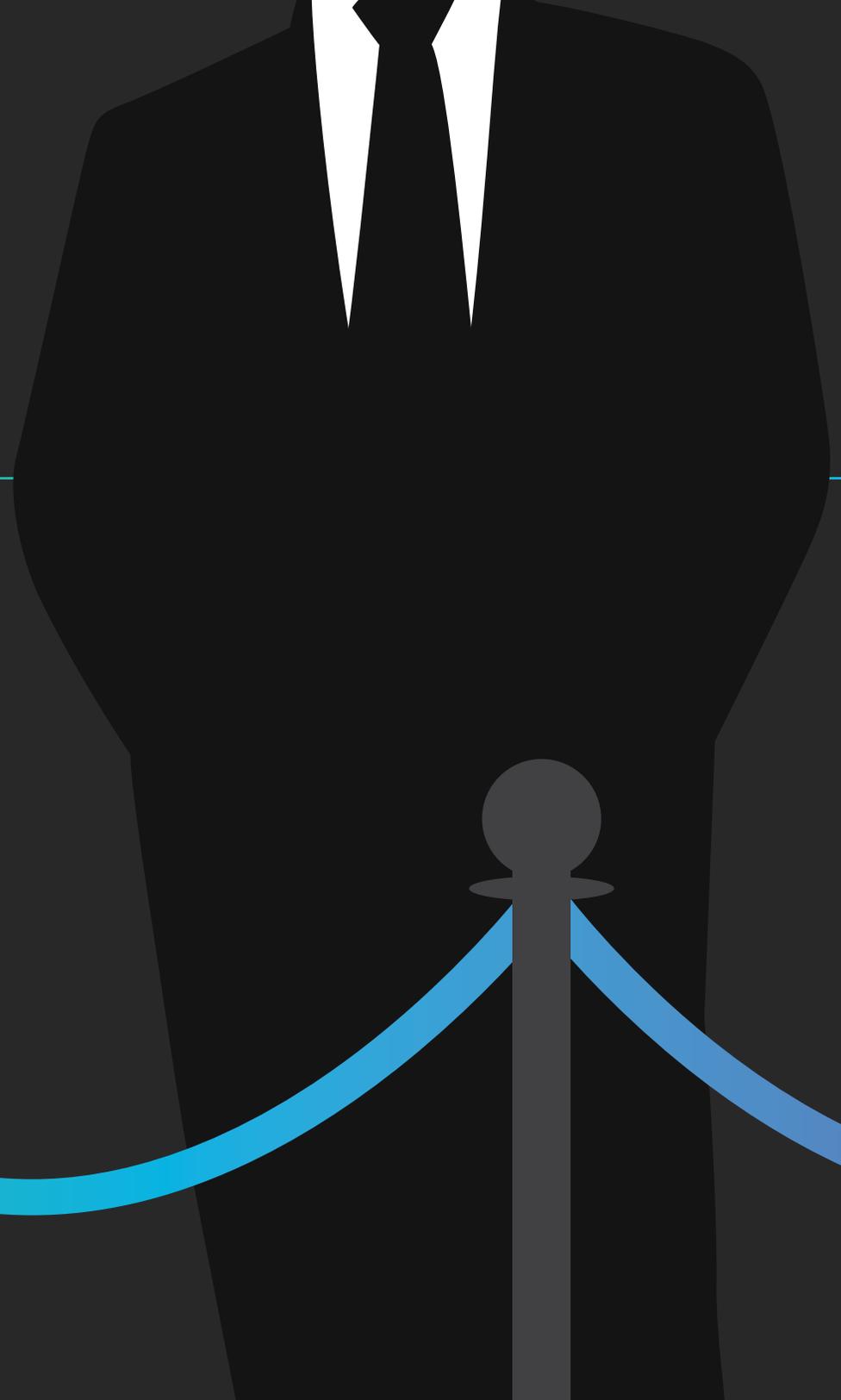


DIGIDAY



# WTF

IS A PMP?



