



Programmatic, one of those buzzwords that's difficult to explain and even understand, is particularly relevant to the discipline of shopper marketing, say these handful of experts

By Dawn Klingensmith

When *Shopper Marketing* asked experts to explain programmatic buying/advertising, they offered slightly different definitions ending with a similar flourish: "And it all happens in milliseconds!"

To be sure, it takes much longer to describe a programmatic ad buy than it does to conduct one. Luckily, experts patiently and thoroughly brought us up to speed on programmatic advertising, which is expected to account for 48% of total spend this year for online display ads, according to media value forecaster **Magna Global**.

What is programmatic?

Simply put, it's the automated sale of ad space made possible by technology connecting advertisers and publishers. The technology is used to select appropriate ad placements and transact the sale. The transaction can be entirely automated using an auction-based marketplace (marketplace programmatic) or partially automated with humans negotiating the sale (programmatic direct) before technology takes over



Tyler Kelly

to process data and attain an appropriate placement, says Tyler Kelly, senior vice president of client development at **Centro**, a digital advertising software provider.

The other key element besides automation is the use of big data to target audiences and optimize campaigns.

How does it work?

"Programmatic advertising works by using data-driven artificial intelligence to serve relevant digital media to the right person at the right time," says Debbie Wogan, vice president of national sales, **Catalina**.

And, yes, it all happens in milliseconds.

"When you go to a website today, in the 20 milliseconds it takes to load the page, hundreds of decisions are being made by machines to deliver an appropriate ad to you," says Steve Ustaris, senior vice president of marketing and client strategy at **OwnerIQ**, a programmatic solution for retailers and brands.

The website's publisher first sends a request for an ad to its ad server, but if none is a good fit for you as determined by cookies, geolocation and other factors, the request redirects to the programmatic marketplace via an ad exchange.

Once the ad exchange receives the request—accompanied by the website URL, browser info and ad size—it alerts buyers (represented by machines in the exchange) to this

immediate ad opportunity and solicits bids for placement. “Buyers can be large agencies using buying software or an advertising network like OwnerIQ working on behalf of a brand advertiser,” says Ustaris, adding that certain programmatic software overlays additional data at this point, available through third-party vendors or direct partnerships.

With the data at hand, each bidder’s algorithm evaluates the opportunity and decides whether and how much to bid. Then, in a process called real-time bidding, or RTB, advertisers compete to serve the ad to you, the consumer, submitting creative along with the bid. The winner’s ad is then served.

Ad exchanges can be set up as open (all advertisers can participate) or private (publishers invite a handful of select advertisers to bid for their inventory). In summary, the three types of programmatic deals are open marketplace, private marketplace and programmatic direct.

Opening an app on a mobile device can set off the same rapid-fire series of events.

How is programmatic relevant to the practice of shopper marketing?

Browsing and shopping online provides a basis for shopper insights. Consumers’ browsers anonymously and securely record which retailer sites they visit, where and when they visited, and the products they bought or considered. A smart programmatic campaign uses these “digital footprints” to buy relevant ad inventory in real time so shopper marketers can reach active shoppers of their retail channels when they are most receptive and at times of purchase intent, says Scott Pearson, account director at DataXu, a programmatic platform provider.

In addition, “Programmatic buying offers shopper marketers an efficient, data-driven and highly measurable form of local advertising,” says Matt Knust, vice president of shopper marketing at MaxPoint, a digital advertising technology provider. “By using big data to connect a variety of online and offline information, a skilled programmatic advertiser can deliver on campaign goals specific to shopper marketing, such as sending ads only to neighborhoods where a new product is being launched or automatically delivering different ad creative to shoppers depending on their product purchase history.”

What are the benefits of programmatic advertising, and how does it fit with other shopper marketing tactics?

Although programmatic campaigns can complement existing FSI and direct mail efforts, since they are digital they provide marketers with a better opportunity to “get personal with shoppers, delivering only ads or offers that are relevant to their past purchase history — unlike with FSIs,” Wogan says.



Debbie Wogan

In addition, programmatic advertising delivers the right content to the right customer at the right time and has the potential afterward to deliver performance metrics on sales lift, inventory levels and engagement metrics so marketers can measure return on ad spend, says Marie Jackson, CMO at Retail Solutions Inc., which measures digital-to-store ROI.

According to Knust, additional benefits specific to shopper marketers include:

- Timing a campaign to begin the moment a new product hits an individual store’s shelves.
- Offering local pricing based on each store’s current promotion.
- Pausing advertising around out-of-stock stores.
- Aligning advertising with sales momentum and inventory so that high-sales and high-volume areas receive optimal campaign support.
- Providing valuable store-level performance and consumer data for future promotions.

