SPO is reshaping the ad tech landscape, finally forcing SSPs to adapt or die

Article

The need for supply path optimization (SPO) arises from concurrent trends—among them cost reduction, sustainability, privacy compliance, and inventory quality assurance. The

deprecation of third-party identifiers is also fueling SPO initiatives, and supply-side platforms (SSPs) are particularly at risk of being disintermediated by more intimate first-party data partnerships between publishers and buyers. SPO is behind a few recent developments:

- **Several SSPs met their demise in Q1.** Big Village and its SSP subsidiary EMX filed for bankruptcy in February, owing at least $50 million according to its filing as cited by AdExchanger. Around the same time, Yahoo announced it would shutter its SSP, choosing instead to focus on its demand-side platform (DSP). Neither event was entirely expected, setting the industry on high alert.

- **In Q2, SSPs launched new products to defend their market share.** Magnite's ClearLine solution and PubMatic's Activate platform both provide buyers more direct access to "premium" video and connected TV (CTV) inventory. While these moves could be perceived as a not-so-thinly veiled retaliation against The Trade Desk's OpenPath initiative, they also signal a need for SSPs to get in on the SPO action to remain competitive. PubMatic, for its part, claims SPO drove over 35% of buying activity through its channels in Q1.

Momentum has been building behind this trend for years, so why is it coming to a head now? Advertisers are finally holding their ad tech partners accountable for providing value beyond facilitating programmatic transactions. But SSPs are just one facet of the supply chain, and ad tech vendors that don't have a strong value proposition for the advertiser will have less staying power.

Solutions That Hold the Greatest Promise in Replacing Cookie-Dependent Solutions According to Advertisers and Publishers Worldwide, Feb 2023

% of respondents

	Advertisers	Publishers
Advertiser first-party data activation	49.0%	16.6%
Google Topics (formerly known as FLoC)	37.9%	12.6%
Attention-based metrics	33.7%	30.7%
Social media advertising/targeting	31.0%	39.1%
Contextual advertising	30.5%	20.5%
Publisher first-party data activation	27.1%	47.3%
Unified ID technology	21.7%	24.3%
Programmatic direct deals or PMPs	14.0%	32.7%

Source: DoubleVerify, "Post-Cookie Questions: How Advertising Strategies and Sentiments Are Evolving," May 1, 2023

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Programmatic Advertising Trends Q2 2023