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# INTRODUCTION

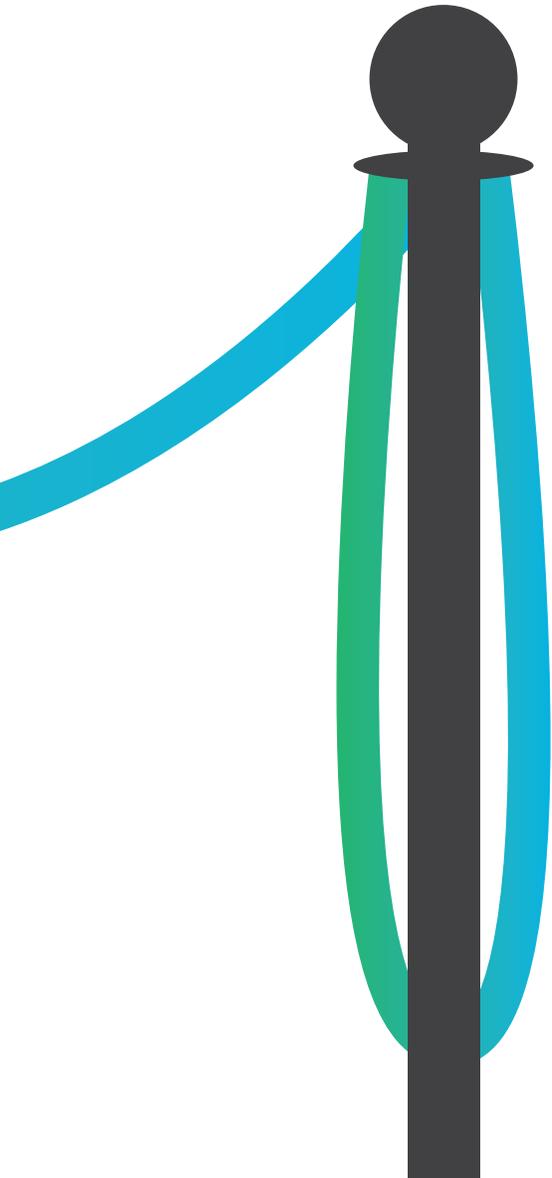
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If open digital ad exchanges are public pools where anyone can drop by for a swim, then private marketplaces are country clubs where publishers and ad networks grant special access to advertisers who pass their smell test. You know, *our sort* of advertisers: No one who would try to pass flashy ads or ads that cross the lines of brand safety. How gauche!

Why all the rules? Publishers want to protect their users' priceless experience—clean design, fast page load times, etc. In exchange for conforming to those rules, advertisers get prime ad placement on their sites and access to their most creative formats.

In this guide, we'll take a look at the development of PMPs from the primordial swamp of RTB to the rarefied private markets where only the topmost tier of digital inventory is exchanged. We'll also look at some of the factors driving adoption, explore the global penetration of PMPs and take into account some of the factors that might be slowing down adoption.

## So, WTF is a PMP?



# EVOLUTION

## RTB roots

The rise of PMPs has its roots in traditional real-time bidding, or more accurately, in its drawbacks. RTB solved a lot of problems for publishers by allowing for anyone with an audience to plug into an exchange and swap impressions for cash. The process was automated, so in theory there was no need to maintain a large sales team to spin up a bunch of separate deals. Unfortunately, that system proved less than perfect.

“Many of the bigger exchanges have a problem with quality. Premium publishers don’t want just any ads showing up on their pages,” said Lucille Callan of the IAB’s programmatic council. “And, of course, advertisers don’t want low quality impressions or to see their creative on some of these traffic aggregator sites.”

These flaws left the buy-side and the sell-side looking for a different way to do business. Publishers investing heavily in premium content didn’t want to see that investment wasted on the diminishing returns of the RTB waterfall, so they did what any self-respecting merchant of bespoke goods would do—they set up their own shops.

