

What Is...

Clarifying marketing topics and terms



The Digital Video Supply Chain

Understanding the path of digital ad investments

October 2023



The Digital Video Supply Chain

Untangling and simplifying marketing topics and terms

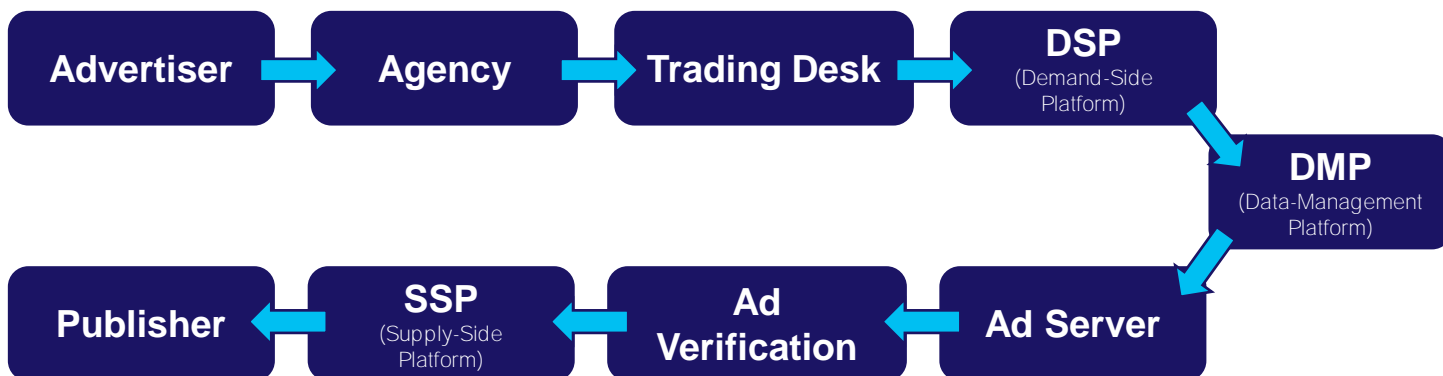
Definition:

The digital video supply chain is a process involving the **creation, distribution** and **monetization** of **digital video advertising content** to **promote a product or service** across online video platforms, including **websites, apps** and **streaming services**.

Each step of the process **consists of players who get paid a fee for performing a service** that, if done **correctly, adds value** to an advertiser's campaign. However, the **opaqueness** of this supply chain can create an environment where **campaign transparency, ad fraud, brand safety** and **reputational risk** become concerns.

The digital video supply chain is a complex network of moving pieces, **encompassing 200+ companies across nearly 30 specialties**. In this piece, we seek to break down this complexity and clarify the steps in the supply chain.

The Digital Video Supply Chain¹



Exploring alternate supply chain routes:

1. Bypass the **trading desk** by negotiating directly with the **DSP** and eliminating the agency fee.

2. Avoid the **SSP's** potential take rates and use the **DSP's** open exchange to obtain inventory at a lower CPM.

3. Go directly to the **publisher** (through the publisher's **internal SSP**) using only the **DSP** to send the digital ad, cutting out fees in other steps of the chain.

The Tradeoff

1. This **requires internal resources** to trade within the **DSP's** system or **pay a fee** for the DSP to handle it, which can be expensive.

2. Premium inventory often isn't available on open exchanges, so advertisers can be **limited to less desirable** placements.

