

A Forrester Consulting Thought Leadership Paper Commissioned By Google

Navigating The Road To The Consolidated Buying Platform

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FORRESTER

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Executive Summary

In June 2012, Google commissioned Forrester Consulting to evaluate the perceptions, opinions, and predictions of digital marketers with respect to the concept of the “consolidated buying platform.” To accomplish this, Forrester interviewed a range of experts including ad agency executives, trading desk executives, and marketers, while drawing from our own research and knowledge of the ecosystem.

Key Findings

Forrester’s study yielded five key findings:

- Display buying is more challenging than ever, with marketers and agencies alike struggling with fragmented measurement, lack of partner differentiation, quality, and transparency concerns.
- Demand-side platforms are becoming widely adopted for standardized buying, but they don’t solve the whole problem.
- Consolidated buying platforms — with holistic inventory access, data management, universal measurement, and streamlined workflow — are seen as highly desirable by most but largely nonexistent today.
- Agencies are generally more reticent than programmatic buyers and marketers to adopt even an idealized consolidated buying platform due to the inherent nature of their role as curator and consolidator.
- Consolidation is both desirable and inevitable but will never be static or all-encompassing.

Display Advertising Is Both Widely Used And Frustratingly Complex

The days of the “Click Here!” 468-by-60-pixel banner are thankfully largely behind us. Direct response and brand marketers alike now regularly use display advertising to help them achieve a wide range of business objectives — from supporting sales-based efforts to achieving optimal reach and frequency and lifting engagement. In fact, Forrester Research projects that display spend will top out at more than \$27 billion by 2016, representing more than 30% of total digital marketing spend.¹

But as the days of simple click-oriented display campaigns have waned, so too has the relative simplicity of buying and managing display campaigns. Just 15 years ago, display buyers were faced with no more than a large handful of publisher choices when constructing their media plans. Fast-forward to 2012, and the range of choices has reached epic proportions: billions of individual web properties to choose from and literally hundreds of advertising networks banging down their doors for a slice of their budget.²

“There are still so many companies out there selling display. The volume of people selling display has not gone away. They think, ‘If I can make a buck, I’m going to try to make a buck.’ There are teeny incremental differences in what people are selling, but a lot of it is the same.” (North American CEO, digital agency)

Speaking to leading digital marketers revealed that they struggle with:

- **Fragmentation.** Digital marketers are overwhelmed with choices and often feel that there's no clear path to making the right ones. We heard time and again in our interviews that buyers are frustrated by the number of seemingly undifferentiated display vendors angling for budget. One media supervisor at a leading digital agency noted: "My pain points with display? Let me count the ways. Understanding true differentiation is hard to stay on top of, and you don't even know until you test — 'our algorithm is better than theirs.' How can you show that? It's a challenge."
- **Holistic measurement.** The complexity of buying has a waterfall effect on the complexity of campaign measurement, frustrating marketers trying to paint a holistic picture of campaign performance and audience interaction. Traditional ad servers get digital marketers part of the way but are no longer enough when it comes to capturing the full range of marketing touchpoints a consumer experiences that lead to ultimate conversion. Says one marketer at a leading online brokerage firm: "[Partners] only see a portion of the universe of what's happening and optimize based on a limited view."
- **Transparency issues.** The old network model of providing a representative site list has fallen out of favor with most buyers, who increasingly crave open, unfettered access to the inner workings of their media programs. This still remains an ongoing issue for many, though, in this era of impression-level buying via real-time bidding (RTB) inventory sources, and lean-forward buyers are increasingly treating transparency as a required element of display management. Noted one agency executive: "Transparency is huge for us; we went through a process where we cleaned up the whole channel for one client. We have overhauled our planning parameters — we demanded RTB transparency in the different exchanges as table stakes for working with us."
- **Quality concerns.** The dramatic rise in display inventory over the past several years has made the issue of understanding — and managing — inventory quality more pressing than ever. With so many niche (and in many cases low-quality or, worse, fraudulent or illegal) sites showing up in a buyer's media mix, and with the concurrent increase in brand marketer investment in digital advertising, buyers are downright fearful when it comes to the inventory quality question. One media director told us: "Quality is always a concern and becoming increasingly so. Is the environment brand-safe; is it viewable? Does [the partner] have auditing and verification that shows it delivers where it's supposed to; are they sure they aren't funding pirated content sites?"

