

**DIGIDAY**

# State of the Industry

The future of the  
agency trading desk



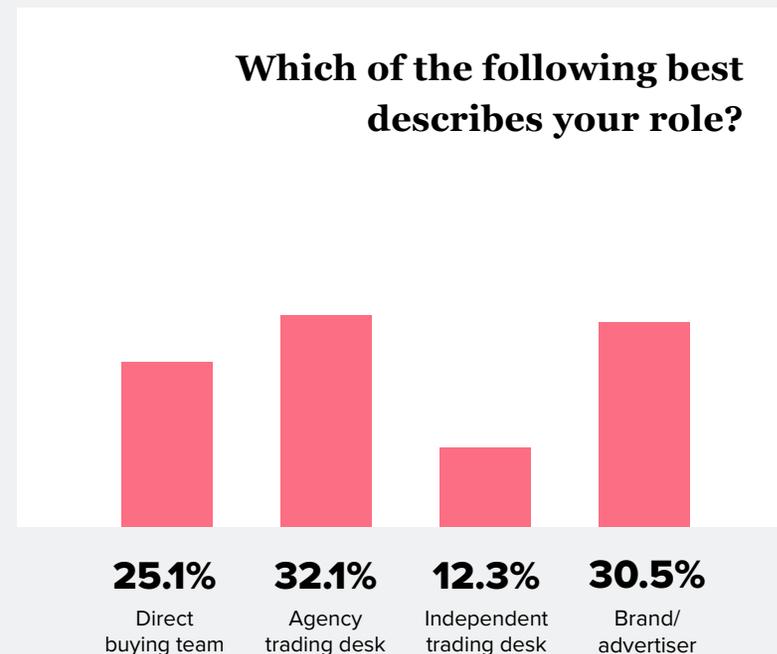
grapeshot

# Introduction

There are few relationships in digital media more classically love/hate than the one between agencies and their trading desks. These centralized platforms allow agency clients to extract greater value from media buys by combining media buying and planning with measurement and audience insights.

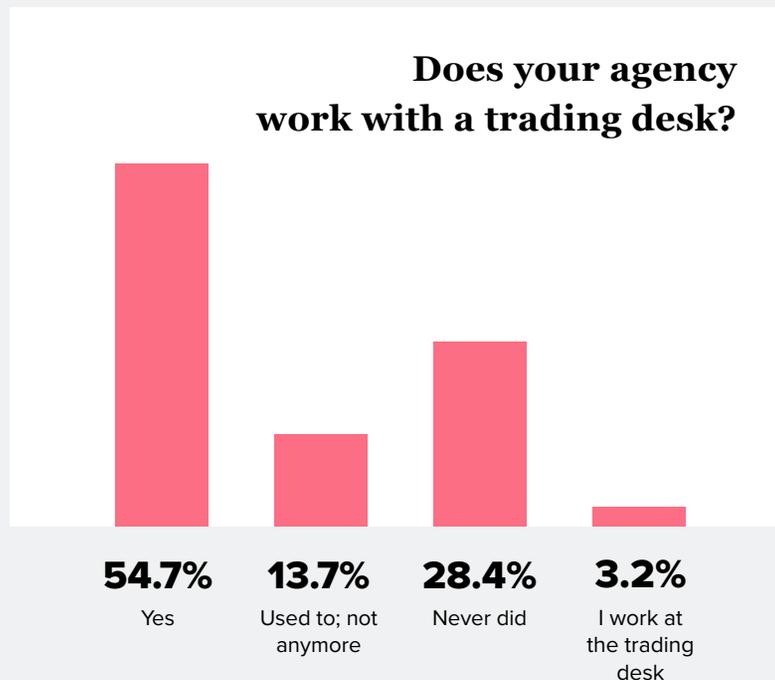
However, as brands increasingly bring programmatic functions in-house (a trend fueled both by the extension of technology giants like Google into self-serve options and the sometimes-contentious relationship between agency buyers and their trading partners), the industry press has paid less and less attention to the trading desk model. But does this mean trading desks have left the stage, or are they just shying away from the limelight?

We surveyed over 200 media professionals to find out what's in store for the future of the trading desk in an increasingly competitive measurement and analytics landscape.