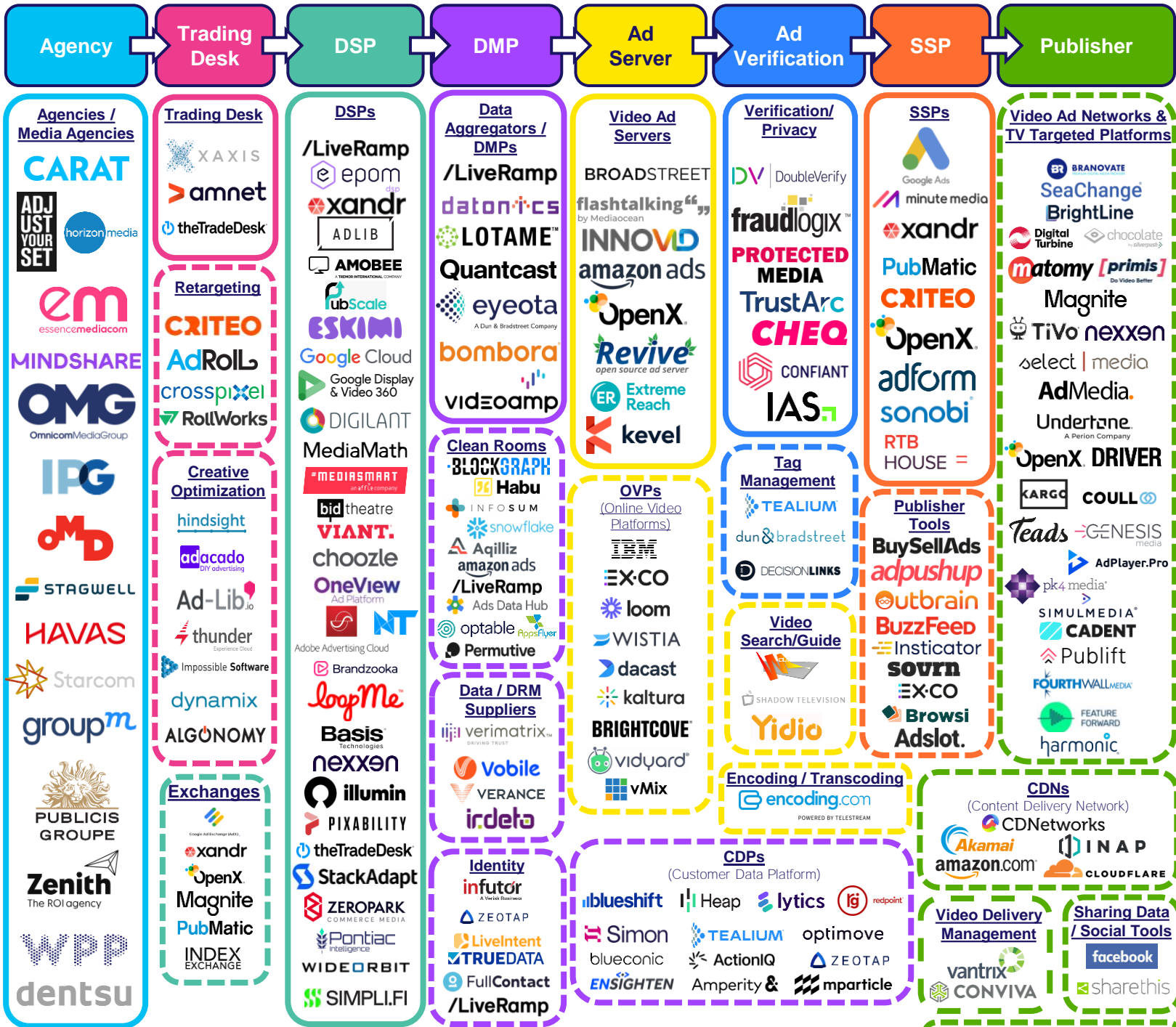
3. Publisher-direct deals often have a higher CPM in exchange for **higher quality, brand safe environments with little risk of ad fraud**.

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Complexities of the Digital Video Supply Chain Ecosystem*

Each part of the supply chain is represented by a corresponding color. Solid lines indicate a direct piece of the corresponding stage while dashes indicate supporting / related ones.



*The ecosystem is comprised of 200+ companies across nearly 30 specialties.

