business. Their endgame is to get more money, to push out the other vendors and not necessarily increase the advertiser's ROI.

ISSUE 2: THE MORE PARTNERS AN ADVERTISERS WORK WITH, THE WORSE THE CAMPAIGNS PERFORM.

When advertisers employ too many partners to buy digital advertising on their behalf, conflicts of interest, duplication, siloed customer views and widespread waste are likely to occur. Plus, the level of complexity dramatically increases. In some cases, it's reported that advertisers can work with up to 20 different intermediaries at a time.

ISSUE 3: VENDORS AND PARTNERS HAVE AN INCENTIVE TO WASTE ADVERTISER MONEY. Today, digital partners are being compensated on a percentage of the spend rather than a flat fee. This gives them the incentive to spend more money, not less. The more the advertiser spends, the more revenue to the vendor or partner.

II. The downside of outsourcing your technology

It's worth taking note of the ways waste can occur, according to Steve Latham, CEO, Encore Media Metrics:

FRAUD: Impressions sold into exchanges served to bots and non-human traffic rather than living, breathing consumers.

NON-VIEWABLE ADS: These are legitimate ads that are not viewable by the user.

LOW-QUALITY INVENTORY: Refers to ads served on pages whose primary purpose is to house six, eight or more than 10 ads.

INSUFFICIENT FREQUENCY: Too few ads served to individual users—one or two—to create desired awareness.

EXCESSIVE FREQUENCY: Too many ads served to individual users—more than 100, 500 or more RTB impressions over 30 days.

REDUNDANT REACH: Multiple vendors using the same retargeting or behavioral tactics to reach the same audiences.

What can we take away from this?

A LARGE PERCENTAGE OF THE ADVERTISER'S BUDGET GOES TO MIDDLEMAN FEES. A mix of transparent and “hidden” costs account for anywhere from 20% to 80% of the budget.

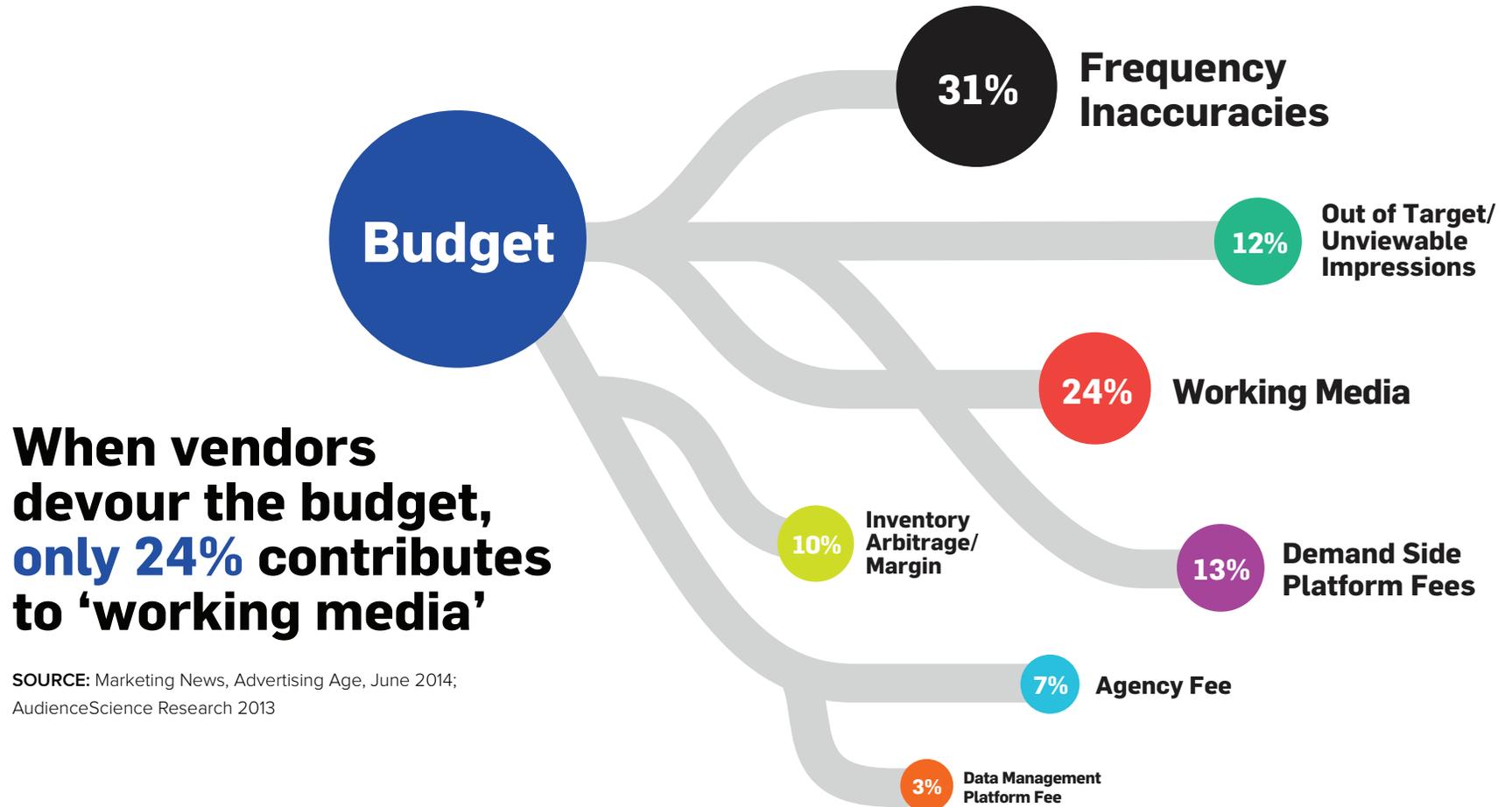
ADVERTISERS AND THEIR AGENCY LIKELY HAVE LITTLE INSIGHT INTO EXECUTION. Complexity leaves the advertiser and agency far removed from what ads are actually being served, where and why.