## Private exchanges in open source RTB

For publishers, audience is everything and prestige is currency. What do the prestige-minded do when they need a place to hobnob with other worthies? They create a private club. And so private marketplaces were born, closed exchanges built by single publishers or where premium inventory could be bought at a higher price in exchange for a guarantee of quality. Some of the earliest were formed by publishing giants [Condé Nast](#), [Hearst and](#)

[The New York Times](#), [Tribune Media and Gannett](#) followed. These legacy publishers were able to attract premium advertisers thanks to their trusted brands and large, quality audiences.

As for advertisers, DSPs like MediaMath and AdMeld—later acquired by Google—were early to the game. They ushered major players, including General Mills and Unilever, into the fold.

And just like that, the private exchanges had everything they needed to throw a swanky programmatic pool party. Iconic publishers and the some of the world’s most recognized brands began splashing around the deeper end of the CPM pool.

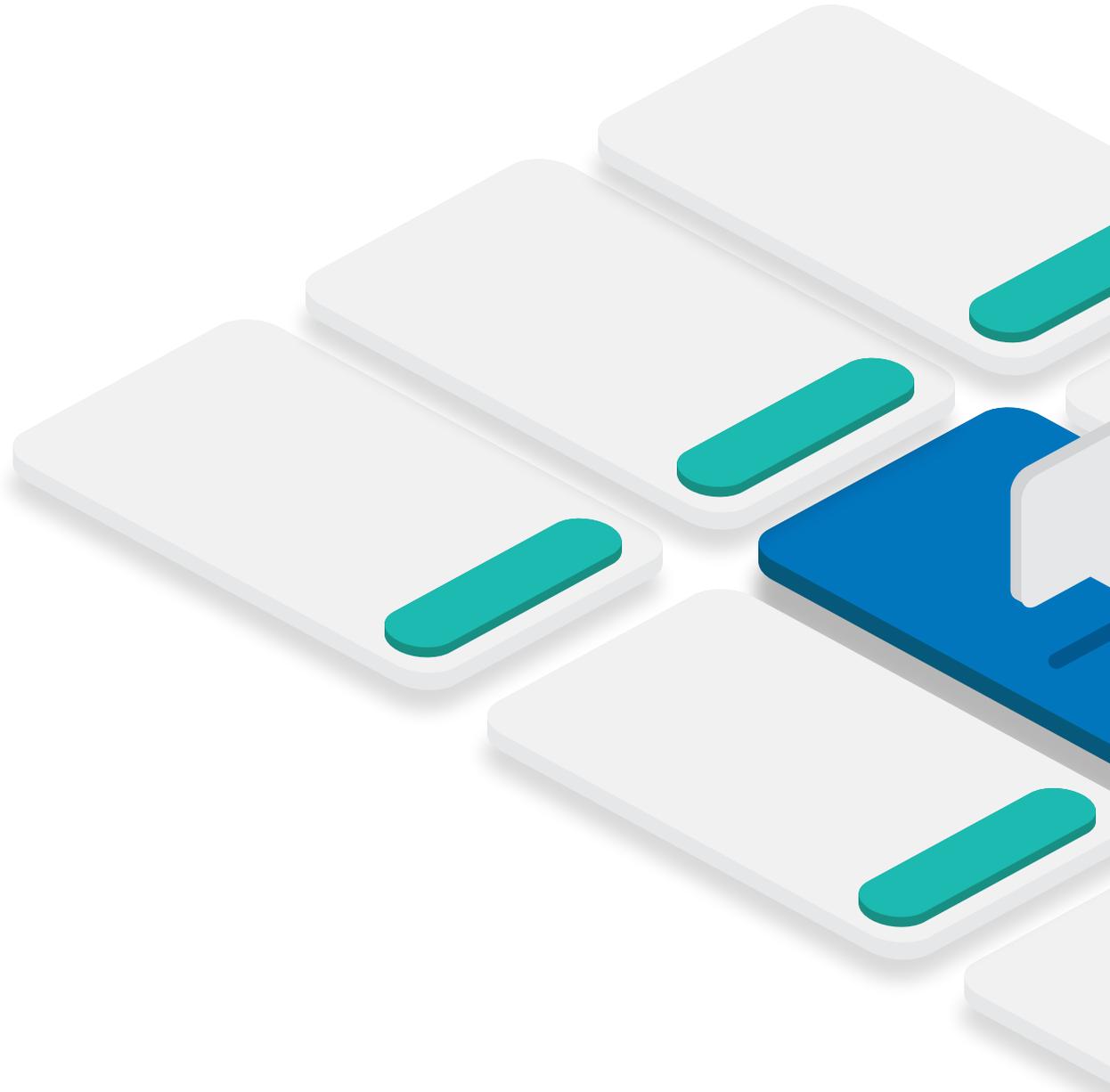
# Boost PMP Revenue!