Note: Companies illustrated are only a sampling; many companies can play a role in multiple verticals. Click on company logo to visit their website.

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Programmatic Video Ad Spend

Programmatic digital video spend is projected to **increase annually by double-digits**, with open web marketplaces accounting for 17% of global digital spend

\$512 billion

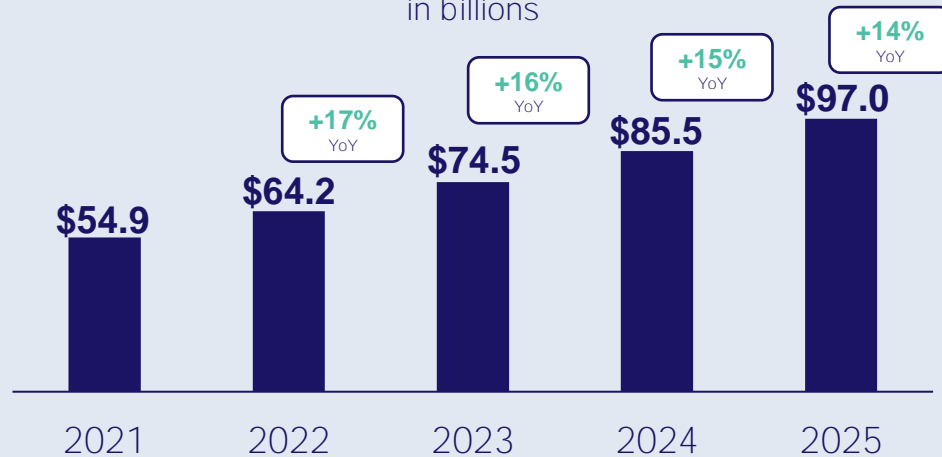
in **global digital spend** accounts for three buckets: **open web programmatic** advertising, **search** and **walled gardens**.²

\$88 billion

estimated value of **global open web programmatic** advertising market² (17% of global digital spend)

U.S. Programmatic Digital Video Ad Spending^{3*}

in billions



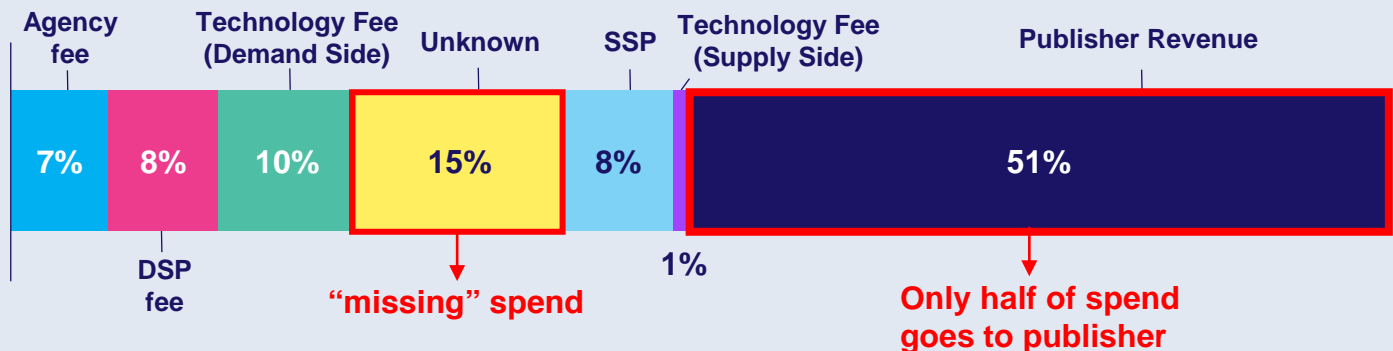
Source: ANA, Programmatic Media Supply Chain Transparency Study, June 2023. *eMarketer Insider Intelligence, Programmatic Digital Video Ad Spending, April 2023.

