

2014

THE REAL WORLD OF REAL-TIME ADVERTISING

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INTRODUCTION

Up until 2009, the strategies behind online advertising were built upon finding and targeting audiences in places where they *might* be, relying on content targeting to inform media buying.



But in today's advertising landscape, marketers are armed with extraordinary technologies, an ever-more-precise understanding of consumer behaviour, and a seemingly endless array of touchpoints for getting in front of audiences. In response to these developments, entirely new industry solutions — and an entirely new school of companies — have evolved that enable marketers to maximise the scale and relevance of their display advertising like never before.

While the new digital landscape offers marketers many options and opportunities, it can also create significant confusion about how to take best advantage of them. This guide seeks to help you wrap your heads around the current advertising technology ecosystem; to explain how we arrived at this point; and to simplify the science and technology that hold the industry together.

HOW ONLINE ADVERTISING USED TO WORK

Online advertising traditionally required direct relationships between marketers and specific Web publishers, and were based on whether the audiences on those publishers' sites matched the audiences the marketers were trying to reach. Audience Analytics tools helped publishers define who was consuming content at a given time and create demographic profiles of their readers to help advertisers choose media placements.

The next evolution of this tactic was the **ad network**, which was the original high-volume, low-price option for serving display ads at scale. An ad network serves as the “middleman” between publishers and advertisers, selling a portion of the publisher's leftover inventory and monetising inventory it couldn't otherwise sell. The network segments ad impressions under content categories so that advertisers can purchase inventory that aligns with their target verticals.

With the advent of ad exchanges in 2009, another option became available for buying high-volume, low-price inventory in real time.

INTRODUCING THE AD EXCHANGE

In an **ad exchange**, Web publishers auction their inventory in real time instead of packaging and selling it to buyers ahead of time. If you consider that users' online behaviour actually creates ad inventory — that is, that as people browse and click through pages, they generate more opportunities to serve ad impressions — you'll see that selling inventory through exchanges is especially useful for both publishers and advertisers.

Ad exchanges allow advertisers to buy impressions to target individuals (rather than buying in bulk based on where he or she assumes an entire audience is spending its time online).

This has opened up a whole new marketing channel for advertisers who are looking for high volume and precision targeting. And at this time in mid-2014, marketers have several different ad exchanges to choose from, including some social networks, mobile platforms, and video platforms where inventory beyond traditional display ads can be accessed.

Trying to understand the technology that powers this platform is where many people get lost in the shuffle. Despite the widespread use of real-time bidding (RTB), most non-engineers in the space have a hard time explaining how it all works!

REAL-TIME BIDDING EXPLAINED



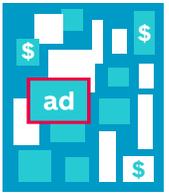
1

A person with an anonymous cookie associated with him or her arrives at a website that's selling some of its inventory in an exchange. The exchange pings all the participating ad vendors and asks for bids on the ad impression that's about to serve in front of the cookie. The ad vendors participating in the exchange then decide whether they want to bid or not.



2

How do they make this decision? Essentially, all the participating vendors make educated guesses about whom that anonymous cookie represents — maybe a male, located in the New York metro area, affluent, perhaps shopping for a car? — based on how they (or the data partners they work with) make sense of the data that's available to them.



3

Once conclusions are reached about the mystery man (or woman) behind the cookie, the ad vendors look into all the campaigns they're running to see whether the cookie matches any of those campaigns' strategies and goals.