"We leverage one buying tool for Facebook, one for search, one for display. That's a pain point. It's also increasingly complex in terms of inventory sources — you have portals, exchanges, and varieties of each. It's hard to tell where you are with consumers." (Manager, marketing and media services company)

Demand-Side Platforms Are A Leap Forward But Don't Yet Go Far Enough

The advent of ad exchanges, demand-side platforms (DSPs), and RTB in the mid and late 2000s was viewed as a near miracle by some digital buyers, particularly those struggling to make sense of the 10-networks-deep media plan they'd been forced to cobble together to meet clients' reach, efficiency, and performance goals. It brought the possibility of consolidated-buying-and-measurement real-time algorithmic optimization in a transparent, directly accessible platform to display. And the momentum of adoption is only growing, with nearly 20% of US interactive marketers indicating that they use a DSP today, up from just 6% two years ago.³

“When our teams are managing campaigns and controlling the optimization, we've seen double-digit [performance] improvements. We know what's working and why and can adjust the strategy based on that.” (North American CEO, digital agency)

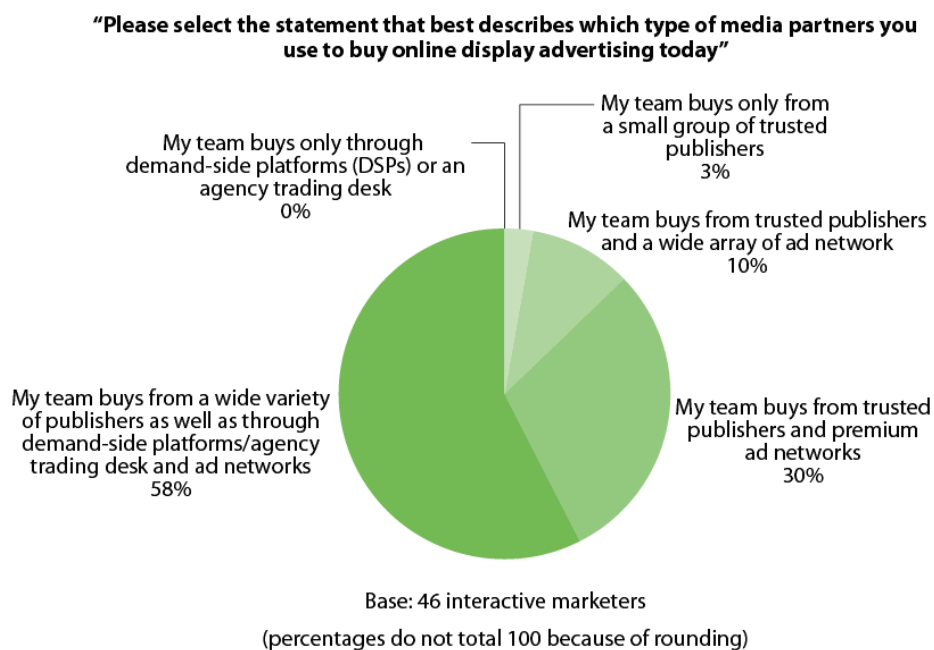
But the big question DSP users are asking themselves today is: Does this tool go far enough to meet my full range of needs? The answer we heard, universally, in our conversations with digital marketers was, “No, certainly not yet.” The general consensus is that DSPs are a really valuable tool for efficient algorithmically optimized buying of a subset of display (and increasingly paid social and video, with mobile bringing up the rear) impressions but aren't the whole answer. The result is a new breed of cobbled-together media plans featuring a mix of publisher-direct, network, and programmatic components (see Figure 1). Here's what's holding buyers back from full consolidation through a DSP:

- **Getting access to non-RTB inventory.** There is widespread agreement that a whole swath of inventory (and sometimes audiences) that buyers want is not yet available through most programmatic buying platforms like DSPs. And this creates a real challenge for media buyers who can't simply say to their clients, “Sorry, that inventory isn't available through our DSP, so we're not going to buy it.” One agency media director put it this way: “Everyone out there is a big fan of automation. We would love to make all digital buys in an automated setting. But sometimes we need to access an audience or content that isn't available there, and we have to go outside.”
- **Building and managing custom executions.** The need for rich, immersive, unique experiences is only growing as brand marketers finally begin believing in the gospel of digital (a fact that's increasingly possible to ignore, if consumer behavior is any indication). The very nature of programmatic buying, which relies on standardization and automation, is antithetical to that of custom programs. This prevents even the most bullish on programmatic buying from using it whole hog. As one digital marketer we spoke to noted, “Sometimes we just can't buy that way because it's an integration or it's a unique creative that doesn't fit into the DSP.”
- **Dealing with channel-specific requirements.** Channel and device proliferation brings with it inherent complexity, and media buyers are not spared that complexity in trying to construct channel-specific or multichannel programs. In spite of significant recent advancements in programmatic video, paid social, and

mobile buying, many buyers still feel that current real-time buying technologies aren't yet ready to deal with the myriad nuances of nondisplay buys. We heard from one manager at a marketing and media services company, "Facebook is special, mobile is special, video is special. I have a hard time envisioning when that will be different. For mobile, [there is specific] tracking — cookies — it's an issue, and unless you're using a specific vendor, it's hard to do."

Figure 1

The Majority Of Display Buyers Still Use A Wide Mix Of Publishers, Networks, And Programmatic Partners



Source: "The State Of The Digital Media Buyer," Forrester Research, Inc., July 19, 2011

A Complete Consolidated Buying Platform Must Be Broad And Deep

Limitations with current tools aside, digital marketers are certainly showing increasing interest in the concept of a "consolidated buying platform" to both ameliorate their big pain points and get them closer to delivering on the promise of the right ad to the right user at the right time in the right place: As one agency trading desk executive told us, "It's hard to tell where you are in the session with consumers [today]; over time with consolidated tools, you'll get a better sense of it." Unsurprisingly, concurrently, technology companies both large and small are acquiring point solutions to round out their offerings. In our discussions with interviewees on the subject of the consolidated buying platform, it became clear that the ideal solution would contain the following elements:

- **Holistic inventory access.** Buying and managing real-time biddable display accessed through exchanges and supply-side platforms is great in many digital marketers' eyes, but the ideal consolidated platform would extend to guaranteed buys and would encompass all channels and formats (some even mentioned TV as they ticked off what they'd like to see in a single platform solution). One marketer at a large Internet company indicated that ideally "every single buy would run through it. There would be the ability to control what you were doing on a variety of buys."
- **Universal data management.** The rise of the data management platform (DMP) over the past two to three years has created dramatic ripples in the interactive marketing community similar to those created by the appearance of DSPs and exchanges on the scene. Digital marketers struggling with a legacy media channel-oriented approach, dealing with a multitude of disjointed audience buying programs, and hungry to better use their proprietary first-party data express genuine enthusiasm at the prospect of finding a tool to make audience-centric marketing a reality. Today's tools are still more promise than reality, but marketers conceptually are hooked. Not surprisingly then, the majority of interviewees noted that a consolidated platform must have universal data management capabilities. One massive direct response marketer told us that, ". . . the platform needs to be able to create hierarchies with data so that, for example, first-party gets scored higher than third-party and then allows you to set up parameters to be able to prioritize data for decisioning purposes."
- **Full channel measurement and attribution.** The bulk of marketing organizations still rely on the woefully inadequate last-click approach to media attribution, in spite of dramatic advancements in the interactive attribution tools available. Legacy organizational structure, fear of change, and, realistically, some limitations in the application of advanced attribution exercises into live media programs hold marketers back. So of course, it stands to reason that the ideal consolidated platform solution would address the measurement challenge by providing global measurement and reporting, deep insights into channel interplay, and a mechanism for making those insights actionable. One senior vice president (SVP) at a digital agency noted, "In a perfect world, the consolidated platform would do media mix modeling that happens across all channels."
- **Streamlined workflow.** Digital marketers constantly bemoan the operational efficiency of digital media buying and management, and they're right to do so: An inordinate amount of valuable time is spent on manual tasks like manually joining data sets, updating Excel-based IOs or, in the case of programmatic buying, logging into multiple platforms just to manage a single media initiative. Wasted time means wasted money, which is something that negatively affects agencies and clients alike. The ideal consolidated platform would address these challenges by unifying workflows in a single place and automating much of the manual operations associated with campaign management. That said, the digital agency SVP said that ideally the platform would offer "a central tool that lets you manage workflow and analytics across all channels."