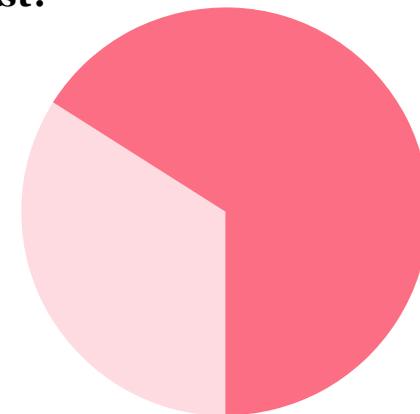
# The report in 5 charts

Over half of respondents still work with a trading desk.



The level of trust is lower between buyers and traders than it is between agency teams.

**Which of these relationships has the lowest level of trust?**

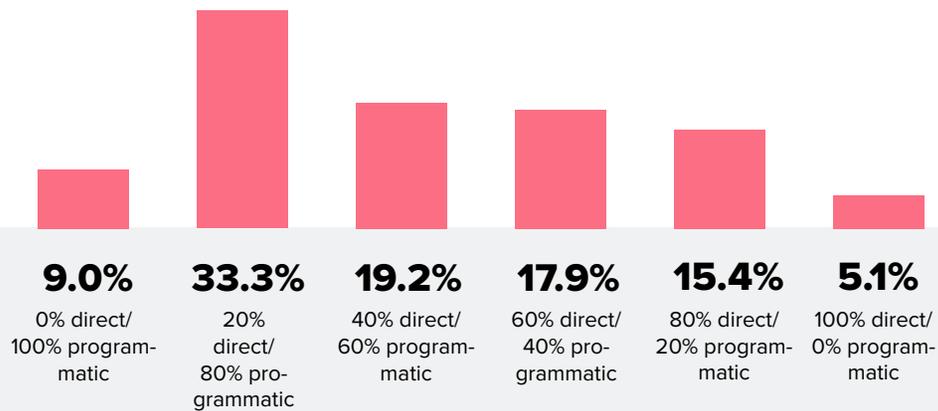


**34%**  
Between planners/  
strategists and agency  
media buyers

**66%**  
Between buyers and  
agency/independent  
desk traders

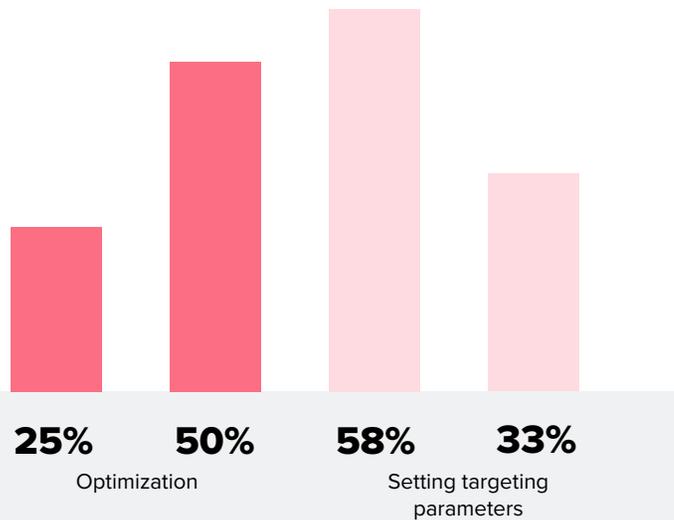
One year from now, 35 percent say they will be transacting 80 percent of their spend programmatically.

**One year from now, how much of your spend will be executed directly versus through programmatic channels?**



**When a trading desk is involved, are the following decisions more often made by the agency buying team or the trading team?**

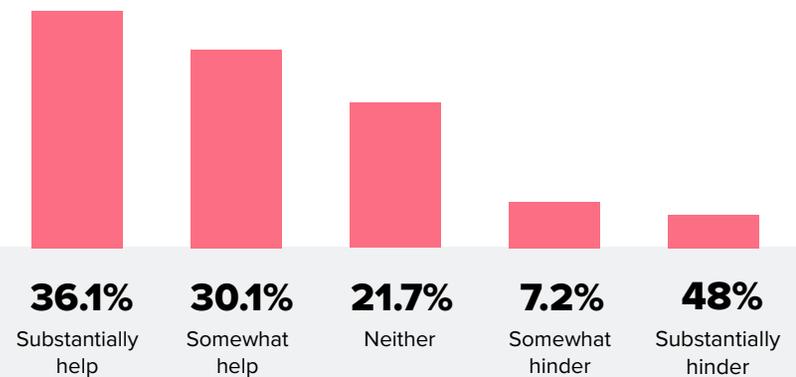
- Buying
- Trading



Optimization is more the purview of trading teams, while setting targeting parameters is more often the domain of the agency buying team.