4

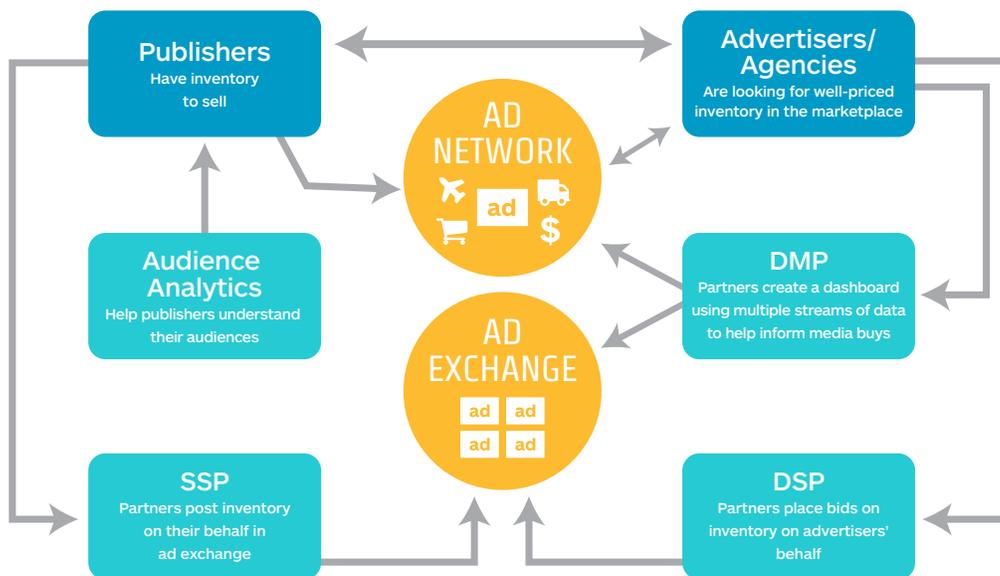
Let's say this particular cookie appears to be an excellent match for a luxury auto campaign. Ad vendors running such a campaign might then say to the exchange, "Yes, I'd like to bid on that ad impression, and here is the price I'm willing to pay," while those who are not might pass. The ad exchange then selects the winning bid and serves that vendor's ad to the user.

All of this occurs in a matter of milliseconds, and the person loading the page likely has no idea that several advertising companies were virtually fighting to get in front of him or her.

WHO WORKS WITH WHOM?

The emergence and rising dominance of RTB as an advertising channel has created a few new types of player in the market, so in the graphic below, we've illustrated the additional platforms that have evolved to make this technology work. This visualisation depicts the relationships between industry partners, as well as the main flow of inventory throughout the online advertising ecosystem. Note that there are still other companies providing additional services that layer on to each of these components, but the structure below is the basic system around which they're built.

It's also important to note that you don't need to work with every type of vendor outlined here to take advantage of RTB. Companies can offer capabilities across a few of these categories (just as Quantcast fits the bill as an Audience Analytics company, a Demand Side Platform (DSP), and a Data Management Platform (DMP)).



When running through an ad exchange, you may encounter the following companies:

Supply Side Platforms (SSPs) – A Supply Side Platform is the platform through which publishers sell their inventory in an ad exchange. Publishers set up their inventory through an SSP under certain descriptive qualifiers, whether it's homepage or “above the fold” impressions. The SSP's backend technology supports its ability to push that inventory into the ad exchange in real time.

Demand Side Platforms (DSPs) – You can't just physically walk into the stock exchange and buy shares. Likewise, advertisers and agencies need a platform from which to buy inventory on an ad exchange. That's where a Demand Side Platform comes in. A DSP has access to the inventory and does the bidding for you in real time to allow you to buy impressions at the moment you need them. Data can be brought in to assess which inventory is most valuable to a client. The data DSPs use might be the client's first-party or third-party data, but the function is the same: to inform the bidding.

Data Management Platforms (DMPs) – Marketers must typically sift, sort, and analyse a great deal of data to reach informed conclusions about how best to manage a campaign and reach their target audience. Offline or online, a DMP helps you combine the data and look at different ways to market to people.

CONCLUSION

With the advent of real-time bidding and ad exchanges, marketers can advertise more precisely, eliminating waste and inefficiency. And although the ecosystem is complex, we can all rest easy knowing that the key players share the same incentive — to maximise advertising effectiveness.

If you understand the basics and think about how these companies interact with each other, it should be easier to understand their place in the digital world and how they can help you achieve your own marketing goals.

TO GET STARTED PLEASE CONTACT US TODAY: UK@QUANTCAST.COM

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