"[A consolidated buying platform] would be an end-to-end stack that ensures system, data, and teams work together as seamlessly as possible." (Marketer, CPG company)

Agencies And Marketers Differ In Their Willingness To Consolidate

The divide we found between agency and marketer opinions on the role and value of the idealized consolidated buying platform highlights the very different role and perspective of each constituency:

- **Agencies are skeptical.** After all, the stated job of the agency is, among other things, to curate and piece together the right mix of opportunities for its clients based on stated business objectives. And this is a role that planners/buyers and client service leads genuinely take to heart. So it's no shock that the very idea of a single consolidated system made many of the agency people we spoke to very uncomfortable. As one agency associate director explained it, "I want to work with best-in-breed — choosing one doesn't give us the flexibility to pick and choose the best tech available."
- **Programmatic practitioners are excited.** The notable exception to the general theme of skeptical agency employees was the agency trading desk executives, practitioners, and other hands-on programmatic types we interviewed, who, by the very nature of their job choice, have leaned into the idea of more universal, automated media management through technology platforms. One trading desk executive told us, "It's the way people should be thinking about it and how we guide people — have one platform that can execute. There should be a rise of platforms, truly agnostic ones, in 18 months."
- **Marketers see the tangible upside.** Marketers we spoke to, on the other hand, seemed more enthusiastic about the prospect of a more consolidated solution. The idea of having everything in one place was generally quite appealing, particularly with respect to frequency measurement and holistic measurement. As one marketer at an online brokerage firm put it, "The underlying piece is the analytics package. Whoever will be successful in this space will have to offer a compelling analytics package to tie it all together — because that is where the duplication and spending problems come into play."

"[A consolidated buying platform approach] would fundamentally alter the nature of [the] agency/client relationship. . . . There would be resistance. In my lifetime, I'm not sure if it's doable or not. But if a platform took agency relationships into account, some of the hesitancy would fade." (Digital director, media agency)

Platform Consolidation Is Inevitable But Will Not Be Static Or Wholesale

The reality is, ad technology consolidation is not just a topic of theoretical discussion. It's happening now, with several leading technology companies building or buying key elements of the ad tech stack at an increasingly rapid clip. But this doesn't mean that wholesale adoption of end-to-end tech platforms for media management is the inevitable end

state. The answer lies somewhere in the midpoint between no consolidation and total consolidation, judging by what we heard in our interviews for this study and based on our own assessment of the landscape. This is because:

- **The very nature of digital is one of constant change.** Unlike its traditional counterparts, TV, print, and radio, digital marketing is constantly evolving, whether that's due to consumer adoption of new technologies like tablets that create entirely new marketing channels (nonexistent just a few years ago) or the development of a game-changing innovation in ad technology, like the appearance of cookie-based retargeting roughly 10 years ago (now on nearly every media plan) that freed marketers up, really for the first time, from their sole reliance on content as a proxy for audience. Our interviewees noted that being flexible and open to incorporating new innovations into their marketing efforts is a necessity for them and they're not sure that a single solution can ever give them that. One digital director at a media agency noted: "We haven't seen anything that would give us the full confidence that we can get everything through the one platform, and then clients would ask us: 'Why are you using this thing, not doing everything you can to deliver for us?'"
- **There is reticence to commit so heavily to a single partner.** Agencies and marketers alike get nervous at the prospect of committing so much to a single partner. Some voiced concerns over allowing a media seller to play that role; one agency media director said, "If you're a buyer, you need to scrutinize any platform that's supposed to be universal and agnostic but owned by a media seller." Others had problems with the potential limitation on choice that would come with committing to a single provider: "If it's consolidated around one player, there's lots of concern I have around [the concept of] 'antitrust.' You need choices; independence is important," explained one marketer.