Programmatic 'Costs of Doing Business'

There can be limited transparency along the chain and it's been shown that **only about half of advertiser spend goes to the publisher** while 15% is unaccounted for

► This means that only 50 cents for every ad dollar spent through programmatic goes towards actual ads (i.e., 'working media')

Digital Supply Chain Advertising Investment Allocation⁴



Source: ISBA, May 2020 via Augustine Fou in Forbes, *In Digital, 'Wanamaker's 50%' Is Known. It's Also Worse Than That*, 12/19/20.

Potential Challenges with the Digital Video Supply Chain

What kinds of challenges are marketers facing within the digital video supply chain?



Introduction of more walled gardens with low transparency



Prioritization of cost over value, leading to low quality inventory



Information asymmetry which can increase the risk of overpaying



Limited access to data due to the nature of contracts with partners



Lack of stewardship or oversight ensuring that agencies are **working in brands' best interests**

Each of these factors leads to challenges related to **transparency, waste of budgets, ad fraud, brand safety and reputational risk.**

What steps can advertisers take to refine the process?⁵

Supply Path Optimization (SPO) is the strategy through which advertisers seek to optimize their access to advertising inventory opportunities by minimizing the intermediaries they engage with within the programmatic supply chain. Using SPO, advertisers aim to enhance transparency and efficiency by forging direct relationships with specific SSPs or publishers.

94% of digital ad buyers either currently use an SPO strategy or plan to adopt SPO within the next year

While advertisers are implementing SPO to minimize inefficiencies, they **continue to face challenges in control over where their ads are placed** within the media landscape.

“Which of the following outcomes are the main motivator for your company to use / adopt SPO?”

48%

Increased media quality

46%

Purchasing high quality media at the best value

46%

Increased ROI

43%

Reducing waste in ad spend

42%

Increased transparency into the supply path

Industry Perspectives:

1. “We will invest more in programmatic, but via direct deals, the performance [of open marketplace buying] doesn’t bear out. We use performance metrics to weed out waste.”
– Rick Corteville, Executive Lead, Global Media COE, Lenovo⁶
2. “I think [advertisers] need to, at a high level, understand what they’re buying and understand why they’re buying something. Transparency and really understanding it. Knowledge is power. If you don’t understand it, you’re not going to understand the work behind it good or bad, and rate-wise good or bad as to whether it’s worth it.” – Anonymous Agency Account Lead¹
3. “I get that you still need to use programmatic tech to buy your ads. ‘Add’ a campaign line that uses a very short inclusion list of sites and apps that you’ve heard of. And REDUCE the number of exchanges in your media buy from over thirty to less than five, ideally three. Some call this SPO – ‘supply path optimization’. I call it ‘smart’.” – Augustine Fou, Independent Ad Fraud Researcher, FouAnalytics⁷

How to Best Navigate the Digital Video Supply Chain

Demand transparency in all aspects of your video campaign

- ▶ Set an **expectation of visibility into metrics and methodology** with media partners **across the entire ecosystem** (agency, in-house marketing / media team, media partners, trading desks, programmatic vendors, verification companies, etc.)
- ▶ The ANA recommends advertisers **consider having direct contracts with all primary supply chain partners** (DSPs, SSPs, and Ad Verification vendors) to access log-level data (LLD) that provides ‘impression-level granularity’ of all programmatic media buys.
- ▶ These steps can help to **mitigate ad fraud** by making it **more difficult for fraudsters to hide their activities** and giving advertisers **more control over the data** they receive.

Collaborate with key stakeholders internally to strategically negotiate contracts

- ▶ Contracts in the programmatic supply chain **determine rates, rights, and more**. It is important to avoid disconnects in the process when setting up contracts between parties within the supply chain, which **can lead to limitations for advertisers** down the road. To gain better insight and control, advertisers can **involve colleagues from marketing or finance** during negotiations.