DATA IS NOT SECURE: Advertiser customer data is typically pooled with other trading desk client data. This helps the trading desk scale but leaves the advertiser with no control or meaningful strategic advantage.

Here's the kicker. The more you spend in this model, the worse your ads perform.

II. The downside of outsourcing your technology

How intermediaries divvy up an advertiser's media dollars:

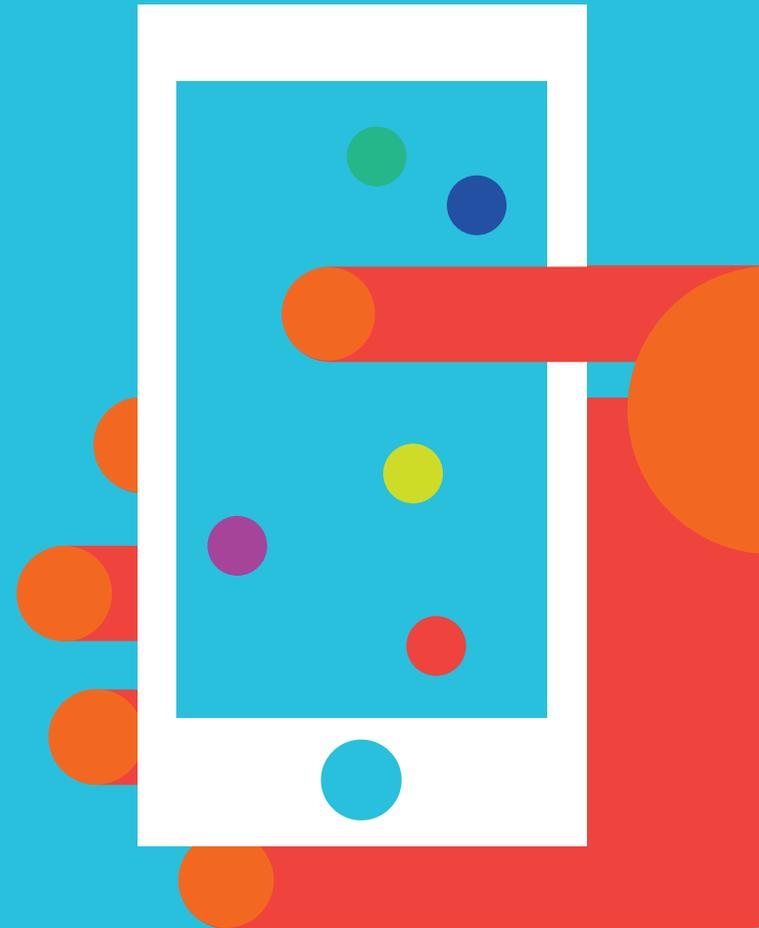


When vendors devour the budget, only 24% contributes to 'working media'

SOURCE: Marketing News, Advertising Age, June 2014; AudienceScience Research 2013

III. The iPhone effect comes to programmatic

How consolidation of technology is changing the game and enabling advertisers to turn the tables in their favor.



