Five Charts: The State of Programmatic Bidding

First-price auctions and ads.txt are on the rise
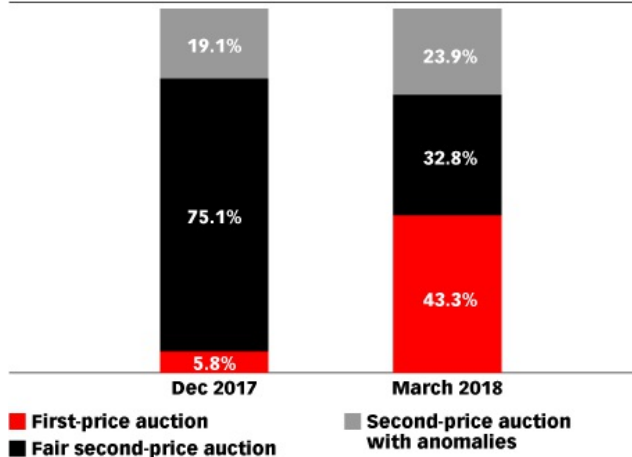
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Unless you're deep in the ad tech weeds on a daily basis, it's easy to become overwhelmed by the industry's perpetual changes. For those who need some catching up, here are a few charts that show how programmatic advertising is evolving.

There has been a big shift in how programmatic platforms price inventory. In March, Getintent analyzed 338 billion ad impressions across 39 US supply-side platforms (SSPs) and found that 43.3% of impressions were sold through first-price auctions, in which the highest bid wins an impression. That figure was significantly higher than in December 2017, when just 5.8% of the 171 billion impressions analyzed were sold the same way.

Digital Ad Impression Share Among US Supply-Side Platforms (SSPs), by Auction Type, Dec 2017 & March 2018

% of total impressions analyzed by Getintent

	Dec 2017	March 2018
Second-price auction with anomalies	19.1%	23.9%
Fair second-price auction	75.1%	32.8%
First-price auction	5.8%	43.3%

■ First-price auction   ■ Second-price auction with anomalies
■ Fair second-price auction

Note: represents activity on the Getintent platform, broader industry metrics may vary
Source: Getintent, April 30, 2018

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As vendors change their pricing models, marketers are trying to get a better handle on how they'll be billed. In a December 2017 survey by the World Federation of Advertisers (WFA) and dataxu, more than 60% of marketers worldwide said better understanding programmatic auction pricing is a priority for 2018.

Programmatic Ad Tactics that Advertisers Worldwide Use vs. Plan to Prioritize, Dec 2017

% of respondents

	Already done in 2017 or earlier	Major priority for 2018
Building site white lists & black lists	69%	21%
Ensuring we have a fully disclosed/transparent relationship with our programmatic partners	45%	41%
Looking for new external partners/suppliers/ agencies to manage programmatic on our behalf	24%	21%
Getting current internal staff up to speed with understanding programmatic better	24%	45%
Appointing new internal staff to manage and steer programmatic better	21%	28%
Adopting more direct relationships with publishers and SSPs (e.g., 'programmatic guaranteed,' 'deal ID')	17%	34%
Addressing data segment markups and data arbitrage	14%	38%
Putting in place ID management systems	14%	28%
Eprivacy/ensuring programmatic approaches are fit for purpose post-GDPR	10%	76%
Addressing 'walled garden' & data access issues	10%	45%
Putting in place robust fractional/multitouch attribution modelling	7%	52%
Mastering cross-device path-to-purchase marketing & attribution	7%	41%
Exploring new programmatic channels (e.g., programmatic TV, Digital out-of-home, native)	7%	41%
Encouraging adoption of Ads.txt	7%	34%
Getting a better handle on auction dynamics (e.g., first price, second price)	7%	24%
Getting a better understanding of how blockchain could improve transparency and reduce fraud	3%	21%

Source: World Federation of Advertisers (WFA) and dataxu, "Future Of Programmatic Media," Feb 9, 2018

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Advertisers are reducing the number of platforms they use to buy inventory programmatically. Ad tracking firm Pathmatics analyzed the top 100 advertisers on its platform and found that the number of demand-side platforms (DSPs) these advertisers use declined about 40% between January 2016 and April 2018.