Despite all the kinks, respondents largely find trading desks to help in the optimization of programmatic campaigns: 66 percent say they somewhat or substantially help.

**Does the involvement of a trading desk help or hurt your ability to optimize a programmatic campaign?**

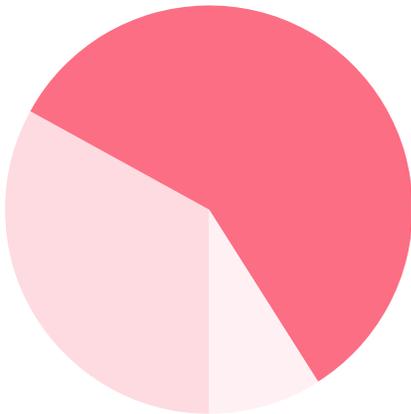


# The trading desk is alive and well

Just over half of the agencies and brands surveyed are still working with a trading desk to plan, execute, and measure digital campaigns. That means that just under half do not currently employ a trading desk. Fourteen percent have ended existing relationships within the last year.

They were supposed to be proof that agencies could bring together the tech firepower needed to compete with silicon valley, but trading desks appear to have hit a stumbling block. Why? Two key reasons agencies give for breaking it off with their trading desks: 59 percent pointed to a lack of transparency as key motive for their decision. Another 34 percent cited costs. Belt tightening across the industry has made some advertisers more willing to sacrifice their trading desk insights to free up capital.

## Why did that relationship end?



**33.3%**

Cost was too high

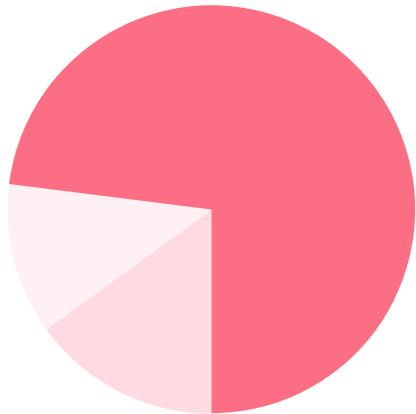
**57.6%**

Lack of transparency

**9.1%**

Lack of brand safety

## When did that relationship end?



**72.7%**

More than 1 year ago

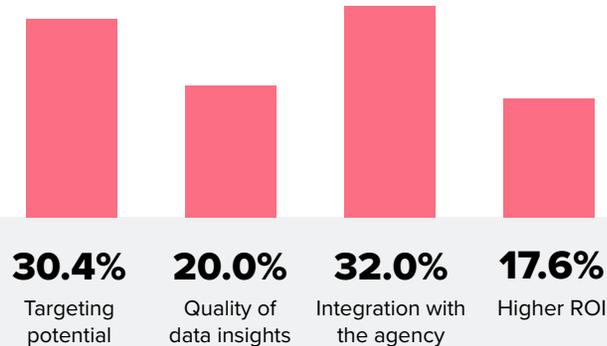
**12.1%**

6 months to 1 year ago

**15.2%**

Fewer than 6 months ago

### Which of the following is the major benefit of working through a trading desk to buy programmatic inventory?



### Which of the following is the most important need for most of your clients?



But let's not discount the slim majority who are still working with trading desks. Their reasons centered around two key beliefs. First, trading desks present a way to integrate multiple agency services under one platform, streamlining the expansive array of offerings many agencies provide. Second, trading desks are able to look across the multitude of campaigns they're working on, allowing brands to tap into the wisdom produced by the accumulation of insights.

We all use tools that fulfill our needs. According to 39 percent of respondents, brand safety, along with content protection, is at the top of that stack, followed by 27 percent who demand viewability analytics. As long as trading desks continue to deliver those two core essentials, they're going to stick around.