III. The iPhone effect comes to programmatic

The iPhone is a good example of technology that changed the game by putting the power in the user's hands.

It took the functions of your phone, your computer, your fax and your video camera and consolidated it into a single tool that enabled the user to do what she wanted whenever she needed to. It changed the way we surfed the Web, sent texts and emails, took pictures and videos, shopped, planned vacations, got directions and even called a cab. It was technology that made life simpler and put the user in complete control.

Exactly what every advertiser could use with their programmatic technology.

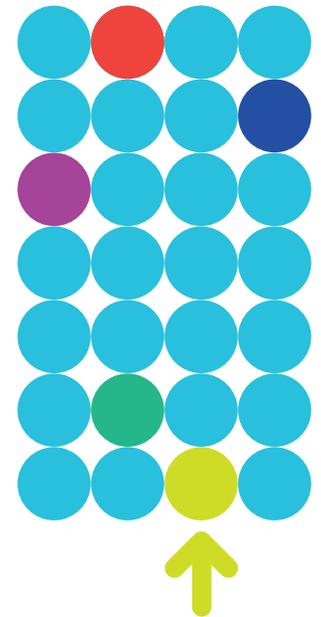
Honestly, we're not sure what it is that predisposes marketers towards creating complexity. But while peers in operations, supply chain, and product development strive to simplify the complex, marketers seem predisposed to constructing Rube Goldberg-esque machines in response to the simplest problems. Have you had a look at the technology vendor landscape lately? Exactly.

III. The iPhone effect comes to programmatic

There are some that put stock in the “multiplatform buying” approach—that is, running multiple Demand-Side Platforms (DSPs) and programmatic buying platforms on a single campaign. To be clear, it’s true that each DSP has its own methodology, optimizations approach and technology. But this simply means each DSP has a different way of showing the same customers the same ad creative (and deciding on the right combination of the two). DSPs may be more reliable and efficient, manage frequency more consistently or be better at differentiating between real humans and web bots. These things matter but they don’t improve as you add more platforms.

What’s the reality about running multiple DSPs?

YOU MIGHT GET MORE IMPRESSIONS BY ADDING ANOTHER DSP, BUT NOT MORE REACH. The logic behind multiple platforms is that adding another platform somehow enables the advertiser to find more people, even in the most niche of segments. Gaining additional reach, especially targeted reach, is highly unlikely. The problem is that what additional DSPs allow you to add is impression volume (likely in the form of more frequency), not necessarily reach. All major DSPs buy from the same inventory sources which cover every online user in developed digital ad markets.



III. The iPhone effect comes to programmatic

YOU'RE NOT GOING TO WIN TRYING TO OPTIMIZE THE OPTIMIZERS. Some believe that a multiplatform operation can drive incremental performance by optimizing the optimizers—finding the optimal allocation of budget across platforms by analyzing each DSP's individual algorithm while also reverse engineering how supply-side platforms (SSPs) optimize against those DSP algorithms. Ouch. If this sounds complicated that's because it is. Others admit that managing continually evolving technical relationships and optimization methods requires highly skilled traders and analysts, essentially using humans to try to out-optimize the machines. With their vastly superior processing capabilities, our money is on the machines.

Ultimately the case for “multiplatform” rests on a few faulty assumptions that, even if true, still don't outweigh the benefit of doing what only a single integrated platform or system can do: ensure that ads are shown to real people your brand cares about, at a reasonable frequency, and in a place where those ads can actually been seen. The fact is, by simplifying the technical complexity and focusing on the basics, marketers can save **millions** of dollars, achieve massive global reach and ultimately focus on the stuff that really makes a difference—creating messages and experiences that resonate with their target customers and inspire engagement.

IV. The manifesto for change

It's your world. Own it.