Can programmatic help link online advertising to in-store sales?

Advanced programmatic advertisers link online advertising to in-store sales “by incorporating both SKU-level

point-of-sale and store inventory data from either the brand or a third party, like IRI, into their advertising platforms,” Knust says.

This client data enables the advertisers to strategically select stores for advertising support based on historical product, brand or category sales success; optimize ad delivery to areas around local stores based on current inventory levels and sales momentum; and measure campaign sales lift by comparing test stores and control stores.

Give us an example of how programmatic advertising can be an effective part of a shopper marketing program.

A national food brand working with MaxPoint introduced a healthier pasta product knowing that early sales could spell the difference between success and failure. “Instead of putting its advertising and sales on hold until reaching near-complete product distribution, the brand worked with us to drive awareness in strategic neighborhoods as soon as the product hit the shelves at nearby stores,” Knust says.

The campaign involved test stores and targeted high-income families interested in healthy eating. MaxPoint used hyperlocal insights and store-level sales data to serve rich media ads to target consumers located near stores selling the product. Each ad included the store’s address so that the customer would know where to pick up the pasta. The campaign ran for 41 days and achieved 10% sales lift.

What should brands be doing today programmatically to help support their products at retail?

Programmatic advertising can strengthen the brand and retailer partnership. By connecting brand advertising to local offers and in-store sales, shelf-aware programmatic campaigns (solutions that marry SKU-level sales data with campaign execution) enable brands and retailers to measure the impact advertising has on product sales at the retailer level.

“Brands can then demonstrate how they are supporting their retail partners and prove how these efforts boost each store’s sales,” Knust says.

What should shopper marketers consider when evaluating programmatic solutions and solutions providers?

Finding the right data providers and platforms is critical. CPG companies in particular will want a programmatic technology provider with “deep CPG expertise and experience” and, ideally, “the ability to optimize, target across platforms and provide closed-loop sales effect measure-



Matt Knust

ment,” Wogan says. “Start by learning about their technology and asking for case studies.”

Make sure partners measure campaign performance, provide transparent reporting to back up their findings and have safeguards in place against fraud, which AdAge in October 2014 called a “systemic problem” in the programmatic ad business due to widespread click fraud and “URL masking” (misrepresentation of URLs to buyers).

The programmatic space “is still a bit of a Wild, Wild West, so you need an ethical partner,” Kelly says.

Is programmatic inventory lower-quality or remnant inventory?

“That couldn’t be further from the truth,” as premium inventory is routinely purchased through programmatic channels, says Robert Scheckman, OwnerIQ’s vice president of national shopper marketing.

While programmatic does provide a way to monetize “leftover” ad space, now that it’s come of age, shopper marketers rely heavily on programmatic to “execute coordinated display, video and rich media campaigns across premium desktop, mobile and tablet inventory,” Knust says.



Robert Scheckman

Walmart has entered the programmatic marketplace with its own exchange. What’s the significance of this move?

One indication of the move’s significance is Procter & Gamble’s early adoption of the Walmart Exchange (WMX) program since its start in 2012. WMX is of course focused on sell-through at Walmart, and it’s “extremely attractive to any brand that sells SKUs there because of the access to the retailer’s first-party data and the ability to provide sales-level reporting at Walmart,” Scheckman says.

Brand marketers benefit because they can buy highly targeted programs, track them to sales at Walmart and then optimize them based on that data.

What is the future of programmatic?

Again, P&G actions provide some indication: The company announced in 2014 that it would devote 70% of its digital media spend to programmatic.

Digital display ads still predominate, but programmatic advertising soon will extend well beyond the digital realm to encompass TV, out-of-home (digital billboards) and even print, with programmatic buying becoming “the de facto standard,” Wogan says. SM

IT ALL HAPPENS IN MILLISECONDS

1. Consumer visits webpage. As the content begins to load, there are still some blank spaces where ads should be — but the consumer will never see them.
2. That’s because the website’s publisher immediately fires off a request for an ad. The request may end up in the programmatic marketplace via an ad exchange.
3. The ad exchange sends out a bid request along with cookie info and other data to help potential bidders (represented by machines and algorithms) assess the opportunity. In some cases, third-party data helps bidders size up this particular consumer.
4. The bidder’s algorithm determines whether and how much to bid. Predesigned (and in some cases customizable) creative is sent with the bid.
5. The winning bidder’s ad fills the empty slot and is served to the consumer.