Two years ago, advertisers ran at least 1% of their ad spend through about seven different DSPs each month, on average. Now, however, they only use around four DSPs per month, according to the study.

Average Number of DSPs Used by US Advertisers, Jan 2016-April 2018
among the largest 100 advertisers on the Pathmatics platform
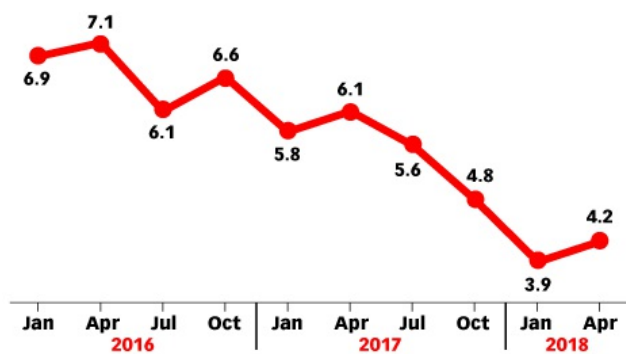
Note: represents activity on the Pathmatics platform, broader industry metrics may vary
Source: Pathmatics, May 15, 2018

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Publishers are increasingly using a mixed approach to sell their ad inventory programmatically. The number of US sites that use browser-side and server-side header bidding in tandem increased by more than 50% between September 2017 and February 2018, according to ServerBid. Among the internet's most popular 1,000 sites that sell programmatic ads, more than 20% use both server-side and browser-side header bidding to sell their inventory.

US Websites that Use Header Bidding, by Type, Sep 2017-Feb 2018
% of total HBIX sites*

	Sep 2017	Oct 2017	Nov 2017	Dec 2017	Jan 2018	Feb 2018
Client-side wrapper	42.6%	43.2%	40.4%	41.6%	40.1%	39.0%
Server-side wrapper	5.8%	6.2%	5.8%	6.1%	5.8%	6.3%
Hybrid** wrapper	13.6%	14.8%	17.7%	18.1%	20.7%	21.1%
No wrapper	7.7%	6.7%	7.7%	6.2%	6.7%	6.7%
Total	**70.0%**	**71.0%**	**71.6%**	**72.0%**	**73.3%**	**73.1%**

Note: numbers may not add up to total due to rounding; *among Alexa Internet's top 1,000 sites that do programmatic advertising; **uses both client-side and server-side wrapper
Source: ServerBid, "Header Bidding Industry Index - Feb 2018," Feb 5, 2018
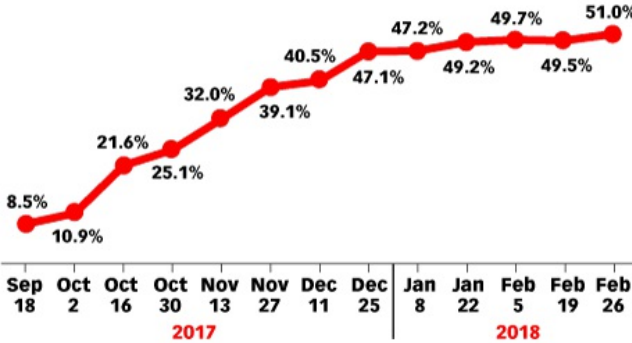
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Header bidding helps publishers raise CPMs because it allows them to make simultaneous calls to multiple SSPs, which drives up the demand for their inventory. One downside to this influx of bids is that it becomes more difficult for buyers to determine the legitimacy of inventory being sold through ad exchanges.

In response to advertisers' demands for more transparency, last year the Interactive Advertising Bureau (IAB) Tech Lab launched ads.txt, a text file on publishers' sites that lists all the vendors that are authorized to sell their inventory. Because domain spoofing and arbitrage have

plagued programmatic advertising, ads.txt was created so that ad buyers could have a tool to check whether a vendor's claim to a piece of inventory was legitimate.

Share of Websites Worldwide that Have Implemented Ads.txt, Sep 18, 2017-Feb 26, 2018
% of total

Note: represents activity on Pixalate's platform, broader industry metrics may vary; among Pixalate's top 5,000 sites
Source: Pixalate as cited in company blog, Feb 27, 2018
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More than half of the top 5,000 websites worldwide that sell programmatic ads have adopted ads.txt, according to Pixalate.