A call to arms for global advertisers.



IV. The manifesto for change

We've seen tremendous growth in the digital advertising market and radical changes in how technology impacts buying and selling. Through it all, we noticed something hasn't been quite right.

For all their investment online, large global brands have lacked the tools and transparency needed to spend more than 5%–8% of their media budgets in digital. Intermediaries and arbitragers have prospered while brands (and consumers) have struggled to find value in digital advertising.

It's mind boggling to think that for every dollar an advertiser spends, 50%–75% gets wasted or misdirected through intermediary fees and ill-conceived incentives, reducing a brand's chances of success.

IV. The manifesto for change

Advertiser-owned technology puts control back in the hands of the advertisers.

IT'S YOUR WORLD. OWN IT. Your digital advertising. It's a big world. You have every right to call the shots that help make your world work better, smarter and more efficiently. You deserve to know where your money goes, what your advertising is doing, what it isn't, who is seeing your ads and who gets control of the data that is captured across the ecosystem. It's time the people in charge of global brands take charge of the technology that drives their digital advertising.

IT'S YOUR TECHNOLOGY. OWN IT. Marketers are increasingly choosing to use programmatic systems to buy digital advertising themselves, as opposed to paying third parties to do it for them. Think StubHub and Netflix. Some good reasons are that advertisers don't have to pay agency fees or margins and they don't have to share data and whatever they learn from their campaigns with other companies. Ad tech firm Casale Media claims the shift has increased over the past two years. During the fourth quarter of 2012 just 3% of the companies using its buying systems were marketers themselves. By the fourth quarter of 2013, however, that portion had more than tripled, reaching 11% of buyers.

IT'S YOUR DATA. OWN IT. According to trend reports, advertisers who have proven the programmatic concept and are becoming increasingly more familiar with the channel and its potential, are choosing to take programmatic spending in-house. A good reason for this is that advertisers see the value and competitive advantages of controlling the storehouse of rich customer data that is generated through programmatic. Owning your data and media operations at a brand level can put you at a significant strategic advantage.



IV. The manifesto for change



IT'S YOUR MONEY. OWN IT. According to a story by Jack Marshall in *CMO Today, Wall Street Journal*, research by the Association of National Advertisers suggests marketers are growing increasingly concerned about the lack of visibility into how their money is being spent by agencies when it comes to automated buying. Of 125 marketers polled for a recent report, 46% said they have concerns about transparency with agencies.

THEY'RE YOUR CUSTOMER RELATIONSHIPS. OWN THEM. You wouldn't outsource all your personal email correspondence now, would you? Of course not. Yet many advertisers continue to outsource valuable customer relationships that can be managed through programmatic. Advertiser-owned technology enables you to leverage the incredibly valuable relationships you have with your consumers.

V. Are you ready to flip the switch? Seven questions you should be asking

Building an advertiser-owned technology can streamline the digital advertising value chain, saving advertisers millions while driving greater performance and consumer connection.



V. Are you ready to flip the switch? Seven questions you should be asking

Are we saying there is some digital Nirvana for programmatic where no ad is ever wasted and everything is puppy dogs and rainbows?

Not at all. But we are saying that advertisers have an unprecedented opportunity to change things for the better, and enable their teams to work with total transparency and complete control of their media operations.