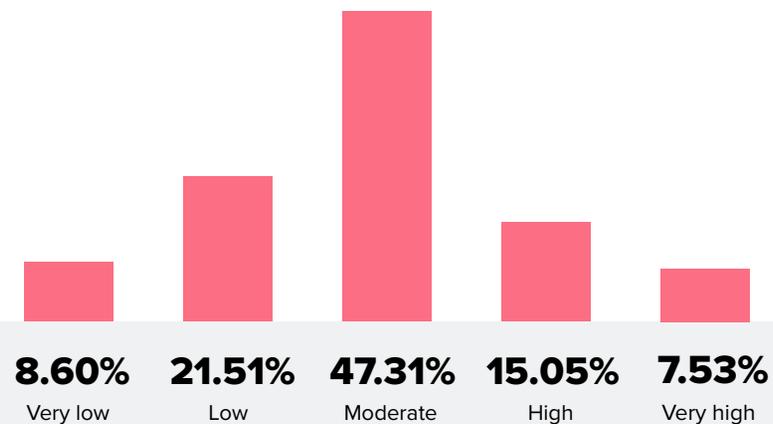
At the end of the day, transparency shouldn't be a nice-to-have. For all the insights they provide, trading desks remain another black box. Letting clients peek under the lid goes a long way in helping agencies and brands trust the insights that come out.

# But clients are still skeptical

Transparency has become an industry buzzword for a reason. Results mean nothing if clients doubt the methods; understanding the process helps them judge the value of the numbers for themselves. A lack of transparency erodes trust, one likely reason that lower levels of trust were reported between buyers and traders than between buyers and planners or strategists.

While 23 percent of media agencies indicated a high level of trust in their trading desk partner, 31 percent reported low trust. That's not unusual given the siloed state of the industry, but that doesn't mean agencies shouldn't work to improve the relationship.

## How would you rate the trust between media agencies and the trading desks they work with?

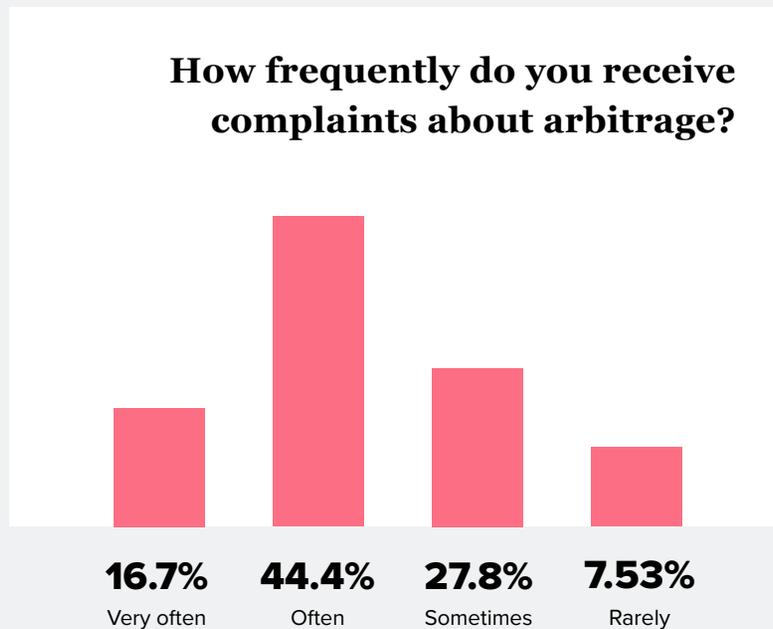


*“They want to get their hands dirty; big brands worry about keeping these processes at arms length. They want transparency because it puts them in the driver’s seat.”*

**Ari Bluman**  
Group M

Ari Bluman, former chief digital investment officer at Group M has seen more clients take things in-house for more control. “They want to get their hands dirty; big brands worry about keeping these processes at arms length. They want transparency because it puts them in the driver’s seat.”

And these perceptions aren’t being formed groundlessly: 34 of those surveyed reported that trading desks resold premium inventory to agency clients, a practice that not only adds a markup for clients, but puts agencies’ own credibility at risk. Twenty-nine percent of buyers and brand advertisers have a had a client accuse their trading desk of traffic arbitrage, 62 percent of of whom reported such accusations occur often, a frequency which puts a strain on the agency/client relationship and diminishes trust.