Leverage education to ask the right questions

- ▶ While it is not necessary to be an expert, **a solid foundational understanding** of the various verticals, companies and methodologies within the digital supply chain can **help marketers know what questions to ask of their agencies or trading desks**.

Have a strategy in place for measuring success

- ▶ Know **what metrics are most important for gauging a campaign’s performance** and **communicate them to relevant players** in the supply chain to ensure they know what to optimize throughout.
- ▶ This will be especially important with the **phasing out of third-party cookie data**, which will impact how digital campaigns are targeted and tracked.

Prioritize premium inventory

- ▶ A shift is already occurring with **more advertisers, agencies and publishers transacting on ad inventory using programmatic direct models**. This is to ensure campaigns are running in premium inventory that offers **high levels of brand safety, attention and viewability**

Related Terms

Ad Creation and Management

- **Ad Creation:** The development of advertisements to promote a company's products / services, help boost the company's reputation, attract potential customers and increase sales. Examples include digital video and digital display ads on CTV, websites, apps etc.
- **Ad Exchange:** A digital marketplace that allows advertisers and publishers to buy and sell advertising space in real-time. It connects multiple ad networks and Demand-Side Platforms (DSPs) with Supply-Side Platforms (SSPs), automating the process of buying and selling digital ads.
- **Ad Fraud:** An individual, group or organization maliciously and intentionally falsifying engagement with an advertisement, often by impersonating human behaviors or knowingly miscalculating measurement metrics.
- **Ad Network:** Aggregation of ad supply from publishers and their partner websites that is matched with advertiser demand. They pool inventory of ads from publishers and sell them to advertisers. Their ad servers then power ad targeting, tracking and reporting.
- **Ad Server:** A digital platform that manages and facilitates the delivery of advertisements to users to track and report on its performance. This technology stores, delivers, and positions ads on websites.
- **Ad Tag:** A code placed in a web page's HTML to display and track advertisements. It calls an ad server to fill the designated space with the appropriate ad, based on specified parameters like size and targeting.
- **Advertising Agency:** A professional firm that works with clients to develop, create, and manage their product or service promotions. Agencies help clients buy ad space on different platforms.
- **Branded Content Distribution:** Strategic dissemination of content that is created, sponsored, or co-created by a brand with the goal of building awareness, engagement, or other key performance indicators (KPIs). Branded content aims to provide value to the audience through storytelling, entertainment, or educational means while subtly integrating the brand's message, values, or product features.
- **Content Delivery Networks (CDNs):** A system of servers that work together to deliver digital content, such as web pages, videos, and images, to users based on their geographical location.
- **Data Aggregators:** A company or organization that gathers information from different places and sells the results to various players across the supply chain (e.g., advertisers, agencies, DSPs, etc.) looking to inform their decisions, optimize strategies or achieve business goals
 - **Associated Terms:** Offline Data Aggregators, Online Data Aggregators and Personal Data Aggregators
- **Data Management:** The process of organizing and overseeing data through obtaining, verifying, storing, safeguarding and handling to ensure that it can be accessed, relied upon and delivered promptly.
- **Data Management Platform (DMP):** An advertising-specific software that collects and organizes data to make it easier for marketers, agencies and publishers to manage, use data and optimize media buys.
- **Demand-Side Platform (DSP):** A software system that allows advertisers to buy digital ad placements automatically across a range of websites, apps, and other digital platforms.

Ad Creation and Management (continued)