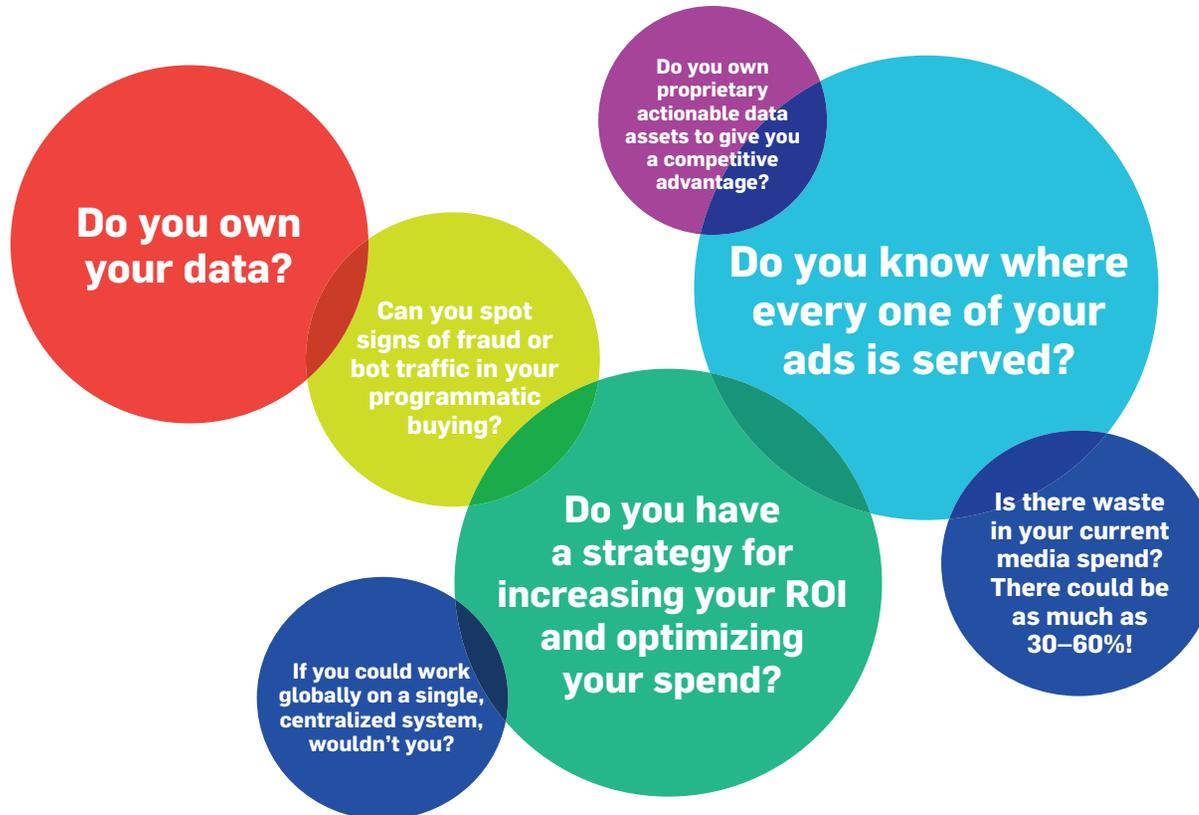
A good place to start is by asking the following seven questions of your media team.

An effective and efficient advertising operation can answer these questions easily.

If the answers are unsatisfactory—or if it's difficult figuring out the appropriate party to ask the question—you need to find alternatives to introduce greater transparency and control into your campaign strategy. Remember, you have choices.

V. Are you ready to flip the switch? Seven questions you should be asking

To combat un-optimized return and the issue of transparency, and consider the advantages of creating your own *Ownership*, **start by asking your media and agency partners the following seven questions:**



V. Are you ready to flip the switch? Seven questions you should be asking

Here are some additional questions that will help you further gauge your readiness:

IF USING A TRADING DESK, what are the fees associated with using the trading desk?

Does the trading desk arbitrage?

WHERE IS OUR DATA STORED and with whom is it being shared?

WHAT TECHNOLOGY PROVIDERS (DSPs, Demand Management Platforms [DMPs], data providers) do the trading desk use on our behalf? What are their fees and do they arbitrage?

DOES THE TRADING DESK USE MULTIPLE DSPS on our behalf? Why? Have they evaluated the inefficiencies?

CAN WE GET A LOGIN to the DSPs and DMPs used on my behalf so we can see what is happening with our campaigns and our data?

What do we mean by transparency? Everything you should expect.

NO ARBITRAGE OR HIDDEN MARGIN—access media at cost with no markup on data or other services.

NO BLACK BOX—know where and why every ad is served. Unique inventory mix—develop your own inventory ecosystem which is truly your own—exchange and direct private connections to publishers.

DIRECT PLATFORM ACCESS—log in 24/7 to know exactly what's happening with your campaigns.

V. Are you ready to flip the switch? Seven questions you should be asking

YOU OWN THE DATA—a private data warehouse accessible only to those authorized. This is a unique data asset that your competitors will never have.