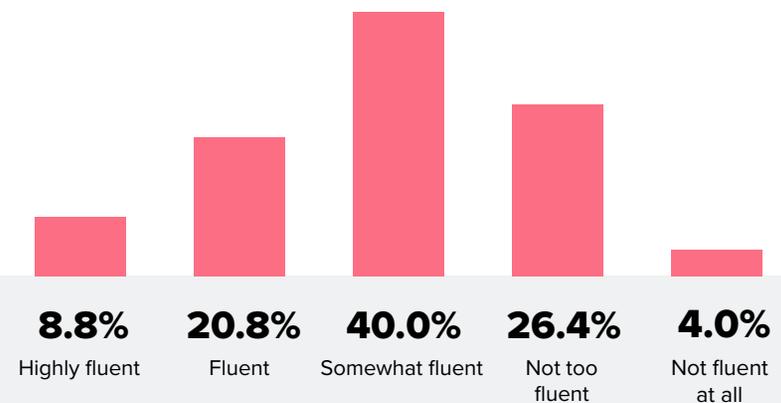


# Agencies have to talk the (programmatic) talk

It's old news that programmatic is eating up ad spend; 35 percent of respondents plan to transact at least 80 percent of their spend programmatically within the next year. That's an 11 percent increase from current levels. Despite this, around 32 percent say that they are either not too fluent or not at all fluent in the programmatic skills necessary to deal with this shift.

According to Garza, this isn't necessarily a problem. Agency pros, he says, need to "understand how the impression is traded. Understand what the platforms do. Understand how your function can and should participate." However, "If your client services person doesn't understand how to describe or sell programmatic, you're in trouble."

## How fluent are most agency buying teams in programmatic technology and methods?



*“If your client services person doesn’t understand how to describe or sell programmatic, you’re in trouble.”*

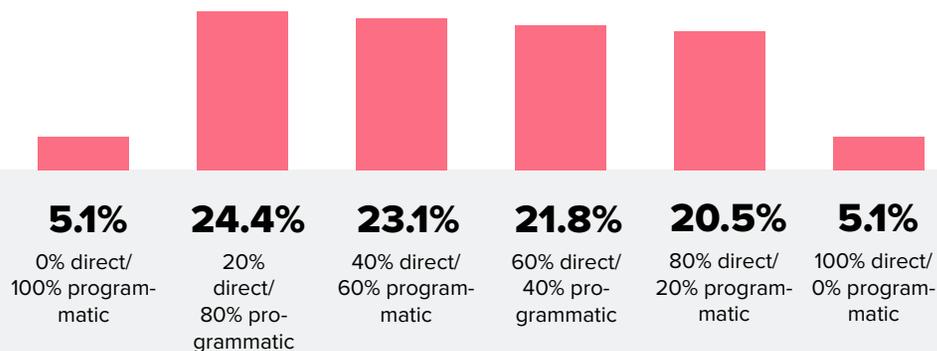
**Oscar Garza**  
Essence

This lack of deep understanding is one reason that agencies still partner with trading desks. Their perceived expertise in programmatic is a very valuable asset. But expertise doesn't diminish the importance of trust, and trading desks that push toward transparency will encourage more agencies to trust them with handling an ever-growing budget.

“People don't want to trust anything they can't see from end-to-end.” says Bluman. “[Trading] desks need to evolve their thinking about openness if they want to see dollars continue to flow in their direction.”