- **Digital Rights Management (DRM):** Management of how digital content is used and shared through processes, policies, and technologies. DRM suppliers protect intellectual property for content owners and corporations so they can create and distribute content across the Internet.
- **Information Asymmetry:** An imbalance in the nature and quality of information possessed by different parties in a transaction. This makes transparency difficult to achieve and can exist between the advertiser and other players or internally within the advertiser.
- **Media Management Systems and Operations:** The tools and processes used to organize, store, and distribute media content. This includes software for asset management and workflow automation, aiming to streamline content lifecycle and improve cost-effectiveness.
- **Online Video Platforms (OVPs):** Online applications / platforms that allow users to stream videos, upload produced content and share live / recorded content with users (e.g., YouTube, Instagram, Twitch, etc.)
- **Publisher Tools:** Software and services that help publishers manage and monetize their digital ad spaces. They aim to optimize ad performance and maximize revenue.
- **Retargeting:** An online advertising technique that shows advertisements to consumers who have interacted with the brand before, like visiting a website or opening an email. These types of ads appear when users visit other websites after engaging with a particular brand.
- **Supply-Side Platform (SSP):** A software system that helps publishers sell and manage their digital ad space. It connects to various ad buyers to optimize prices and maximize revenue.
- **Tag Management:** The practice of using a centralized system to manage and deploy the various tags or code snippets that are used for tracking, analytics, and ad serving.
- **Take Rate:** The percentage of the advertising revenue that an advertising platform keeps as its fee. For example, if an advertising platform charges advertisers \$100 for a campaign and keeps \$20 of that as its fee, then the take rate is 20%.
- **Trading Desk:** A specialized entity or unit, operating independently or within a media agency, that leverages technology platforms to manage and optimize programmatic ad campaigns for clients.

Identity and Customer Data

- **Clean Rooms:** A secure environment where data from different sources can be combined and analyzed without exposing the raw data. It's used to gain insights while maintaining data privacy and compliance with regulations
- **Cookies:** Unique identifiers that can assign a given internet browser or device to an individual which allows a website to recognize a specific user and their shopping behaviors as well as remember information that the user may have previously entered.
- **Customer Data Platform (CDP):** A type of software that collects and organizes first-party customer data from various sources to create a complete view of each customer. This data includes behavioral data, transactional data and demographic data to analyze, track and manage customer interactions.

Identity and Customer Data (continued)

- **First-Party Data:** Data that a brand or media owner has collected directly with permission from the consumer.
- **Identity:** Data used to recognize and understand users across platforms for better ad targeting and personalization. It often includes cookies, email addresses, and device IDs.
- **Second-Party Data:** Data that comes from another company's own first party data but with a defined set of rights usage and permissions.
- **Third-Party Data:** Data that is purchased or obtained from a variety of sources by entities that do not have a direct relationship with the end user.
- **Walled Gardens:** Closed ecosystems created by tech companies. They provide control, security, and monetization opportunities but can limit interoperability, data ownership, and competition. Examples include closed social networks, app stores, and e-commerce platforms.
- **Zero-Party Data:** Information that individuals willingly share with a company or organization that is **reliable and more accurate because it comes directly from the source. It's used to personalize products and services, build trust, and improve the customer experience.** i.e., surveys, preference centers, personal profiles, and product customization.