A FLAT TECH LICENSE FEE—the only incentive is to deliver world-class technology and results

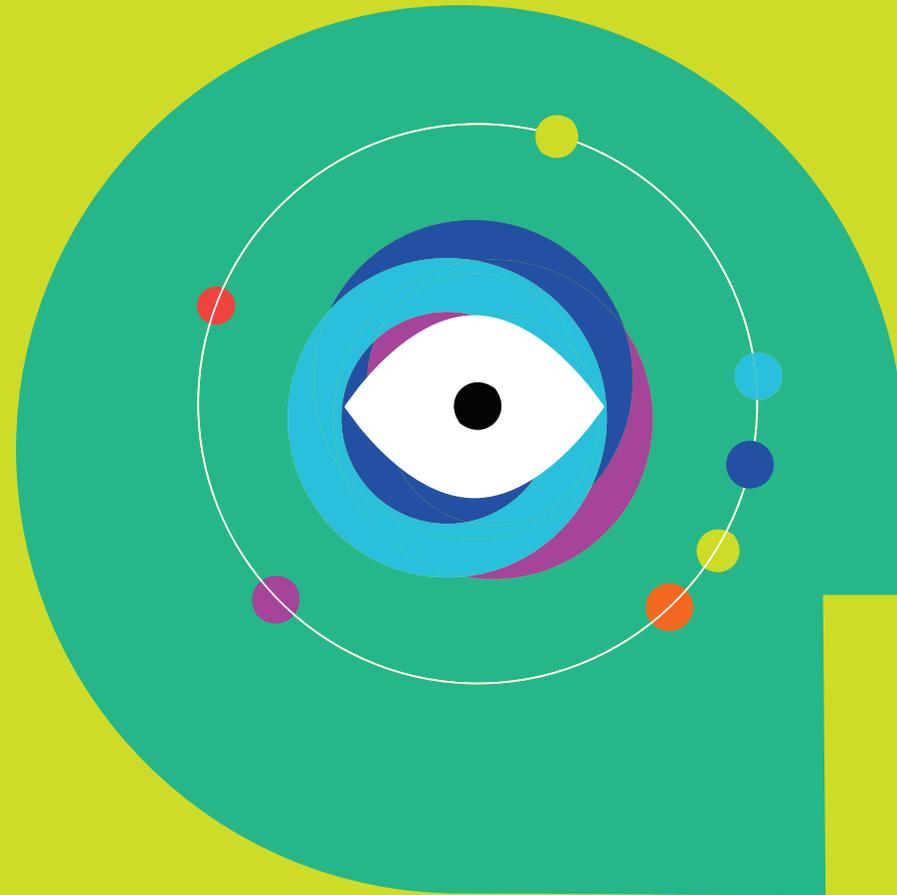
Digital advertising is creating a buzz amongst global advertisers and for good reason. It delivers tremendous focus and efficiencies advertisers need. But while advertisers are spending more than ever before in the digital advertising space, many lack the transparency and control they need to manage and measure digital investments.

What we're suggesting is transformation intended to occur over time, not overnight. But the time is now for advertisers to address the "elephant in the room," ask the right questions and take control of your digital advertising and digital future.

True digital transformation happens from the inside out... in other words, "It's your world. OWN IT."

VI. About AudienceScience®

The global technology company that puts the marketing science on the side of the advertiser.



VI. About AudienceScience®

AudienceScience® provides the industry's most robust integrated advertising technology and global professional services solution.