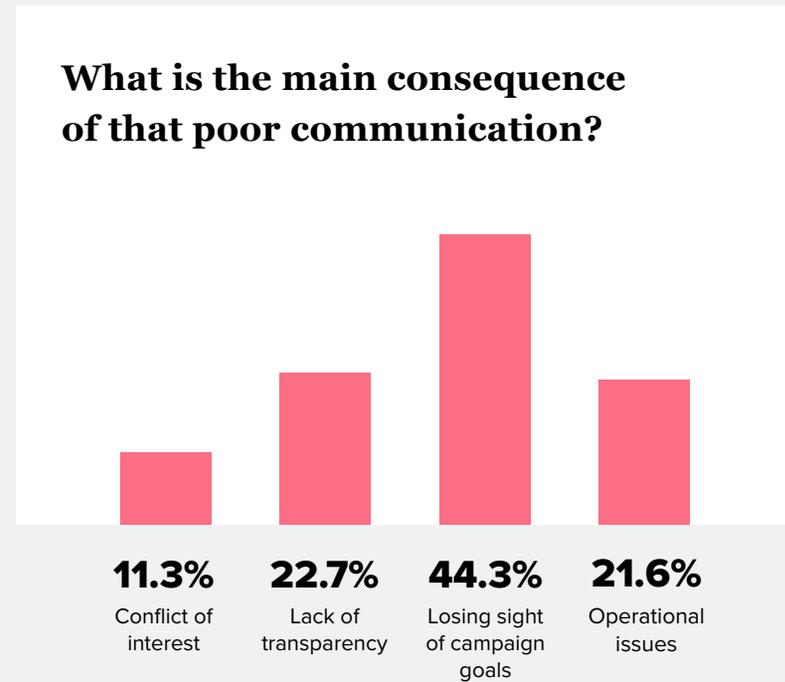
And the share of programmatic spend transacted through trading desks already is nothing to scoff at: 38 - 54 percent according to these results. In fact, 24 percent indicated that they conduct between 81 and 100 percent of their total programmatic spending via trading desks.

**How much of your spend is currently executed directly versus through programmatic channels?**



As always, understanding the environment will allow agencies to make clearer decisions about their programmatic allocations in the future. And for those that maintain their trading desk connections, improving fluency will lead to clearer communication between buyers and traders.

It may seem like a minor detail, but 44 percent of respondents cited poor communication as a key cause of poor campaign results. Not speaking the same language is costing buyers and corrupting what could be effective partnerships.



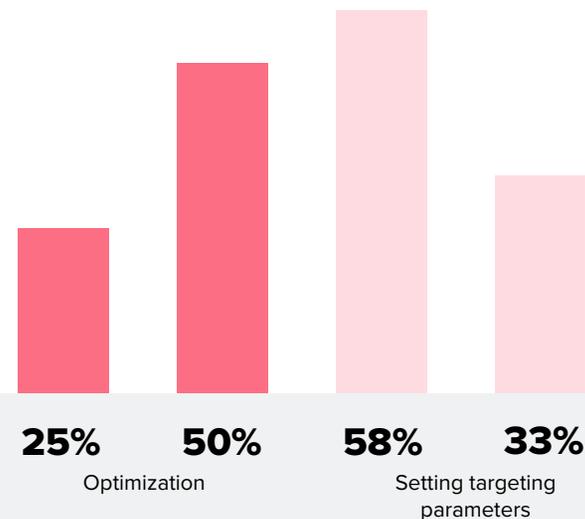
# Trading desks: Play to your strengths

Agencies can get the best use of their trading desks by drawing on their strengths, and trading desks have really found their niche in campaign optimization: 70 percent reported that campaign optimization falls under the purview of trading teams, while target- and goal-setting remain the domain of agency buyers in a majority of cases.

This division of labor means that, ideally, decision-making power is divided fairly evenly between buying and trading teams. The two sides offer complementary areas of expertise. But in practice, only 24 percent of buyers strongly agreed that they had significant control over strategic buying and targeting; 40 percent of traders felt similarly.

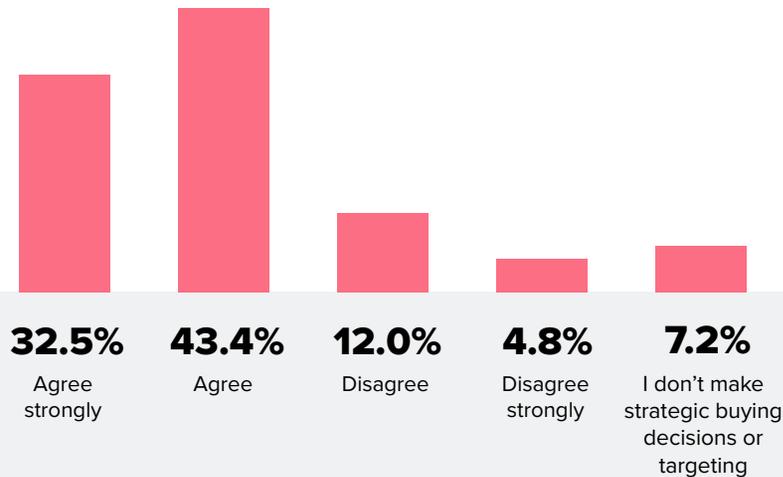
**When a trading desk is involved, are the following decisions more often made by the agency buying team or the trading team?**