Content Management

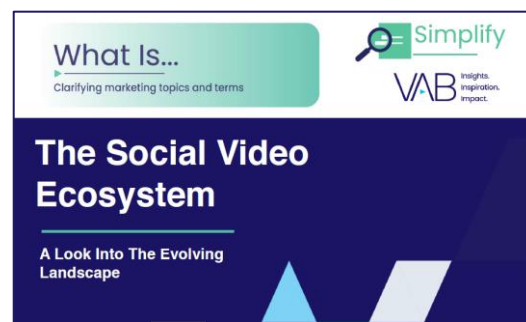
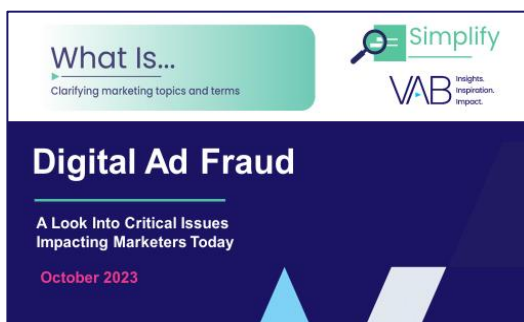
- **Ad Verification:** The process of monitoring an advertising campaign to ensure its effectiveness by tracking if the ad has been shown, viewed by real people and if humans have taken any action because of the ad. This allows media buyers to check to see if their ads have been shown in the correct place, time and to the correct individuals.
- **Creative Optimization:** Ability to experiment with various creative elements to figure out which work best in their market or for their audience. Businesses may try different approaches to see what resonates most effectively with their target customer.
- **Encoding/Transcoding:** Converting information into a unique code using characters like letters, numbers and symbols to make transmission, storage, privacy protection and security more efficient.
- **Media Planning & Attribution:** The process of selecting the right mix of media channels to achieve a brand's advertising objectives, such as reach, frequency, and impact. It involves determining where, when, and how often ads will appear to maximize effectiveness and ROI.
- **Transparency:** The ability for advertisers to know exactly how their programmatic media dollars are being spent and what service or product is being provided in return.
- **Video Delivery Management:** The use of technology and practices to distribute video content efficiently. It aims to provide high-quality streaming across different devices and networks while controlling costs and scalability.
- **Video Search / Guide:** A tool or service that helps users find and discover video content across various platforms or within a specific platform.
- **Video Syndication:** The distribution of video content across multiple platforms to reach a wider audience. It aims to increase visibility and engagement, often through partnerships or automated feeds.

Programmatic

- **Open Auction:** A type of real-time bidding (RTB) mechanism that allows multiple advertisers to bid on ad inventory in an open marketplace. In an open auction, this ad inventory is made available to all advertisers who want to participate. Advertisers use demand-side platforms (DSPs) to bid on this inventory.
- **Private Auction:** A type of deal within the private marketplace where select advertisers / publishers / providers can participate to bid on publisher inventory. Unlike open auctions where any advertiser can bid on inventory, private auctions are invitation-only.
- **Private Marketplace (PMP):** A digital advertising platform where a specific publisher or a select group of publishers offer their ad inventory to a restricted group of advertisers.
 - **Associated Terms:** Preferred Deal, Private Auction and Automated Guaranteed
- **Programmatic Advertising:** The automated process of buying and selling digital advertising space in real-time using technology and data-driven algorithms.
- **Programmatic Direct:** An arrangement between a publisher and an advertiser conducted via a programmatic ad buying system where ad space is directly sold and assured.
 - **Associated Term:** Publisher Direct
- **Programmatic Tax:** Refers to the fees and costs associated with automated ad buying in programmatic advertising. These fees are charged by various intermediaries like DSPs and SSPs.

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About VAB

VAB plays a dual role in the video advertising industry. We are leading the change to bring about a more innovative and transparent marketplace. We also provide the insights and thought leadership that enables marketers to develop business-driving marketing strategies.

Drawing on our marketing expertise, we **simplify** the complexities in our industry and **discover** new insights that **transform** the way marketers look at their media strategy.

We are committed to your business growth and proud to offer VAB members, brand marketers and agencies **complimentary access** to our continuously-growing Insights library. **Get immediate access** at theVAB.com.

Sources

1. Kroll, *ANA Programmatic Media Supply Chain Transparency Study*, August 2023.
2. ANA, *Programmatic Media Supply Chain Transparency Study*, June 2023.
3. eMarketer Insider Intelligence, *Programmatic Digital Video Ad Spending*, April 2023.
4. ISBA, May 2020 via Augustine Fou in *Forbes*, *In Digital, 'Wanamaker's 50%' Is Known. It's Also Worse Than That*, 12/19/20
5. WARC, *The Future of Programmatic*, 2023.
6. Digiday, *Transparency theater: Marketers' hypocritical dance in the programmatic landscape*, 6/26/2023.
7. Augustine Fou, *Who Pays 50% Tax -- Digital Ad Fraud Short* by FouAnalytics (on YouTube), 5/12/2023.