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Why Programmatic Ad Buyers Are Pumping Dollars to Private Setups

Transparency isn't keeping them in open markets

INTERVIEW | JULY 2018

Lauren Fisher

An interview with:

Matt Prohaska

CEO and Principal
Prohaska Consulting

Open exchanges started as a simple way for publishers to monetize unsold inventory. Over time, the addition of arbitrageurs and other intermediaries has created a landscape of complexity and confusion—which many hoped would be fixed by greater advertising transparency. eMarketer's Lauren Fisher spoke with Matt Prohaska, CEO and principal at programmatic firm Prohaska Consulting, about why ad buyers still shift away from open markets despite the much-awaited improvements to transparency.

Prohask was interviewed as part of eMarketer's October report, "US Programmatic Ad Spending Forecast Update 2018."

eMarketer:

Transparency talk is nothing new in the programmatic space. But it can be hard to pinpoint if things really are improving. What are you seeing?

Matt Prohaska:

Buyers continue to see better transparency. We're noticing agency agreements change, even for existing accounts. There's more fee transparency and disclosure, and appropriate labeling of first-, second- and third-party data with appropriate pricing.

In a pre-blockchain world, there's also starting to be more visibility around those who touch the deal and the transaction taking place. Naturally, that's starting to be reduced to the buyer—whether it's the marketer, the agency or someone buying on their behalf—and their buying technology. On the other end, there's the seller and their technology, and that's it.

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eMarketer:

What does this mean for open-market spending? On one hand, improvements to transparency could drive greater spending, but if everyone wants to streamline their buying partners, does that suggest more private, one-to-one deals?

Matt Prohaska:

Many buyers have always preferred private deals, except for those either arbitraging or taking advantage of a lot of unlabeled, unsold inventory.

Within two or three years, we predict that all the major types of digital inventory—display, mobile web, pre-roll video, all the usual suspects—will return to being about 20% open, which was the revenue percentage the ad networks got 15 years ago.

eMarketer:

What will this transition back to more private deals look like?

Matt Prohaska:

Originally, the supply-side platform was intended to handle unsold inventory. That's why the open auctions started, and they got 100% of that unsold inventory. But that's changing as more buyers shift money into PMPs [private marketplaces] and guarantees.

We think it will revert to when the open markets only got 20%, and the rest goes to PMPs when agencies finally move all their IOs [insertion orders] for standard media over to PMPs.

The open markets don't make as much sense if you have a trained workforce, and you're seeing 20% take rates on at least one side of the transaction.

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eMarketer:

Many publishers are still interested in using header bidding to monetize unsold inventory at a higher rate. Have those that already implemented it seen advantages?

Matt Prohaska:

A lot of mature publishers have already noticed those gains. It's not like you can find another 40% in your open auctions just based on having a super auction setup. The super auction is already set up.

Interview conducted on July 26, 2018