Premium inventory performs best in a quality environment.

Close more high-value deals with quality buyers through OpenX Private Marketplaces.

<https://www.openx.com/products/pmp-products/>

See how!



# 3 GROWTH FACTORS

Since first hitting the market in 2011, private marketplaces have gone from a niche solution for premium publishers to a widely accepted way for advertisers to access premium inventory. The brainchild of a few elite publishing brands has now gone global as publishers of all stripes have shifted their top tier impressions into private markets. Growth has been steady. By 2014 buyers were spending a respectable [\\$670 million in private marketplace](#) transactions. In 2017 PMP spending is [set to top \\$2.86 billion](#) worldwide. This stellar growth is the result of a frothy mélange of needs and assumptions. First among them: access to unique inventory, falling publisher revenue and UX concerns due to ad blocking.

## 1. Inventory

Get used to hearing the phrase “premium inventory” because it’s the heart of what drives PMPs. Access to top tier placements and custom creative units gets advertisers mouths watering, and publishers are eager to protect their most precious inventory by pairing it with quality ad creative.

Advertisers want to see their ads sitting next to quality content. They want a quality impression on a respected site the same way they want their commercials to air during primetime. PMPs give advertisers a way to access only high quality inventory from premium publishers. “Even sites that are on the exchanges can reserve some of their top-tier placements for private transactions,” added Pamela Durham, demand manager at MediaMath.

## 2. Revenue

In an open exchange, RTB revenue is determined purely by supply and demand. The more inventory there is on the market, the lower the going rate. But that’s a losing battle for quality publishers that spend more money on creating great content. PMPs put quality back in the mix, by allowing publishers to charge more for ads that sit beside their very expensive, but top notch, content.

## 3. User experience

With the rise of ad blocking—[nearly 34.4 percent of Americans said they used an ad blocker in 2016](#)—advertisers aren’t the only ones who’ve started to think about quality. Publishers worried about preserving their audiences have turned to PMPs to guarantee that the creative showing up on their site is high caliber. PMPs allow publishers to avoid running ads for shady brands or ads with low-quality creative. Top-tier publishers don’t want to see blinking banners, bad design work, racy content or ads that slow down fragile load times.

# 4 CHALLENGES TO PMPS

If PMPs were perfect, everyone would be doing it. Actually, everyone is doing it, and that's part of the problem. With wide adoption comes all the difficulties of scaling a niche solution. Technology compatibility, inventory availability and data leakage all present obstacles to the PMP revolution.

## 1. Technology

An ever growing number of demand and supply side platforms are plugging into private exchanges. Unfortunately, those varied technologies don't always know how to talk to one another. This can be challenging when publishers and advertisers are relying on the programmatic pipes to flow smoothly. Differences in set-up protocols or mistaken deal IDs create headaches for ad ops teams as PMPs become more mainstream.

"These private exchanges weren't really designed to scale," said Henry Stamper, general manager of demand at Group M. "Integrating new DSPs can be a real challenge. They're not speaking the same language, and for the system to really be efficient they need to be."