- Buying
- Trading

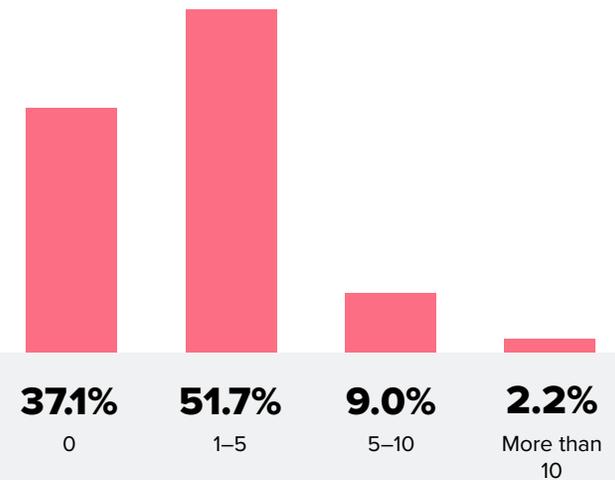


This disparity in perceived authority exposes a breakdown in the otherwise ideal partnership, and it's probably one reason buyers report feeling that their directives are getting lost in translation as traders go rogue. With 53 percent of respondents saying they've seen at least one client take their ad buying in-house, agencies need to better hold onto and showcase their planning acumen to demonstrate to their remaining and future clients why their role is still vital to programmatic campaigns. Ironing out communication wrinkles and setting authority boundaries with trading desk partners is a great start.

### I have a strong voice in the strategic buying decisions

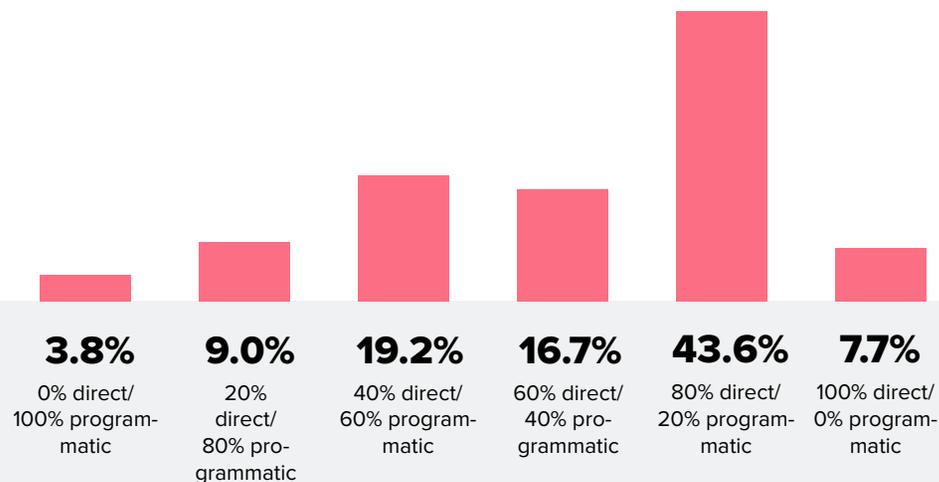


### In the past year, how many of your clients have brought their ad buying in-house?



# The forecast looks sunny

## How much of your programmatic spend is currently executed through open RTB versus private marketplaces?



Many of these are natural tensions present in any process with multiple stakeholders. We should recognize that the overall outlook for trading desks is positive: 66 percent of respondents describe their trading desk partners as somewhat helpful or substantially helpful in executing campaigns. Of course, opinions can change from day to day. The real proof is in the numbers.

Forty-four percent of respondents currently conduct 80 percent of their total ad spend through RTB, an environment that relies heavily on optimization support and expertise, a foundational competency of trading desks. As long as trading partners play toward this strength, they'll continue to have an important role in an agency landscape rapidly shifting to programmatic transactions.

Agencies: There's room for both of you at the table. Just remember what you bring to it.