"I could see a day when we [would use a consolidated platform]. And if we had to look at niche providers, they would have to have a compelling case as to why we should buy through their tool. I hope the DSP space lets us buy premium placements and do audience buys on a large scale, and I think they are getting close. But there may be some circumstances [in which] we have to buy elsewhere." (Marketer, brokerage firm)

KEY RECOMMENDATIONS

It's time to take a long, hard look at all the disparate pieces of technology your organization is using to manage its digital advertising. Chances are, there are a host of disparate systems that don't talk to each other very well. Make a commitment to make things better, even if it means a little discomfort as you incite change. After all, consumers are blowing past us when it comes to their adoption of new technologies and are concurrently upping their expectations of the brands with which they interact.

- **Consolidate your measurement.** The biggest improvement you can make to your digital marketing effectiveness is to commit to creating a "universal view of the truth." A single system of record means global frequency tracking, holistic audience measurement, de-duplicated conversion reporting, and a significantly simplified analytics process (read: no more manual joins of data in disparate Excel spreadsheets). So, if you're not ready to commit to consolidated buying (or feel like you'll never be), at least make a commitment to consolidating your measurement now.
- **Start testing programmatic buying, if you're not already.** Demand-side platforms are today's consolidated buying platforms. They allow you to buy across a wide range of real-time biddable (and in some cases, direct) supply sources from a single place, optimize holistically across all media running through the platform, and use a streamlined workflow system to do it. Look to a DSP (or your agency's trading desk) to take your first step away from opaque, duplicative media campaigns populated with undifferentiated ad networks.
- **Look for flexibility in your partners.** A static system, or one that's closed to external integrations, is the wrong choice in the long run given the constant innovation of digital marketing, so look for partners who have a stated, and demonstrated, approach of openness to their platform's architecture. Ask for live examples of how they've integrated new external components into their system, and talk to their clients about the level of flexibility and customization the partner really offers.

Appendix A: Methodology

In this study, Forrester conducted qualitative interviews with 20 decision makers at agencies, trading desks, and large advertisers, with knowledge of their companies' ad buying activities. The interviews lasted between 30-45 minutes, and covered the decision makers' current experience and perceptions around display buying – and the current state and value proposition of consolidated buying.

Appendix B: Supplemental Material

Related Forrester Research

“The Future Of Digital Media Buying,” Forrester Research, Inc., September 7, 2012

“Select Partners Who Support Your Goals,” Forrester Research, Inc., August 14, 2012

“The Forrester Wave™: Demand-Side Platforms, Q4 2011,” Forrester Research, Inc., December 14, 2011

“The DMP Is The Audience Intelligence Engine For Interactive Marketers,” Forrester Research, Inc., July 25, 2011

The Forrester Wave™: Cross-Channel Attribution Providers, Q2 2012

Appendix C: Endnotes

¹ Source: Forrester Research Interactive Marketing Forecast By Industry, 2011 To 2016 (US).

² According to the March 2012 Web Server Survey of Netcraft, there are currently more than 600 billion active websites. You can check this out at the Netcraft website. Also, AdNetworkDirectory.com currently lists 386 ad networks in its directory. Source: (<http://news.netcraft.com/archives/2012/03/05/march-2012-web-server-survey.html>); (<http://www.adnetworkdirectory.com/?gclid=CI-mueG52LICFet9OgodslQACA>).

³ Source: Q2 2010 Interactive Marketing Executive Online survey; Q2 2012 Global Interactive Marketing Executive Panel Online Survey.