## 2. Unsold inventory

The primary reason buyers jump into the deep end of PMPs is the quality, availability and transparency of the ad inventory. Most publishers reserve a fraction of their high quality digital inventory for PMPs. However, since the exchange is designed to give advertisers special access to exactly the audiences they want some of those precious impressions go unsold. Unlike the open market—where every impression eventually sells even if it is for a depressingly low CPM—PMPs can't offer the same guarantee. Instead of selling at a loss, some inventory may be left to rot on the proverbial vine.

"You risk leaving a small percentage of your inventory on the table if it's not tailored enough to the demands of the market," said Jana Meron, vp of programmatic and data strategy at Business Insider. "The ad ops and audience team definitely play a role in refining what we offer up so that we get a 100 percent sale."

# 4 CHALLENGES TO PMPS

“*If you don't have a goal in mind—a particular target audience segment that you want to reach—then you may just be buying more expensive inventory.*”

- LUCILLE CALLAN, IAB

## 3. Buy-side literacy

For all their virtues, at the end of the day, participating in private marketplaces can be costly for buyers. The top-tier inventory on offer commands a higher CPM because it confers access to a superior audience. Buyers need to understand what it is they're looking for, otherwise they may feel these costs are unjustified.

“PMPs are good because they serve a purpose,” said the IAB's Callan. “If you don't have a goal in mind—a particular target audience segment that you want to reach—then you may just be buying more expensive inventory.” According to Callan, plugging into a PMP may only be useful for a branding campaign designed to create awareness and recognition. For direct response advertisers may be better served purchasing a wider spread of impressions on the open exchange.

## 4. Data leakage

Almost as important to a PMP's success as the ad space is a publisher's first-party data. Premium publishers add value to the PMPs by using their data to better target ads or grant access to specialized audiences.

However, with that access comes the potential for misuse. To lure potential buyers and bolster the value of their impressions, publishers often bait the hook with audience data to demonstrate the quality of the audiences they can deliver. They do this by plugging that data into their SSP with the expectation that it can be shared with potential buy-side partners via the private exchange.

In some cases, publishers have found themselves inadvertently sharing data with marketplace partners, a phenomenon known as data leakage, that can give an advantage to competitors by exposing the makeup of their audiences.

