

# How Advertisers Are Navigating Changing Auction Dynamics

Interview | OCTOBER 2018

Ross Benes





An interview with:  
**Catherine Williams**

Chief Data Scientist  
Xandr



**A**dvertisers have had to adjust their programmatic bidding strategies because many ad exchanges have **changed the way they price inventory**. Catherine Williams, chief data scientist at **Xandr**, the newly formed advertising group from AT&T, spoke with eMarketer's Ross Benes about how ad buyers are making sure they don't overpay for impressions.

eMarketer:

What have ad buyers had to learn as more ad exchanges move to selling their inventory with first-price auctions?

**Catherine Williams:**

If it's a first-price auction, or one in which there are soft [price] floors, then it's naive of them to bid that first price. Because they don't need to bid that high in order to win, and they will pay too much for the impression. In that situation, it would be more intelligent to knock off some margin to make some money. So they are sophisticated; they'll stick to an algorithmic way of adjusting their bid price so that they'll bid just high enough to win, but maximize their margin.

eMarketer:

So after first-price auctions became more common, you noticed some ad buyers were bidding too high because they were still treating it as a second-price auction?

**Catherine Williams:**

Exactly. And there was a little obfuscation. Some marketplaces said that their auction was second price, but it was close to first price. Then the buyer would bid high, and they wouldn't get the price reduced, and the [bid] caller winds up making that margin.

eMarketer:

Why was there so much confusion?

**Catherine Williams:**

As more and more inventory was being sold on a header bidding basis, the wires got crossed organically, and buyers were confused about what the [auction] types were.

eMarketer:

Were publishers intentionally tricking buyers into paying more?

**Catherine Williams:**

No. But we have seen some publishers who were very eager to migrate from first to second price, and who maybe didn't do as good of a job evangelizing to all their buyers they were doing that because they hoped the buyers would be naive and not start [price] shading right away. Because in that case, the publisher gets a lift, you know? It is public knowledge that the auction is first price, but maybe some of the buyers are slow to adopt the correct bid shading technology.

eMarketer:

Have you been surprised by anything that's happened after the industry's move to first-price auction?

**Catherine Williams:**

I don't have anything super juicy for you, other than to say, I think it had been the Wild West in term of what's actually going on with respect to auction logic and behavior. If there's a theme that I personally would emphasize, it is that we are now beginning to see a little bit more transparency and clarity where the theory begins aligning with reality, which is encouraging.

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