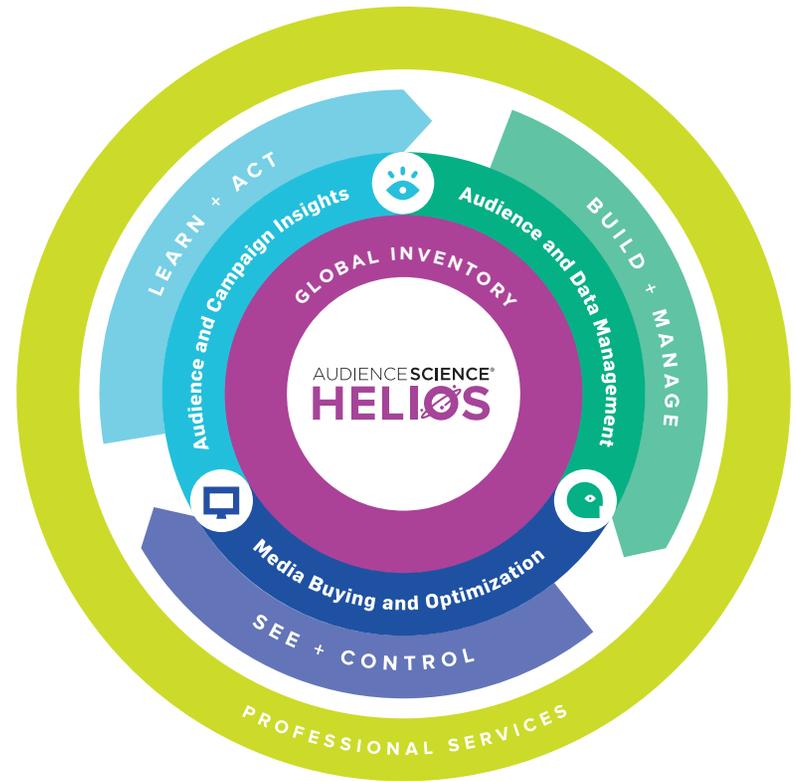
As the first technology company to bring world-class marketing science to the advertiser side of the digital equation, AudienceScience enables global advertisers to take control of their digital advertising across the ecosystem and enjoy 100% transparency, 100% of the time.

Powered by AudienceScience's Enterprise Ad Management System, AudienceScience® Helios enables advertisers to programmatically target audiences, optimize media and drive measurable performance more strategically. AudienceScience® Helios uniquely provides a complete set of 100% transparent data, media and insight-driven components including audience targeting, segmentation and management, a combined DMP/DSP for true optimization and comprehensive analytics all in a single advertiser-owned and anchored system. Advertisers can expect to dramatically improve performance and ad strategy while delivering an optimal customer experience at an optimal spend level.

VI. About AudienceScience®

AUDIENCE SCIENCE® HELIOS

Our Advertiser-Owned Enterprise Ad Management System gives advertisers complete control of their audience data and digital ad spend through a comprehensive, closed-loop system owned and anchored by the advertiser. AudienceScience® Helios streamlines the digital marketing value chain, saving millions in fees and margins while delivering 100% transparency, 100% of the time. Within a single, fluid system, clients can fully and seamlessly manage both their data and buying, enabling safe and effective targeted advertising across display, video and mobile.



BUILD + MANAGE Audience and Data Management (DMP)

Own your data and consumer relationships. Build proprietary audience data asset with online and offline data.

SEE + CONTROL Media Buying and Optimization (DSP)

Own the execution and outcomes. Control every digital ad impression globally in real-time.

LEARN + ACT Audience and Campaign Insights

Own the insights and opportunities. Get unparalleled visibility into your audience and ad spend/ROI, enabling you to make data more actionable.

ONE GLOBAL SYSTEM Global Professional Services

It's your world...we'll help you manage it anywhere. Get strategy and support from eight offices in seven countries on three continents.

VI. About AudienceScience®

Why AudienceScience? A unique and unified approach to digital advertising technology.

AUDIENCESCIENCE	ALL OTHERS
• Simplicity	• Complexity that benefits agencies
• Single technology (DMP + DSP in one)	• Multiple fragmented technologies
• Advertiser-owned	• Vendor-owned
• 100% transparent 100% of the time	• Black box, poor visibility
• Fixed license fee	• Excessive margins, agency fees
• One cohesive road map	• Many masters, cross purposes
• Media supply neutral	• Optimize to vendor margins, not yours

VI. About AudienceScience®



To add to our long list of firsts in the industry, AudienceScience is first to go “all in” in serving the needs of the advertiser and advancing programmatic on their behalf. We give advertisers complete control of their audience data and digital ad spend through a fully transparent, closed-loop system. We dramatically streamline the digital marketing value chain and relieve the “lumascape headache,” saving advertisers millions in fees and margins.

With a single system based on a fixed flat fee, clients can fully manage both their data and buying, enabling safe and effective targeted advertising across premium, real-time and other inventory options. Since 2003, AudienceScience has been a thought leader in digital marketing solutions. We’re currently powering the success of hundreds of the world’s largest and most respected brands by delivering uniquely targeted digital advertising capabilities and empowering leaders and decision makers within the C-Suite.

**For more information
go to AudienceScience.com.**