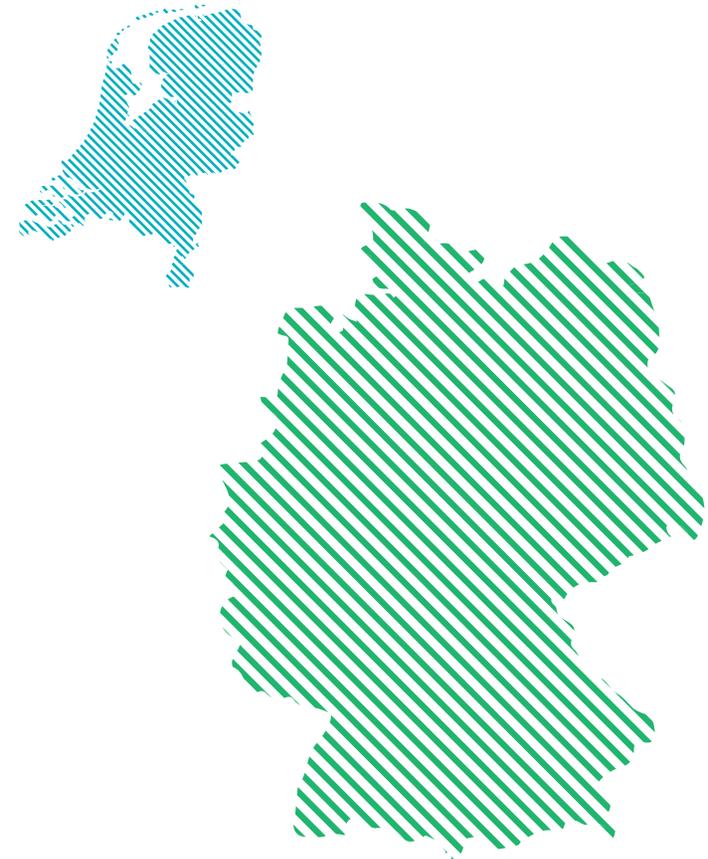
# REGIONAL ADOPTION

While private programmatic marketplaces are a market staple in the United States, they're an even stronger force in other regions. In the US, [roughly 42 percent of all programmatic transactions](#) pass through a PMP. But when it comes to buying ad space via PMPs, Europe leads the world. In smaller, highly regulated media markets, like the Netherlands and Germany, PMPs now account for most of all programmatic transactions.

"These are markets where the data you can collect on your audience is pretty limited," said Callan. "PMPs offer access to premium publishers and their audience data. If you want to run a truly targeted campaign in Germany then a private exchange is your best bet."

In Europe, computing giant Lenovo has already identified the split between open markets and PMPs that best drive quality and reach. Gary Milner, director of global digital marketing at Lenovo said the computer giant roughly splits six to four in favor of open exchanges, providing a balance that saw programmatic spending gradually rise as the brand sought out more unique inventory.

Finding the optimal ratio in the United States, where the private marketplace ecosystem is still evolving, has proved more difficult. Most advertisers are looking to achieve a mix of the unique premium inventory they can find in private marketplaces with the more generic impression purchased in open exchanges. The exact recipe depends on the buyer's goals and the availability of inventory in their local market.



# 3 KINDS OF PMPS

When we get down to brass tacks, private marketplaces are built on a handful of closed RTB models. Then, each in their own way, they fill in the gradient between the freewheeling RTB auctions and automated direct transactions. Here are three kinds of private marketplaces, some of which are designed to level the playing field, while others deal an advantage to buyers (or sellers.)

## 1. Open auction with priority

Also called “First Look,” this type of private exchange is open to any buyer, but only a single seller, making it the least exclusive type of private exchange. In this model, a publisher gives advertisers the aforementioned “first look” at premium inventory and the opportunity to reserve that ad space on top sites. In exchange, buyers pay more. Any unreserved inventory goes on the open exchange.

## 2. Private auction

This, the most common PMP model, is akin to the private pool in the introduction. Premium publishers charge carefully vetted members more for access to top tier inventory and audience data. In exchange, those advertisers know exactly which sites their creative will appear on and they’ll have the opportunity to carve out their allotment of impressions from specially-crafted audience segments. For their trouble, publishers sleep well knowing that their brand is hobnobbing with the right class of advertisers.

## 3. Preferred deal

This option is more private deal than private auction. Rather than opening up inventory to a number of advertisers, a publisher gives a single buyer “a preferred deal”—usually a flat CPM at a higher price, exchanging money for access. Essentially buyers and sellers here are engaging in direct sales—all the negotiating is done by real, live human beings—but they’re ultimately serving their I/O through an automation platform.

# NEXT STEPS

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You'd be hard pressed to find anyone who doesn't expect private marketplaces to grow in popularity and scale.

Private marketplaces are expected to be a big piece of programmatic growth this year. US advertisers spent \$25 billion on programmatic transactions in 2016, and that number is forecasted to grow by 83 percent; private marketplaces are poised for a boom before 2018.

The reason? "PMPs are a safe bet," said Paul Bannister, evp of Café Media. "As advertisers are moving more of their money into automation, they want to park it somewhere relatively safe. PMPs are a known quantity. You know what you're getting, and you have a lot of control. It's where publishers are putting their best inventory so brands are going to be there."

According to Bannister, brands committing bigger chunks of their budgets to programmatic will be drawn to the controlled environment of PMPs at least early on. Meanwhile, publishers chasing those new programmatic dollars will want to keep some control of their best inventory.

"There's definitely a push to create more premium tiers of inventory," said Bannister. "Publishers want to create those prestige brands because it's a path to secure audience and more money. PMPs are great for us because you can get a higher CPM to justify that higher tier content."



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